

Financial Results for Fiscal 2021 and Forecast for Fiscal 2022

May 11, 2022
Kobe Steel, Ltd.

KOBELCO

1. Financial Results for Fiscal 2021
2. Forecast for Fiscal 2022
3. Reference Information

1. Financial Results for Fiscal 2021

Net Sales: Increased due to an increase in sales volume mainly in the materials businesses compared to the previous fiscal year, which was affected by the novel coronavirus (COVID-19) pandemic.

Ordinary Income (Loss): Increased due to an increase in sales volume and an improvement in inventory valuation despite a deterioration in metal spreads associated with rising raw material prices of steel products.

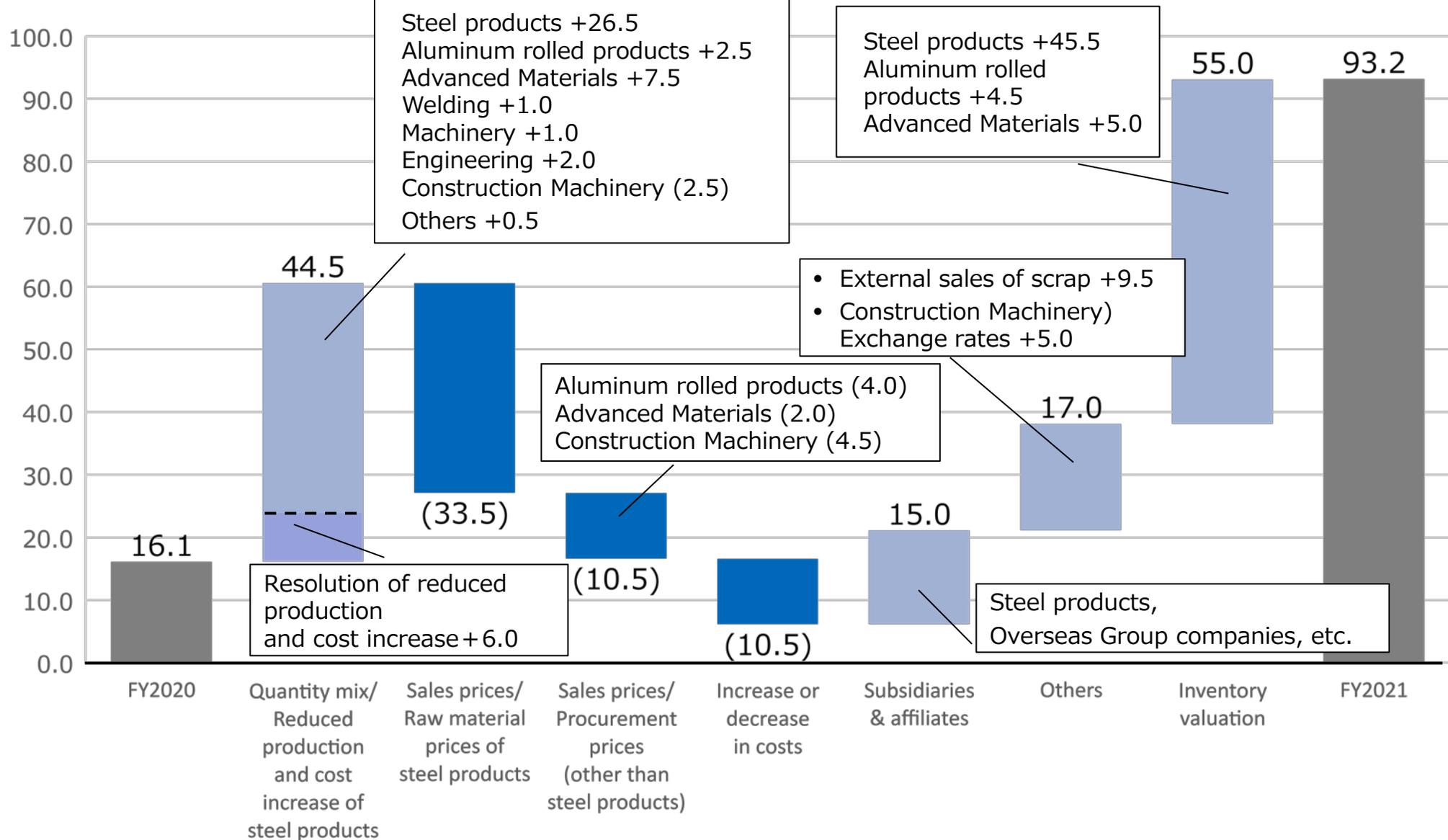
(Billions of yen)

	FY2020 Actual			FY2021 Actual			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	776.4	929.1	1,705.5	972.1	1,110.3	2,082.5	377.0
Operating Income (Loss)	(27.1)	57.5	30.3	46.8	40.8	87.6	57.2
Ordinary Income (Loss)	(35.2)	51.4	16.1	44.3	48.8	93.2	77.0
Excluding Inventory Valuation	(24.7)	44.9	20.1	19.3	22.8	42.2	22.0
Extraordinary Income (Loss)*	13.6	(11.0)	2.5	–	(9.2)	(9.2)	(11.7)
Net Income (Loss) Attributable to Owners of the Parent	(15.2)	38.4	23.2	34.5	25.5	60.0	36.8

Breakdown of Extraordinary Income (Loss)	FY2020	FY2021
Gain on sale of fixed assets	9.9	–
Gain on step acquisitions	3.2	–
Gain or Loss on sale of investment securities	2.9	(9.2)*
Loss on impairment	(13.5)	–
Extraordinary Income (Loss)	2.5	(9.2)

*Loss on transfer of shares in the copper tube business

(Billions of yen)



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

Net Sales

(Billions of yen)

	FY2020 Actual ①	FY2021 Actual ②	Change ②-①
Steel & Aluminum	696.3	914.9	218.5
Advanced Materials	238.1	333.2	95.1
Welding	70.0	76.9	6.9
Machinery	175.3	166.8	(8.4)
Engineering	136.1	135.6	(0.4)
Construction Machinery	333.1	371.6	38.4
Electric Power	80.4	109.8	29.4
Other Businesses	27.8	28.8	0.9
Adjustment	(51.7)	(55.3)	(3.5)
Total	1,705.5	2,082.5	377.0

Ordinary Income (Loss)

(Billions of yen)

	FY2020 Actual ③	FY2021 Actual ④	Change ④-③
Steel & Aluminum	(22.6)	37.5	60.1
Advanced Materials	(12.1)	5.1	17.3
Welding	1.7	2.7	1.0
Machinery	11.4	12.5	1.0
Engineering	4.4	7.7	3.3
Construction Machinery	12.7	12.0	(0.6)
Electric Power	20.6	13.2	(7.4)
Other Businesses	4.2	7.0	2.8
Adjustment	(4.3)	(4.9)	(0.6)
Total	16.1	93.2	77.0

- 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.
- Under this policy, Kobe Steel passed a resolution to pay a year-end dividend of 30 yen per share, with a change from 20 yen per share, reflecting the increase in net income attributable to owners of the parent compared to the forecast announced on February 5. (See P35 for consolidated earnings summary of FY2021.)

	FY2020			FY2021		
	Interim	Year-end		Interim	Year-end	
Dividends per share in yen	–	10	10	10	30	40
Dividend payout ratio			15.6%			25.0%

(Billions of yen)

		FY2020 Actual			FY2021 Actual			Change ②-①
		1H	2H	①	1H	2H	②	
Steel products	Net Sales	245.2	318.6	563.8	346.5	404.4	751.0	187.1
	Ordinary Income (Loss)	(40.4)	17.1	(23.3)	12.4	22.2	34.6	57.9
	Excluding Inventory Valuation	(31.9)	11.1	(20.8)	(9.5)	1.2	(8.4)	12.4
Aluminum rolled products	Net Sales	65.9	66.4	132.4	80.7	83.0	163.8	31.4
	Ordinary Income (Loss)	(1.4)	2.0	0.6	2.4	0.4	2.8	2.2
	Excluding Inventory Valuation	0.0	3.0	3.1	2.4	(1.6)	0.8	(2.3)
Total	Net Sales	311.2	385.1	696.3	427.3	487.5	914.9	218.5
	Ordinary Income (Loss)	(41.8)	19.2	(22.6)	14.8	22.6	37.5	60.1
	Excluding Inventory Valuation	(31.8)	14.2	(17.6)	(7.1)	(0.4)	(7.6)	10.0

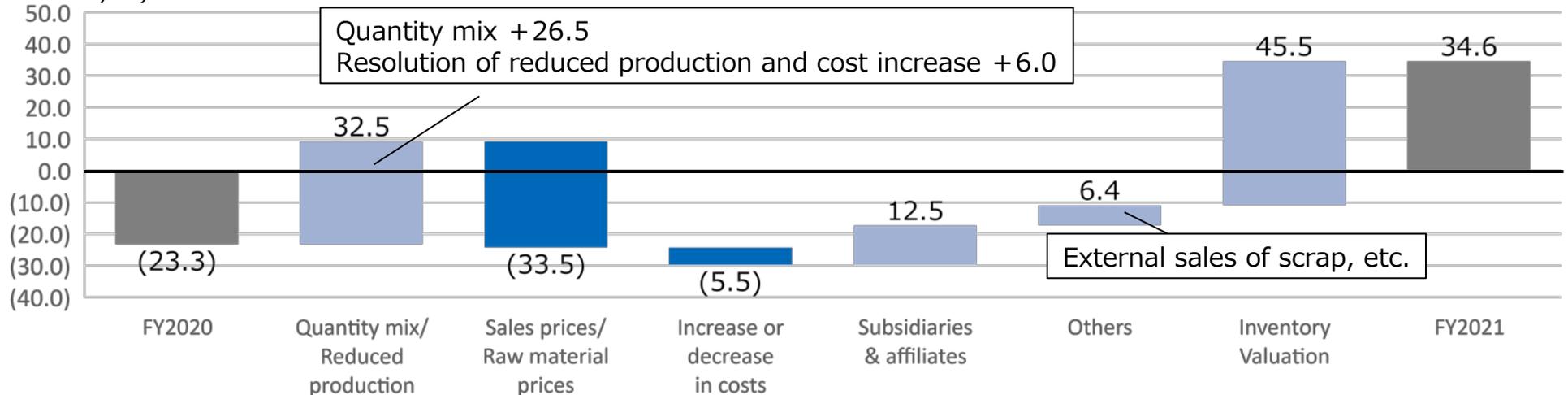
Steel products

FY2020 : Net Sales of 563.8 billion yen →
FY2021 : Net Sales of 751.0 billion yen (Up 187.1 billion yen year on year)
FY2020 : Ordinary Loss of 23.3 billion yen →
FY2021 : Ordinary Income of 34.6 billion yen (Up 57.9 billion yen year on year)

- Crude steel production: 6.59 million tons (Up 0.78 million tons year on year)
- Sales volume: 5.27 million tons (Up 0.54 million tons year on year)
 - Increased mainly in the automotive and construction sectors due to recovery in demand from the impact of COVID-19
- Sales price: 105,600 yen/ton (Up 23,300 yen/ton year on year)
- Factors affecting profit and loss
 - Increase in sales volume
 - Deterioration in metal spreads due to the delayed resolution of the increased gap between rising raw material prices and sales prices
 - Improvement in inventory valuation due to rising raw material prices

Related data on P38-40

(Billions of yen)



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

Aluminum
rolled
products

FY2020 : Net Sales of 132.4 billion yen →

FY2021 : Net Sales of 163.8 billion yen (Up 31.4 billion yen year on year)

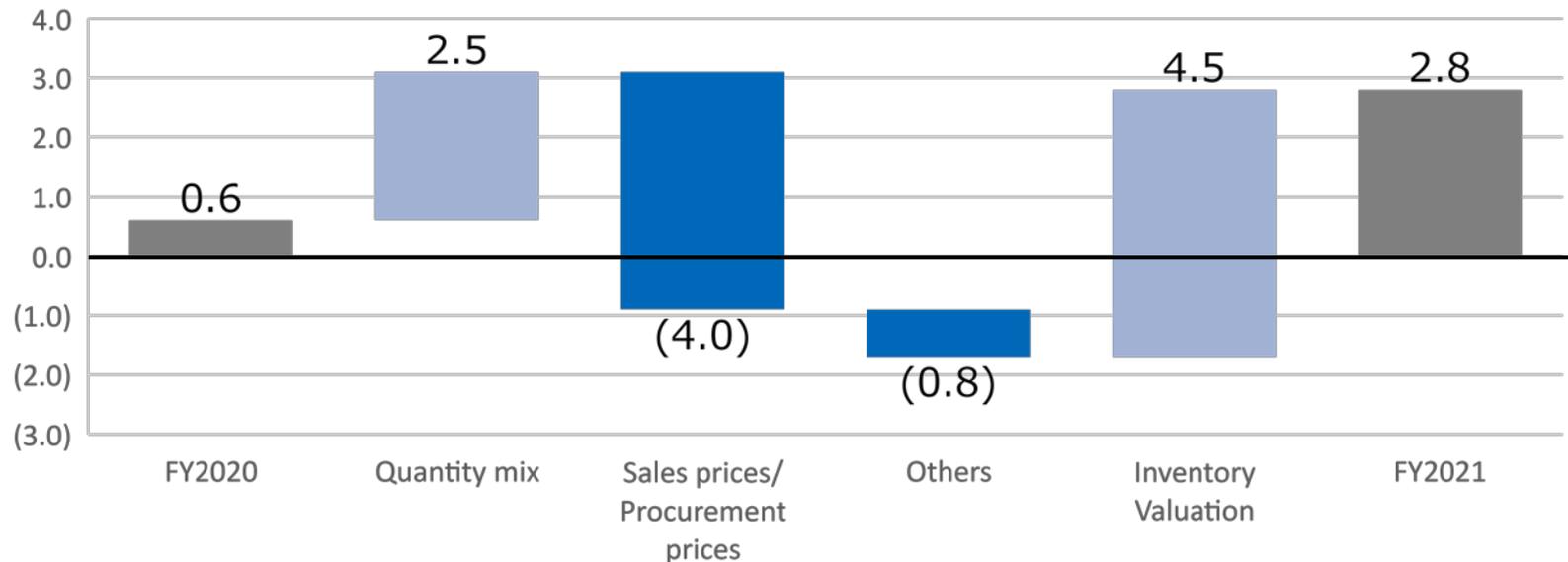
FY2020 : Ordinary Income of 0.6 billion →

FY2021 : Ordinary Income of 2.8 billion yen (Up 2.2 billion yen year on year)

- Sales volume: 343 thousand tons (Up 38 thousand tons year on year)
 - Beverage can stock: Increased due to an increase in sales
 - IT and semiconductors: Remained stable mainly in the semiconductor manufacturing equipment sector
 - Automobiles: Increased due to recovery in demand and an increase in sales
- Factors affecting profit and loss
 - Increase in sales volume
 - Increase in the prices of secondary materials and energy
 - Improvement in inventory valuation due to the rise in the aluminum market prices

[Related data on P39-40](#)

(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 Actual			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	105.3	132.7	238.1	153.2	180.0	333.2	95.1
Ordinary Income (Loss)	(10.9)	(1.2)	(12.1)	5.2	(0.1)	5.1	17.3
Excluding Inventory Valuation	(10.4)	(2.7)	(13.1)	2.2	(3.1)	(0.9)	12.2

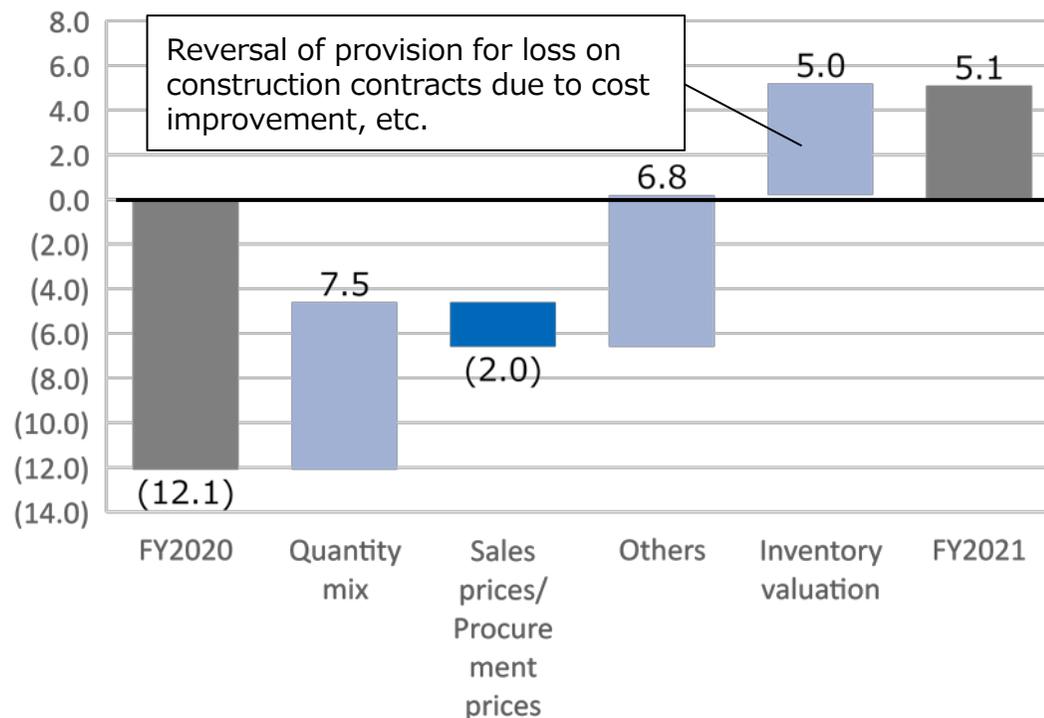
■ Sales volume

- Increased mainly in the automotive, semiconductor, and IT sectors

■ Factors affecting profit and loss

- Increase in sales volume
- Increase in the prices of iron sources, secondary materials, and energy
- Reversal of provision for loss on construction contracts due to cost improvement
- Improvement in inventory valuation due to an upturn in the copper market prices

(Billions of yen)



(Billions of yen)

	FY2020 Actual			FY2021 Actual			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	34.7	35.2	70.0	38.0	38.8	76.9	6.9
Ordinary Income	0.6	1.1	1.7	2.0	0.7	2.7	1.0

■ Sales volume

- Domestic: Increased in the architectural steel frame 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 P39](#)

(Billions of yen)

	FY2020 Actual			FY2021 Actual			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	86.4	88.9	175.3	79.7	87.1	166.8	(8.4)
Ordinary Income	4.1	7.3	11.4	4.2	8.3	12.5	1.0
Orders*	59.9	73.2	133.1	89.5	117.0	206.6	73.4
Backlog of Orders*			118.0			157.0	38.9

* Previously, orders received by Kobe Steel, Ltd. and its major consolidated subsidiaries were counted. From the current fiscal year, the Company changed the method to count the orders received by the Company and all of its consolidated subsidiaries. Accordingly, orders for the previous fiscal year and backlog of orders at the end of 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

- Increase in service contracts
- Improvement in profit margins due to changes in the project composition

(Billions of yen)

	FY2020 Actual			FY2021 Actual			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	56.0	80.1	136.1	55.6	79.9	135.6	(0.4)
Ordinary Income (Loss)	(0.6)	5.1	4.4	4.3	3.3	7.7	3.3
Orders	75.8	37.6	113.4	73.5	134.9	208.5	95.0
Backlog of Orders			282.1			343.0	60.8

■ Orders

- Increased mainly due to an increase in orders of large-scale projects in the DRI-related business (MIDREX® plants) and the waste treatment-related business

■ Factors affecting profit and loss

- Improvement in the progress of overseas projects that were affected by the COVID-19 pandemic in the previous fiscal year
- Improvement in profit margins due to changes in the project composition

	FY2020 Actual			FY2021 Actual			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	161.8	171.3	333.1	194.0	177.6	371.6	38.4
Ordinary Income	4.7	8.0	12.7	8.4	3.6	12.0	(0.6)

(Billions of yen)

■ Unit Sales

[Hydraulic excavator]

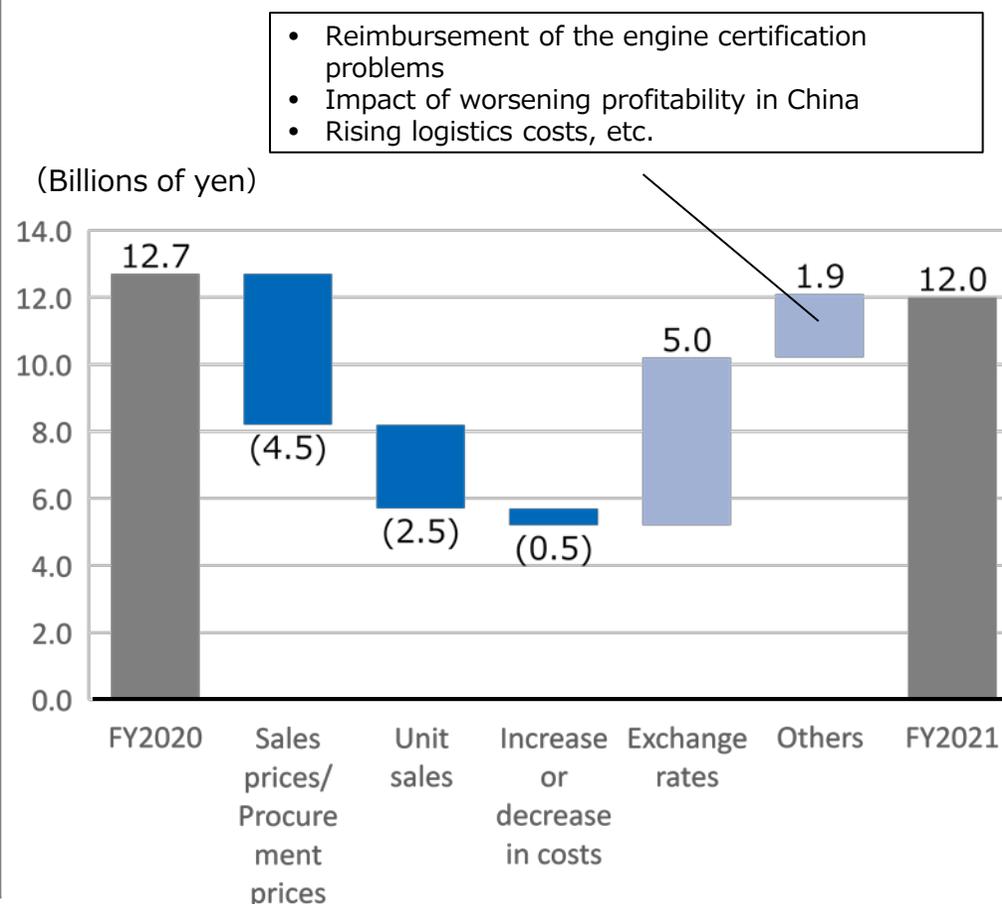
- Increased mainly in Southeast Asia and Europe due to recovery in demand from the impact of COVID-19 and decreased in China due to decline in infrastructure investment

[Crawler crane]

- While declining in North America, affected by engine certification problems, sales were similar to the previous fiscal year's level due to an increase in India, Europe and other areas where demand has recovered.

■ Factors affecting profit and loss

- Increase in procurement prices for steel products and others
- Decrease in unit sales in China and deterioration in regional composition
- A weaker yen against the dollar and euro



(Billions of yen)

	FY2020 Actual			FY2021 Actual			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	37.0	43.3	80.4	37.5	72.3	109.8	29.4
Ordinary Income	8.1	12.4	20.6	5.7	7.5	13.2	(7.4)

■ 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 coal prices

■ Factors affecting profit and loss

- Decline in sales volume
- Downturn in demand from the previous fiscal year that saw a rise in demand due to temporary power supply-demand tightness

2. Forecast for Fiscal 2022

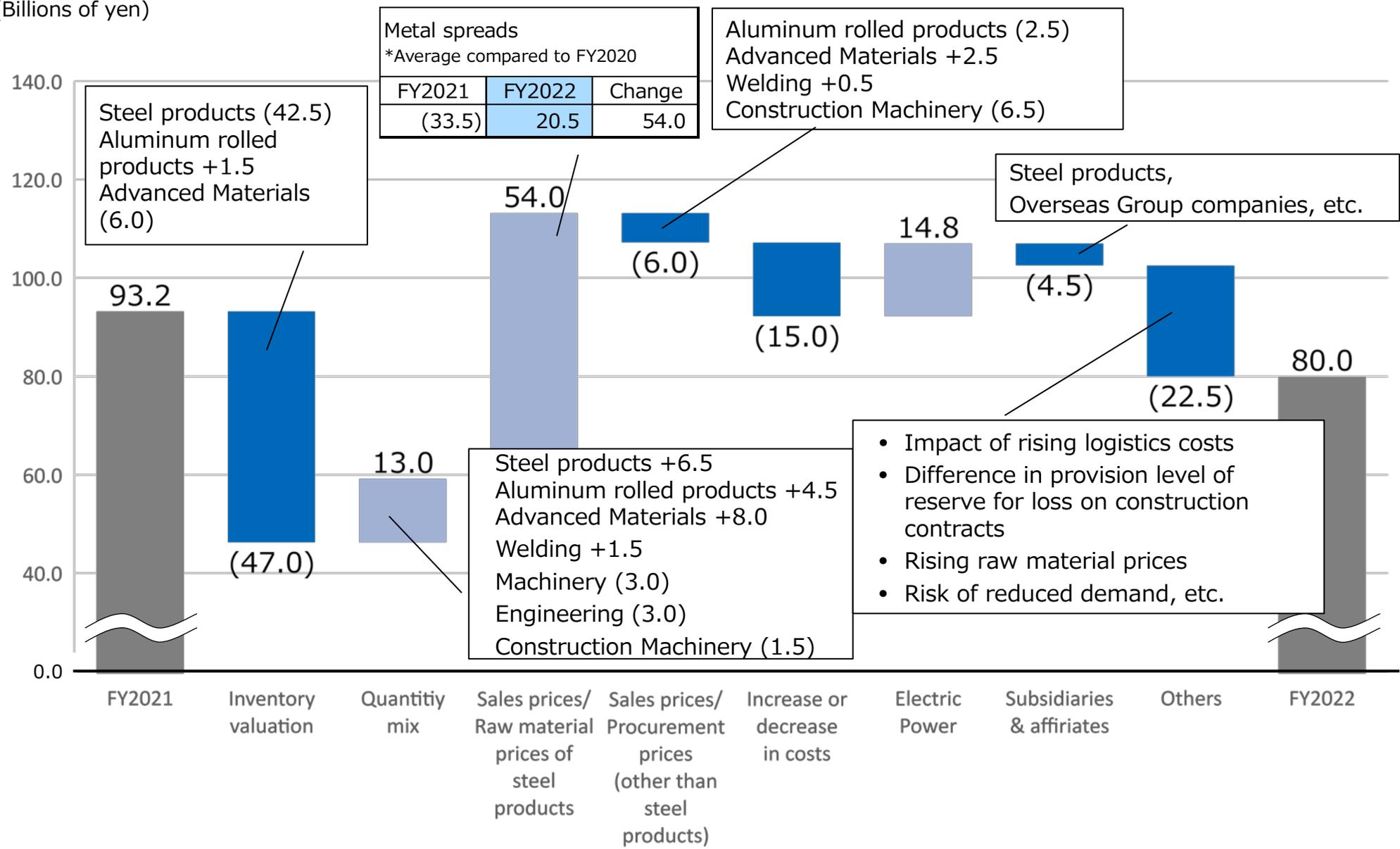
- We forecast an increase in ordinary income to 76.0 billion yen (excluding the impact of inventory valuation) due to **the improvement of steel metal spreads** (as a result of the resolution of the gap between rising raw material prices and sales prices and the improvement of margins), **an increase in sales volume of the materials businesses** in line with the recovery of automobile production from the second half of the fiscal year, and **steady implementation of the priority measures to "establish a stable earnings base"** set forth in the Medium-Term Management Plan (smooth startup of new electric power projects, restructuring of unprofitable businesses, etc.).
- On the other hand, **the outlook is highly uncertain due to the Russia's invasion of Ukraine**. Although certain risk factors have been considered in this earnings forecast, there is a **possibility that the macroeconomic environment will deteriorate further than expected**. We will **closely monitor the impact on our Company's business performance**.

(Billions of yen)

	FY2021 Actual			FY2022 Forecast			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	972.1	1,110.3	2,082.5	1,160.0	1,210.0	2,370.0	287.5
Operating Income	46.8	40.8	87.6	25.0	55.0	80.0	(7.6)
Ordinary Income	44.3	48.8	93.2	35.0	45.0	80.0	(13.2)
Excluding Inventory Valuation	19.3	22.8	42.2	32.5	43.5	76.0	33.8
Extraordinary Income (Loss)	–	(9.2)	(9.2)	–	–	–	9.2
Net Income Attributable to Owners of the Parent	34.5	25.5	60.0	30.0	30.0	60.0	–

**Related Data on
-P20 (Impact of
Russia's Invasion of
Ukraine on our
Company's Financial
Results and Future
Response)
-P21 (Assumptions
for the Production
and Sales of the
Materials Businesses)**

(Billions of yen)



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

Impact of transactions with Russia

- In sales, our Company has Russia-related transactions mainly in the DRI-related business (MIDREX®) in the engineering segment, but the impact on the future Company's business performance is expected to be minor because our sales to Russia are less than 0.5% of the Company's consolidated sales in fiscal 2021.
- In procurement, there are transactions mainly to purchase coking coal for steel and thermal coal for power generation, but we are promoting alternative procurement from non-Russian sources so as not to affect our production.

Rising material prices

- The assumptions for the FY2022 forecast in terms of the prices of primary raw materials for steel are shown on page 21.
- We will strive to seek understanding of customers in order to resolve the gap between rising raw materials prices and sales prices timely and steadily.

Response to supply chain risks

- We will closely monitor trends in automobile production, which will affect sales volumes in the materials businesses (see page 21(Assumptions for the Production and Sales of the Materials Businesses))and will consider recovery measures in the event of a decline in demand.
- We will strengthen risk management of parts procurement and minimize sales opportunity losses, mainly in the machinery business.

Automobile production

The shortage of parts, mainly in the semiconductor sector, is expected to gradually be alleviated, and automobile production is **expected to recover in the second half of fiscal 2022**.

* Affected units : Steel products, aluminum flat rolled products, aluminum suspensions, aluminum extrusions & fabrication, copper flat rolled products, steel powder, and welding

Estimated production volume of Japanese automobile manufacturers (including overseas production)
 * Compared to the average in FY 2019

	FY2020	FY2021			FY2022 Forecast		
	Full Year	1H	2H	Full Year	1H	2H	Full Year
Change	(13%)	(13%)	(10%)	(12%)	(7%)	+5%	(1%)

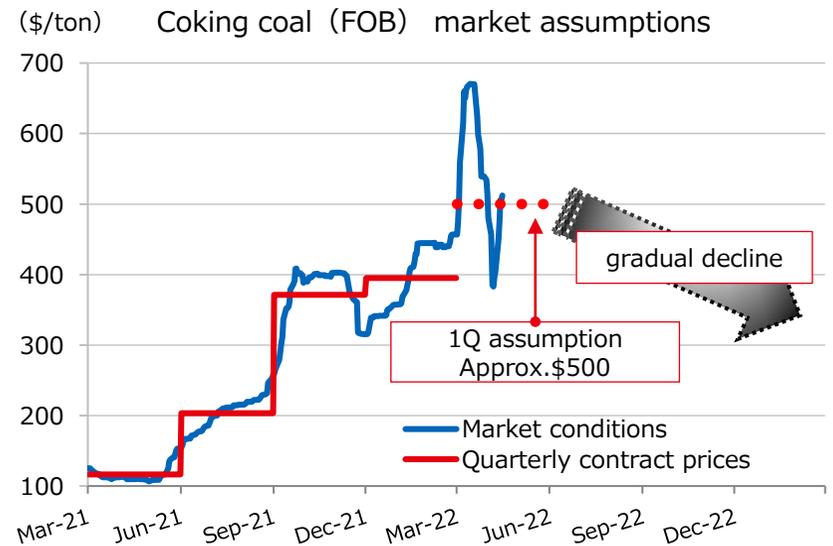
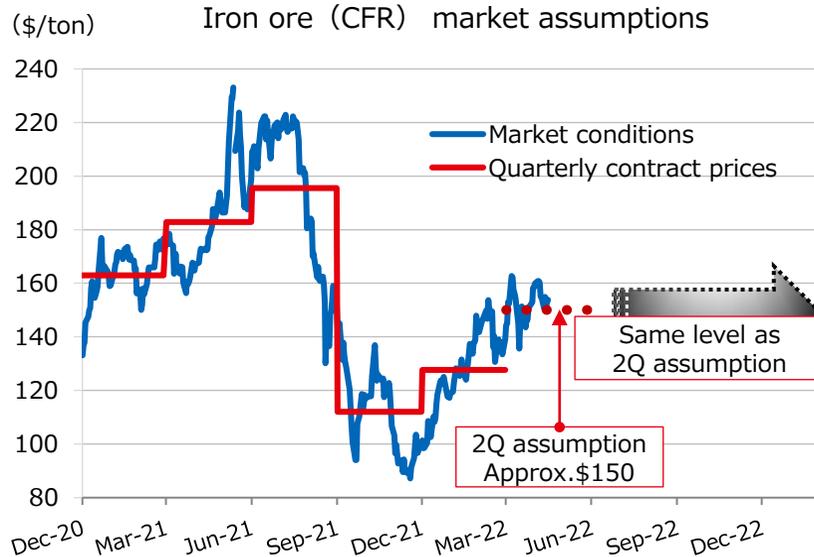
Iron ore
Coking coal

Iron ore : FY2022 1Q prices have been settled.

Prices in 2Q are assumed to be around \$150 and prices in 2H are assumed to the same level as in 2Q assumption.

Coking coal : The prices in FY2022 1Q, which will reflect the current surge in market prices, are assumed to be around \$500.

In 2Q and beyond, it is assumed that **the market turmoil will gradually resolve**.



Net Sales

(Billions of yen)

	FY2021 Actual	FY2022 Forecast			Change
	①	1H	2H	②	②-①
Steel & Aluminum	914.9	530.0	560.0	1,090.0	175.1
Advanced Materials	333.2	140.0	145.0	285.0	(48.2)
Welding	76.9	41.0	43.0	84.0	7.1
Machinery	166.8	95.0	96.0	191.0	24.2
Engineering	135.6	67.0	85.0	152.0	16.4
Construction Machinery	371.6	198.0	192.0	390.0	18.4
Electric Power	109.8	107.0	105.0	212.0	102.2
Other Businesses	28.8	11.0	16.0	27.0	(1.8)
Adjustment	(55.3)	(29.0)	(32.0)	(61.0)	(5.7)
Total	2,082.5	1,160.0	1,210.0	2,370.0	287.5

Ordinary Income (Loss)

(Billions of yen)

	FY2021 Actual	FY2022 Forecast			Change
	①	1H	2H	②	②-①
Steel & Aluminum	37.5	13.0	22.0	35.0	(2.5)
Advanced Materials	5.1	1.5	2.5	4.0	(1.1)
Welding	2.7	1.0	2.0	3.0	0.3
Machinery	12.5	4.5	7.0	11.5	(1.0)
Engineering	7.7	0.5	2.0	2.5	(5.2)
Construction Machinery	12.0	6.0	0.0	6.0	(6.0)
Electric Power	13.2	13.5	14.5	28.0	14.8
Other Businesses	7.0	1.0	3.0	4.0	(3.0)
Adjustment	(4.9)	(6.0)	(8.0)	(14.0)	(9.1)
Total	93.2	35.0	45.0	80.0	(13.2)

(Billions of yen)

		FY2021 Actual ①	FY2022 Forecast			Change ②-①
			1H	2H	②	
Steel products	Net Sales	751.0	435.0	465.0	900.0	149.0
	Ordinary Income (Loss)	34.6	11.0	20.0	31.0	(3.6)
	Excluding Inventory Valuation	(8.4)	12.0	18.5	30.5	38.9
Aluminum rolled products	Net Sales	163.8	95.0	95.0	190.0	26.2
	Ordinary Income (Loss)	2.8	2.0	2.0	4.0	1.2
	Excluding Inventory Valuation	0.8	(1.0)	1.5	0.5	(0.3)
Total	Net Sales	914.9	530.0	560.0	1,090.0	175.1
	Ordinary Income (Loss)	37.5	13.0	22.0	35.0	(2.5)
	Excluding Inventory Valuation	(7.6)	11.0	20.0	31.0	38.6

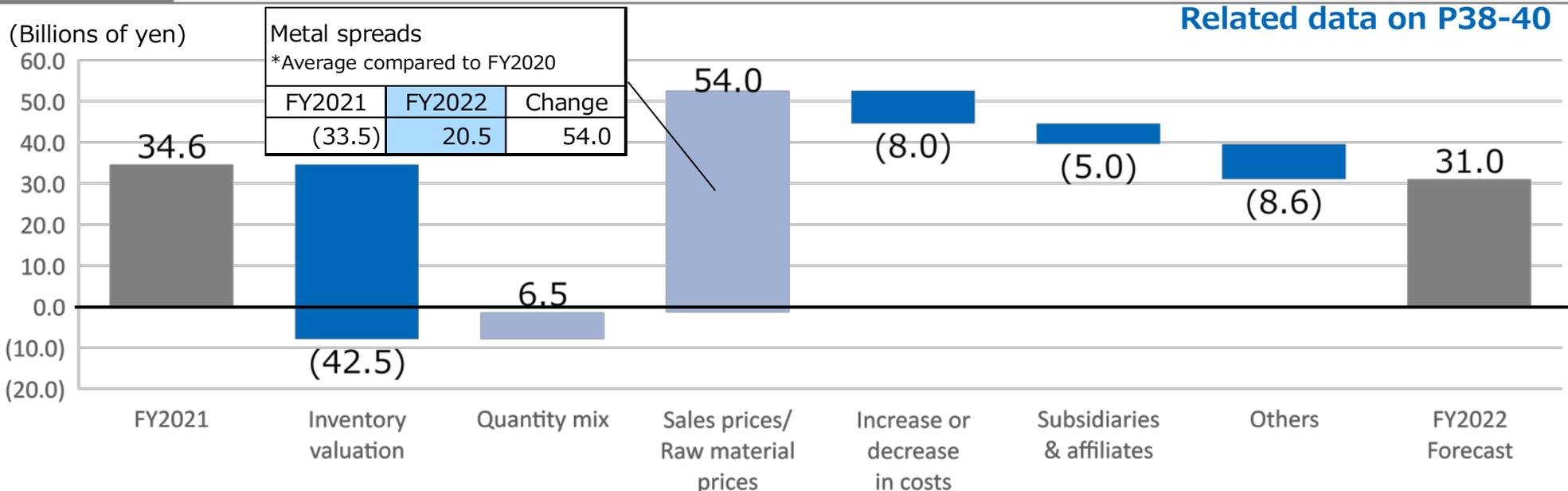
Steel products

FY2021 Actual: Ordinary Income of 34.6 billion yen →

FY2022 Forecast: Ordinary Income of 31.0 billion yen (Down 3.6 billion yen)

- Crude steel production : Approx. 6.70 million tons (Up 0.11 million tons)
- Sales volume : Approx. 5.40 million tons (Up 0.13 million tons)
 - Anticipate an increase in sales volume due to recovery in demand for automobiles
- Factors affecting profit and loss
 - Decline in inventory valuation gains
 - Increase in sales volume
 - Resolution of the gap between rising raw material prices and sales prices that occurred in FY2021
 - Margin improvement achieved in FY2021 to contribute to profit improvement for the whole year of FY2022
 - Increase mainly in fixed costs such as labor costs and maintenance costs

	FY2021 ①	FY2022 ②	Change ②-①
Ordinary Income	34.6	31.0	(3.6)
Excluding Inventory valuation	(8.4)	30.5	38.9



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

Aluminum
rolled
products

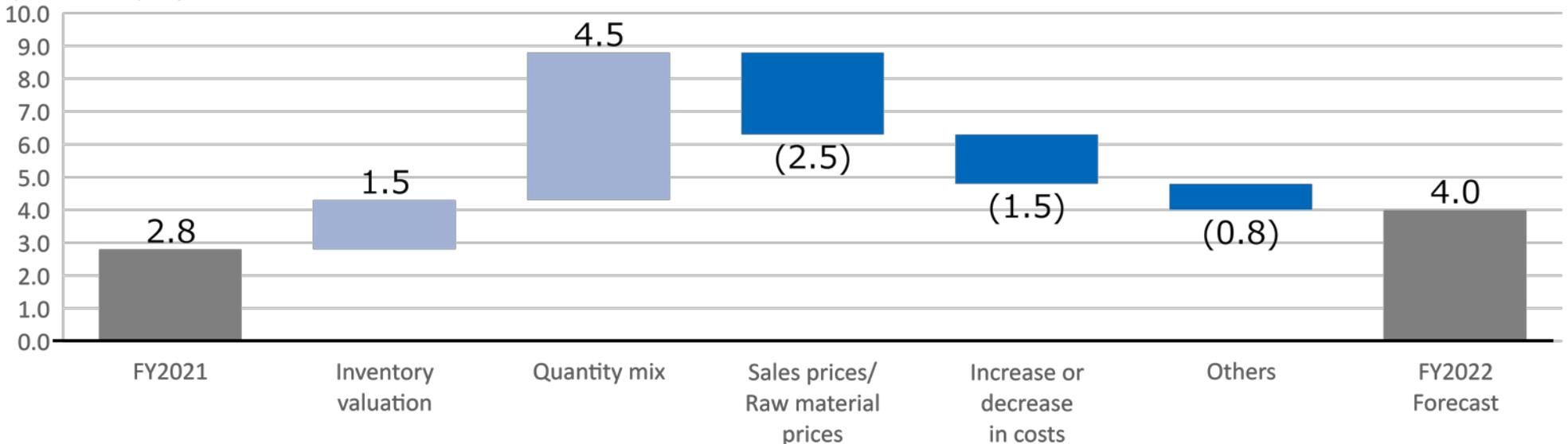
FY2021 Actual: Ordinary Income of 2.8 billion yen →

FY2022 Forecast: Ordinary Income of 4.0 billion yen (Up 1.2 billion yen)

- Sales volume: Approx. 380 thousand tons (Up 37 thousand tons)
 - Anticipate an increase in sales due to recovery in demand for automobiles
 - Steady demand for beverage can materials, IT and semiconductor products
- Factors affecting profit and loss
 - Improvement in inventory valuation due to the upturn in the aluminum market prices
 - Increase in sales volume
 - Delayed resolution of the gap between rising secondary material/energy prices and sales prices
 - Increase mainly in fixed costs

(Billions of yen)

[Related data on P39-40](#)



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

(Billions of yen)

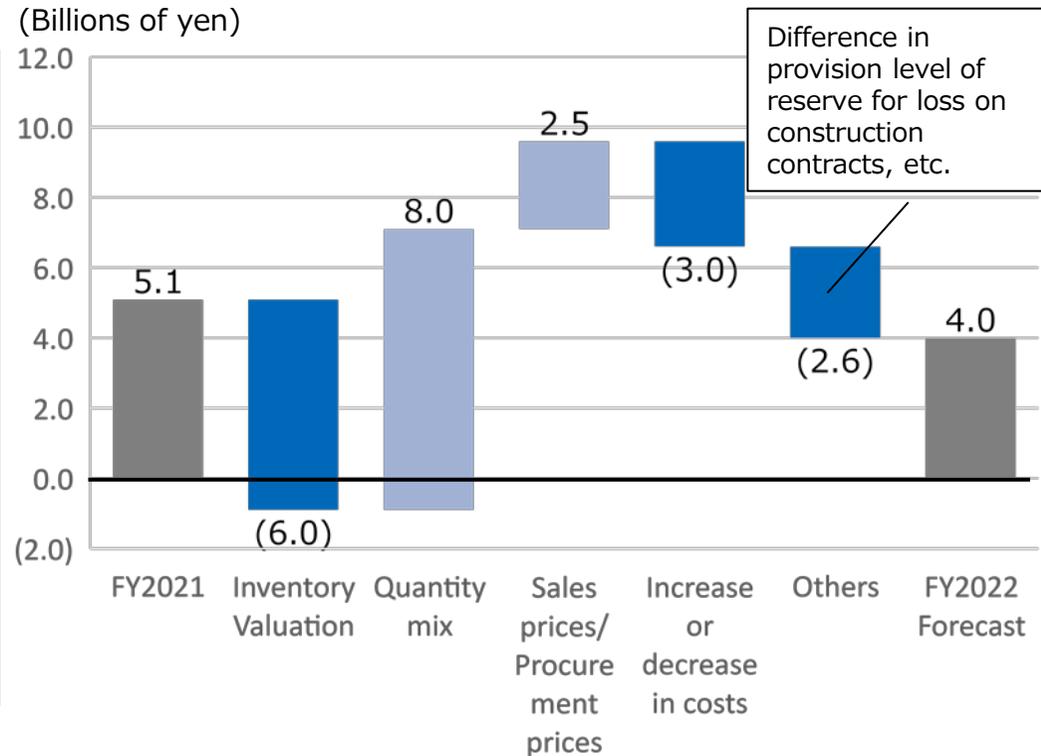
	FY2021 Actual ①	FY2022 Forecast			Change ②-①
		1H	2H	②	
Net Sales	333.2	140.0	145.0	285.0	(48.2)
Ordinary Income (Loss)	5.1	1.5	2.5	4.0	(1.1)
Excluding Inventory Valuation	(0.9)	1.0	3.0	4.0	4.9

■ Sales volume

- Anticipate an increase in sales of suspensions, aluminum extrusions, copper rolled products, iron powder, and other products, due to recovery in demand for automobiles

■ Factors affecting profit and loss

- Decline in inventory valuation gains (copper market prices)
- Increase in sales volume
- Progress in resolving the gap between rising material/energy prices and sales prices
- Increase mainly in fixed costs



(Billions of yen)

	FY2021 Actual ①	FY2022 Forecast			Change ②-①
		1H	2H	②	
Net Sales	76.9	41.0	43.0	84.0	7.1
Ordinary Income	2.7	1.0	2.0	3.0	0.3

FY2021 Actual: Ordinary Income of 2.7 billion yen →

FY2022 Forecast: Ordinary Income of 3.0 billion yen (Up 0.3 billion yen)

■ Sales volume

- Anticipate an increase due to recovery in demand for shipbuilding and automobiles
- Demand for architectural steel frames remains steady

■ Factors affecting profit and loss

- Increase in sales volume
- Progress in resolving the gap between rising procurement prices and sales prices
- Increase mainly in fixed costs

Related data on P39

(Billions of yen)

	FY2021 Actual ①	FY2022 Forecast			Change ②-①
		1H	2H	②	
Net Sales	166.8	95.0	96.0	191.0	24.2
Ordinary Income	12.5	4.5	7.0	11.5	(1.0)
Orders	206.6	approx. 95.0	approx. 90.0	approx. 185.0	approx. (20.0)

FY2021 Actual: Ordinary Income of 12.5 billion yen →

FY2022 Forecast: Ordinary Income of 11.5 billion yen (Down 1.0 billion yen)

■ Orders

- Expected to be around 185.0 billion yen owing to steady demand for capital investment mainly in the petrochemical and other sectors
- Anticipate a decrease from FY2021 that saw an increase in orders of large-scale industrial machinery projects and multiple compressor projects in China

■ Factors affecting profit and loss

- Deterioration in project profitability due to rising procurement prices

(Billions of yen)

	FY2021 Actual ①	FY2022 Forecast			Change ②-①
		1H	2H	②	
Net Sales	135.6	67.0	85.0	152.0	16.4
Ordinary Income	7.7	0.5	2.0	2.5	(5.2)
Orders	208.5	approx. 65.0	approx. 85.0	approx. 150.0	approx. (60.0)

FY2021 Actual: Ordinary Income of 7.7 billion yen →

FY2022 Forecast: Ordinary Income of 2.5 billion yen (Down 5.2 billion yen)

■ Orders

- Expected to be around 150.0 billion yen against the background of solid infrastructure investment, mainly in the water treatment-related business
- Anticipate a decrease from FY2021 that saw an increase in orders of large-scale projects in the DRI-related business and the waste treatment-related business

■ Factors affecting profit and loss

- Decrease in profit due to the stagnation of Russia-related projects in the DRI-related business
- Deterioration in profit margins due to changes in the project composition

(Billions of yen)

	FY2021 Actual ①	FY2022 Forecast			Change ②-①
		1H	2H	②	
Net Sales	371.6	198.0	192.0	390.0	18.4
Ordinary Income	12.0	6.0	0.0	6.0	(6.0)

■ Unit Sales

[Hydraulic excavator]

- While a decrease is anticipated in China where infrastructure investment is declining and competition is being intensified, an increase is anticipated mainly in Europe where demand is strong and North America that has resumed the import of new models produced in Japan, conforming to the engine certification.

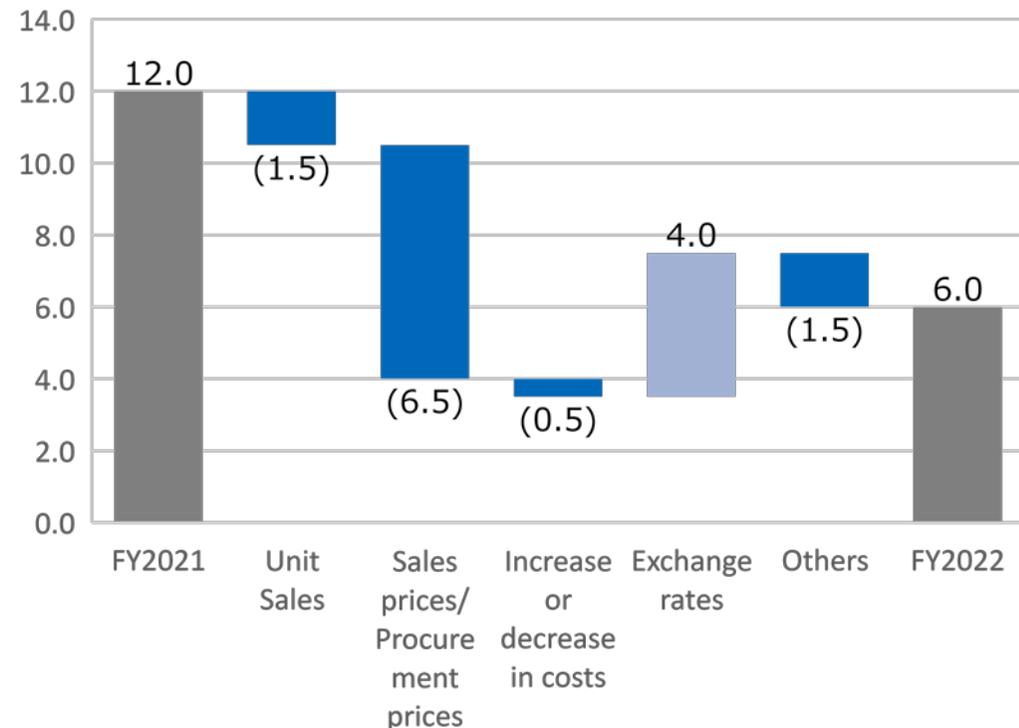
[Crawler crane]

- Anticipate an increase mainly in Japan where demand is strong

■ Factors affecting profit and loss

- Decline in sales and deterioration in project profitability in China
- Delayed resolution of the gap between rising procurement prices and sales prices
- A weaker yen against the dollar and euro

(Billions of yen)



(Billions of yen)

	FY2021 Actual ①	FY2022 Forecast			Change ②-①
		1H	2H	②	
Net Sales	109.8	107.0	105.0	212.0	102.2
Ordinary Income	13.2	13.5	14.5	28.0	14.8

FY2021 Actual: Ordinary Income of 13.2 billion yen→

FY2022 Forecast: Ordinary Income of 28.0 billion yen (Up 14.8 billion yen)

■ Factors affecting profit and loss

- Full-year operation of the No. 3 unit of the Kobe Power Plant, which started operation in fiscal 2021 (Feb. 2022)
- Start of operation of the No. 4 unit of the Kobe Power Plant, scheduled for the second half of fiscal 2022

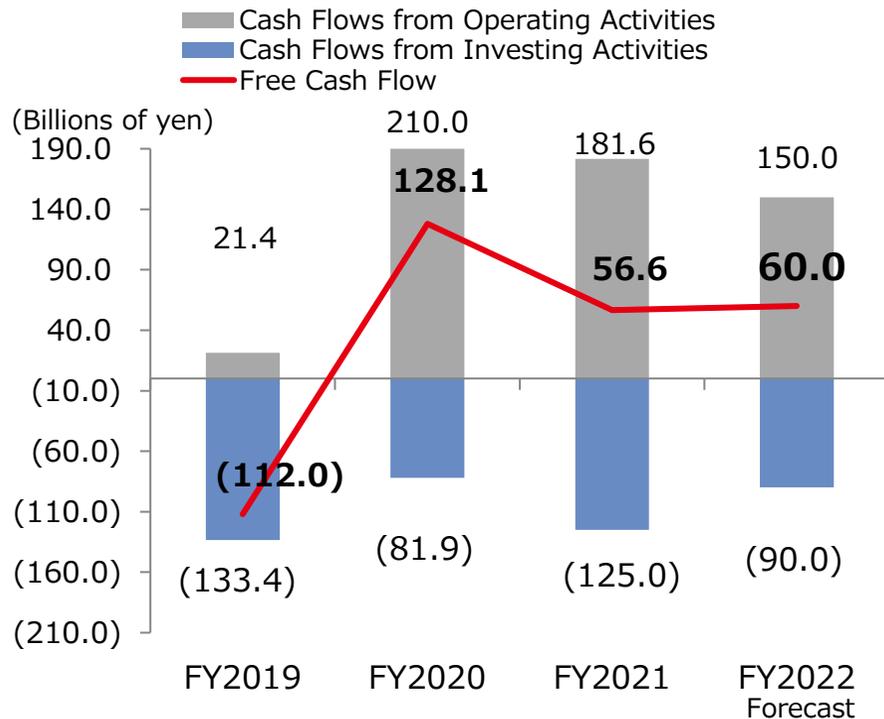
■ FY2021 Actual

- Kobe Steel has been carefully selecting new capital investment and financing and promoting the Business Portfolio Management Committee's effort to strengthen the monitoring of cash flow. **The Company achieved a D/E ratio of 0.7 times or less** (excluding early procurement of borrowings), **which was the target aimed to achieve by the end of FY2023 under the Medium-Term Management Plan, at the end of FY2021, two years ahead of schedule** due to improvements in business performance and cash flow.

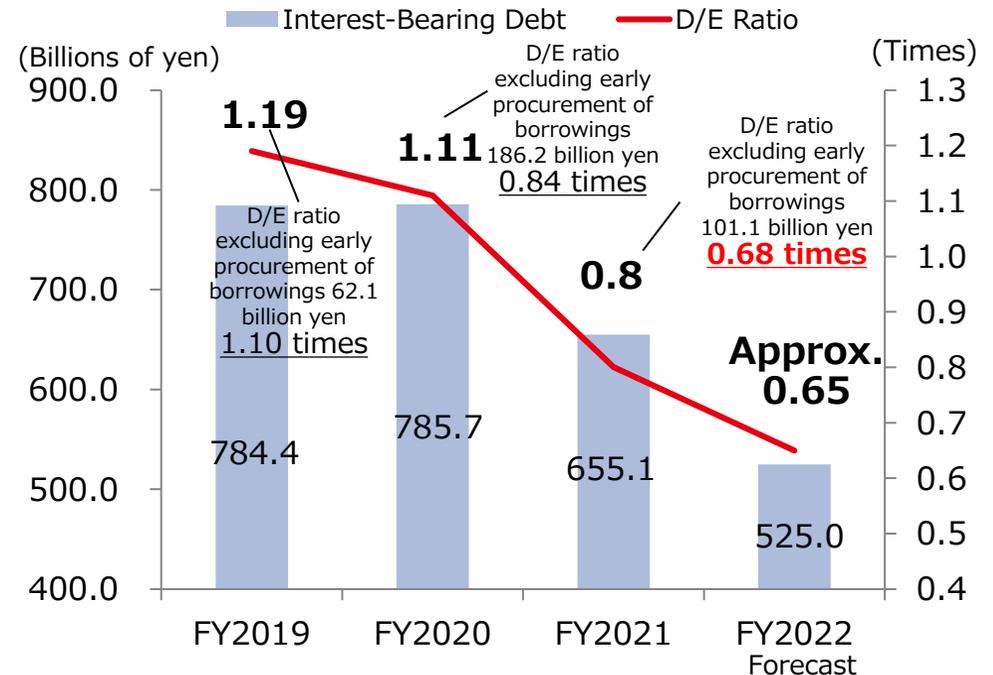
■ FY2022 Forecast

- While the future remains uncertain, the Company will **strengthen our follow-up system through ROIC management** and continue to carefully select new investment projects in order to **steadily maintain and improve our financial discipline**.

Free Cash Flow



Interest Bearing Debt & D/E Ratio



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

3 . Reference Information

■ **Changes from the Previous Forecast**

Ordinary Income

- Decrease in sales volume in the materials businesses due to a decrease in automobile production
- Improvements in steel metal spreads due to the progress in resolving the gap between rising raw material prices and sales prices
- Progress in cost reduction in each business
- Increased inventory valuation gains due to rising raw material prices

Net Income Attributable to Owners of the Parent

- Increase in ordinary income

(Billions of yen)

	FY2021		Change ②-①
	Previous Forecast ①	Actual ②	
Net Sales	2,090.0	2,082.5	(7.5)
Operating Income	85.0	87.6	2.6
Ordinary Income	82.0	93.2	11.2
Net Income Attributable to Owners of the Parent	50.0	60.0	10.0

Net Sales

(Billions of yen)

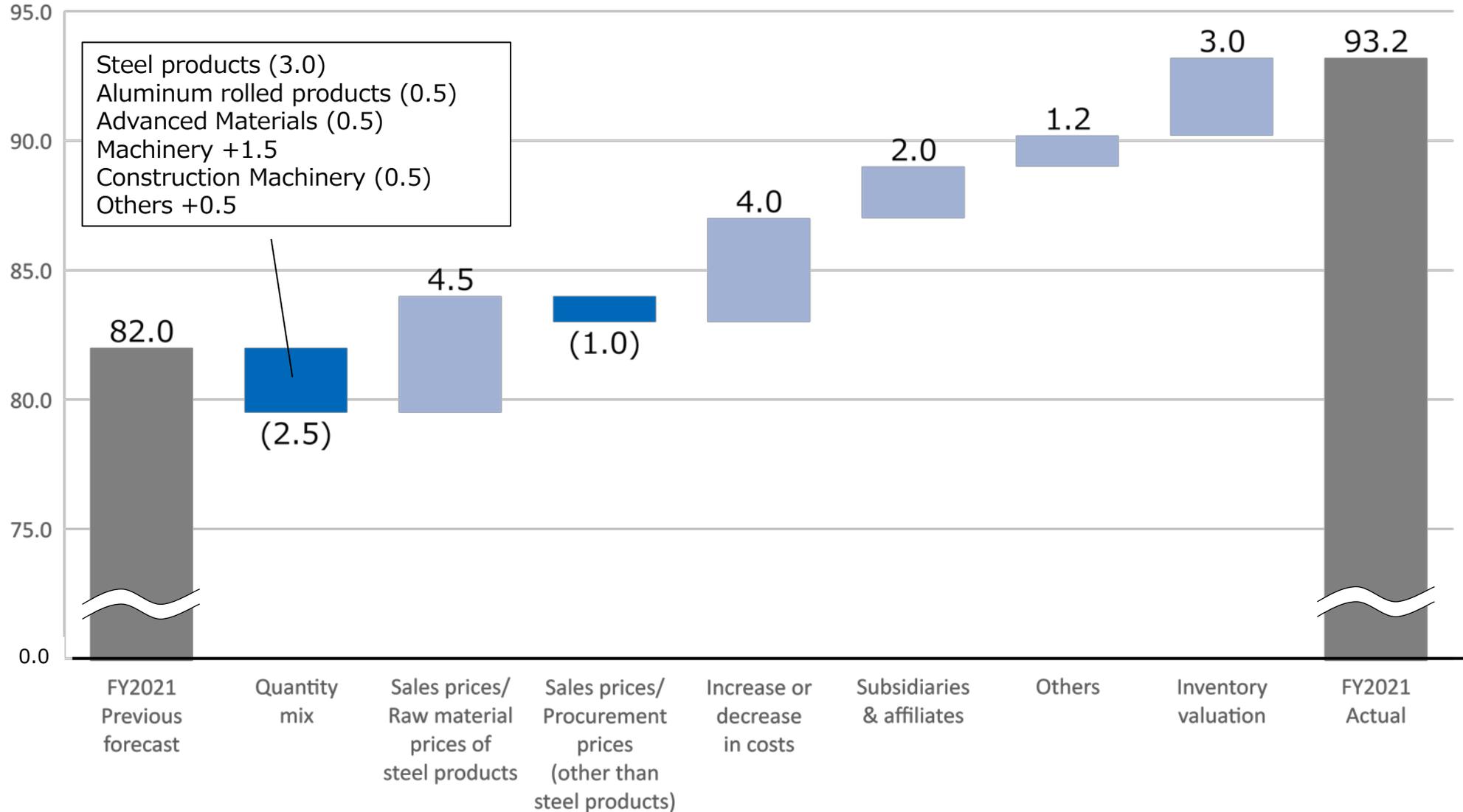
	Previous Forecast ①	Actual ②	Change ②-①
Steel & Aluminum	920.0	914.9	(5.1)
Advanced Materials	327.0	333.2	6.2
Welding	76.0	76.9	0.9
Machinery	170.0	166.8	(3.2)
Engineering	144.0	135.6	(8.4)
Construction Machinery	380.0	371.6	(8.4)
Electric Power	109.0	109.8	0.8
Other Businesses	28.0	28.8	0.8
Adjustment	(64.0)	(55.3)	8.7
Total	2,090.0	2,082.5	(7.5)

Ordinary Income (Loss)

(Billions of yen)

	Previous Forecast ③	Actual ④	Change ④-③
Steel & Aluminum	35.0	37.5	2.5
Advanced Materials	3.0	5.1	2.1
Welding	2.5	2.7	0.2
Machinery	10.0	12.5	2.5
Engineering	8.0	7.7	(0.3)
Construction Machinery	10.0	12.0	2.0
Electric Power	12.5	13.2	0.7
Other Businesses	5.5	7.0	1.5
Adjustment	(4.5)	(4.9)	(0.4)
Total	82.0	93.2	11.2

(Billions of yen)

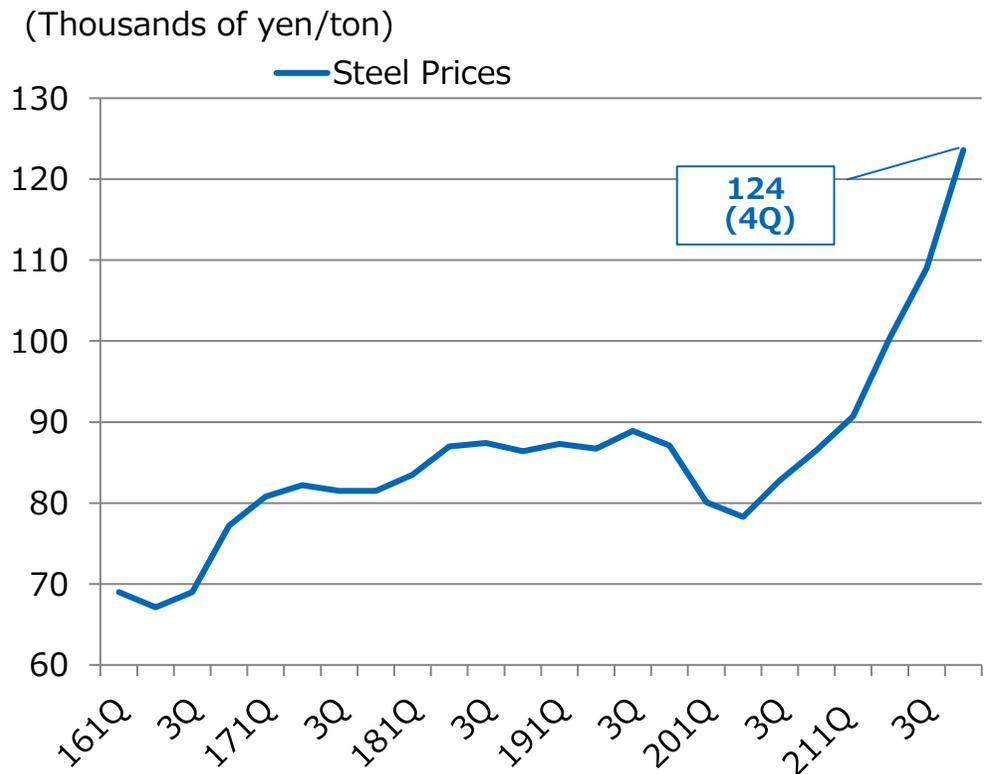
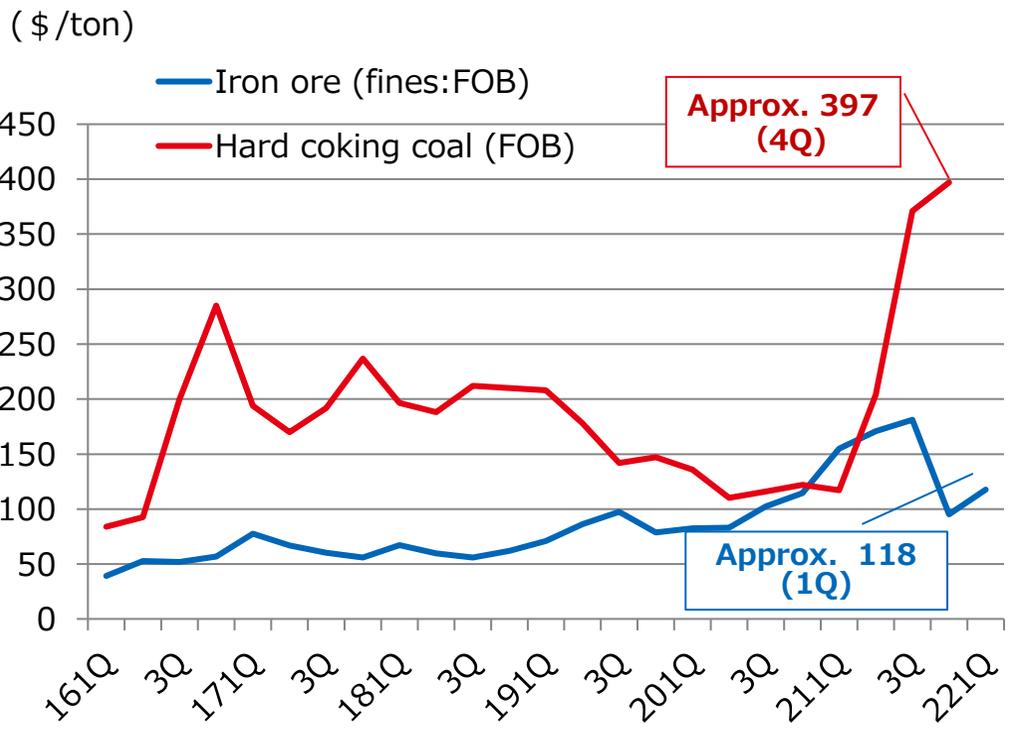


Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

	FY2020			FY2021		
	1H	2H	Full Year	1H	2H	Full Year
Domestic crude steel production (Millions of tons)	37.09	45.70	82.78	48.42	47.22	95.64
Domestic inventory level (Millions of tons)	5.12	5.07	5.07	5.87	5.97	5.97
Inventory level of three types of steel sheets (Millions of tons)	3.67	3.51	3.51	4.32	4.52	4.52
Domestic auto production (Millions of cars)	3.35	4.63	7.98	3.61	3.94	7.55

End of March advance figure

End of March advance figure



* Includes production volume of electric arc furnaces at Takasago Works.	FY2020 Actual			FY2021 Actual			FY2022 Forecast		
	1H	2H	Full Year	1H	2H	Full Year	1H	2H	Full Year
Crude steel production* (Millions of tons)	2.48	3.33	5.81	3.35	3.24	6.59	approx.3.40	approx.3.30	approx.6.70
Sales volume of steel products (Millions of tons)	2.04	2.69	4.73	2.68	2.59	5.27	approx.2.70	approx.2.70	approx.5.40
(Domestic)	(1.43)	(2.01)	(3.44)	(2.03)	(1.97)	(3.99)			
(Exports)	(0.61)	(0.68)	(1.29)	(0.66)	(0.62)	(1.28)			
Average steel selling price (Thousands of yen/ton)	79.1	84.7	82.3	95.5	116.1	105.6			
Export ratio (value basis)	25.0%	23.1%	23.9%	24.9%	23.6%	24.2%			
Aluminum rolled products (Thousands of tons)	152	153	305	179	164	343	approx.190	approx.190	approx.380
(Domestic)	(121)	(114)	(236)	(134)	(117)	(250)			
(Exports)	(30)	(38)	(69)	(45)	(47)	(93)			
Aluminum extrusions (Thousands of tons)	12	18	31	19	17	36	approx.21	approx.21	approx.42
(Domestic)	(12)	(17)	(29)	(18)	(16)	(34)			
(Exports)	(0)	(1)	(1)	(1)	(1)	(2)			
Copper rolled products (Thousands of tons)	19	30	48	29	31	60	approx.31	approx.31	approx.62
Copper tubes (Thousands of tons)	32	35	67	40	37	77			
Welding materials (Thousands of tons)	120	121	242	133	125	258	approx.135	approx.140	approx.275
(Domestic)	(49)	(51)	(100)	(53)	(54)	(108)			
(Exports)	(71)	(70)	(142)	(80)	(70)	(150)			

(Billions of yen)

Steel products		FY2020 Actual			FY2021 Actual				
		1H	2H	Full Year	1H	3Q	4Q	2H	Full Year
	Iron ore	0.5	3.0	3.5	6.0	1.5	(10.0)	(8.5)	(2.5)
	Coal	(1.5)	0.5	(1.0)	3.5	7.5	0.5	8.0	11.5
	Carry Over	(1.0)	3.5	2.5	9.5	9.0	(9.5)	(0.5)	9.0

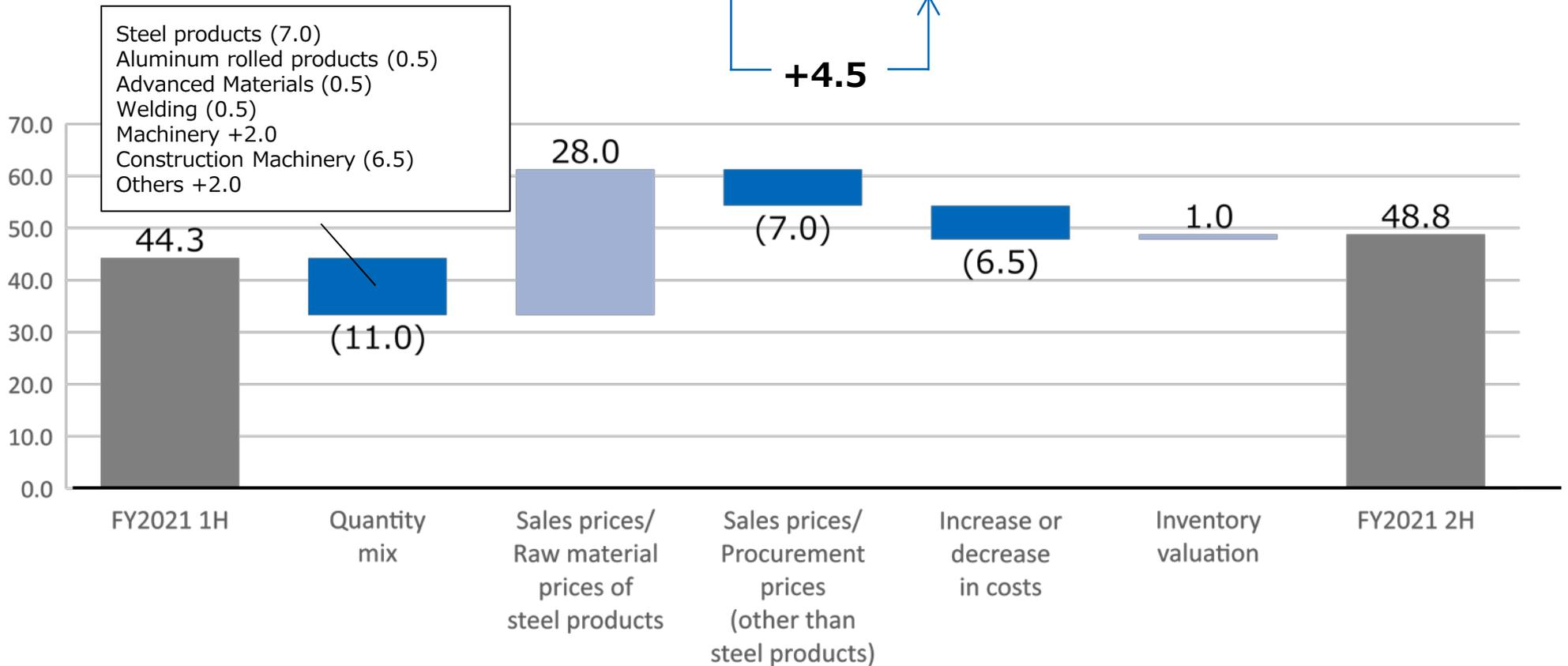
	Average method	0.5	(6.0)	(5.5)	22.0	15.5	5.5	21.0	43.0
	Lower-of-cost-or-market method	(9.0)	12.0	3.0	0.0	(0.5)	0.5	0.0	0.0
	Inventory Valuation	(8.5)	6.0	(2.5)	22.0	15.0	6.0	21.0	43.0

Aluminum rolled products		FY2020 Actual			FY2021 Actual				
		1H	2H	Full Year	1H	3Q	4Q	2H	Full Year
	Average method	(1.5)	(1.0)	(2.5)	0.0	2.5	(0.5)	2.0	2.0
	Lower-of-cost-or-market method	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Inventory Valuation	(1.5)	(1.0)	(2.5)	0.0	2.5	(0.5)	2.0	2.0

Advanced Materials		FY2020 Actual			FY2021 Actual				
		1H	2H	Full Year	1H	3Q	4Q	2H	Full Year
	Average method	0.0	1.0	1.0	3.0	2.5	0.5	3.0	6.0
	Lower-of-cost-or-market method	(0.5)	0.5	0.0	0.0	0.0	0.0	0.0	0.0
	Inventory Valuation	(0.5)	1.5	1.0	3.0	2.5	0.5	3.0	6.0

Ordinary Income (Loss) (Billions of yen)

	FY2021 Actual		
	1H	2H	Full Year
Companywide	44.3	48.8	93.2



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

Ordinary Income (Loss) (Billions of yen)

	FY2021 Actual		
	1H	2H	Full Year
Steel products	12.4	22.2	34.6

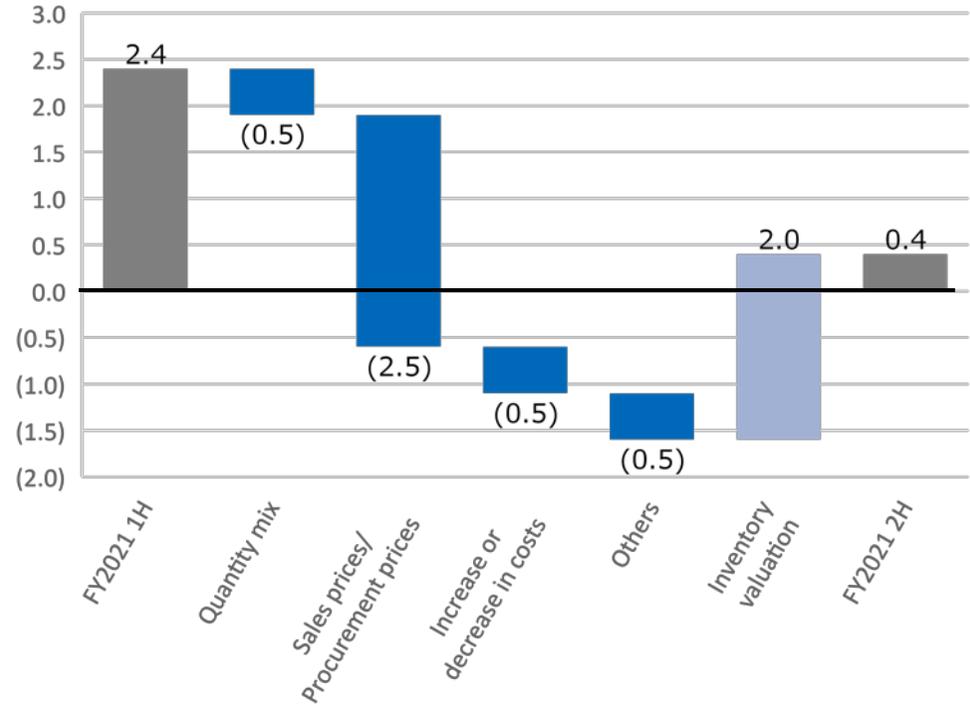
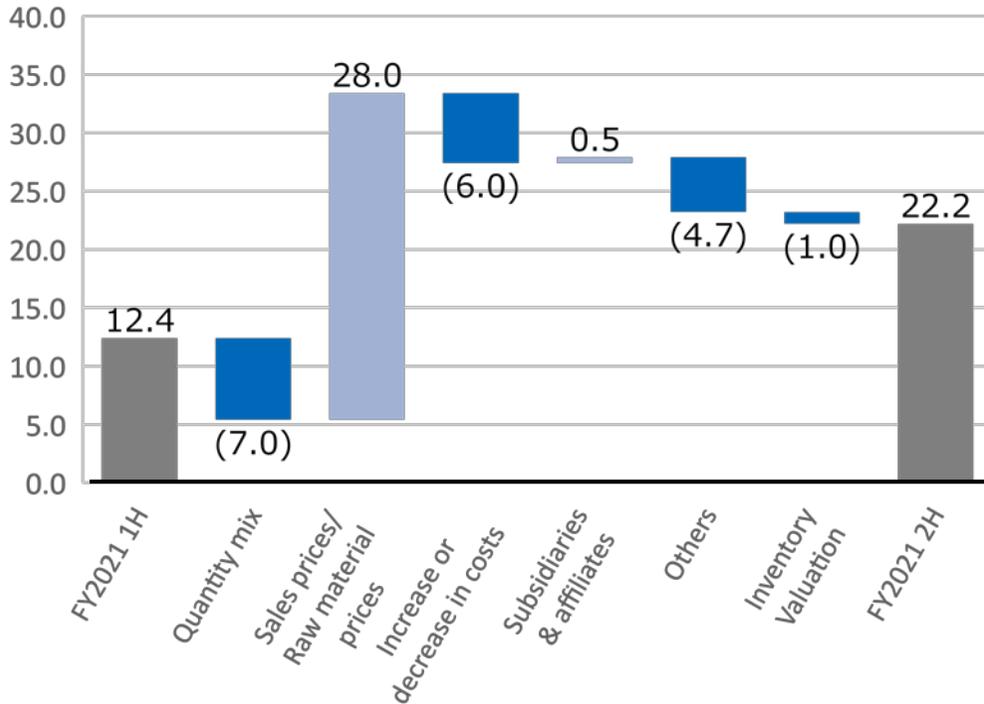
+9.8

Ordinary Income (Loss) (Billions of yen)

	FY2021 Actual		
	1H	2H	Full Year
Aluminum rolled products	2.4	0.4	2.8

(2.0)

(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 Actual		
	1H	2H	Full Year
Advanced Materials	5.2	(0.1)	5.1

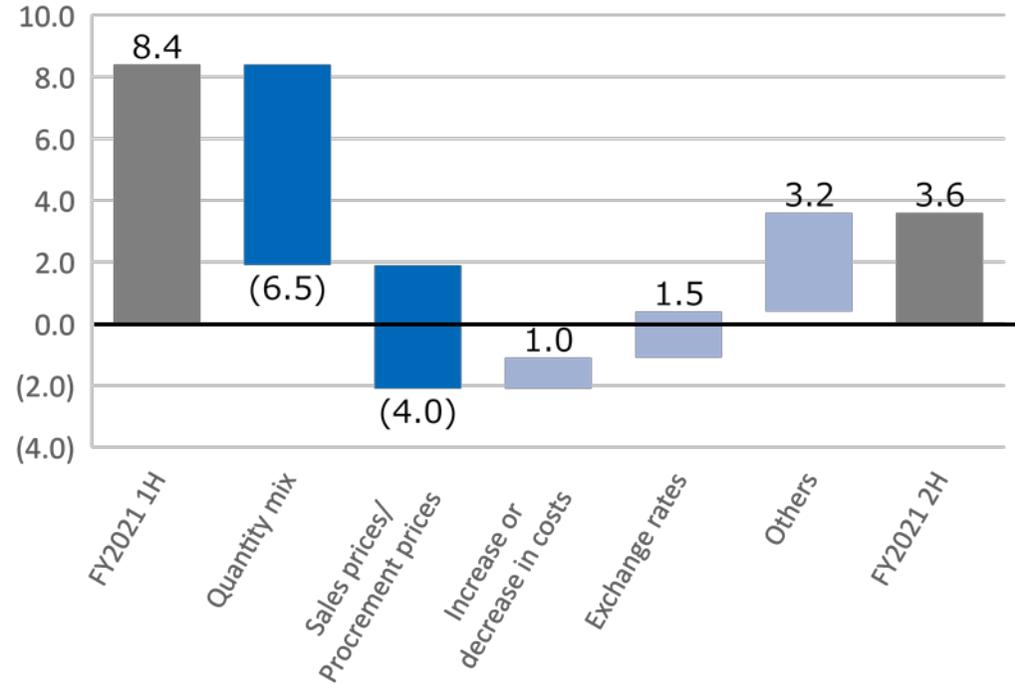
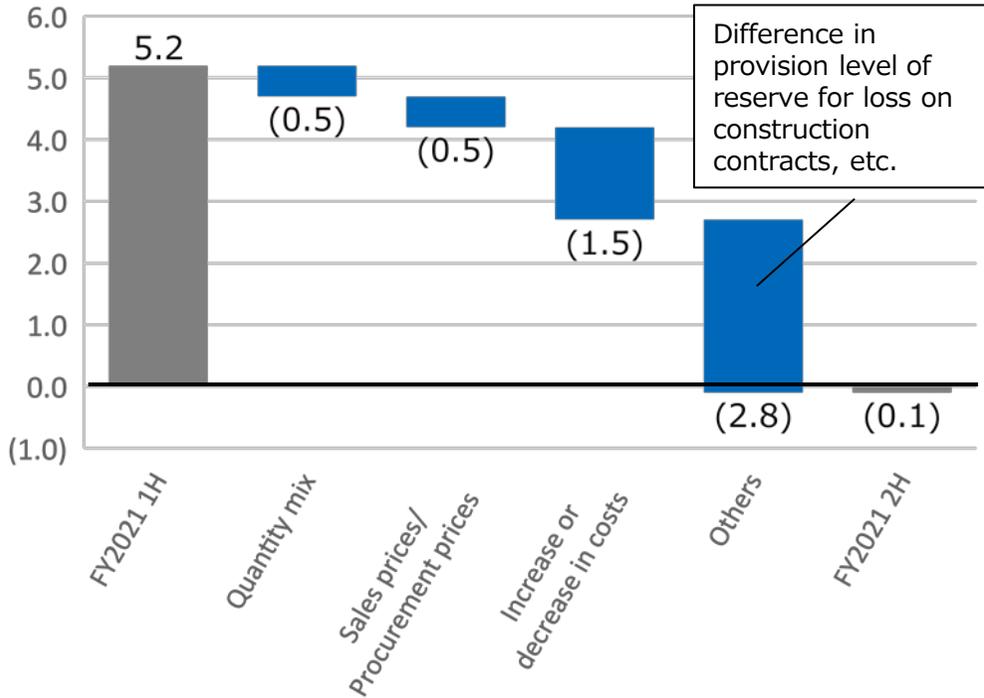
(5.3)

Ordinary Income (Loss) (Billions of yen)

	FY2021 Actual		
	1H	2H	Full Year
Construction Machinery	8.4	3.6	12.0

(4.8)

(Billions of yen)



(Billions of yen)

	FY2020 Actual	FY2021 Actual	FY2022 Forecast
	①	②	③
Cash Flows from Operating Activities	210.0	181.6	150.0
Cash Flows from Investing Activities	(81.9)	(125.0)	(90.0)
Free Cash Flow (excluding project financing)	128.1	56.6	60.0
Free Cash Flow (including project financing)	52.9	7.2	70.0
Cash and Deposits (excluding project financing)	301.8	243.2	140.0

Change	
②-①	③-②
(28.3)	(31.6)
(43.0)	35.0
(71.4)	3.4
(45.6)	62.8
(58.6)	(103.2)

(Billions of yen)

	FY2020 Actual	FY2021 Actual	FY2022 Forecast
	①	②	③
Capital Investment (accrual basis)	185.0	108.1	120.0
Capital Investment (payment basis)	173.2	156.4	110.0
Depreciation	100.8	105.1	120.0

Change	
③-①	③-②
(76.9)	11.9
(16.7)	(46.4)
4.2	14.9

	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast
Net Income (Loss) per Share	(187.55) yen	64.05 yen	160.23 yen	152.07 yen
Outside Debt	906.6 billion yen	987.8 billion yen	908.4 billion yen	795.0 billion yen
Outside Debt Excluding Debt from IPP Project Financing	784.4 billion yen	785.7 billion yen	655.1 billion yen	525.0 billion yen
D/E Ratio *1	*2 1.19 times	*3 1.11 times	*4 approx. 0.8 times	approx. 0.7 times
ROS *5	(0.4)%	0.9%	4.5%	3.4%
ROA *6	(0.3)%	0.6%	3.5%	2.9%
ROE *7	(9.7)%	3.4%	7.9%	7.2%
ROIC *8	0.9%	1.1%	4.7%	3.9%

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

*2: Includes early procurement of borrowings for FY2019 (62.1 billion yen)
D/E Ratio 1.10 times (excluding early procurement of borrowings)

*3: Includes early procurement of borrowings for FY2020 (186.2 billion yen)
D/E Ratio 0.84 times (excluding early procurement of borrowings)

*4: Includes early procurement of borrowings for FY2021 (101.1 billion yen)
D/E Ratio 0.68 times (excluding early procurement of borrowings)

*5: ROS: Ordinary Income / Net Sales

*6: ROA: Ordinary Income / Total Assets

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

*8: ROIC: After-tax operating Income / Invested Capital

	FY2020 Actual	FY2021 Actual			FY2022 Forecast
	Full Year	1H	2H	Full Year	Full Year
1 U.S. dollar to yen	106.1	109.8	115.0	112.4	120.0
1 Chinese yuan to yen	15.7	17.0	18.0	17.5	19.0
1 Euro to yen	123.7	130.9	130.2	130.6	135.0

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. Our 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.

- ◆ **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 Jun. 2021)



FTSE4Good

◆ **FTSE Blossom Japan Sector Relative Index**
(From Apr. 2022)



FTSE Blossom
Japan Sector
Relative Index

◆ **FTSE Blossom Japan Index**
(From Jun. 2021)



FTSE Blossom
Japan

◆ **CDP**
(From Dec. 2020)



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

◆ **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