

Consolidated Financial Results for the Nine Months Ended December 31, 2024 (Under Japanese GAAP)



February 7, 2025

Company name: Kobe Steel, Ltd.
 Listing: Tokyo Stock Exchange / Nagoya Stock Exchange
 Securities code: 5406
 URL: <https://www.kobelco.co.jp/english/>
 Representative: Yoshihiko Katsukawa, President, CEO and Representative Director
 Inquires: General Administration and CSR Department
 Telephone: +81 (0) 3 5739-6010
 Scheduled date to commence dividend payments: ---
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended December 31, 2024 (from April 1 to December 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2024	1,884,054	0.6	124,531	(9.9)	132,873	(0.8)	102,812	(6.3)
December 31, 2023	1,873,707	5.0	138,239	156.9	133,926	78.9	109,727	131.0

Note: Comprehensive income For the nine months ended December 31, 2024: 97,603 million yen [(39.5)%]

For the nine months ended December 31, 2023: 161,333 million yen [59.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	260.58	—
December 31, 2023	277.83	—

Note: Diluted earnings per share is not presented because there are no potentially dilutive securities.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	2,868,008	1,188,863	38.8
March 31, 2024	2,919,774	1,127,346	36.2

Reference: Equity capital As of December 31, 2024: 1,111,872 million yen

As of March 31, 2024: 1,056,562 million yen

2. Cash dividends

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	45.00	—	45.00	90.00
Fiscal year ended March 31, 2025	—	45.00	—		
Fiscal year ended March 31, 2025 (Forecast)				55.00	100.00

Note: Revision to the forecast of cash dividends most recently announced: Yes

Please also refer to the "Announcement on Revisions to Dividend Forecast for Fiscal 2024, ending March 31, 2025" announced today.

3. Consolidated earnings forecast for fiscal 2024 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	2,580,000	1.4	150,000	(19.6)	140,000	(13.0)	130,000	18.7	329.52

Revision to the consolidated forecast for fiscal 2024 most recently announced: Yes

Please refer to the IR briefing material "Financial Results for the Cumulative Third Quarter of Fiscal 2024 and Forecast for the Full Fiscal Year" announced today.

***Notes**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: One company (Kansai Coke & Chemicals Co., Ltd.)

Excluded: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2024	396,345,963 shares
As of March 31, 2024	396,345,963 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2024	2,218,283 shares
As of March 31, 2024	1,389,177 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2024	394,539,914 shares
Nine months ended December 31, 2023	394,940,844 shares

*** Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None**

*** Explanation on the appropriate use of the forecast and other special notes**

(Explanation of the appropriate use of performance forecasts)

The above forecast is based on currently available information as of today.

Actual results may differ considerably due to various changeable conditions in the future.

For preconditions on the forecast and other related factors, please refer to the IR briefing material "Financial Results for the Cumulative Third Quarter of Fiscal 2024 and Forecast for the Full Fiscal Year"

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1. Overview of Operating Results and Other Items

(1) Consolidated Operating Results for the Nine Months Ended December 31, 2024

The overview of the consolidated operating results is provided in the "Financial Results for the Cumulative Third Quarter of Fiscal 2024 and Forecast for the Full Fiscal Year" made available today on our Company's official website (<https://www.kobelco.co.jp/english/>).

(2) Financial Condition

On a consolidated basis, total assets at the end of the third quarter of fiscal 2024 decreased by 51.7 billion yen to 2,868.0 billion yen compared to the end of fiscal 2023 with a decrease in cash and deposits primarily due to payments of income taxes and cash dividends. Liabilities decreased by 113.2 billion yen to 1,679.1 billion yen compared to the end of fiscal 2023 due to a decrease in notes payable and accounts payable, unpaid corporate taxes, etc. Net assets increased by 61.5 billion yen to 1,188.8 billion yen compared to the end of fiscal 2023 due to the recording of quarterly profit attributable to owners of parent, among other factors. As a result, the equity-to-asset ratio at the end of the third quarter of fiscal 2024 was 38.8%, up 2.6 percentage points from the end of fiscal 2023.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In millions of yen)

ASSETS

Current assets

	FY2023 Ended March 31, 2024	FY2024 3Q Ended December 31, 2024
Cash and deposits	278,844	203,375
Notes and accounts receivable - trade, and contract assets	410,226	376,081
Merchandise and finished goods	273,677	269,780
Work in process	160,420	194,320
Raw materials and supplies	276,552	290,497
Other	70,183	81,246
Allowance for doubtful accounts	(4,165)	(2,827)
Total current assets	1,465,737	1,412,474

Non-current assets

Property, plant and equipment

Buildings and structures, net	282,093	286,167
Machinery, equipment and vehicles, net	558,045	547,198
Land	136,138	144,996
Other, net	58,135	67,488
Total property, plant and equipment	1,034,413	1,045,850

Intangible assets

	39,276	47,845
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Investments and other assets

Investment securities	245,023	229,224
Other	156,674	155,043
Allowance for doubtful accounts	(21,351)	(22,430)
Total investments and other assets	380,346	361,837

Total non-current assets	1,454,036	1,455,533
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Total assets

	2,919,774	2,868,008
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LIABILITIES	FY2023 Ended March 31, 2024	FY2024 3Q Ended December 31, 2024
Current liabilities		
Notes and accounts payable - trade	477,198	366,455
Short-term borrowings	165,943	170,805
Commercial papers	—	35,000
Current portion of bonds payable	—	35,000
Income taxes payable	43,133	7,432
Provisions	52,737	35,327
Other	249,996	239,910
Total current liabilities	989,010	889,932
Non-current liabilities		
Bonds payable	115,000	130,000
Long-term borrowings	542,486	512,728
Lease liabilities	40,045	35,265
Retirement benefit liability	65,615	74,177
Provisions	9,245	9,171
Other	31,025	27,869
Total non-current liabilities	803,417	789,212
Total liabilities	1,792,427	1,679,144
NET ASSETS		
Shareholders' equity		
Share capital	250,930	250,930
Capital surplus	116,325	116,292
Retained earnings	548,951	615,903
Treasury shares	(1,847)	(3,402)
Total shareholders' equity	914,360	979,723
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	70,610	56,979
Deferred gains or losses on hedges	(6,911)	(4,987)
Revaluation reserve for land	4,707	4,710
Foreign currency translation adjustment	45,950	48,613
Remeasurements of defined benefit plans	27,845	26,832
Total accumulated other comprehensive income	142,202	132,148
Non-controlling interests	70,784	76,991
Total net assets	1,127,346	1,188,863
Total liabilities and net assets	2,919,774	2,868,008

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(In millions of yen)

	FY2023 3Q Ended December 31, 2023	FY2024 3Q Ended December 31, 2024
Net sales	1,873,707	1,884,054
Cost of sales	1,551,888	1,564,962
Gross profit	321,819	319,091
Selling, general and administrative expenses	183,579	194,560
Operating profit	138,239	124,531
Non-operating income		
Interest income	1,971	1,920
Dividend income	4,482	4,826
Seconded employees' reimbursement	2,279	2,454
Share of profit of entities accounted for using equity method	3,935	11,110
Compensation income	1,322	14,254
Other	11,792	5,049
Total non-operating income	25,783	39,615
Non-operating expenses		
Interest expenses	10,897	10,296
Seconded employees' salaries	6,736	7,226
Other	12,463	13,749
Total non-operating expenses	30,096	31,272
Ordinary profit	133,926	132,873
Extraordinary income		
Gain on sale of non-current assets	27,804	5,414
Gain on bargain purchase	—	2,674
Gain on step acquisitions	—	313
Total extraordinary income	27,804	8,402
Profit before income taxes	161,730	141,276
Income Taxes		
Income taxes - current	37,924	23,529
Income taxes - deferred	7,701	12,254
Total income taxes	45,625	35,784
Profit	116,104	105,492
Profit attributable to non-controlling interests	6,377	2,680
Profit attributable to owners of parent	109,727	102,812

Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2023 3Q Ended December 31, 2023	FY2024 3Q Ended December 31, 2024
Profit	116,104	105,492
Other comprehensive income		
Valuation difference on available-for-sale securities	12,262	(11,855)
Deferred gains or losses on hedges	788	1,926
Revaluation reserve for land	2,538	—
Foreign currency translation adjustment	25,385	4,595
Remeasurements of defined benefit plans, net of tax	(280)	(1,042)
Share of other comprehensive income of entities accounted for using equity method	4,534	(1,513)
Total other comprehensive income	45,228	(7,889)
Comprehensive income	161,333	97,603
Comprehensive income attributed to		
Owners of parent	153,060	93,978
Non-controlling interests	8,273	3,624

(3) Notes to Consolidated Financial Statements**Notes on Segment Information****1. Information about Sales, Profit (Loss), Assets and Other Items of Reportable Segments**

(In millions of yen)

		FY2023	FY2024
		Ended December 31, 2023	Ended December 31, 2024
Sales to outside customers:	Steel & Aluminum	786,222	817,268
	Advanced Materials	207,832	224,276
	Welding	69,572	69,442
	Machinery	148,699	171,857
	Engineering	116,578	110,043
	Construction Machinery	304,378	293,795
	Electric Power	233,931	190,885
	Other	5,852	5,473
	Adjustment	639	1,011
	Total	1,873,707	1,884,054
Intersegment sales:	Steel & Aluminum	26,610	28,519
	Advanced Materials	10,609	9,436
	Welding	613	458
	Machinery	8,333	8,969
	Engineering	1,241	1,230
	Construction Machinery	69	159
	Electric Power	—	—
	Other	1,440	1,082
	Adjustment	(48,918)	(49,856)
	Total	—	—
Total sales:	Steel & Aluminum	812,833	845,787
	Advanced Materials	218,441	233,712
	Welding	70,185	69,900
	Machinery	157,033	180,826
	Engineering	117,819	111,274
	Construction Machinery	304,447	293,955
	Electric Power	233,931	190,885
	Other	7,293	6,556
	Adjustment	(48,278)	(48,845)
	Total	1,873,707	1,884,054
Ordinary profit (loss):	Steel & Aluminum	26,652	26,417
	Advanced Materials	676	7,674
	Welding	3,337	3,179
	Machinery	18,194	21,872
	Engineering	11,694	13,969
	Construction Machinery	9,517	21,600
	Electric Power	63,552	38,183
	Other	2,940	3,241
	Adjustment	(2,638)	(3,263)
	Total	133,926	132,873

Notes:

1. "Other" segment refers to a business segment outside the reportable segments. It includes operating companies managed by the head office.
2. Adjustments as of December 31, 2023 and 2024 are as follows:

	(In millions of yen)	
	FY2023	FY2024
	Ended December 31, 2023	Ended December 31, 2024
Consolidated profit (loss)*	3,866	6,260
Other adjustments	(6,504)	(9,524)
Total	(2,638)	(3,263)

* Consolidated profit (loss) mainly consists of finance-related gains and losses not attributable to reportable segments.

3. Segment profit (loss) is adjusted for ordinary profit in the semi-annual consolidated statements of income.

2. Information about Impairment Loss of Fixed Assets or Goodwill of Reportable Segments

(A significant gain on bargain purchase)

In the Steel & Aluminum segment, a gain on bargain purchase of 2,674 million yen is recorded as extraordinary income due to the acquisition of additional shares in Kansai Coke & Chemicals Co., Ltd. to turn the company into a subsidiary.

Due to the fact that the identification of identifiable assets and liabilities and the estimation of the fair value as of the date of the business combination had not been finalized by the end of the third quarter consolidated period, the allocation of the acquisition costs is still uncertain. Consequently, the above amount is calculated provisionally.

Notes on Significant Fluctuations in the Amount of Shareholders' Equity

None

Notes on Premise of a Going Concern

None

Notes on Consolidated Statements of Cash Flows

The quarterly consolidated cash flow statement for the cumulative third quarter of fiscal 2024 is not provided. The following are the depreciation (including the amortization of intangible assets excluding goodwill) and amortization of goodwill for the cumulative third quarter of fiscal 2023 and fiscal 2024.

	(In millions of yen)	
	FY2023	FY2024
	Ended December 31, 2023	Ended December 31, 2024
Depreciation	88,484	90,545
Amortization of goodwill	394	441

Notes on Business Combination

Based on the share transfer agreement with Mitsubishi Chemical Corporation signed on September 30, 2024, Kobe Steel acquired additional shares in its affiliate Kansai Coke & Chemicals Co., Ltd., turning it into a subsidiary on October 31, 2024.

1. Outline of Business Combination

(1) Name and business of combined entity:

Name: Kansai Coke & Chemicals Co., Ltd. and one other company

Business: Manufacture and sale of coke for steelmaking, manufacture and sale of gas, coal tar and other chemical products

(2) Main reasons for the business combination

Kansai Coke & Chemicals operates a coke plant located adjacent to Kobe Steel's Kakogawa Works and supplies coke and other products to the Company. Kobe Steel's decision to turn Kansai Coke & Chemicals into a subsidiary was made to strengthen its integrated steel production system by incorporating the manufacturing of coke and fuel gas, which are essential to its core steelmaking business, into the Group.

Kobe Steel will leverage the strength of Kansai Coke & Chemicals's coke production technology, which achieves high quality, low cost, and eco-friendliness, while also maximizing synergies between the two companies.

(3) Date of business combination

October 31, 2024

(4) Legal form of business combination

Acquisition of shares for consideration in cash

(5) Name of the combined entity subsequent to business combination

No change

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately before the business combination: 24.0%

Percentage of voting rights additionally acquired on the business combination date: 51.0%

Percentage of voting rights after acquisition: 75.0%

(7) Main reason for deciding the acquiring company

The Company acquired a majority of the voting rights of the acquired company by acquiring shares for consideration in cash.

2. The Period of Performance of the Acquired Company Included in the Quarterly Consolidated Profit and Loss Statement for the Cumulative Quarterly Consolidated Accounting Period:

From October 1, 2024 to December 31, 2024

As Kansai Coke & Chemicals was an equity method company, the portion of the financial results of Kansai Coke and Chemicals attributable to the Company during the period from April 1 to September 30, 2024 was recorded as share of profit of entities accounted for using equity method.

3. Acquisition Cost and Consideration Paid

	(In millions of yen)
Market value of shares held immediately prior to the business combination as of the business combination date	4,237
Consideration for acquisition (cash and deposits)	9,003
Acquisition cost	13,241

4. The Difference between the Acquisition Cost of the Acquired Company and the Total Amount of the Acquisition Cost for Each Transaction that Led to the Acquisition

Gain on step acquisitions: 313 million yen

5. The Amount and the Cause of Gain on Bargain Purchase

(1) Amount of Gain on Bargain Purchase

2,674 million yen

Due to the fact that the identification of identifiable assets and liabilities and the estimation of the fair value as of the date of the business combination had not been finalized by the end of the third quarter consolidated period, the allocation of the acquisition costs is still uncertain. Consequently, the above amount is provisionally calculated.

(2) Cause of Gain on Bargain Purchase

The acquisition cost of the acquired company was lower than the fair value of its net assets at the time of the business combination, resulting in the difference that was recognized as a gain on bargain purchase.