

Financial Results for the Cumulative Third Quarter of Fiscal 2022 and Forecast for the Full Fiscal Year

February 9, 2023
Kobe Steel, Ltd.

KOBELCO

1. Summary of Financial Results and Forecast
2. Financial Results for the Cumulative Third Quarter of Fiscal 2022
3. Forecast for Fiscal 2022
4. Reference Information

1. Summary of Financial Results and Forecast

Summary of Financial Results for the Cumulative Third Quarter of Fiscal 2022

(Year on year)

- **Sales volume decreased in the materials businesses due to a year-on-year decline mainly in overseas production of automobiles**, a major demand sector, and the impact of inventory adjustments by customers. **Sales volume also decreased in the construction machinery business** due to the impact of a decline in overall demand in China and supply constraints caused by the engine certification problem.
- While **steel metal spreads improved significantly year on year** due to steady progress in improving selling prices, **margins for aluminum rolled products, advanced materials, and construction machinery deteriorated year on year due to a surge in energy prices and a delay in passing on higher prices of various materials to selling prices.**
- **Ordinary income was 74.8 billion yen, down 3.9 billion yen year on year**, due to a decline in sales volume, deteriorating margins for aluminum rolled products, advanced materials and construction machinery, cost increases centered on fixed costs, and a decline in inventory valuation gains, despite a significant improvement in steel and metal spreads.

Summary of Revisions to Fiscal 2022 Full-Year Earnings Forecast

(Compared to the previous forecast)

- While **sales volume in the materials businesses is expected to decline** due to further delays in the recovery of automobile production and lower demand in the IT and semiconductor sectors, **a further increase in orders is expected in the machinery business**, which will significantly exceed the previous fiscal year's record high amid strong demand.
- While **steel metal spreads are expected to improve from the previous forecast** due to the improvement of selling prices along with falling prices of major raw materials and the appreciation of the yen, margins for aluminum rolled products and advanced materials are expected to further deteriorate due to rising energy costs, etc.
- In the fiscal 2022 full-year forecast, despite a decline in sales volume in the materials businesses, **ordinary income is expected to increase to 92.0 billion yen** (from 70.0 billion yen in the previous forecast) due to **improvements in steel and metal spreads, the diminished impact of time lags in fuel cost adjustments** in the electric power business (a decline in coal prices due to the appreciation of the yen) , and **compensation income related to the engine certification problem** in the construction machinery business.

(Billions of yen)

	FY2021 Actual		FY2022 Forecast (Previous)	FY2022 Forecast (Current)		Change		
	Cumulative 3Q ①	Full Year ②		Cumulative 3Q ④	Full Year ⑤	Cumulative 3Q ④ - ①	Full Year ⑤ - ②	Full Year ⑤ - ③
Net Sales	1,484.8	2,082.5	2,530.0	1,784.6	2,490.0	299.8	407.5	(40.0)
Operating Income (Loss)	76.5	87.6	55.0	53.8	67.0	(22.7)	(20.6)	12.0
Steel & Aluminum	31.3	37.5	35.0	41.0	39.0	9.6	1.5	4.0
Advanced Materials	7.1	5.1	1.0	(0.1)	0.5	(7.2)	(4.6)	(0.5)
Welding	2.7	2.7	2.5	1.5	2.5	(1.1)	(0.2)	-
Machinery	8.5	12.5	15.0	8.3	15.0	(0.1)	2.5	-
Engineering	9.0	7.7	1.5	2.6	3.0	(6.3)	(4.7)	1.5
Construction Machinery	12.8	12.0	4.0	10.7	9.0	(2.0)	(3.0)	5.0
Electric Power	7.7	13.2	13.5	6.4	18.0	(1.2)	4.8	4.5
Other Businesses	2.4	7.0	5.0	3.2	6.0	0.8	(1.0)	1.0
Adjustment	(2.9)	(4.9)	(7.5)	0.8	(1.0)	3.8	3.9	6.5
Ordinary Income (Loss)	78.7	93.2	70.0	74.8	92.0	(3.9)	(1.2)	22.0
Excluding Inventory Valuation	33.7	42.2	41.5	44.3	65.5	10.5	23.3	24.0
Extraordinary Income (Loss)	-	^{*1} (9.2)	(2.6)	^{*2} (7.7)	(7.7)	(7.7)	1.5	(5.1)
Net Income (Loss) Attributable to Owners of the Parent	54.0	60.0	45.0	47.5	62.0	(6.5)	2.0	17.0

*1 Loss on transfer of shares in the copper tube business

*2 Compensation for retirees due to the integration of production facilities in China in the construction machinery business, impairment loss for Kobelco Construction Machinery (China) Co., Ltd., etc.

Segment	Summary (Changes from the previous forecast)
<p>Materials businesses</p> <ul style="list-style-type: none"> • Iron & steel • Aluminum rolled products • Advanced materials • Welding 	<ul style="list-style-type: none"> ■ Sales volume of steel is expected to decrease from the previous forecast due to the continuing shortage of semiconductors, a decline in automobile production mainly overseas due to the resurgence of COVID-19 in China, and inventory adjustments by customers. ■ Sales volumes of aluminum rolled products and advanced materials are also expected to decrease from the previous forecast due to a decline in automobile production and lower demand in the IT and semiconductor sectors. ■ Steel metal spreads are expected to improve significantly from the previous forecast due to progress in improving selling prices, lower prices of main raw materials, the appreciation of the yen, etc. ■ In aluminum rolled products and advanced materials, with LNG and electricity prices rising further from the previous forecast, a further delay is expected in passing on rising procurement prices to selling prices.
<p>Machinery/ Engineering</p>	<ul style="list-style-type: none"> ■ As demand in the energy sector continues to remain strong, orders for machinery are expected to further increase from the previous forecast and significantly exceed the previous fiscal year's record high. ■ In the engineering business, demand for MIDREX® plants remains strong.
<p>Construction machinery</p>	<ul style="list-style-type: none"> ■ Unit sales of hydraulic excavators are expected to further decrease from the previous forecast, affected by fears of possible economic downturns in Southeast Asia. Unit sales of crawler cranes are expected to be lower than the previous forecast due to delays in production and shipping caused by shortages of parts supplies. ■ The current forecast has factored in compensation income related to the engine certification problem, which was not considered in the previous forecast.
<p>Electric power</p>	<ul style="list-style-type: none"> ■ Compared to the previous forecast, there is expected to be a smaller loss arising from time lags in fuel cost adjustments at the Kobe Power Plant No. 3 and 4 units, due to the appreciation of the yen. ■ The Kobe Power Plant No. 4 unit began commercial operations on February 1 this year.

Automobile production

- Automobile production:** While production in Japan is gradually recovering, assumptions have been revised downward mainly for overseas markets such as China and North America due to the resurgence of COVID-19 and continuing semiconductor shortages.

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

Estimated automobile production volume by Japanese automotive manufacturers (including overseas production)

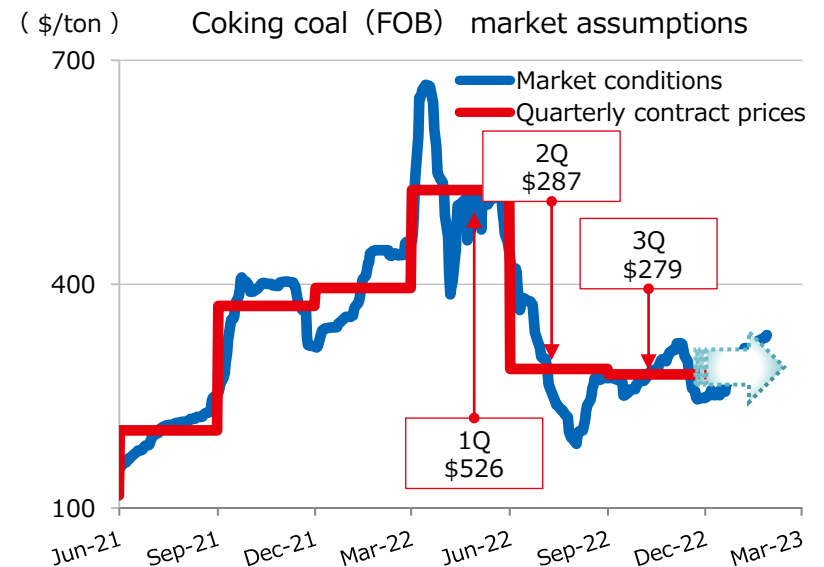
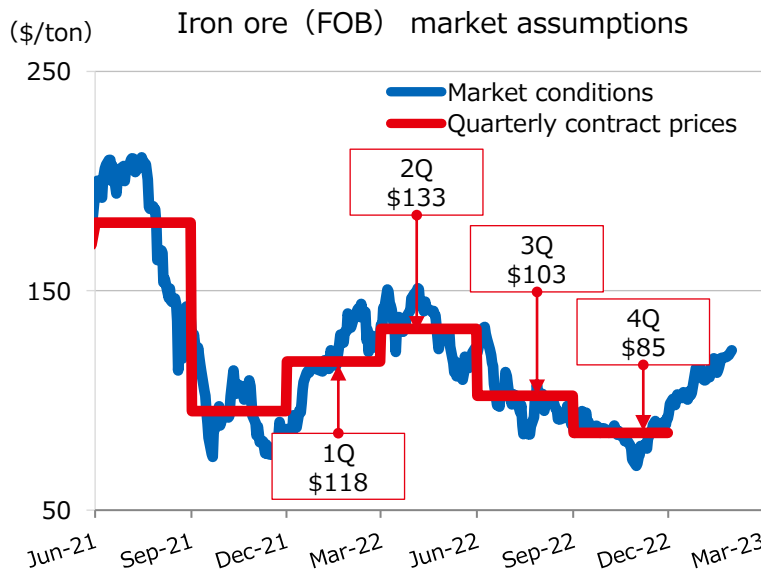
* Compared to the average in fiscal 2019

	FY2021	FY2022 Forecast (Previous)					FY2022 Forecast (Current)				
		1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q	4Q	Full Year
Change	(12%)	(22%)	(10%)	(7%)	(2%)	(10%)	(22%)	(10%)	(11%)	(7%)	(12%)

Iron ore
Coking coal

Iron ore: Prices in 4Q have been settled at \$85.

Coking coal: Prices in 3Q have been settled at \$279. Prices in 4Q are assumed at the same level as 3Q.



2. Financial Results for the Cumulative Third Quarter of Fiscal 2022

Net sales: 1,784.6 billion yen (Up 299.8 billion yen year on year)

- Despite a decline in sales volume, sales increased due to progress in improving selling prices and an increase in the unit selling price of electricity associated with a sharp rise in the market price of thermal coal for electricity.

Ordinary income: 74.8 billion yen (Down 3.9 billion yen year on year)

- Despite a significant improvement in steel metal spreads, ordinary income declined due to lower sales volume, lower margins for aluminum rolled products and construction machinery, cost increases centered on fixed costs, and lower inventory valuation gains.

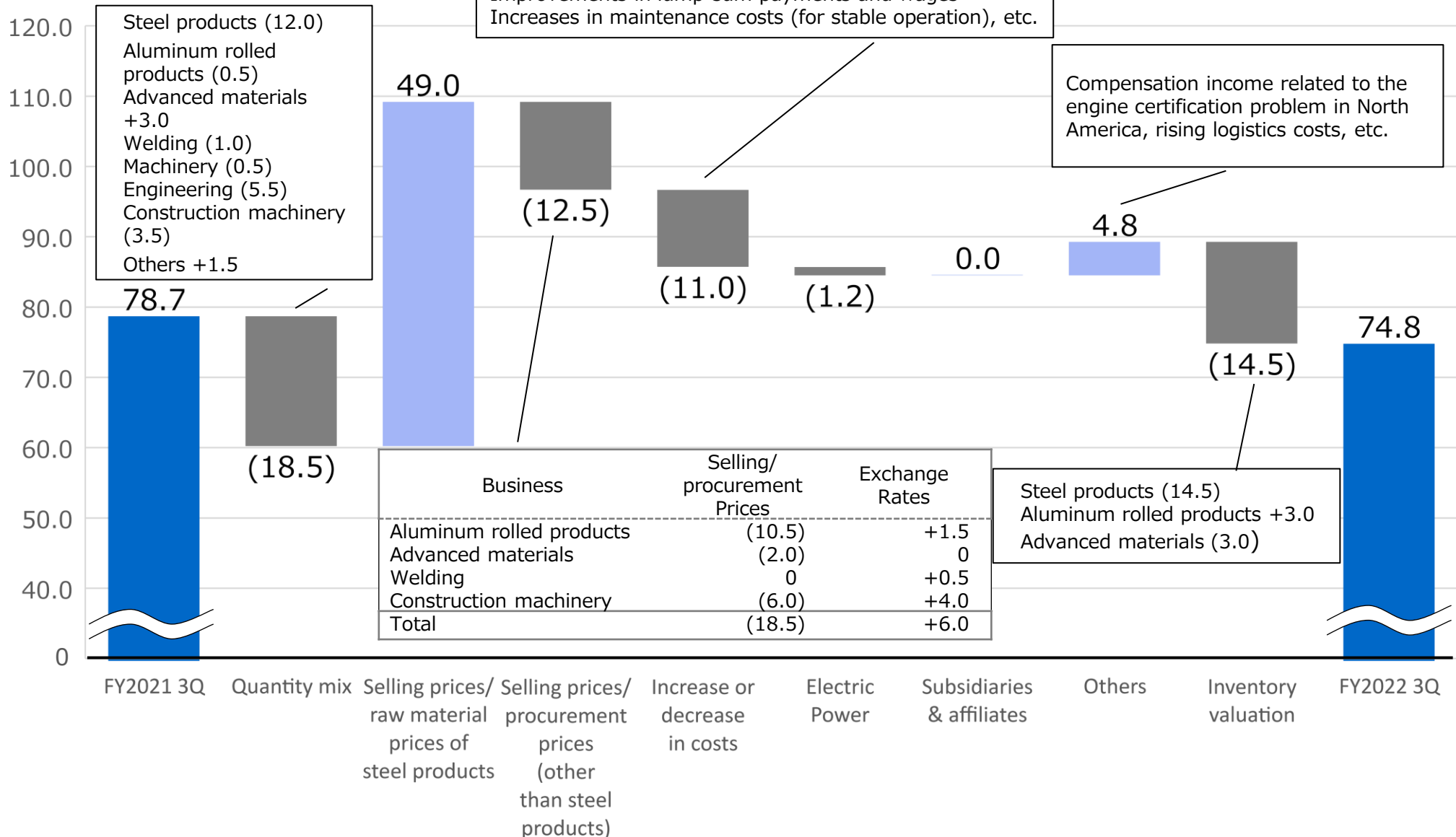
(Billions of yen)

	FY2021 Cumulative 3Q ①	FY2022 Cumulative 3Q ②	Change ②-①
Net Sales	1,484.8	1,784.6	299.8
Operating Income (Loss)	76.5	53.8	(22.7)
Ordinary Income (Loss)	78.7	74.8	(3.9)
Excluding Inventory Valuation	33.7	44.3	10.5
Extraordinary Income (Loss)	—	(7.7) [*]	(7.7)
Net Income (Loss) Attributable to Owners of the Parent	54.0	47.5	(6.5)

* Breakdown of Extraordinary Incom(Loss) in Fiscal 2022

Item	Amount	Reason
Impairment loss	(4.2)	Kobelco Construction Machinery (China) Co., Ltd., etc.
Loss on liquidation of business	(3.4)	Compensation for retirees due to the integration of production facilities in China in the construction machinery business, etc.
Extraordinary Incom(Loss)	(7.7)	

(Billions of yen)



Business	Selling/ procurement Prices	Exchange Rates
Aluminum rolled products	(10.5)	+1.5
Advanced materials	(2.0)	0
Welding	0	+0.5
Construction machinery	(6.0)	+4.0
Total	(18.5)	+6.0

Steel products (14.5)
Aluminum rolled products +3.0
Advanced materials (3.0)

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

Net Sales

(Billions of yen)

	FY2021 Cumulative 3Q ①	FY2022 Cumulative 3Q ②	Change ②-①
Steel & Aluminum	663.1	826.5	163.4
Advanced Materials	234.5	203.7	(30.7)
Welding	57.2	64.7	7.5
Machinery	118.6	128.3	9.6
Engineering	89.8	98.5	8.6
Construction Machinery	283.4	280.4	(2.9)
Electric Power	58.5	213.1	154.6
Other Businesses	18.1	16.8	(1.2)
Adjustment	(38.8)	(47.9)	(9.0)
Total	1,484.8	1,784.6	299.8

Ordinary Income (Loss)

(Billions of yen)

	FY2021 Cumulative 3Q ③	FY2022 Cumulative 3Q ④	Change ④-③
Steel & Aluminum	31.3	41.0	9.6
Advanced Materials	7.1	(0.1)	(7.2)
Welding	2.7	1.5	(1.1)
Machinery	8.5	8.3	(0.1)
Engineering	9.0	2.6	(6.3)
Construction Machinery	12.8	10.7	(2.0)
Electric Power	7.7	6.4	(1.2)
Other Businesses	2.4	3.2	0.8
Adjustment	(2.9)	0.8	3.8
Total	78.7	74.8	(3.9)

(Billions of yen)

		FY2021 Cumulative 3Q ①	FY2022 Cumulative 3Q ②	Change ②-①
Steel products	Net Sales	542.5	678.9	136.3
	Ordinary Income (Loss)	26.3	43.1	16.8
	Excluding Inventory Valuation	(10.6)	20.6	31.3
Aluminum rolled products	Net Sales	120.5	147.5	27.0
	Ordinary Income (Loss)	5.0	(2.1)	(7.1)
	Excluding Inventory Valuation	2.5	(7.6)	(10.1)
Total	Net Sales	663.1	826.5	163.4
	Ordinary Income (Loss)	31.3	41.0	9.6
	Excluding Inventory Valuation	(8.1)	13.0	21.1

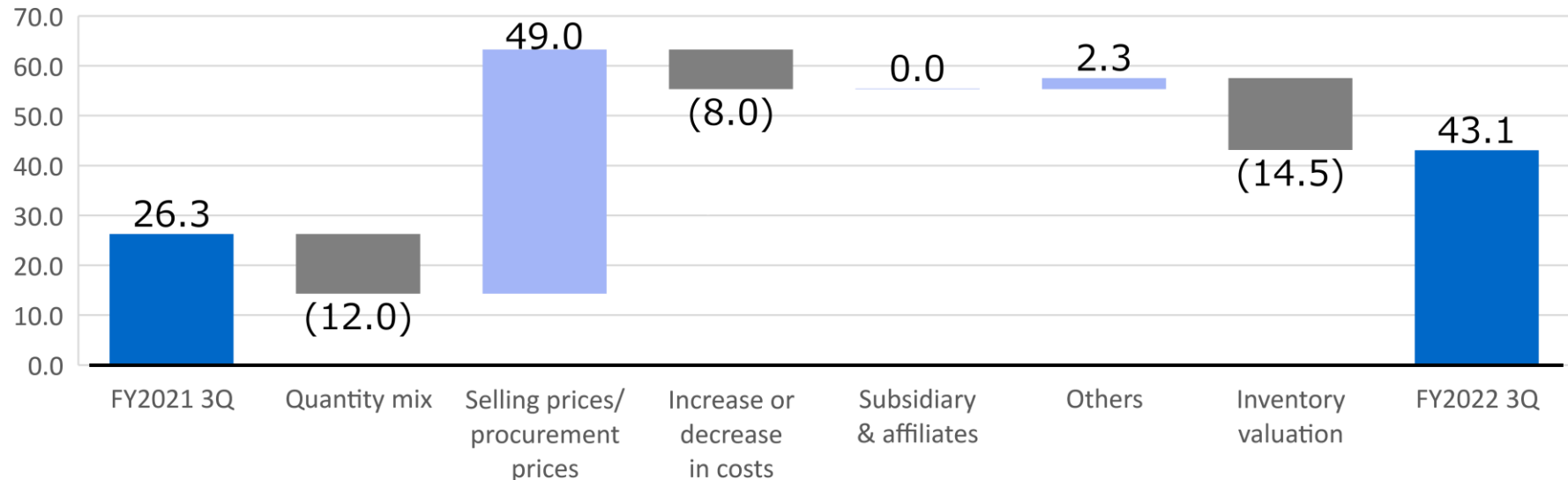
Steel products

FY2021 Cumulative 3Q: Net sales of 542.5 billion yen →
FY2022 Cumulative 3Q: Net sales of 678.9 billion yen (Up 136.3 billion yen year on year)
FY2021 Cumulative 3Q: Ordinary Income of 26.3 billion yen →
FY2022 Cumulative 3Q: Ordinary Income of 43.1 billion yen (Up 16.8 billion yen year on year)

- Crude steel production: 4.68 million tons (Down 0.31 million tons year on year)
- Sales volume: 3.75 million tons (Down 0.25 million tons year on year)
 - Decrease in sales volume due to a decrease in automobile production
- Selling price: 139,100 yen/ton (Up 39,200 yen/ton year on year)
- Factors affecting profit and loss
 - Decrease in sales volume
 - Improvements in metal spreads year on year due to progress in improving selling prices
 - Cost increases centered on fixed costs, such as labor costs
 - Decrease in inventory valuation gains

(Billions of yen)

Related data on P42-43



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

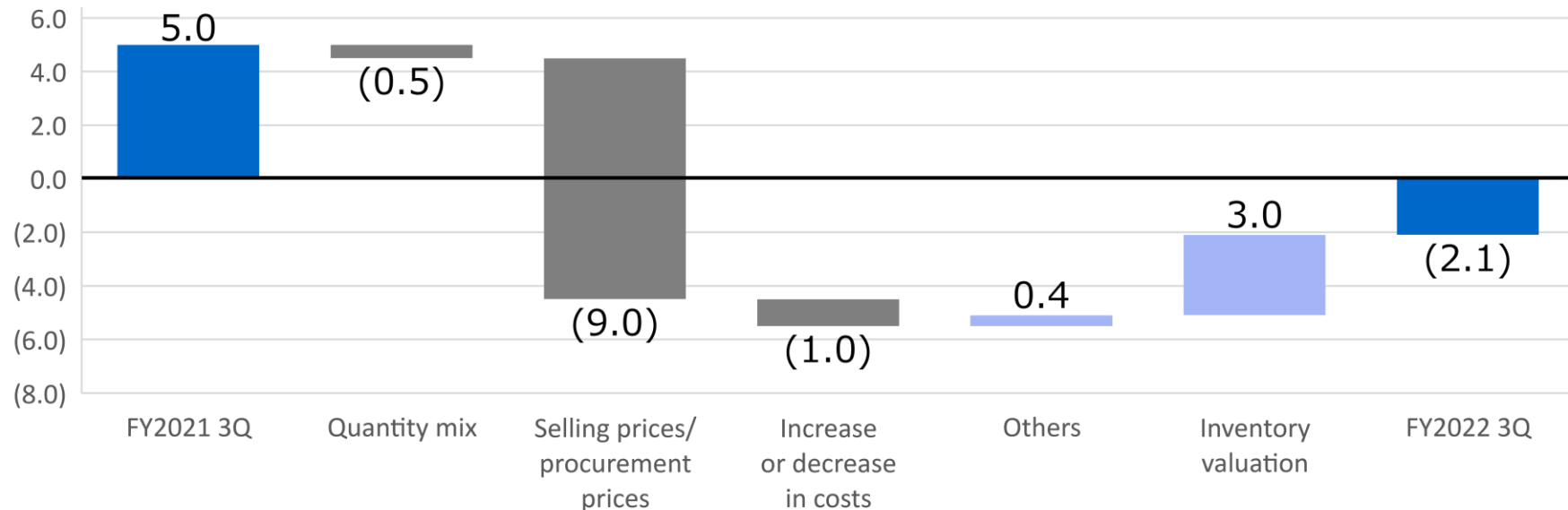
Aluminum
rolled
products

FY2021 Cumulative 3Q: Net sales of 120.5 billion yen →
FY2022 Cumulative 3Q: Net sales of 147.5 billion yen (Up 27.0 billion yen year on year)
FY2021 Cumulative 3Q: Ordinary income of 5.0 billion yen →
FY2022 Cumulative 3Q: Ordinary loss of 2.1 billion yen (Down 7.1 billion yen year on year)

- Sales volume: 254,000 tons (Down 5,000 tons year on year)
 - Beverage cans : Decreased due to lower demand for beverage cans
 - Automobiles: Increased due to sales expansion despite a decrease in demand affected by automobile production cuts
 - IT and semiconductors: Increased centered on aluminum plates for semiconductor manufacturing equipment
- Factors affecting profit and loss
 - Decrease in sales volume
 - Delay in passing on the increase in procurement costs due to rising energy prices to selling prices
 - Increase in inventory valuation gains due to rising aluminum market prices

(Billions of yen)

Related data on P42-43



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

	FY2021 Cumulative 3Q ①	FY2022 Cumulative 3Q ②	(Billions of yen) Change ②-①
Net Sales	234.5	203.7	(30.7)
Ordinary Income (Loss)	7.1	(0.1)	(7.2)
Excluding Inventory Valuation	1.6	(2.6)	(4.2)

■ Sales volume

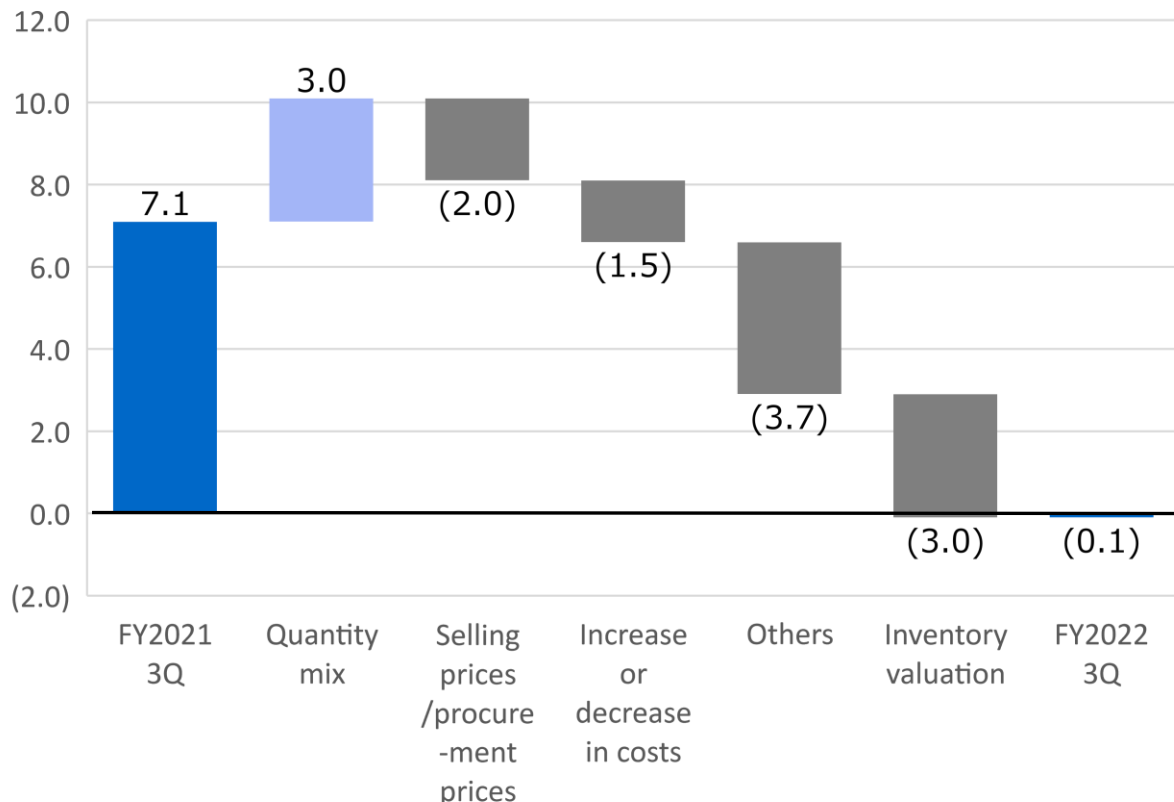
- Increased in steel castings & forgings due to increased demand in the shipbuilding sector
- Increased in titanium due to demand recovery in the general industrial sector
- Decreased in aluminum extrusions, copper flat rolled products, and steel powder due to a demand decline in the automotive sector

■ Factors affecting profit and loss

- Increase in sales volumes of steel castings & forgings and titanium
- Delay in passing on the increase in procurement costs due to rising energy prices to selling prices
- Cost increases centered on fixed costs, such as labor costs
- Decline in inventory valuation gains (affected by the transfer of the copper tube business)

(Billions of yen)

[Related data on P42-43](#)



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

(Billions of yen)

	FY2021 Cumulative 3Q ①	FY2022 Cumulative 3Q ②	Change ②-①
Net Sales	57.2	64.7	7.5
Ordinary Income (Loss)	2.7	1.5	(1.1)

[Related data on P42](#)

■ Sales volume

Domestic: Remain at a similar level to the same period of the previous fiscal year
 Overseas: Decreased due to lower demand, particularly in Southeast Asia

■ Factors affecting profit and loss

- Decrease in sales volume

	FY2021 Cumulative 3Q ①	FY2022 Cumulative 3Q ②	(Billions of yen) Change ②-①
Net Sales	118.6	128.3	9.6
Ordinary Income (Loss)	8.5	8.3	(0.1)
Orders	146.7	176.0	29.2

■ Orders

- Increased in both industrial machinery and rotating machinery owing to strong demand in the petrochemical and energy sectors

■ Factors affecting profit and loss

- Changes in the project composition

(Billions of yen)

	FY2021 Cumulative 3Q ①	FY2022 Cumulative 3Q ②	Change ②-①
Net Sales	89.8	98.5	8.6
Ordinary Income (Loss)	9.0	2.6	(6.3)
Orders	136.2	105.2	(31.0)

■ Orders

- Decreased compared to the same period of the previous fiscal year that saw an increase in orders due to orders for large-scale overseas projects in the DRI-related business

■ Factors affecting profit and loss

- Changes in the project composition mainly in the DRI-related business

	FY2021 Cumulative 3Q ①	FY2022 Cumulative 3Q ②	(Billions of yen) Change ②-①
Net Sales	283.4	280.4	(2.9)
Ordinary Income (Loss)	12.8	10.7	(2.0)

Related data on P42

■ Unit Sales

[Hydraulic excavator]

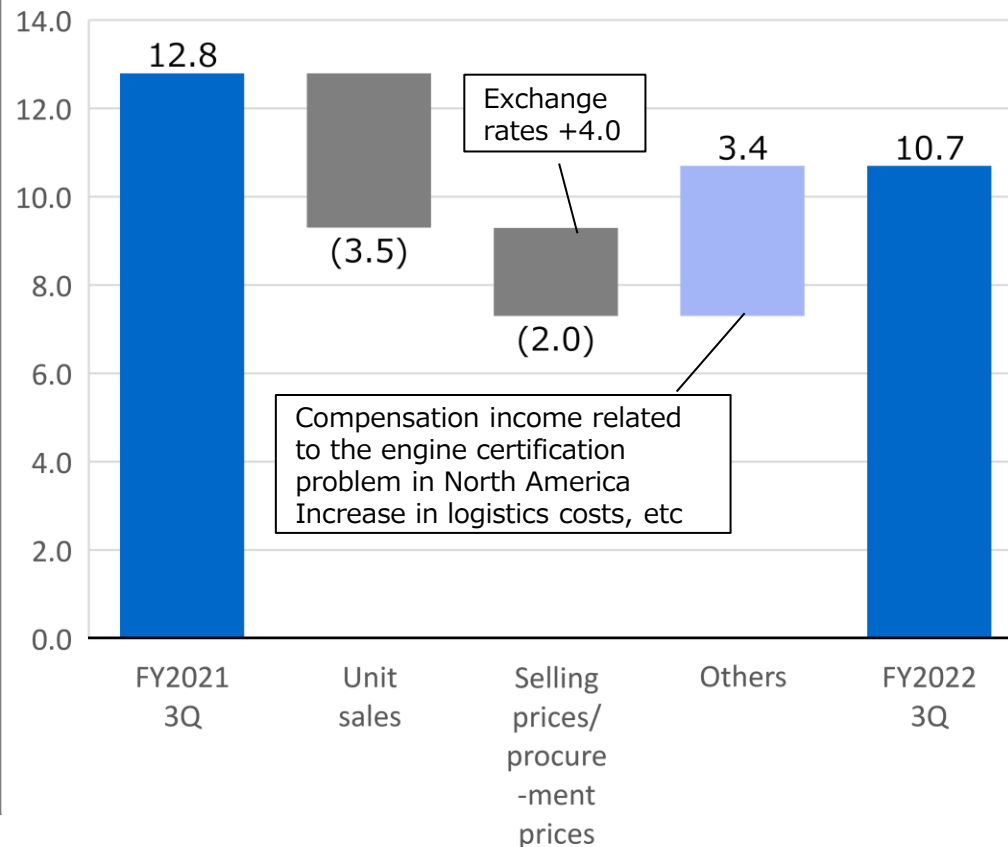
- Decreased in China, affected by weakened demand due to a decline in infrastructure investment, as well as in Japan, Europe, and North America, affected by shortages of procured parts

[Crawler crane]

- Remained at a similar level to the same period of the previous fiscal year

■ Factors affecting profit and loss

- Decrease in unit sales of hydraulic excavators
- Delay in passing on increased procurement costs of various materials, such as steel, to selling prices
- Improvement in export profitability due to a weaker yen against the dollar and the euro
- Compensation income related to the engine certification problem in North America



	FY2021 Cumulative 3Q ①	FY2022 Cumulative 3Q ②	(Billions of yen) Change ②-①
Net Sales	58.5	213.1	154.6
Ordinary Income (Loss)	7.7	6.4	(1.2)

■ Sales volume

- Increased due to the start of operations of the Kobe Power Plant No. 3 unit (started operations in February 2022)

■ Unit selling price

- Rose along with soaring thermal coal prices

■ Factors affecting profit and loss

- Start of operations of the Kobe Power Plant No. 3 unit
- Coal prices in the national trade statistics, an index of the selling prices of electricity generated by the Kobe Power Plant No. 1 to No. 3 units, remaining at a lower level than the Company's coal procurement prices (due to temporary factors)
- Impact of time lags in fuel cost adjustments (Price pass-through) at the Kobe Power Plant No. 3 unit

3. Forecast for Fiscal 2022

Net sales: FY2022 previous: 2,530.0 billion yen → FY2022 current: 2,490.0 billion yen (Down 40.0 billion yen)

- Sales volume is expected to decrease mainly in the materials businesses due to slow demand recovery in the automotive sector.
- Sales volume of construction machinery is expected to decrease mainly due to lower demand in Southeast Asia

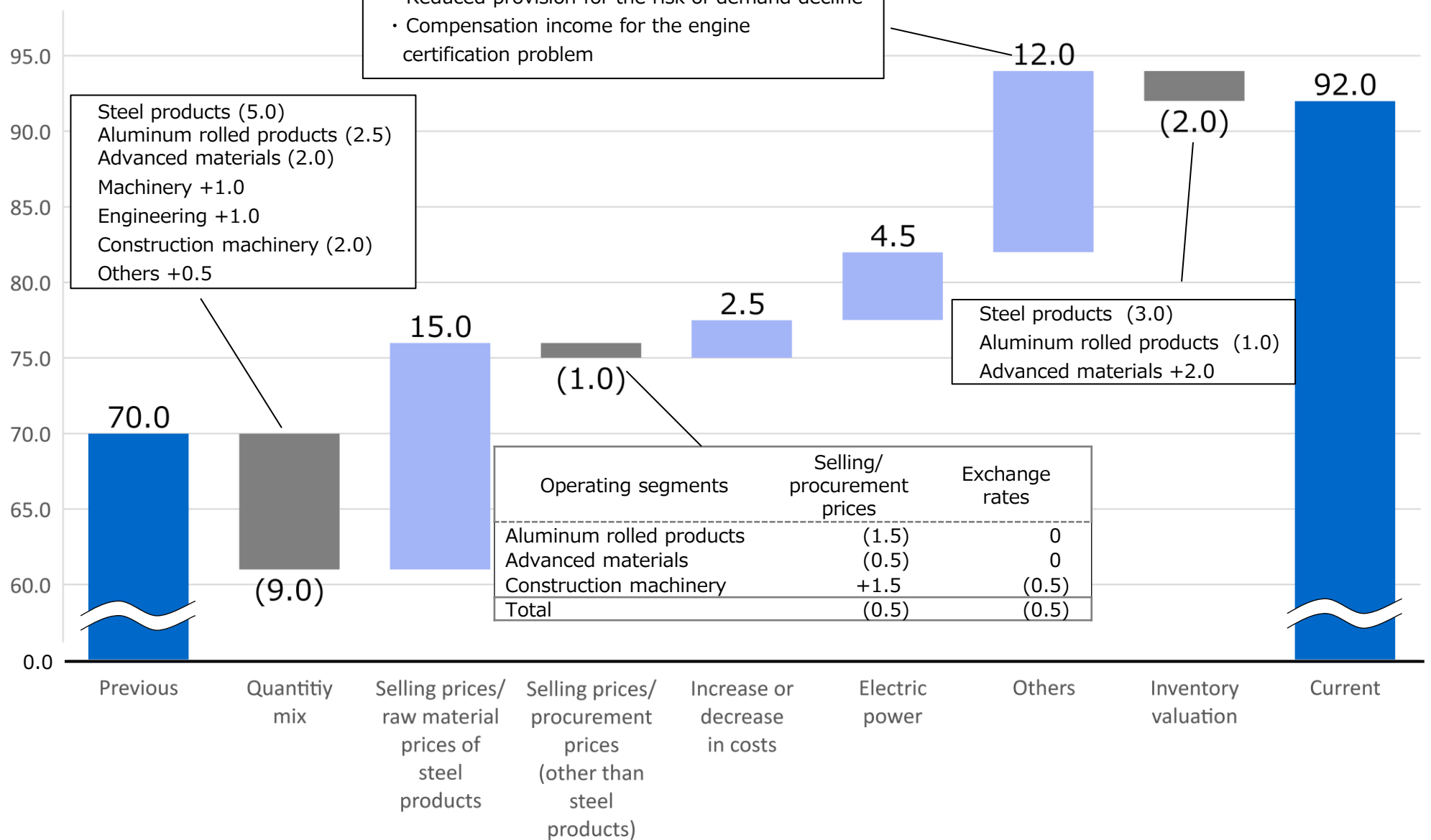
Ordinary income: FY2022 previous: 70.0 billion yen → FY2022 current: 92.0 billion yen (Up 22.0 billion yen)

- Improvement in steel metal spreads
- Diminished impact of time lags in fuel cost adjustments in the electric power business
- Compensation income related to the engine certification problem in the construction machinery business

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	972.1	1,110.3	2,082.5	1,169.6	1,360.3	2,530.0	1,169.6	1,320.4	2,490.0	(40.0)
Operating Income (Loss)	46.8	40.8	87.6	19.7	35.2	55.0	19.7	47.3	67.0	12.0
Ordinary Income (Loss)	44.3	48.8	93.2	41.8	28.1	70.0	41.8	50.2	92.0	22.0
Excluding Inventory Valuation	19.3	22.8	42.2	19.3	22.1	41.5	19.3	46.2	65.5	24.0
Extraordinary Income (Loss)	–	(9.2)	(9.2)	(2.6)	–	(2.6)	(2.6)	(5.1)	(7.7)	(5.1)
Net Income (Loss) Attributable to Owners of the Parent	34.5	25.5	60.0	28.0	16.9	45.0	28.0	34.0	62.0	17.0

(Billions of yen)



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

Net Sales

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change
	1H	2H		1H	2H	①	1H	2H	②	②-①
Steel & Aluminum	427.3	487.5	914.9	536.5	578.4	1,115.0	536.5	558.5	1,095.0	(20.0)
Advanced Materials	153.2	180.0	333.2	133.1	161.8	295.0	133.1	153.9	287.0	(8.0)
Welding	38.0	38.8	76.9	42.1	45.8	88.0	42.1	44.9	87.0	(1.0)
Machinery	79.7	87.1	166.8	86.2	107.7	194.0	86.2	103.8	190.0	(4.0)
Engineering	55.6	79.9	135.6	61.1	86.8	148.0	61.1	85.9	147.0	(1.0)
Construction Machinery	194.0	177.6	371.6	183.7	213.2	397.0	183.7	206.3	390.0	(7.0)
Electric Power	37.5	72.3	109.8	147.5	171.4	319.0	147.5	178.5	326.0	7.0
Other Businesses	11.4	17.4	28.8	10.8	17.1	28.0	10.8	17.2	28.0	–
Adjustment	(24.8)	(30.4)	(55.3)	(31.7)	(22.2)	(54.0)	(31.7)	(28.3)	(60.0)	(6.0)
Total	972.1	1,110.3	2,082.5	1,169.6	1,360.3	2,530.0	1,169.6	1,320.4	2,490.0	(40.0)

Ordinary Income (Loss)

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Steel & Aluminum	14.8	22.6	37.5	22.3	12.6	35.0	22.3	16.7	39.0	4.0
Advanced Materials	5.2	(0.1)	5.1	1.4	(0.4)	1.0	1.4	(0.9)	0.5	(0.5)
Welding	2.0	0.7	2.7	0.8	1.6	2.5	0.8	1.7	2.5	–
Machinery	4.2	8.3	12.5	5.2	9.7	15.0	5.2	9.8	15.0	–
Engineering	4.3	3.3	7.7	0.9	0.5	1.5	0.9	2.1	3.0	1.5
Construction Machinery	8.4	3.6	12.0	10.0	(6.0)	4.0	10.0	(1.0)	9.0	5.0
Electric Power	5.7	7.5	13.2	(1.3)	14.8	13.5	(1.3)	19.3	18.0	4.5
Other Businesses	1.1	5.9	7.0	2.1	2.8	5.0	2.1	3.9	6.0	1.0
Adjustment	(1.7)	(3.1)	(4.9)	0.1	(7.6)	(7.5)	0.1	(1.1)	(1.0)	6.5
Total	44.3	48.8	93.2	41.8	28.1	70.0	41.8	50.2	92.0	22.0

(Billions of yen)

		FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change
		1H	2H		1H	2H	①	1H	2H	②	②-①
Steel products	Net Sales	346.5	404.4	751.0	438.3	484.6	923.0	438.3	468.7	907.0	(16.0)
	Ordinary Income (Loss)	12.4	22.2	34.6	21.0	14.9	36.0	21.0	24.0	45.0	9.0
	Excluding Inventory Valuation	(9.5)	1.2	(8.4)	6.0	8.9	15.0	6.0	21.0	27.0	12.0
Aluminum rolled products	Net Sales	80.7	83.0	163.8	98.1	93.8	192.0	98.1	89.9	188.0	(4.0)
	Ordinary Income (Loss)	2.4	0.4	2.8	1.2	(2.2)	(1.0)	1.2	(7.2)	(6.0)	(5.0)
	Excluding Inventory Valuation	2.4	(1.6)	0.8	(4.2)	(2.7)	(7.0)	(4.2)	(6.8)	(11.0)	(4.0)
Total	Net Sales	427.3	487.5	914.9	536.5	578.4	1,115.0	536.5	558.5	1,095.0	(20.0)
	Ordinary Income (Loss)	14.8	22.6	37.5	22.3	12.6	35.0	22.3	16.7	39.0	4.0
	Excluding Inventory Valuation	(7.1)	(0.4)	(7.6)	1.8	6.1	8.0	1.8	14.2	16.0	8.0

Steel products

FY2022 previous: Net sales of 923.0 billion yen →

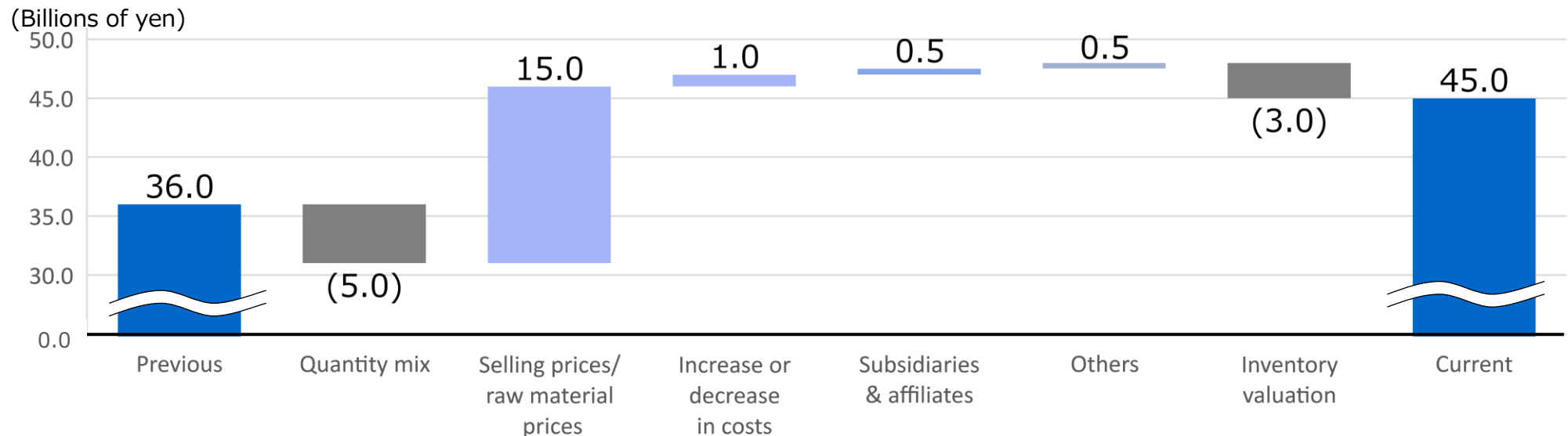
FY2022 current: Net sales of 907.0 billion yen (Down 16.0 billion yen)

FY2022 previous: Ordinary income of 36.0 billion yen →

FY2022 current: Ordinary income of 45.0 billion yen (Up 9.0 billion yen)

- Crude steel production: Approx. 6.20 million tons (Down 0.10 million tons)
- Sales volume: Approx. 5.00 million tons (Down 0.10 million tons)
 - Anticipate a decrease in sales volume due to slow demand recovery in the automotive sector, particularly overseas, and inventory adjustments by customers
- Factors affecting profit and loss
 - Decrease in sales volume
 - Improvement in metal spreads due to a decline in raw materials prices and progress in improving selling prices
 - Decrease in inventory valuation gains due to the appreciation of the yen and other factors

Related data on P42-43



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

Aluminum rolled products

FY2022 previous: Net sales of 192.0 billion yen →

FY2022 current: Net sales of 188.0 billion yen (Down 4.0 billion yen)

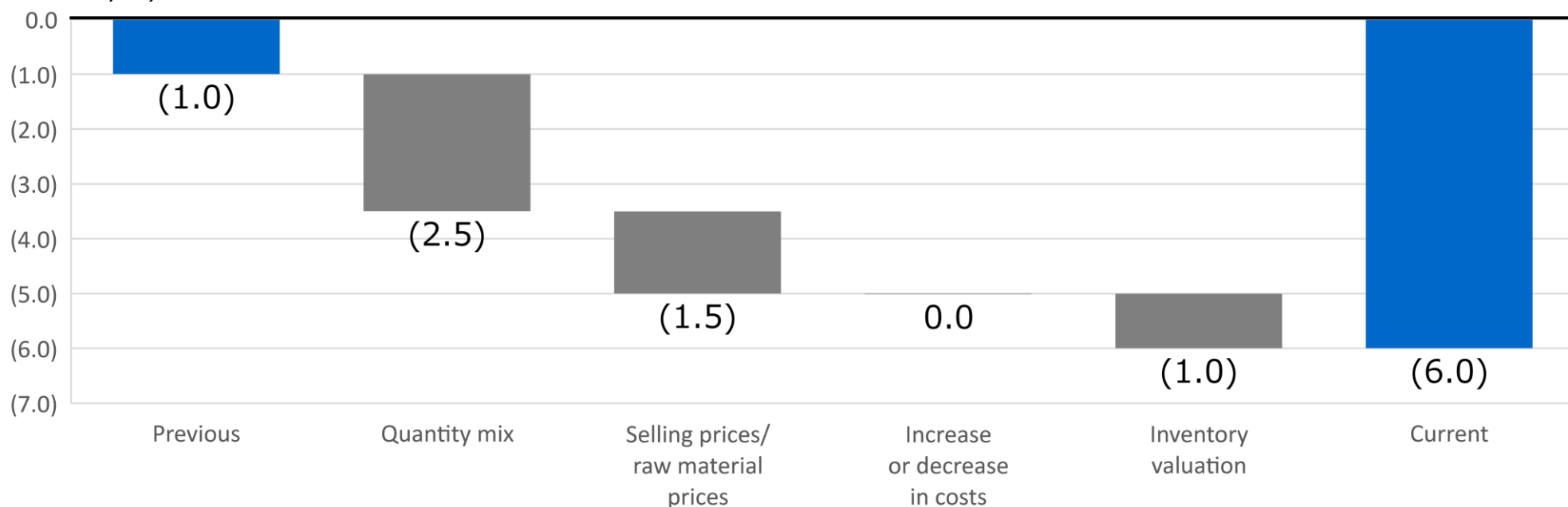
FY2022 previous: Ordinary loss of 1.0 billion yen →

FY2022 current: Ordinary loss of 6.0 billion yen (Down 5.0 billion yen)

- Sales volume: Approx. 340,000 tons (Down 20,000 tons)
 - Anticipate a decrease in sales volume due to slow demand recovery in the automotive sector, particularly overseas, and a decline in demand in the IT and semiconductor sectors
- Factors affecting profit and loss
 - Decrease in sales volume
 - Delay in passing on rises in energy prices to selling prices
 - Decrease in inventory valuation gains due to a decline in the aluminum market prices

[Related data on P42-43](#)

(Billions of yen)



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

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	153.2	180.0	333.2	133.1	161.8	295.0	133.1	153.9	287.0	(8.0)
Ordinary Income (Loss)	5.2	(0.1)	5.1	1.4	(0.4)	1.0	1.4	(0.9)	0.5	(0.5)
Excluding Inventory Valuation	2.2	(3.1)	(0.9)	(0.5)	0.0	(0.5)	(0.5)	(2.5)	(3.0)	(2.5)

FY2022 previous: Ordinary income of 1.0 billion yen →

FY2022 current: Ordinary income of 0.5 billion yen

(Down 0.5 billion yen)

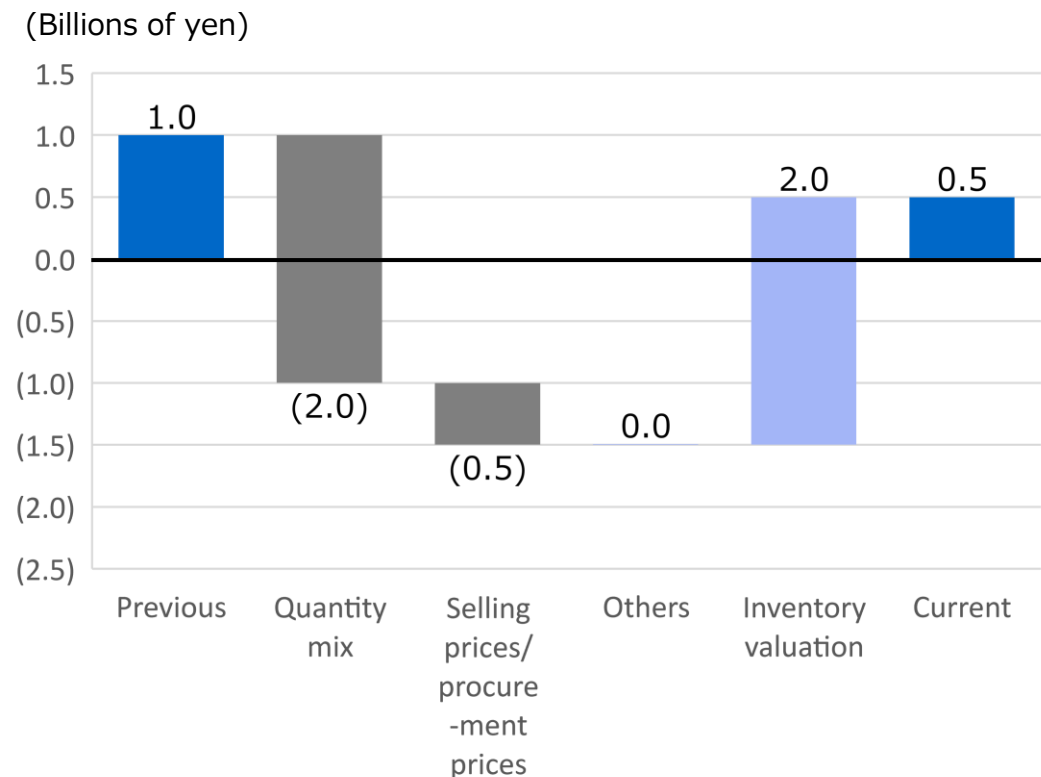
■ Sales volume

- Anticipate a decrease in suspensions, aluminum extrusions, copper flat rolled products, and steel powder due to further delayed demand recovery in the automotive sector
- Anticipate a decrease in copper flat rolled products, and aluminum castings & forgings due to lower demand in the IT and semiconductor sectors

■ Factors affecting profit and loss

- Decrease in sales volume
- Delay in passing on rises in energy prices to selling prices
- Increase in inventory valuation gains due to rising copper market prices

Related data on P42-43



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

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	38.0	38.8	76.9	42.1	45.8	88.0	42.1	44.9	87.0	(1.0)
Ordinary Income (Loss)	2.0	0.7	2.7	0.8	1.6	2.5	0.8	1.7	2.5	–

Related data on P42

[FY2022 previous: Ordinary income of 2.5 billion yen →](#)

[FY2022 current: Ordinary income of 2.5 billion yen \(with no change\)](#)

■ Sales volume

Domestic: Expected to remain at a similar level to the previous forecast

Overseas: Anticipate a decline due to slow demand recovery in Southeast Asia

■ Factors affecting profit and loss

- Remain at a similar level to the previous forecast

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	79.7	87.1	166.8	86.2	107.7	194.0	86.2	103.8	190.0	(4.0)
Ordinary Income (Loss)	4.2	8.3	12.5	5.2	9.7	15.0	5.2	9.8	15.0	–
Orders	89.5	117.0	206.6	111.4	approx. 125.0	approx. 235.0	111.4	approx. 135.0	approx. 245.0	approx. 10.0

FY2022 previous: Ordinary income of 15.0 billion yen →

FY2022 current: Ordinary income of 15.0 billion yen (with no change)

■ Orders—Increase

- Orders are expected to reach a record high of around 245.0 billion yen, mainly due to additional orders for energy-related projects in rotating machinery.

■ Factors affecting profit and loss

- Remain at a similar level to the previous forecast

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	55.6	79.9	135.6	61.1	86.8	148.0	61.1	85.9	147.0	(1.0)
Ordinary Income (Loss)	4.3	3.3	7.7	0.9	0.5	1.5	0.9	2.1	3.0	1.5
Orders	73.5	134.9	208.5	77.2	approx. 75.0	approx. 150.0	77.2	approx. 75.0	approx. 150.0	–

FY2022 previous: Ordinary income of 1.5 billion yen →

FY2022 current: Ordinary income of 3.0 billion yen (Up 1.5 billion yen)

- Orders—Remain at a similar level to the previous forecast
 - Orders are expected to be around 150.0 billion yen. Orders are centered on the water treatment-related business, reflecting companies’ growing appetite for infrastructure investment.
- Factors affecting profit and loss
 - Improvements through reviewing the status of progress of individual projects

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	194.0	177.6	371.6	183.7	213.2	397.0	183.7	206.3	390.0	(7.0)
Ordinary Income (Loss)	8.4	3.6	12.0	10.0	(6.0)	4.0	10.0	(1.0)	9.0	5.0

FY2022 previous: Ordinary income of 4.0 billion yen →

**FY2022 current: Ordinary income of 9.0 billion yen
(Up 5.0 billion yen)**

■ Unit Sales

[Hydraulic shovel]

- Sales volume is expected to decline due to factors such as lower demand and differences from assumptions, affected by fears of possible economic downturns in Southeast Asia, and shortages of parts supplies

[Crawler Crane]

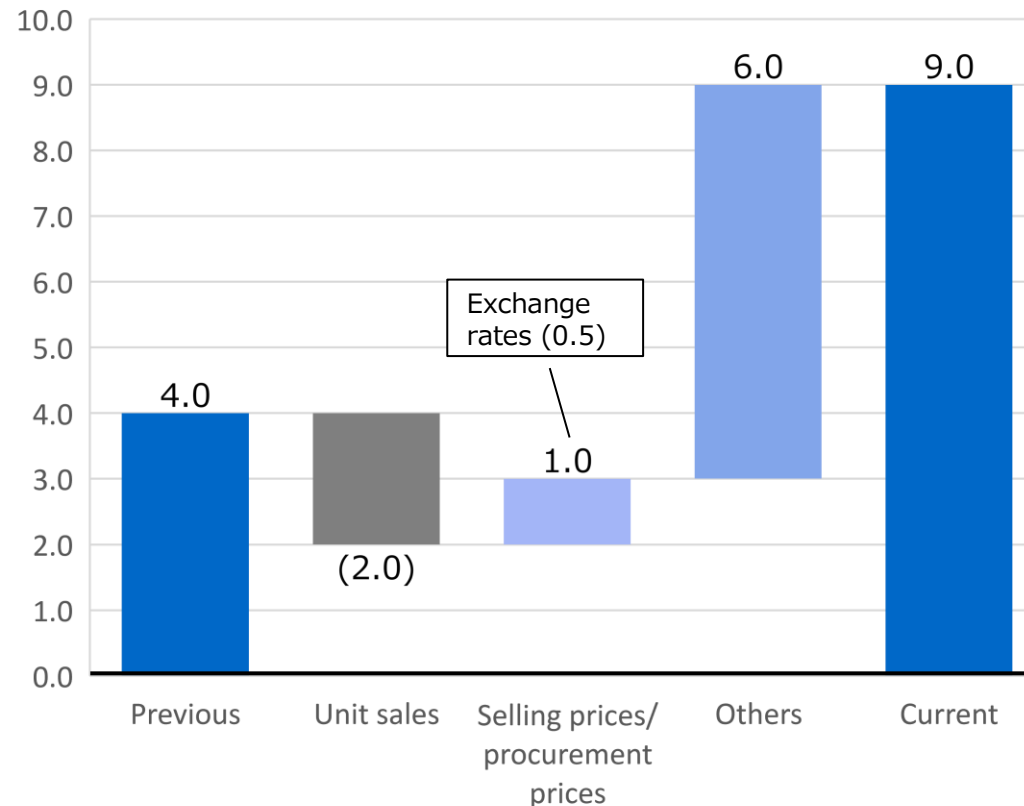
- Sales volume is expected to decline due to delays in production and shipping

■ Factors affecting profit and loss

- Decline in unit sales
- Lower procurement costs
- Fewer sales incentives in China
- Compensation income related to the engine certification problem

Related data on P42

(Billions of yen)



(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	37.5	72.3	109.8	147.5	171.4	319.0	147.5	178.5	326.0	7.0
Ordinary Income (Loss)	5.7	7.5	13.2	(1.3)	14.8	13.5	(1.3)	19.3	18.0	4.5

FY2022 previous: Ordinary income of 13.5 billion yen→

FY2022 current: Ordinary income of 18.0 billion yen (Up 4.5 billion yen)

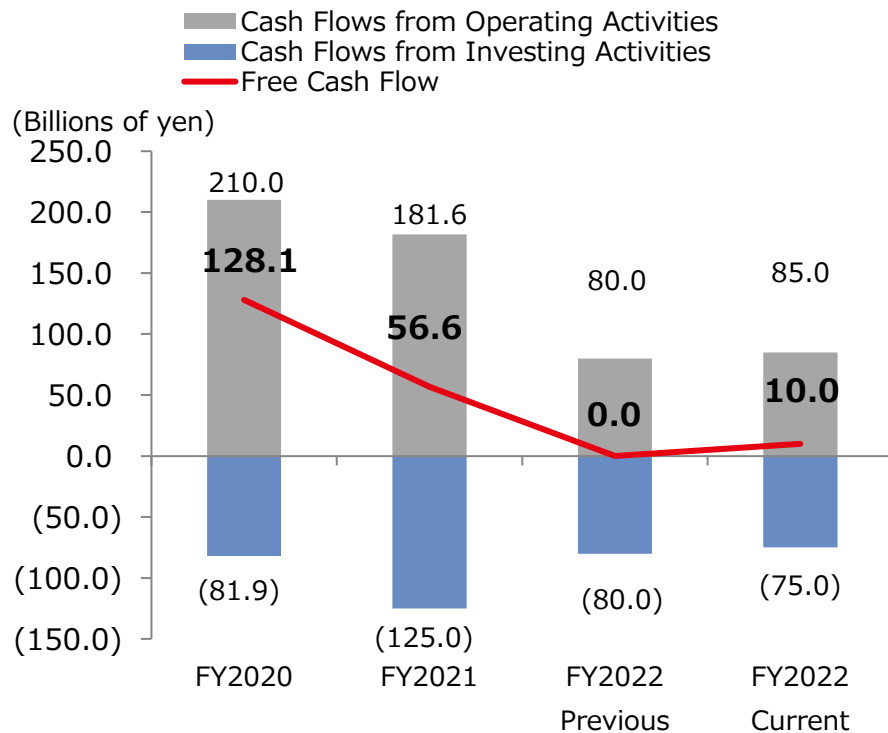
- Sales volume—Remain at a similar level to the previous forecast
- Unit price—Anticipate an increase
 - An increase in unit price is expected due to differences from assumptions in prices of trade statistics used as a basis for electricity selling prices, etc.
- Factors affecting profit and loss
 - Diminished impact of time lags in fuel cost adjustments at the Kobe Power Plant No. 3 and No.4 units due to the appreciation of the yen

- 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.
- In accordance with this policy, the Board of Directors resolved today to pay a year-end dividend of 25 yen (an annual dividend of 40 yen) per share for the current fiscal year.

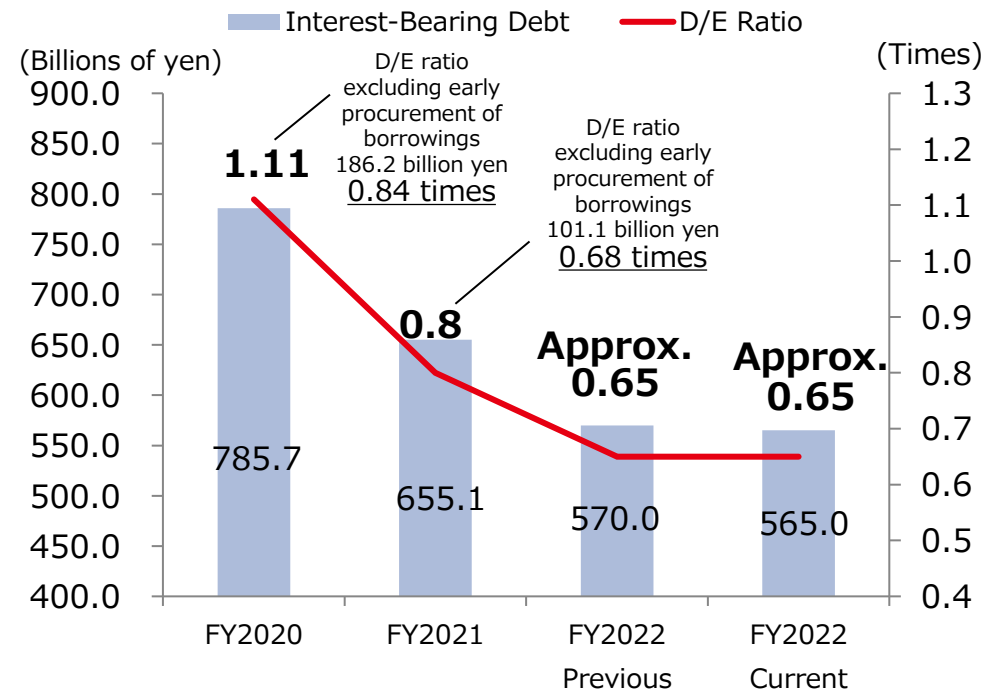
	FY2021			FY2022		
	Interim	Year-end		Interim	Year-end	
Dividends per share in yen	10	30	40	15	25	40
Dividend payout ratio			25.0%			25.4%

- **Free cash flow is expected to improve from the previous forecast** due to **improved business performance and careful selection of investments and loans**, despite a decline in working capital associated with a decline in sales volume.
- We will continue to strengthen progress management of invested capital through setting key performance indicators (KPIs) for ROIC management and work to improve working capital, including the optimization of inventories, while continuing to carefully select new investment projects and steadily promoting the maintenance and improvement of financial discipline.

Free Cash Flow



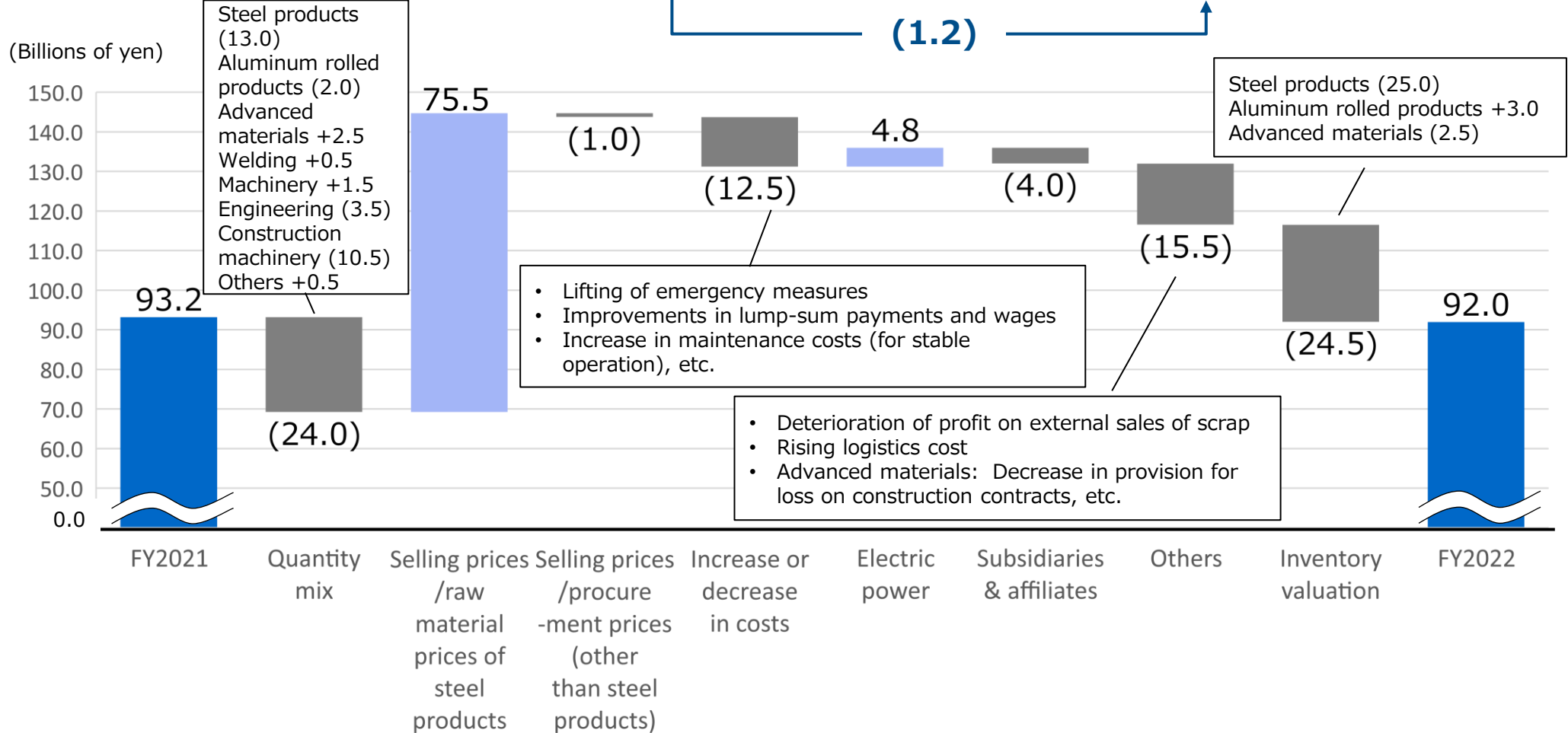
Interest-Bearing Debt & D/E Ratio



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

4. Reference Information

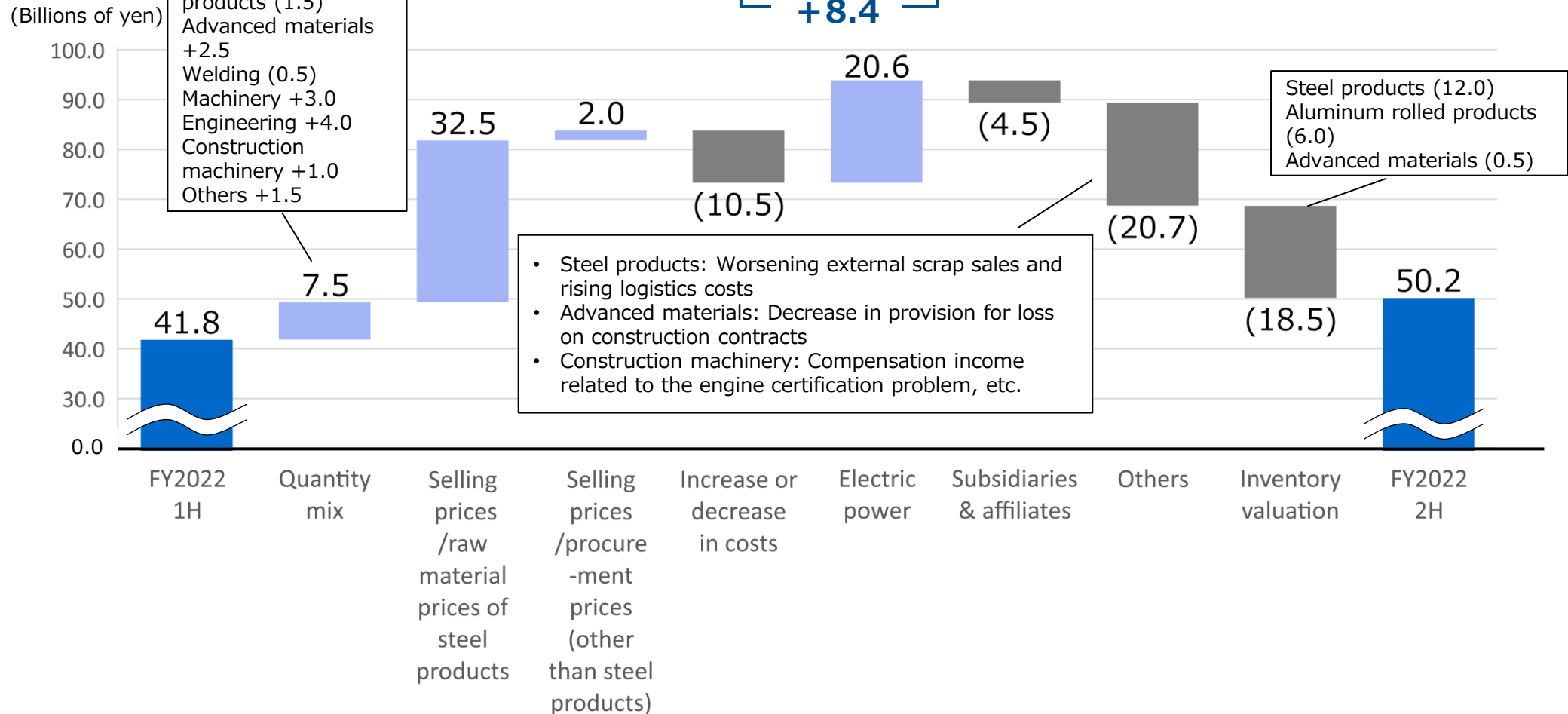
Ordinary Income (Loss)		(Billions of yen)		
	FY2021 Actual	FY2022 Forecast (Current)		
		1H	2H	Full Year
Consolidated	93.2	41.8	50.2	92.0



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

Ordinary Income (Loss)		(Billions of yen)		
		FY2022 Forecast		
		1H	2H	Full Year
Consolidated		41.8	50.2	92.0

+8.4



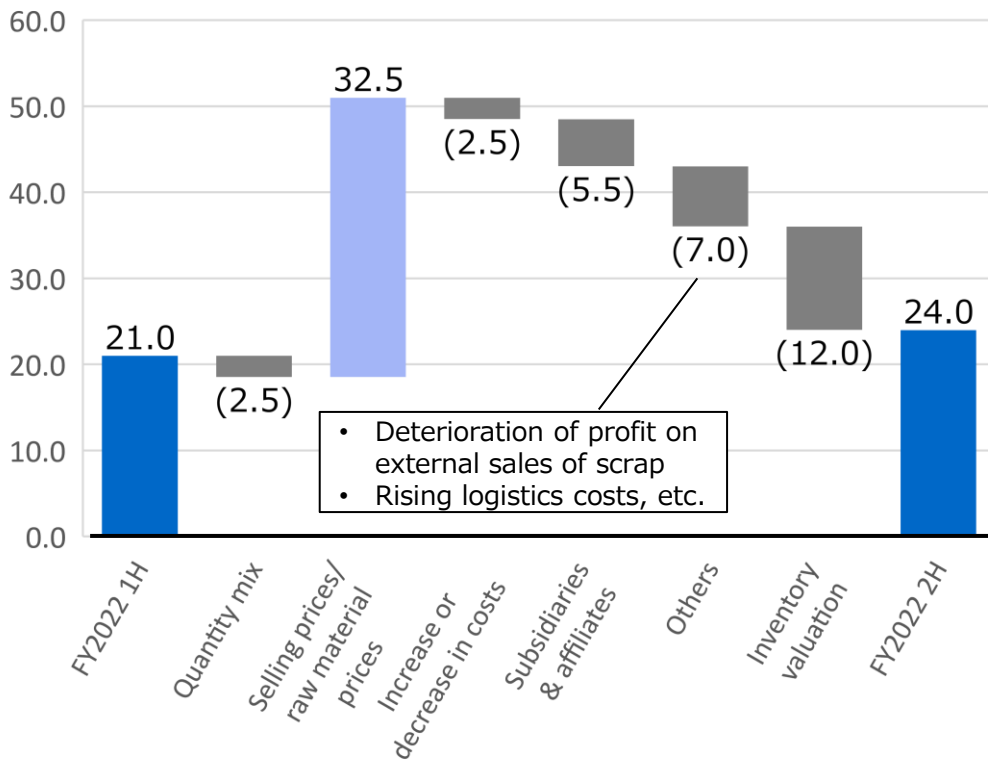
Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

Ordinary Income (Loss) (Billions of yen)

	FY2022 Forecast		
	1H	2H	Full Year
Steel products	21.0	24.0	45.0

+3.0

(Billions of yen)

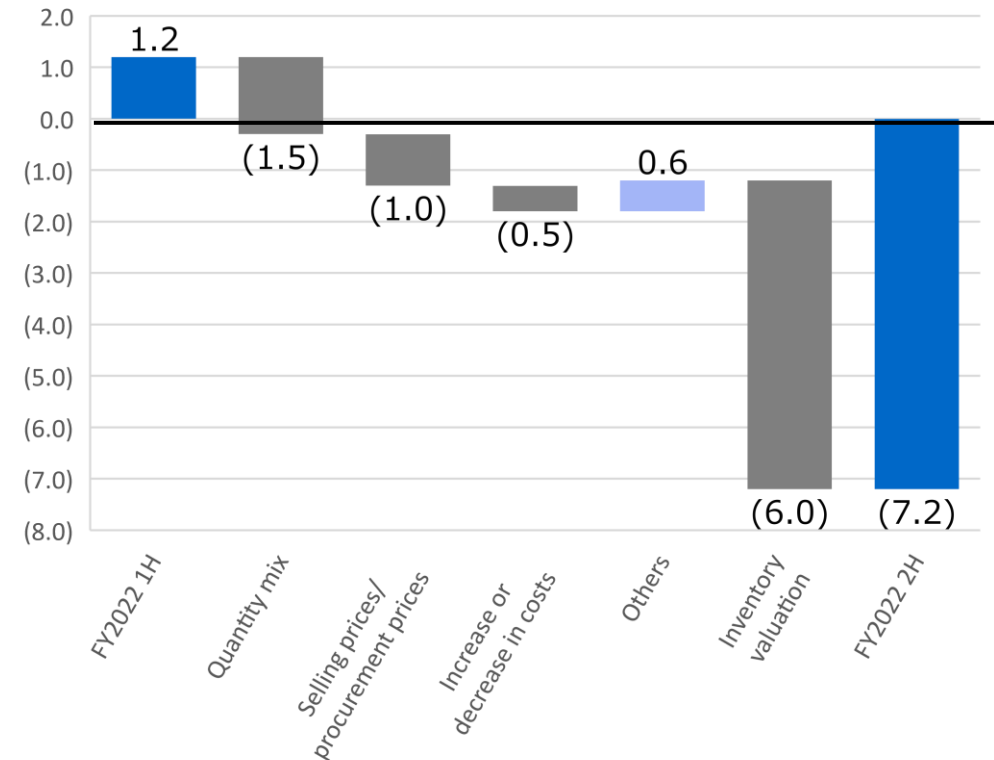


Ordinary Income (Loss) (Billions of yen)

	FY2022 Forecast		
	1H	2H	Full Year
Aluminum rolled products	1.2	(7.2)	(6.0)

(8.4)

(Billions of yen)



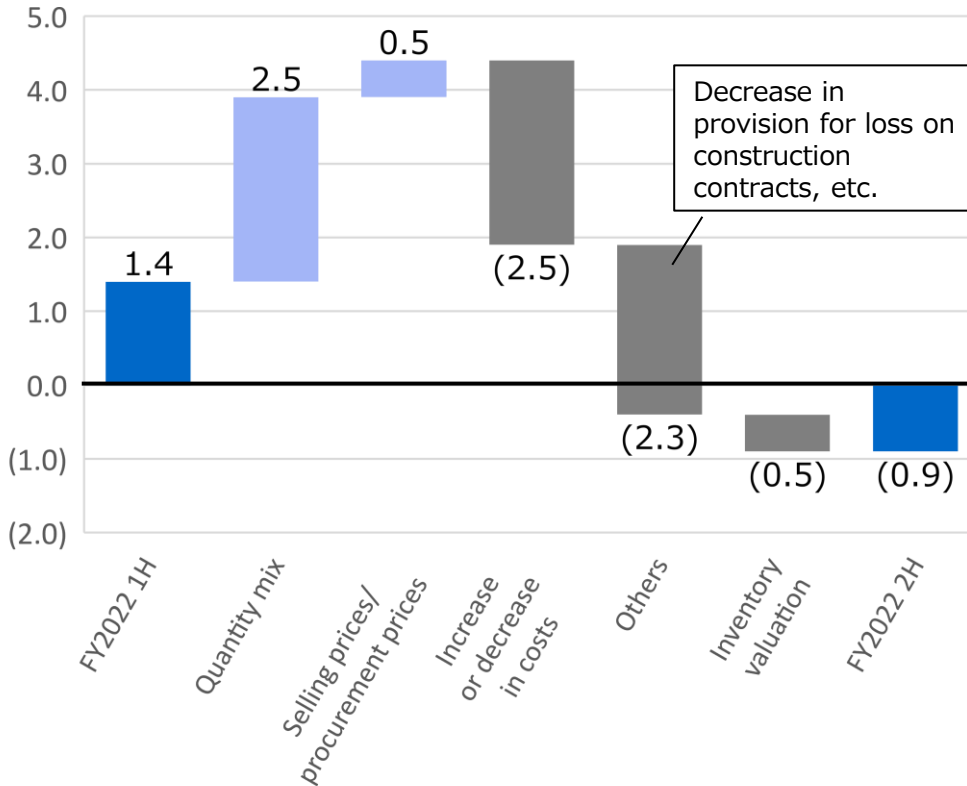
Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

Ordinary Income (Loss) (Billions of yen)

	FY2022 Forecast		
	1H	2H	Full Year
Advanced Materials	1.4	(0.9)	0.5

(2.3)

(Billions of yen)

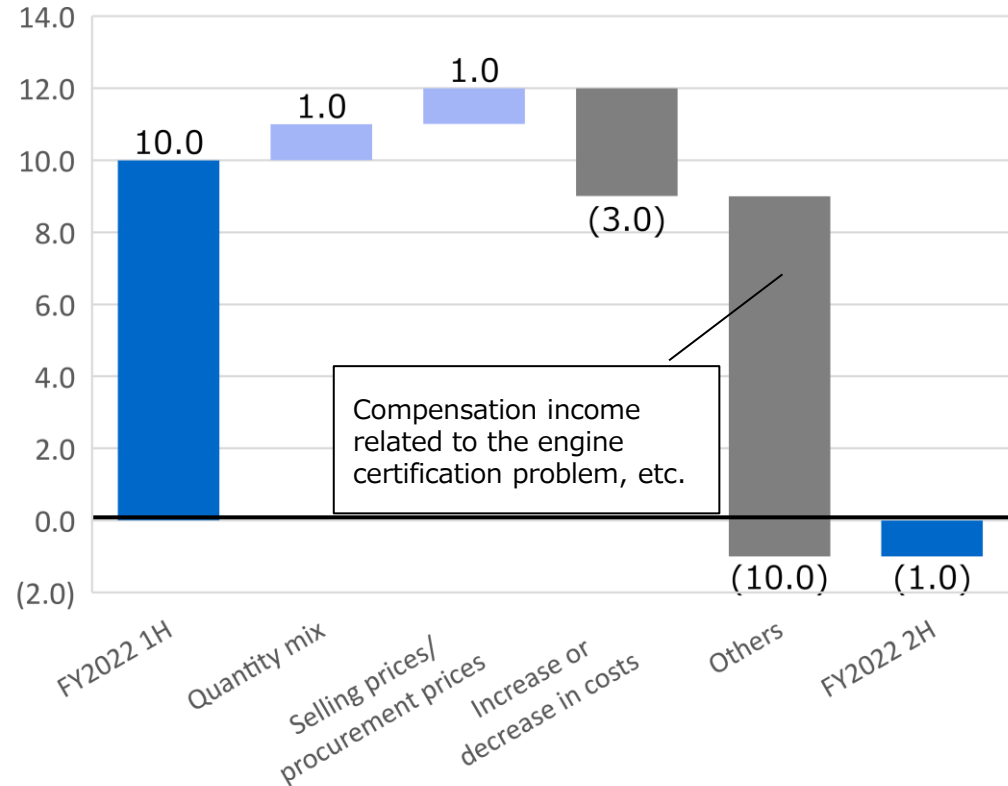


Ordinary Income (Loss) (Billions of yen)

	FY2022 Forecast		
	1H	2H	Full Year
Construction Machinery	10.0	(1.0)	9.0

(11.0)

(Billions of yen)



	FY2021 Actual				FY2022 Forecast (Previous) Full Year	FY2022 Forecast (Current)			
	1H	3Q	2H	Full Year		1H	3Q	2H	Full Year
Crude steel production*1 (Millions of tons)	3.35	1.64	3.24	6.59	approx.6.30	3.15	1.52	approx.3.00	approx.6.20
Sales volume of steelproducts*2 (Millions of tons)	2.68	1.32	2.59	5.27	approx.5.10	2.50	1.25	approx.2.50	approx.5.00
Domestic	2.03	0.98	1.97	3.99	approx.3.90	1.92	0.98	approx.2.00	approx.3.90
Exports	0.66	0.34	0.62	1.28	approx.1.20	0.58	0.27	approx.0.50	approx.1.10
Average steel selling price (Thousands of yen/ton)	95.5	108.9	116.1	105.6		134.5	148.2		
Export ratio (value basis)	24.9%	26.1%	23.6%	24.2%		23.4%	21.2%		
Aluminum rolled products*3 (Thousands of tons)	179	81	164	343	approx. 360	170	84	approx.170	approx.340
Domestic	134	57	117	250	approx.245	119	55	approx.120	approx.235
Exports	45	24	47	93	approx.115	51	29	approx.50	approx.105
Aluminum extrusions*3 (Thousands of tons)	19	9	17	36	approx. 37	17	9	approx.17	approx.35
Domestic	16	8	14	30	approx.29	14	7	approx.13	approx.27
Exports	3	1	3	6	approx.8	4	2	approx.4	approx.8
Copper rolled products*2 (Thousands of tons)	29	15	31	60	approx.60	27	14	approx.29	approx.56
Welding materials*3 (Thousands of tons)	133	62	125	258	approx.250	126	61	approx.120	approx.245
Domestic	53	27	54	108	approx.105	52	28	approx.55	approx.105
Exports	80	35	70	150	approx.145	74	33	approx.65	approx.140
Hydraulic excavators*4 (Thousands of units)	14.2	7.1	13.9	28.1	approx.26.0	11.9	6.3	approx.13.0	approx.25.0
Domestic	3.5	2.5	4.4	7.9	approx.8.0	3.4	2.3	approx.4.5	approx.8.0
Exports	10.7	4.6	9.5	20.2	approx.18.0	8.5	4.0	approx.8.5	approx.17.0
Crawler cranes*3 (Units)	143	71	178	321	approx.340	145	72	approx.155	approx.300

*1 Includes production volume through electric arc furnaces at Takasago Works

*2 Non-consolidated basis

*3 Consolidated basis

*4 Consolidated basis (including mini-excavators)

(Billions of yen)

Steel products		FY2021 Actual				FY2022 Forecast			
		1H	3Q	2H	Full Year	1H	3Q	2H	Full Year
	Iron ore	6.0	1.5	(8.5)	(2.5)	5.0	(4.5)	(7.0)	(2.0)
	Coal	3.5	7.5	8.0	11.5	(3.0)	0.0	0.0	(3.0)
	Carry over	9.5	9.0	(0.5)	9.0	2.0	(4.5)	(7.0)	(5.0)

	Average method	22.0	15.5	21.0	43.0	16.5	9.0	3.5	20.0
	Lower-of-cost-or-market method	0.0	(0.5)	0.0	0.0	(1.5)	(1.5)	(0.5)	(2.0)
	Inventory valuation	22.0	15.0	21.0	43.0	15.0	7.5	3.0	18.0

Aluminum rolled products		FY2021 Actual				FY2022 Forecast			
		1H	3Q	2H	Full Year	1H	3Q	2H	Full Year
	Average method	0.0	2.5	2.0	2.0	5.5	0.0	0.0	5.5
	Lower-of-cost-or-market method	0.0	0.0	0.0	0.0	0.0	0.0	(0.5)	(0.5)
	Inventory valuation	0.0	2.5	2.0	2.0	5.5	0.0	(0.5)	5.0

Advanced Materials		FY2021 Actual				FY2022 Forecast			
		1H	3Q	2H	Full Year	1H	3Q	2H	Full Year
	Average method	3.0	2.5	3.0	6.0	2.5	0.5	1.0	3.5
	Lower-of-cost-or-market method	0.0	0.0	0.0	0.0	(0.5)	0.0	0.5	0.0
	Inventory valuation	3.0	2.5	3.0	6.0	2.0	0.5	1.5	3.5

(Billions of yen)

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast (Previous)	FY2022 Forecast (Current)
Cash flows from operating activities	72.3	21.4	210.0	181.6	80.0	85.0
Cash flows from investing activities	(10.9)	(133.4)	(81.9)	(125.0)	(80.0)	(75.0)
Free cash flow (excluding project financing)	61.4	(112.0)	128.1	56.6	0.0	10.0
Free cash flow (including project financing)	38.5	(191.9)	52.9	7.2	15.0	25.0
Cash and deposits (excluding project financing)	192.6	134.9	301.8	243.2	125.0	130.0

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast (Previous)	FY2022 Forecast (Current)
Capital investment (accrual basis)	133.4	239.8	185.0	108.1	115.0	115.0
Capital investment (payment basis)	132.4	245.3	173.2	156.4	100.0	100.0
Depreciation	102.5	105.3	100.8	105.1	115.0	115.0

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast (Previous)	FY2022 Forecast (Current)
Net income (loss) per share	99.20 yen	(187.55) yen	64.05 yen	160.23 yen	113.98 yen	157.04 yen
Outside debt	760.3 billion yen	906.6 billion yen	987.8 billion yen	908.4 billion yen	840.0 billion yen	835.0 billion yen
Outside debt excluding debt from IPP project financing	724.2 billion yen	784.4 billion yen	785.7 billion yen	655.1 billion yen	570.0 billion yen	565.0 billion yen
D/E ratio *1	^{*2} 0.98 times	^{*3} 1.19 times	^{*4} 1.11 times	^{*5} 0.80 times	approx.0.65 times	approx.0.65 times
ROS *6	1.8%	(0.4)%	0.9%	4.5%	2.8%	3.7%
ROA *7	1.5%	(0.3)%	0.6%	3.5%	2.6%	3.4%
ROE *8	4.8%	(9.7)%	3.4%	7.9%	5.3%	7.2%
ROIC *9	2.8%	0.9%	1.1%	4.7%	3.2%	3.8%

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

*2: Includes early procurement of borrowings for fiscal 2018 (92.1 billion yen)
D/E ratio 0.85 times (excluding early procurement of borrowings)

*3: Includes early procurement of borrowings for fiscal 2019 (62.1 billion yen)
D/E ratio 1.10 times (excluding early procurement of borrowings)

*4: Includes early procurement of borrowings for fiscal 2020 (186.2 billion yen)
D/E ratio 0.84 times (excluding early procurement of borrowings)

*5: Includes early procurement of borrowings for fiscal 2021 (101.1 billion yen)
D/E ratio 0.68 times (excluding early procurement of borrowings)

*6: ROS: Ordinary income / Net sales

*7: ROA: Ordinary income / Total assets

*8: ROE: Net income attributable to owners of
the parent / Stockholders' equity

*9: ROIC: After-tax operating income / invested capital

	FY2021 Actual				
	Cumulative			4Q	Full Year
	1H	3Q	3Q		
1 U.S. dollar to yen	109.8	113.7	111.1	116.2	112.4
1 Chinese yuan to yen	17.0	17.8	17.3	18.3	17.5
1 euro to yen	130.9	130.1	130.6	130.4	130.6

	FY2022 Forecast (Current)					FY2022 Forecast (Previous) Full Year
	Cumulative			4Q	Full Year	
	1H	3Q	3Q			
1 U.S. dollar to yen	135.3	139.9	136.9	130.0	135.1	140.2
1 Chinese yuan to yen	19.9	19.6	19.8	20.0	19.9	20.0
1 euro to yen	139.1	144.2	140.8	140.0	140.6	139.6

Analysis of exchange rate sensitivity

Impact of the 1 yen depreciation against the U.S. dollar on future business performance (FY2022 4Q)

Steel products: approx. 0.0 billion yen

(Impact of dollar balance: (0.2) billion yen, inventory valuation, cost pass-through to selling price, etc.: +a billion yen)

Construction machinery: approx. +0.1 billion yen

Impact of the 1 yen depreciation against the euro on future business performance (FY2022 4Q)

Construction machinery: +0.1 billion yen

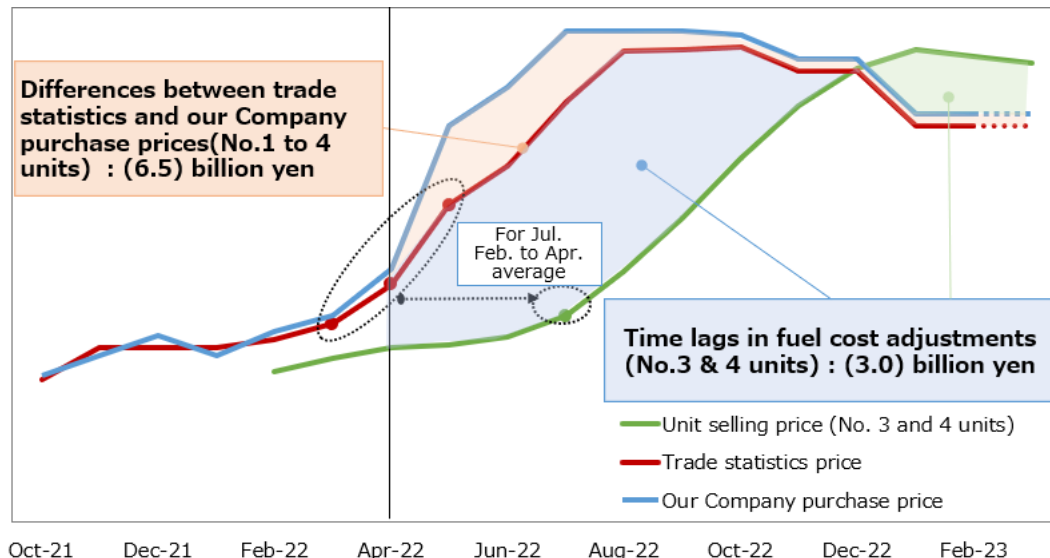
- **The electricity rate**, which is equivalent to the fuel cost received by our Company's coal-fired power subsidiaries (hereinafter collectively called "our Company"), is calculated based on **the fuel cost set at the time of contract and adjusted with changes in coal prices in the import trade statistics (national average) from the time of contract.**
- The most recent import trade statistics have revealed coal prices are lower in some exporting countries, or at certain importing ports, **which push down the national average prices of imported coal, thereby keeping our Company's unit selling price of electricity low and causing losses.**
- We assume this is caused by **fixed price contracts for some coal brands** by other electric power companies (the price gap has widened due to a subsequent surge in market prices) and **the time lag between coal purchase and delivery.** We consider this to be temporary.

Our forecast for the impact on earning due to the difference between the trade statistics price and our Company purchase price is as follows: **Previous forecast : (6.5) billion yen → Current: (6.5) billion yen (with no change)**

- In addition, as for the **Kobe Power Plant No. 3 and No. 4 units**, trade statistics from 3 to 5 months ago are referenced for determining the unit selling price of electricity. **Then, a loss will be incurred due to time lags in fuel cost adjustments** when market prices soar.

Our forecast for the impact on earnings due to time lags in fuel cost adjustments is as follows : **Previous forecast : (7.5) billion yen → Current: (3.0) billion yen (Up 4.5 billion yen)**

Trends in Coal Trade Statistics Prices and Our Company Purchase Prices (for illustrative purposes only)



Reasons for the difference between trade statistics prices and our Company purchase prices (estimated)

- Fixed price contracts concluded by other electric power companies before market price hikes
- The time lag between purchase and delivery of items, based on the previous fiscal year's price contracts concluded by other electric power companies

➔ **Impact on earnings becoming evident with thermal coal market prices continuing to soar**

◆ **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

◆ **MSCI JAPAN ESG SELECT LEADERS INDEX***
(From Jul. 2022)

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

◆ **MSCI JAPAN EMPOWERING WOMEN INDEX (WIN) ***
(From Jan.2023)

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

The KOBELCO Group's efforts to promote active participation of diverse human resources led to this year's first inclusion.
<https://www.Kobelco.co.jp/English/sustainability/initiatives.html>

◆ **CDP**
(From Dec. 2020)



Awarded "A-" in the climate change and water security categories

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<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

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 - Strategy changes of alliance partners