

# Financial Results for the First Half of Fiscal 2024 and Forecast for the Full Fiscal Year

November 7, 2024  
Kobe Steel, Ltd.

The KOBELCO logo is displayed in white, bold, uppercase letters against a solid blue background. The letters are thick and blocky, with a slight shadow effect on the right side of the letters.

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- Return to Shareholders
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# Summary of Financial Results and Forecast



## Financial Results for the First Half of Fiscal 2024

		Year on year
Net Sales	1,248.5 billion yen	(5.2) billion yen
Ordinary Profit(Loss)	70.9 billion yen	(20.6) billion yen
Excluding Inventory Valuation	66.9 billion yen	(29.1) billion yen
Profit(Loss) Attributable to Owners of Parent	56.5 billion yen	(23.7) billion yen

## Fiscal 2024 Full-Year Earnings Forecast

		Compared to the previous forecast
Net Sales	2,600.0 billion yen	(60.0) billion yen
Ordinary Profit(Loss)	130.0 billion yen	(20.0) billion yen
Excluding Inventory Valuation	128.5 billion yen	(11.0) billion yen
Profit(Loss) Attributable to Owners of Parent	120.0 billion yen	0.0 billion yen
Free Cash Flow	(70.0) billion yen	(30.0) billion yen

### Financial Indicators Fiscal 2024 Full-Year Earnings Forecast

- ROIC : approx. 6% (6.7% in FY2023)
- └ ROE : approx. 11% (11.1% in FY2023)
- Net assets ratio : approx. 40% (38.6% in FY2023)
- Gross D/E ratio : approx. 0.85 times (0.83 times in FY2023)

### Return to Shareholders

- Interim dividend of 45 yen (determined by resolution)
- Annual dividend of 90 yen per share (the policy unchanged)

## Financial Results for the First Half of Fiscal 2024 (Year on year)

- **Significant changes are taking place in the external environment**, such as dynamic fluctuations in exchange rates, soaring labor, logistics, and other costs.
- **Ordinary profit decreased by 20.6 billion yen to 70.9 billion yen year on year**, due to the deterioration of the business environment, particularly in the automotive sector. **Semi-annual profit attributable to owners of parent decreased by 23.7 billion yen to 56.5 billion yen year on year**, primarily due to a fall in gains on sale of non-current assets, which were recorded in the same period of the previous fiscal year.

## Revisions to Fiscal 2024 Full-Year Earnings Forecast (Compared to the previous forecast)

- While the materials businesses anticipate **slow demand recovery in the automotive and semiconductor sectors**, the machinery businesses' earnings are expected to remain roughly at the previously forecast level.
- Due to declining demand, affected by the worsening business environment, **ordinary profit is expected to decrease by 20.0 billion yen to approximately 130.0 billion yen compared to the previous forecast**, with an ROIC of around 6%. **Profit attributable to owners of parent is expected to remain unchanged from the previous forecast at approximately 120.0 billion yen**, including gains on sale of assets and other factors.
- **Free cash flow is expected to decrease by 30.0 billion yen to approximately negative 70.0 billion yen compared to the previous forecast**, due to such factors as a decrease in ordinary profit and worsening working capital resulting from declining demand and lower raw material prices. Consequently, with an increase in interest-bearing debt, **the gross D/E ratio is expected to be around 0.85 times**.

# Financial Results for the First Half of Fiscal 2024



	FY2023 Actual			FY2024 Forecast (Current)			Change ②－①
	1H ①	2H	Full Year	1H ②	2H	Full Year	
(Billions of yen)							
Net Sales	1,253.8	1,289.3	2,543.1	1,248.5	1,351.4	2,600.0	(5.2)
Operating Profit (Loss)	92.1	94.4	186.6	77.7	62.2	140.0	(14.4)
Ordinary Profit (Loss)	91.6	69.3	160.9	70.9	59.0	130.0	(20.6)
Excluding Inventory Valuation	96.1	60.3	156.4	66.9	61.5	128.5	(29.1)
Extraordinary Income (Losses)	27.7	(26.3)	1.3	5.3	14.6	20.0	(22.3)
Profit (Loss) Attributable to Owners of Parent	80.3	29.2	109.5	56.5	63.4	120.0	(23.7)

## Net Sales

Net sales were roughly flat year on year due to decreased sales in the electric power segment, affected by a decline in thermal coal prices, despite the positive factors such as the progress in cost pass-through to selling prices in the materials businesses and increased unit/service sales in the energy and chemical sectors in the machinery segment.

## Ordinary Profit (Loss)

Ordinary profit decreased year on year due to a deterioration in steel metal spreads, cost increases centered on fixed costs, and reduced gains from time lags in fuel cost adjustments in the electric power segment.

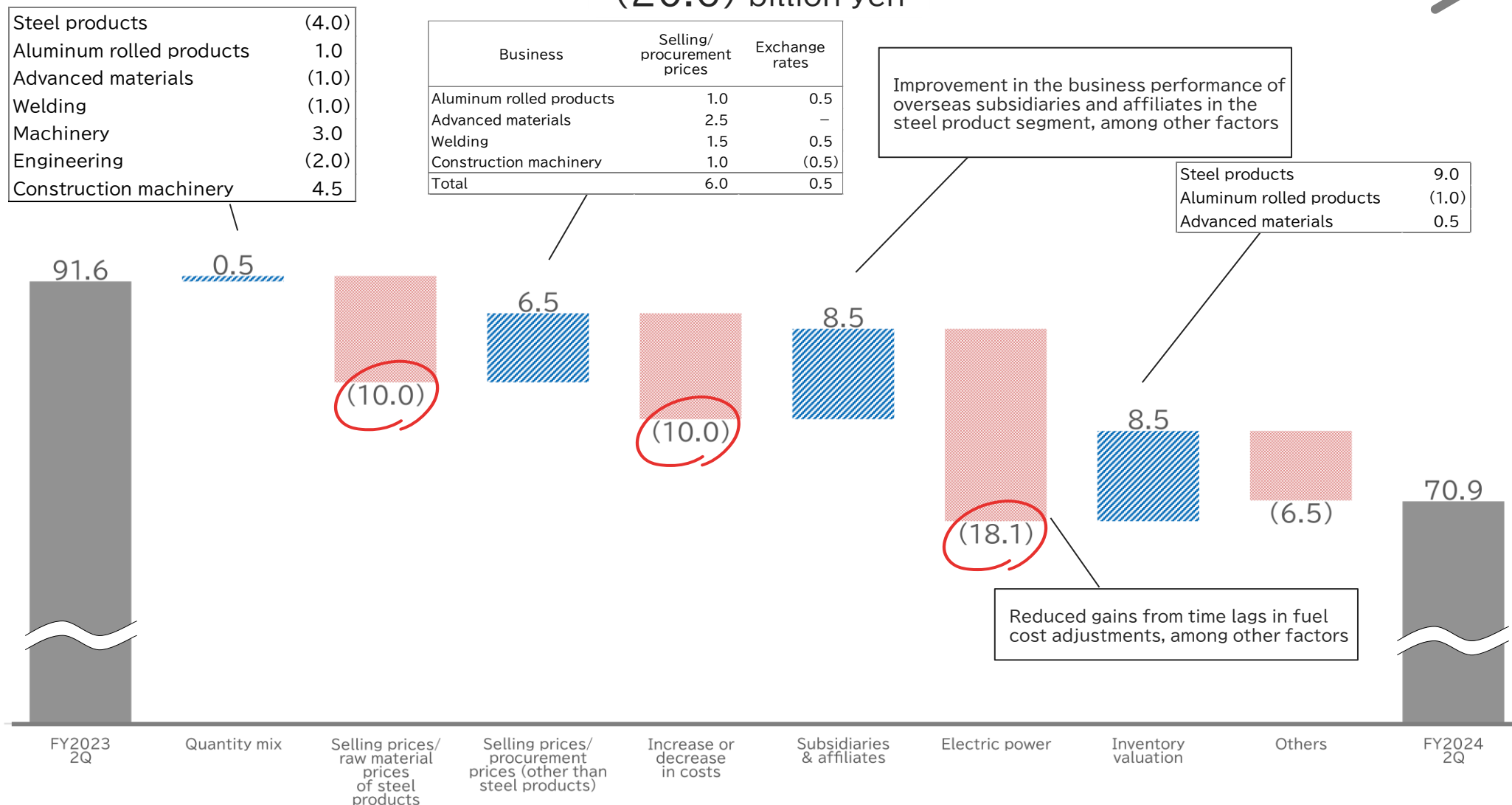
## Extraordinary Income (Losses)

Extra ordinary income includes gains from the transfer of land use rights (gains on sale of non-current assets) associated with a Chinese subsidiary that were recorded in the construction machinery segment.

# Financial Results for the First Half of Fiscal 2024:

## Analysis of Ordinary Profit (Loss) (Year on year)

(20.6) billion yen



The calculation of inventory valuation incorporates the average method and the lower-of-cost-or-market method.

# Financial Results for the First Half of Fiscal 2024: Ordinary Profit (Loss) by Segment

	FY2023 2Q	FY2024 2Q	Change	
Steel Products	25.9	18.8	(7.0)	Down due to a temporary decrease in metal spreads, cost increases centered on labor and logistics costs, despite the improvement in inventory valuation affected by a weaker yen.
Excluding Inventory Valuation	32.4	16.3	(16.0)	
Aluminum Rolled Products	(5.1)	(4.3)	0.7	Up primarily due to increased sales volume in disk materials, and the progress in cost pass-through to selling prices, offsetting negative factors such as cost increases centered on fixed costs.
Excluding Inventory Valuation	(6.1)	(4.3)	1.7	
Advanced Materials	(0.0)	2.3	2.3	Up due to such factors as the progress in cost pass-through to selling prices.
Excluding Inventory Valuation	(1.0)	0.8	1.8	
Welding	1.5	2.1	0.5	Up due to such factors as the progress in cost pass-through to selling prices, despite a decrease in sales volume, particularly in the automotive and construction sector.
Machinery	10.3	12.3	1.9	Up due to increased sales of services, particularly in compressors.
Engineering	6.2	4.6	(1.5)	Down due to such factors as changes in the project composition.
Construction Machinery	5.0	6.1	1.0	Up due to the recovery from the engine certification problem and the progress in cost pass-through to selling prices, offsetting negative factors such as cost increases centered on fixed costs.
Electric Power	47.4	29.2	(18.1)	Down due to such factors as reduced gains from time lags in fuel cost adjustments.

# Forecast for Fiscal 2024

	FY2024 Forecast (Previous)			FY2024 Forecast (Current)			Change ②－①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
(Billions of yen)							
Net Sales	1,270.0	1,390.0	2,660.0	1,248.5	1,351.4	2,600.0	(60.0)
Operating Profit (Loss)	70.0	95.0	165.0	77.7	62.2	140.0	(25.0)
Ordinary Profit (Loss)	65.0	85.0	150.0	70.9	59.0	130.0	(20.0)
Excluding Inventory Valuation	61.5	78.0	139.5	66.9	61.5	128.5	(11.0)
Extraordinary Income (Losses)	—	—	—	5.3	14.6	20.0	20.0
Profit (Loss) Attributable to Owners of Parent	55.0	65.0	120.0	56.5	63.4	120.0	—

## Net Sales

Net sales are expected to decrease from the previous forecast due to a decrease in sales volume in the materials businesses, particularly in the automotive sector, despite an increase in unit/service sales anticipated in the energy and chemical sectors in the machinery segment.

## Ordinary Profit (Loss)

Ordinary profit is expected to decrease due to a decrease in sales volume in the materials businesses, the failure to pass on cost increases to selling prices in the construction machinery segment, and a deterioration in inventory valuation. The construction machinery segment has factored in compensation income related to the engine certification problem.

## Extraordinary Income (Loss)

In addition to the gains from the transfer of land use rights that was recoded in the first half, gains on sale of land and other assets are anticipated in the second half.



# Forecast for Fiscal 2024 : Business Environment of Materials Businesses

Highlighted in blue are the business units affected by demand fluctuations.

## Automobile production

(Steel products, aluminum rolled products, aluminum extrusions, aluminum suspensions, copper rolled products, steel powder, and welding)

Domestic production is expected to **decrease from the previous forecast**, affected by Japanese automakers' quality certification issues and other factors.

Overseas production is also expected to **decrease from the previous forecast** due to Japanese automakers' declining sales in China and Southeast Asia, and labor shortages in North America.

## IT and semiconductors

(Aluminum rolled products, aluminum castings and forgings, and copper rolled products)

Demand for HDD materials is expected to **increase from the previous forecast** along with continued demand recovery trend in the data center industry.

Demand for semiconductor materials is expected to **decrease from the previous forecast** due to slow demand recovery.

## Shipbuilding

(Steel products, steel castings and forgings, and welding)

Demand is expected to **remain at the previously forecast level** (similar to fiscal 2023) as labor shortages and rising material prices continue, despite a certain amount of construction work on hand retained.

## Aircraft

(Titanium, and aluminum castings and forgings)

Demand is expected to **remain at the previously forecast level**, as the trend of replacing aging aircraft and building new aircraft continues.

## Beverage cans

(Aluminum rolled products)

Demand is expected to **remain at the previously forecast level** (similar to fiscal 2023).

## Construction and civil engineering

(Steel products and welding)

Demand is expected to **decrease from the previous forecast** due to delays in large-scale projects, affected by rising material prices and labor shortages and other factors.

# Forecast for Fiscal 2024 : Business Environment of Machinery Businesses

## (Machinery)

### Energy and chemistry

Demand for machinery in the energy (such as LNG) and chemical/petrochemical industries is expected to remain steady **at the previously forecast level**.  
Environmental demand is expected to maintain **an upward trend** both in Japan and overseas **over a long term**.

### General industry

Domestic demand is expected to remain steady **at the previously forecast level**.  
Overseas demand **continues to be sluggish** due to the slowdown in the Chinese market and the stagnation of the Southeast Asian economy.

## (Construction machinery-Hydraulic excavators)

### Japan

Demand is expected to **decrease from the previous forecast** due to such factors as lower demand for replacement, affected by rising prices of construction machinery.

### China

Demand is expected to **increase from the previous forecast**, due to such factors as the rise of the government-led farmland development projects.

### North America

Demand is expected to **decrease from the previous forecast** due to persistently high interest rates, despite robust demand for housing and infrastructure.

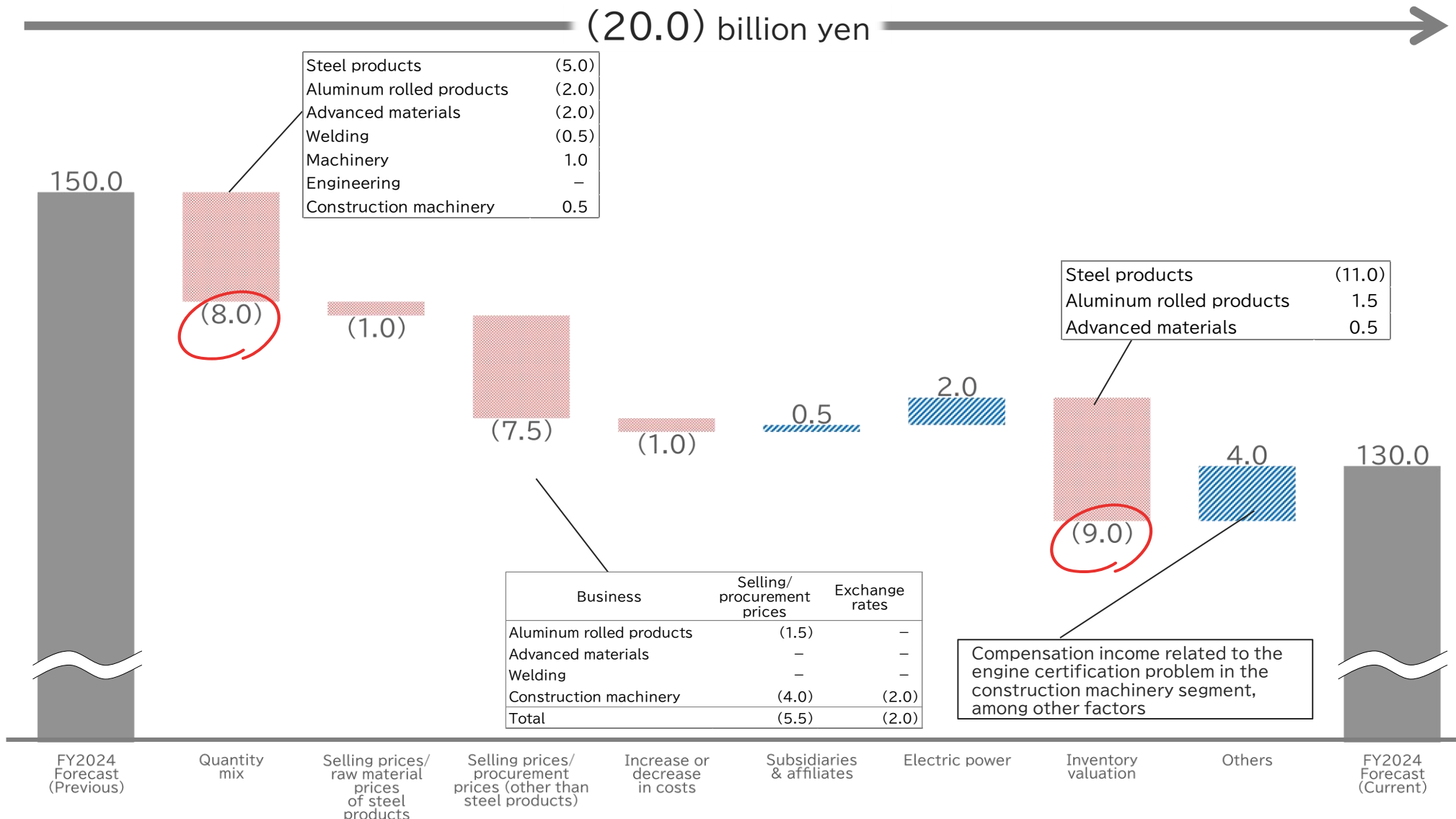
### Europe

Demand is expected to **remain at the previously forecast level**, due to persistently high interest rates, resulting in sluggish demand.

### Southeast Asia

Demand is expected to **remain at the previously forecast level**, despite some countries experiencing slow economic recovery and sluggish infrastructure investments.

# Forecast for Fiscal 2024 : Analysis of Ordinary Profit (Loss) (Compared to the previous forecast)



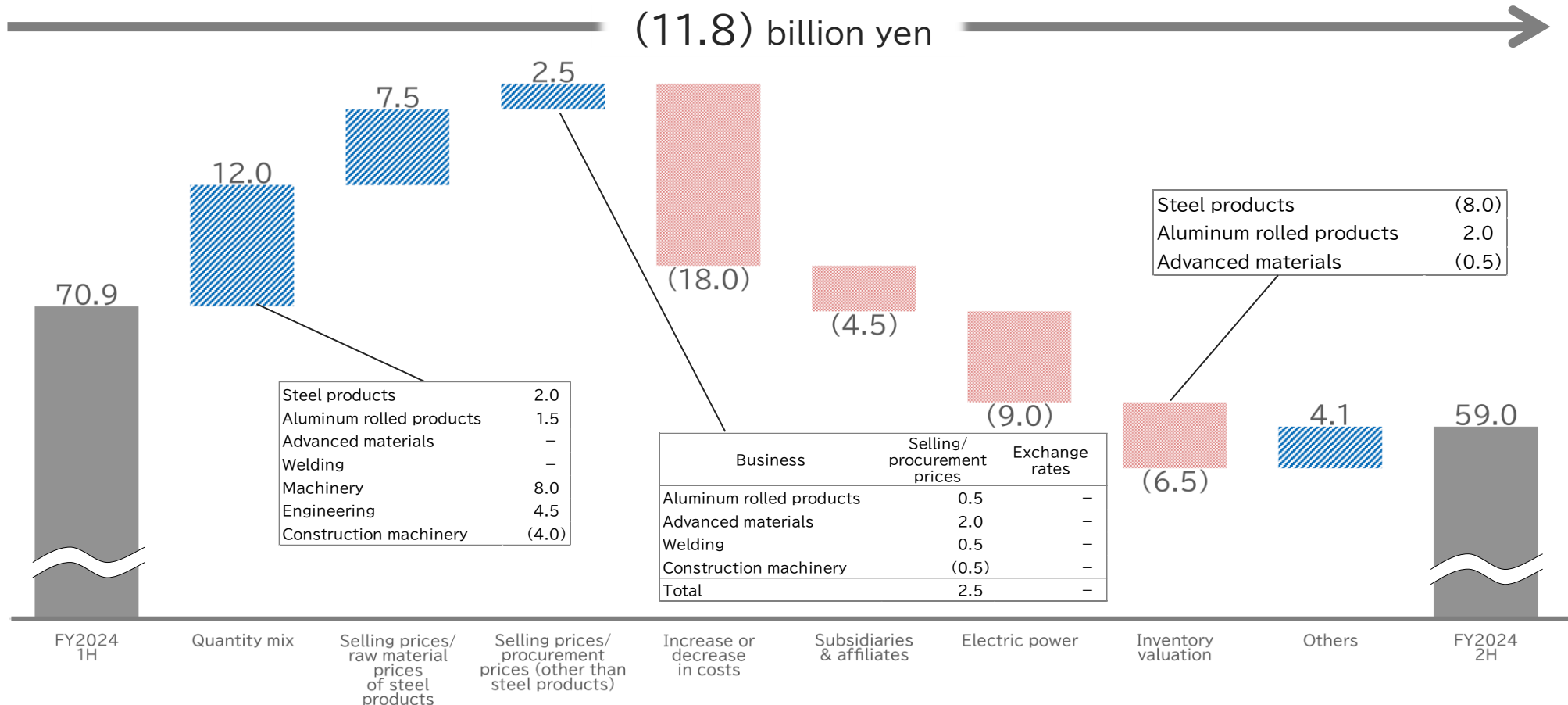
The calculation of inventory valuation incorporates the average method and the lower-of-cost-or-market method.

# Forecast for Fiscal 2024 : Ordinary Profit (Loss) by Segment

	FY2024 (Previous)	FY2024 (Current)	Change	
Steel Products	39.0	22.0	(17.0)	Down from the previous forecast due to such factors as a decrease in sales volume, anticipated particularly in the automotive sector, and a deterioration in inventory valuation, affected by lower material market prices.
Excluding Inventory Valuation	31.0	25.0	(6.0)	
Aluminum Rolled Products	1.0	(2.0)	(3.0)	Down from the previous forecast due to such factors as a decrease in sales volumes, primarily resulting from delays in expanding sales of beverage can materials, and the failure to pass on cost increases to selling prices.
Excluding Inventory Valuation	0.5	(4.0)	(4.5)	
Advanced Materials	6.0	5.0	(1.0)	Down from the previous forecast due to such factors as declining demand in the automotive sector and decreased sales volume, resulting from slow demand recovery in the semiconductor sector.
Excluding Inventory Valuation	4.0	2.5	(1.5)	
Welding	4.5	4.0	(0.5)	Down from the previous forecast due to such factors as decreased sales volume.
Machinery	32.0	33.0	1.0	Up from the previous forecast due to such factors as increased unit/service sales, particularly in the energy and chemical sectors.
Engineering	11.0	11.0	-	Remain at the previously forecast level.
Construction Machinery	9.0	12.0	3.0	Up from the previous forecast due to the addition of compensation income related to the engine certification problem, despite the failure to pass on cost increases to selling prices and the deterioration of export profitability caused by the appreciation of the yen.
Electric Power	47.5	49.5	2.0	Up from the previous forecast due to temporary gains from changes in electricity selling prices.

# Forecast for Fiscal 2024 : Breakdown of Differences Between the First and Second Half

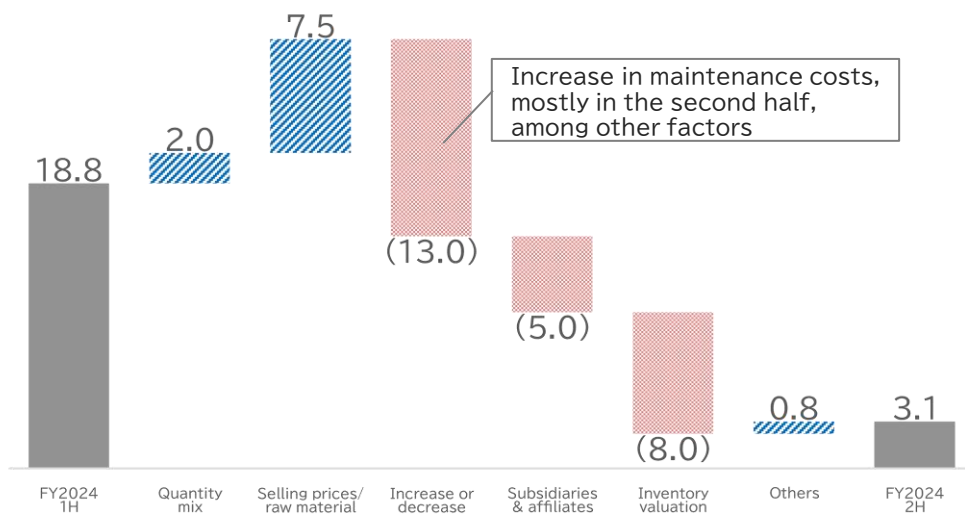
The forecast anticipates an increase in sales (mostly in the second half of fiscal 2024) in the machinery businesses, an improvement in steel metal spreads, and the progress in cost pass-through to selling prices in segments other than steel segment. On the other hand, due to such factors as an increase in fixed costs centered on maintenance costs in the steel segment, which will be recorded mostly in the second half, and a fall in gains from time lags in fuel cost adjustments in the electric power segment, the difference of ordinary profit between the first and second halves is expected to be (11.8) billion yen.



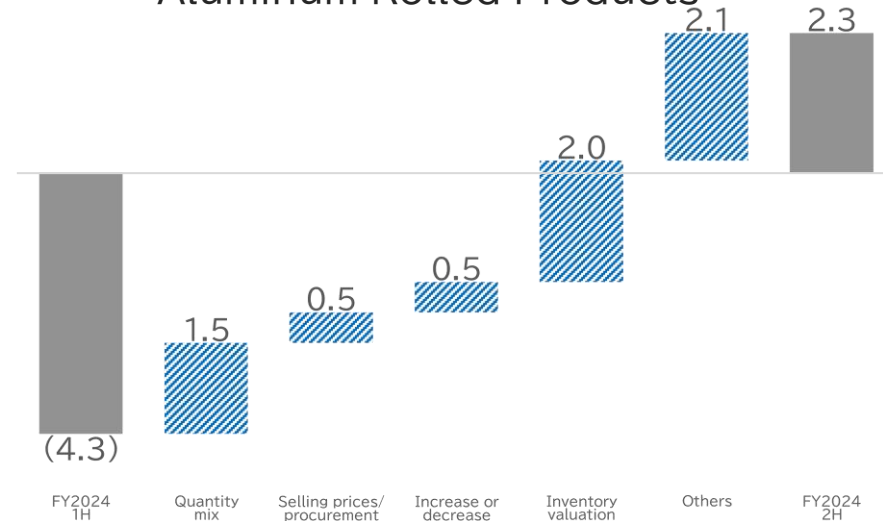
The calculation of inventory valuation incorporates the average method and the lower-of-cost-or-market method.

# Forecast for Fiscal 2024 : Breakdown of Differences Between the First and Second Halves in Key Segments

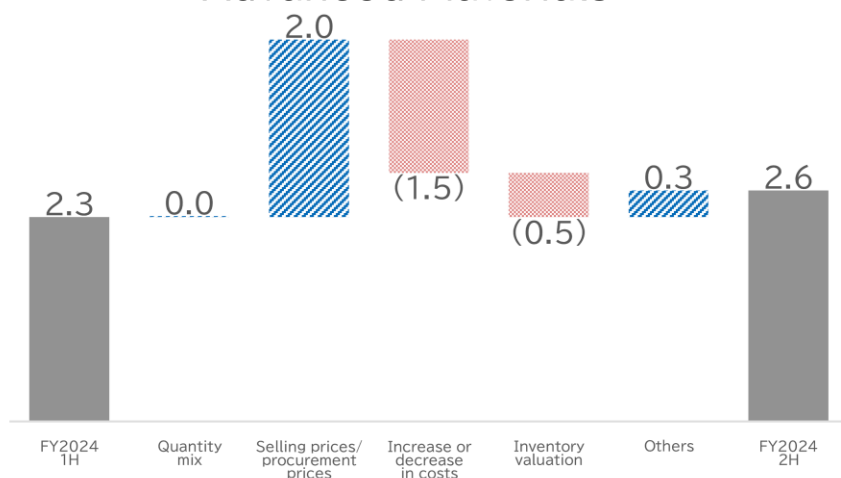
## Steel Products



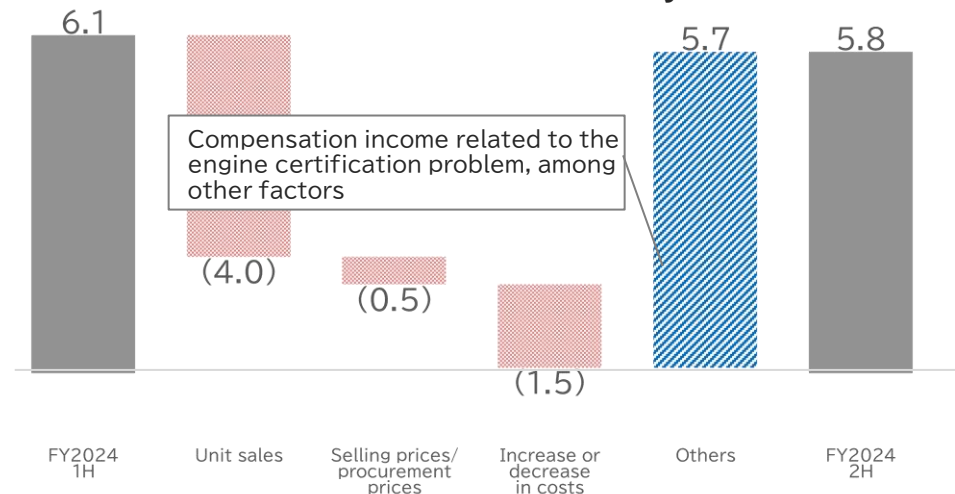
## Aluminum Rolled Products



## Advanced Materials



## Construction Machinery



The calculation of inventory valuation incorporates the average method and the lower-of-cost-or-market method.

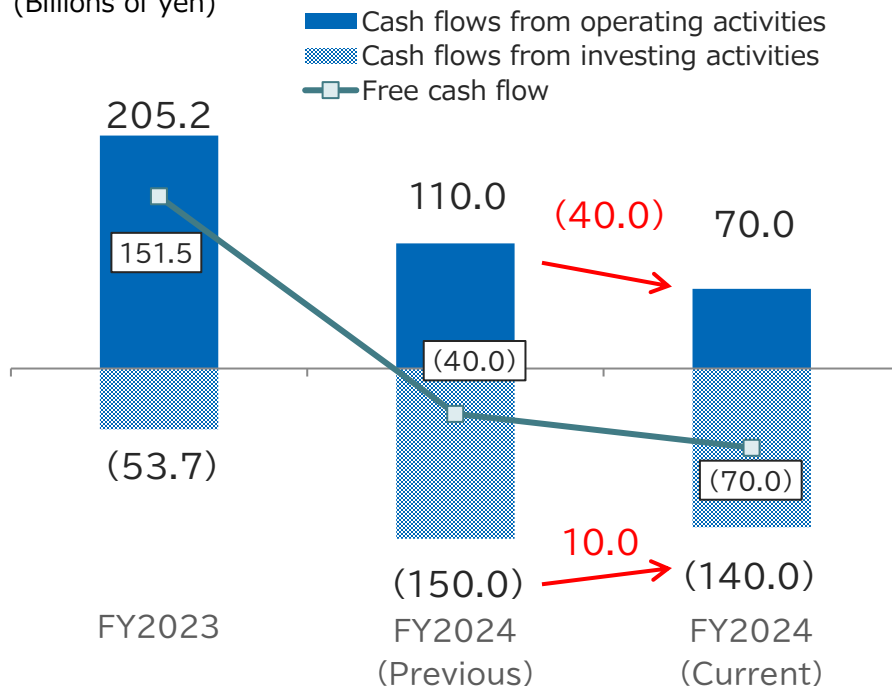


# Forecast for Fiscal 2024 : Cash Flow Status

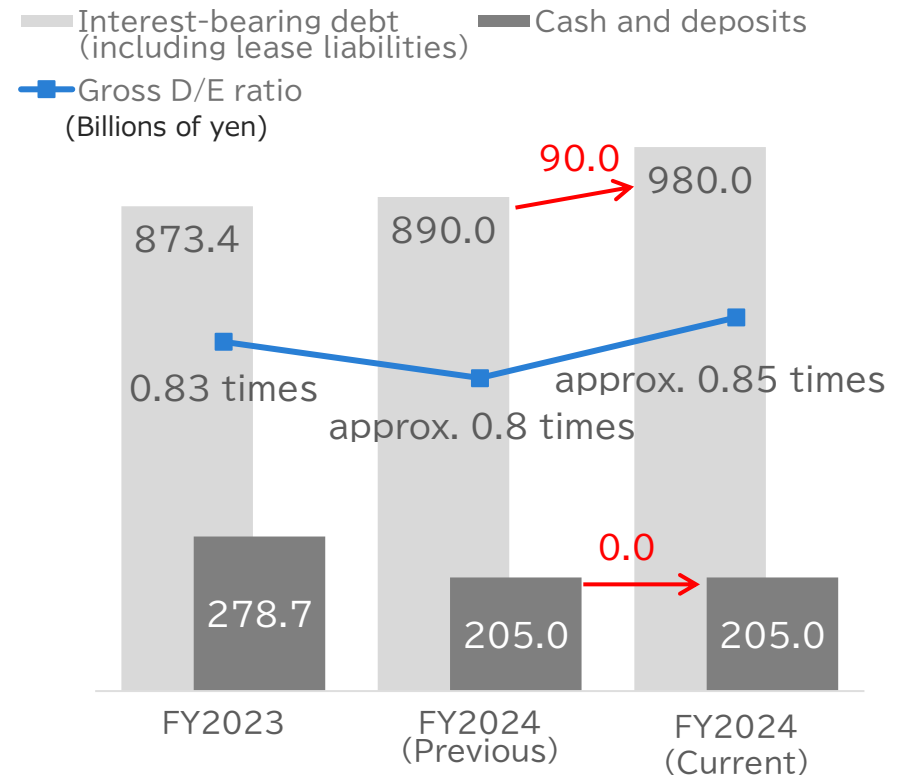
- Cash flows from operating activities is expected to decrease by 40.0 billion yen compared to the previous forecast, to around 70.0 billion yen, due to the deterioration in ordinary profit and an increase in inventories resulting from declining demand, particularly in the steel segment. Free cash flow is expected to be around negative 70.0 billion yen. Efforts will be made to optimize working capital and improve cash flows from operating activities early.
- Interest-bearing debt is expected to increase by 90.0 billion yen compared to the previous forecast, due to the deterioration in free cash flow and an increase in borrowings associated with the consolidation of Kansai Coke & Chemicals Co., Ltd. The gross D/E ratio is expected to be around 0.85 times.

## Cash Flow

(Billions of yen)



## Gross D/E ratio



In accordance with the previously announced policy, the Board of Directors has passed a resolution determining the payment of the interim dividend of 45 yen per share. There is no change in the year-end dividend policy from the previous announcement.

## Return policy

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.

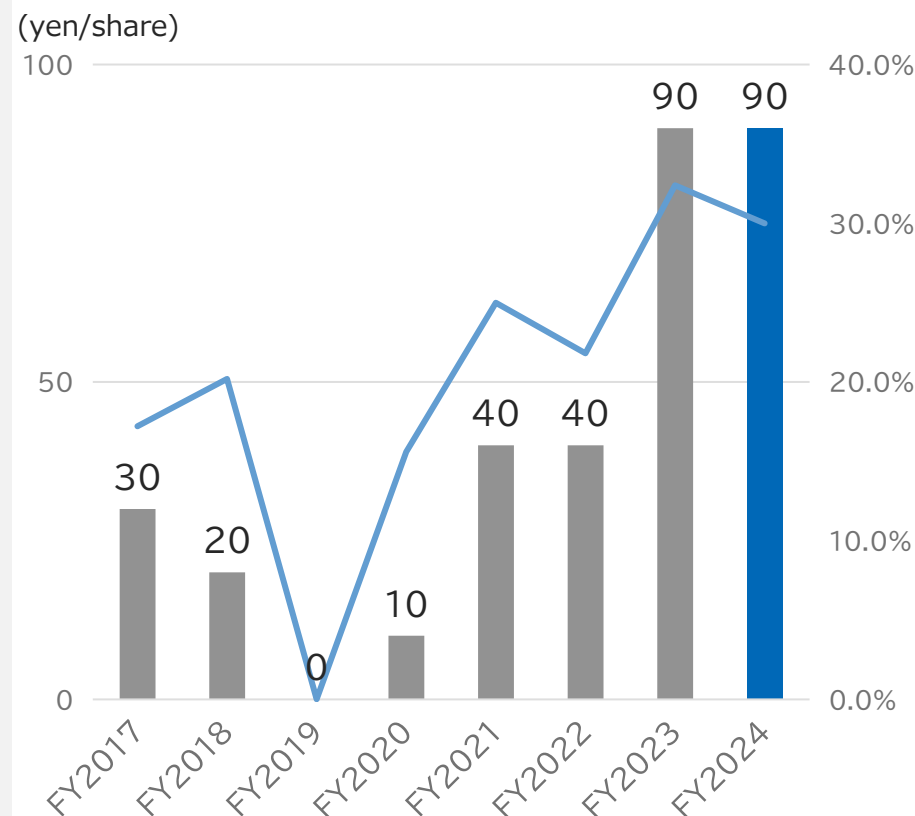
Medium-Term Management Plan (Fiscal 2024–2026)

**Dividend payout ratio : approx. 30%**

**Dividend (yen/share) and Dividend payout ratio (%)**

FY2023		FY2024	
Interim	Year-end	Interim	Year-end
45 yen	45 yen	45 yen	45 yen
90 yen		90 yen	
32.4%		29.6%	

## Dividend and Dividend payout ratio





## Segment Information

# Financial Results for the First Half of Fiscal 2024 and Forecast for Fiscal 2024



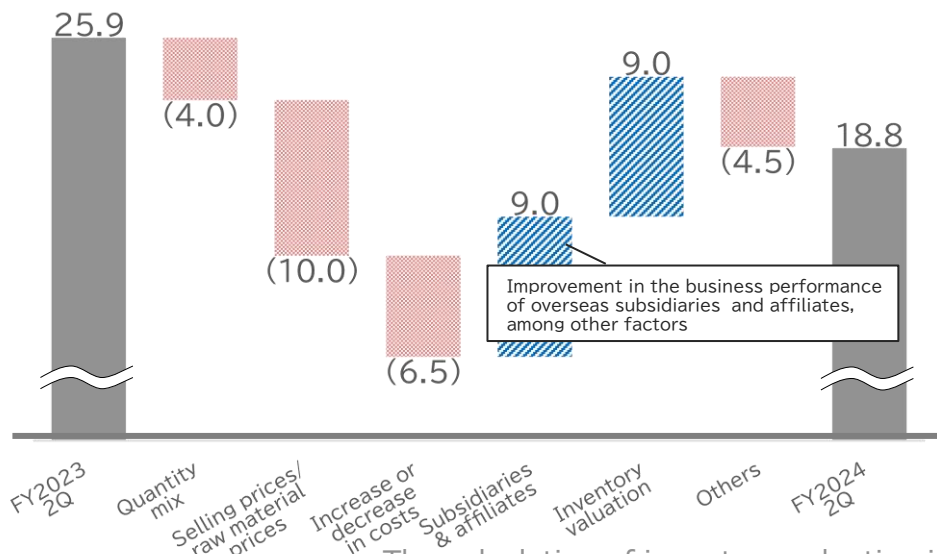
(Billions of yen)	FY2023 Actual			FY2024 Forecast (Previous)			FY2024 Forecast (Current)			Change		Change
	1H ①	2H ②	Full Year ②	1H ③	2H ③	Full Year ③	1H ④	2H ⑤	Full Year ⑤	1H ④-①	Full Year ⑤-②	Full Year ⑤-③
Steel & Aluminum	548.9	533.7	1,082.7	561.0	595.0	1,156.0	560.4	562.5	1,123.0	11.5	40.2	(33.0)
Advanced Materials	141.8	156.2	298.1	160.0	182.0	342.0	152.9	176.0	329.0	11.0	30.8	(13.0)
Welding	46.4	47.0	93.5	48.0	52.0	100.0	46.8	47.1	94.0	0.3	0.4	(6.0)
Machinery	103.2	131.2	234.5	129.0	143.0	272.0	120.0	155.9	276.0	16.8	41.4	4.0
Engineering	75.1	95.4	170.6	72.0	111.0	183.0	65.3	117.6	183.0	(9.8)	12.3	—
Construction Machinery	192.6	211.4	404.0	195.0	205.0	400.0	197.5	196.4	394.0	4.8	(10.0)	(6.0)
Electric Power	172.7	143.1	315.9	134.0	126.0	260.0	133.6	129.3	263.0	(39.1)	(52.9)	3.0
Other Businesses	4.5	6.2	10.8	4.0	7.0	11.0	3.7	6.2	10.0	(0.8)	(0.8)	(1.0)
Adjustment	(31.9)	(35.2)	(67.1)	(33.0)	(31.0)	(64.0)	(31.9)	(40.0)	(72.0)	(0.0)	(4.8)	(8.0)
Net Sales	1,253.8	1,289.3	2,543.1	1,270.0	1,390.0	2,660.0	1,248.5	1,351.4	2,600.0	(5.2)	56.8	(60.0)
Operating Profit (Loss)	92.1	94.4	186.6	70.0	95.0	165.0	77.7	62.2	140.0	(14.4)	(46.6)	(25.0)
Steel & Aluminum	20.7	(4.6)	16.1	20.5	19.5	40.0	14.4	5.5	20.0	(6.3)	3.8	(20.0)
Advanced Materials	(0.0)	3.2	3.2	2.5	3.5	6.0	2.3	2.6	5.0	2.3	1.7	(1.0)
Welding	1.5	3.3	4.9	2.0	2.5	4.5	2.1	1.8	4.0	0.5	(0.9)	(0.5)
Machinery	10.3	19.2	29.6	13.5	18.5	32.0	12.3	20.6	33.0	1.9	3.3	1.0
Engineering	6.2	6.2	12.4	2.5	8.5	11.0	4.6	6.3	11.0	(1.5)	(1.4)	—
Construction Machinery	5.0	4.0	9.1	0.0	9.0	9.0	6.1	5.8	12.0	1.0	2.8	3.0
Electric Power	47.4	38.3	85.7	26.0	21.5	47.5	29.2	20.2	49.5	(18.1)	(36.2)	2.0
Other Businesses	1.7	3.0	4.8	2.0	2.5	4.5	2.0	2.4	4.5	0.2	(0.3)	—
Adjustment	(1.5)	(3.5)	(5.1)	(4.0)	(0.5)	(4.5)	(2.3)	(6.6)	(9.0)	(0.7)	(3.8)	(4.5)
Ordinary Profit (Loss)	91.6	69.3	160.9	65.0	85.0	150.0	70.9	59.0	130.0	(20.6)	(30.9)	(20.0)
Excluding Inventory Valuation	96.1	60.3	156.4	61.5	78.0	139.5	66.9	61.5	128.5	(29.1)	(27.9)	(11.0)
Extraordinary Income (Losses)	27.7	(26.3)	1.3	—	—	—	5.3	14.6	20.0	(22.3)	18.6	20.0
Profit (Loss) Attributable to Owners of Parent	80.3	29.2	109.5	55.0	65.0	120.0	56.5	63.4	120.0	(23.7)	10.4	—

(Billions of yen)		FY2023 Actual			FY2024 Forecast (Previous)			FY2024 Forecast (Current)			Change		Change
		1H ①	2H	Full Year ②	1H	2H	Full Year ③	1H ④	2H	Full Year ⑤	1H ④－①	Full Year ⑤－②	Full Year ⑤－③
Net Sales		452.4	439.2	891.6	461.0	483.0	944.0	461.6	452.3	914.0	9.2	22.3	(30.0)
Ordinary Profit (Loss)		25.9	13.3	39.2	22.5	16.5	39.0	18.8	3.1	22.0	(7.0)	(17.2)	(17.0)
Excluding Inventory Valuation		32.4	7.8	40.2	20.5	10.5	31.0	16.3	8.6	25.0	(16.0)	(15.2)	(6.0)
Crude steel production* <sup>1</sup>	(Millions of tons)	3.09	2.88	5.97	3.00	3.00	6.00	3.01	2.99	6.00	(0.08)	0.03	－
Sales volume of steel products* <sup>2</sup>	(Millions of tons)	2.47	2.23	4.69	2.40	2.40	4.80	2.34	2.36	4.70	(0.13)	0.01	(0.10)
Domestic		1.92	1.74	3.66				1.79			(0.13)		
Exports		0.54	0.49	1.04				0.55			0.00		
Export ratio (value basis)		21%	23%	22%				24%			3%		
Average steel selling price	(Thousands of yen/ton)	140	145	143				148				8	

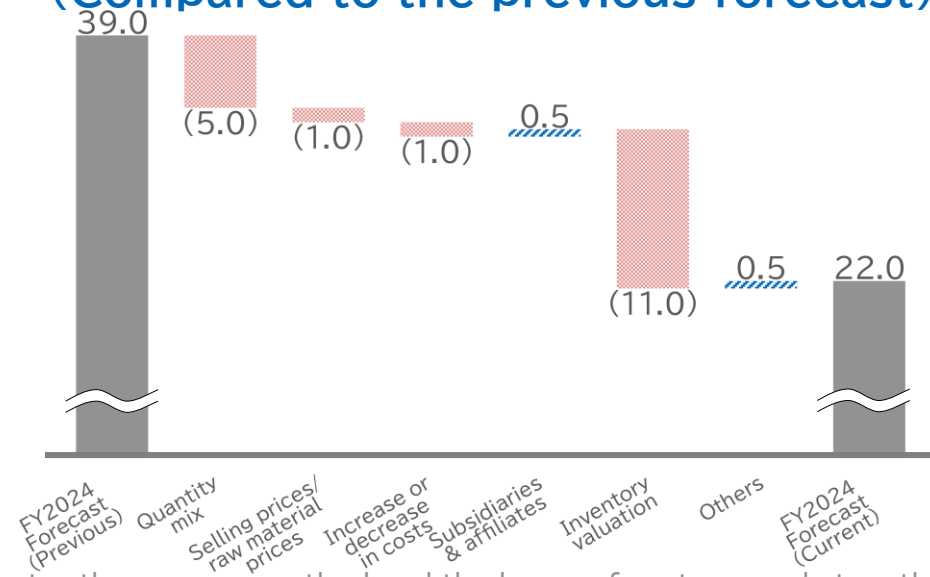
\*1 Includes production volume through electric arc furnaces at Takasago Works

\*2 Non-consolidated basis

## Financial Results for the First Half of Fiscal 2024 (Year on year)



## Forecast for Fiscal 2024 (Compared to the previous forecast)



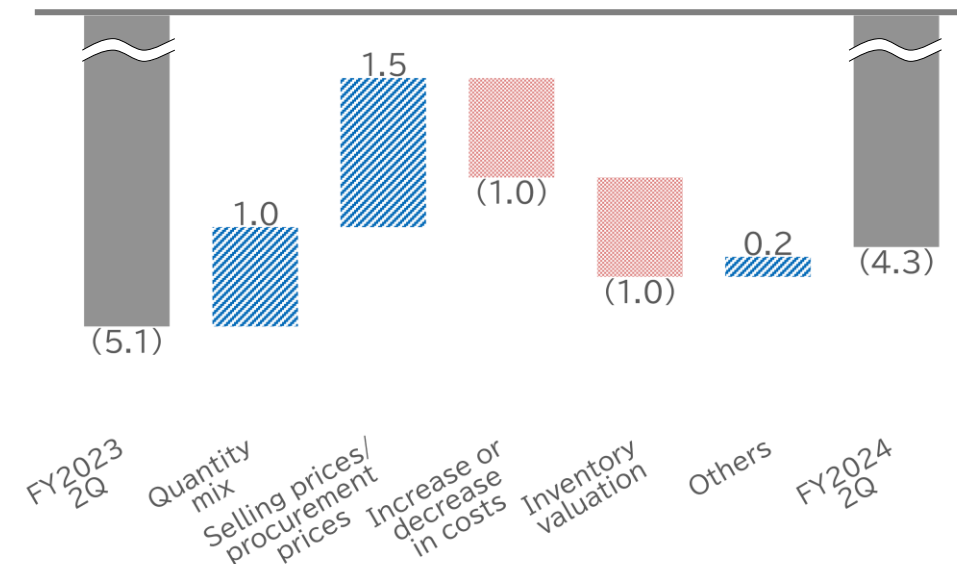
The calculation of inventory valuation incorporates the average method and the lower-of-cost-or-market method.

# Aluminum Rolled Products

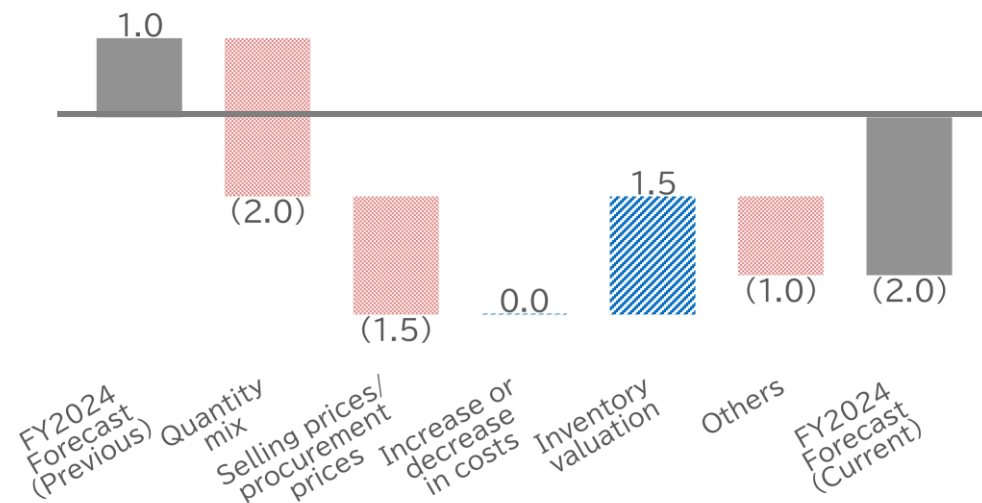
	FY2023 Actual			FY2024 Forecast (Previous)			FY2024 Forecast (Current)			Change		Change
	1H ①	2H	Full Year ②	1H	2H	Full Year ③	1H ④	2H	Full Year ⑤	1H ④-①	Full Year ⑤-②	Full Year ⑤-③
(Billions of yen)												
Net Sales	96.5	94.5	191.1	100.0	112.0	212.0	98.8	110.1	209.0	2.3	17.8	(3.0)
Ordinary Profit (Loss)	(5.1)	(17.9)	(23.1)	(2.0)	3.0	1.0	(4.3)	2.3	(2.0)	0.7	21.1	(3.0)
Excluding Inventory Valuation	(6.1)	(18.9)	(25.1)	(2.0)	2.5	0.5	(4.3)	0.3	(4.0)	1.7	21.1	(4.5)
Sales volume of aluminum rolled products* (Thousands of tons)	161	154	314	170	170	340	154	176	330	(7)	16	(10)
Domestic	116	107	223				110			(6)		
Exports	45	47	91				44			(0)		

\* Consolidated basis

## Financial Results for the First Half of Fiscal 2024 (Year on year)



## Forecast for Fiscal 2024 (Compared to the previous forecast)



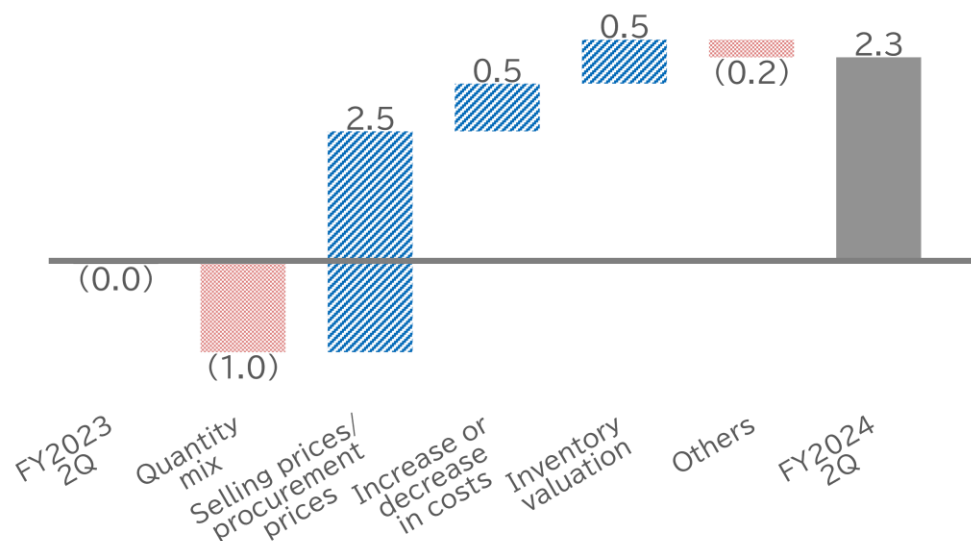
The calculation of inventory valuation incorporates the average method and the lower-of-cost-or-market method.

(Billions of yen)	FY2023 Actual			FY2024 Forecast (Previous)			FY2024 Forecast (Current)			Change		Change
	1H ①	2H	Full Year ②	1H	2H	Full Year ③	1H ④	2H	Full Year ⑤	1H ④-①	Full Year ⑤-②	Full Year ⑤-③
Net Sales	141.8	156.2	298.1	160.0	182.0	342.0	152.9	176.0	329.0	11.0	30.8	(13.0)
Ordinary Profit (Loss)	(0.0)	3.2	3.2	2.5	3.5	6.0	2.3	2.6	5.0	2.3	1.7	(1.0)
Excluding Inventory Valuation	(1.0)	0.7	(0.3)	1.0	3.0	4.0	0.8	1.6	2.5	1.8	2.8	(1.5)
Sales volume of aluminum extrusions* <sup>1</sup> (Thousands of tons)	18	20	37	19	20	39	19	20	39	1	2	-
Domestic	13	15	29				15			1		
Exports	4	5	9				4			0		
Sales volume of copper rolled products* <sup>2</sup> (Thousands of tons)	24	27	52	28	31	59	26	29	55	1	3	(4)

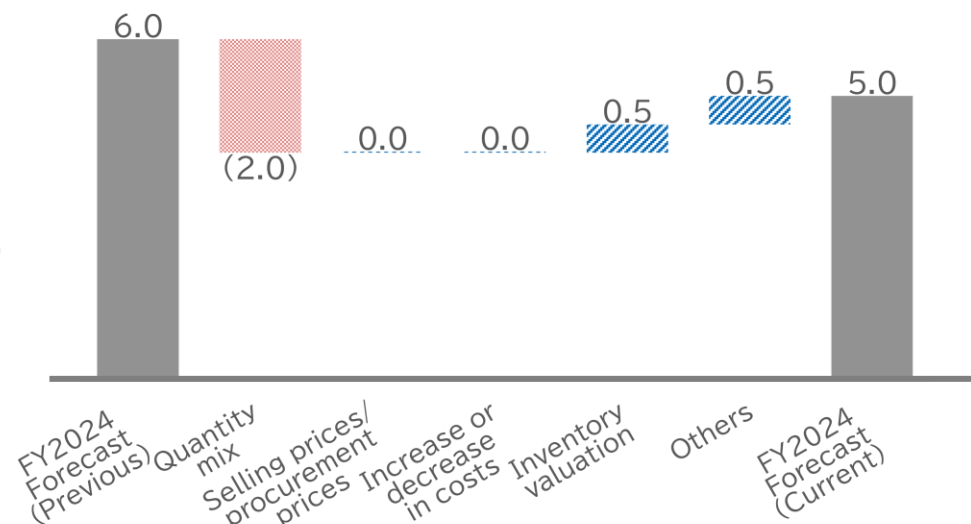
\*1 Consolidated basis

\*2 Non-consolidated basis

## Financial Results for the First Half of Fiscal 2024 (Year on year)



## Forecast for Fiscal 2024 (Compared to the previous forecast)



The calculation of inventory valuation incorporates the average method and the lower-of-cost-or-market method.

	FY2023 Actual			FY2024 Forecast (Previous)			FY2024 Forecast (Current)			Change		Change
	1H ①	2H	Full Year ②	1H	2H	Full Year ③	1H ④	2H	Full Year ⑤	1H ④-①	Full Year ⑤-②	Full Year ⑤-③
(Billions of yen)												
Net Sales	46.4	47.0	93.5	48.0	52.0	100.0	46.8	47.1	94.0	0.3	0.4	(6.0)
Ordinary Profit (Loss)	1.5	3.3	4.9	2.0	2.5	4.5	2.1	1.8	4.0	0.5	(0.9)	(0.5)
Sales volume of welding materials* (Thousands of tons)	122	120	242	115	120	235	112	113	225	(10)	(17)	(10)
Domestic	53	52	105				48			(5)		
Exports	69	67	136				64			(5)		

\* Consolidated basis

## Financial Results for the First Half of Fiscal 2024 (Year on year)

Sales Volume	Domestic : Decreased due to declining demand for automobiles and steel frames. Exports : Decreased due to the economic downturn in Southeast Asia.
Selling Prices	Increased due to progress in cost pass-through to selling prices.
Cost	Increased due to rising materials and equipment costs.

## Forecast for Fiscal 2024 (Compared to the previous forecast)

Sales Volume	Domestic : Expected to decrease. Exports : Expected to decrease due to the economic downturn in Thailand.
Selling Prices	Expected to remain at the previously forecast level.
Cost	Expected to remain at the previously forecast level.

	FY2023 Actual			FY2024 Forecast (Previous)			FY2024 Forecast (Current)			Change		Change
	1H ①	2H	Full Year ②	1H	2H	Full Year ③	1H ④	2H	Full Year ⑤	1H ④-①	Full Year ⑤-②	Full Year ⑤-③
(Billions of yen)												
Net Sales	103.2	131.2	234.5	129.0	143.0	272.0	120.0	155.9	276.0	16.8	41.4	4.0
Ordinary Profit (Loss)	10.3	19.2	29.6	13.5	18.5	32.0	12.3	20.6	33.0	1.9	3.3	1.0
Orders	115.8	157.9	273.7	130.0	130.0	260.0	119.3	140.6	260.0	3.5	(13.7)	—
Backlog of Orders	226.2	251.8	251.8				252.2			25.9		

## Financial Results for the First Half of Fiscal 2024 (Year on year)

### Orders

Increased in compressors and other products, driven by strong demand in the energy and chemical sectors.

### Ordinary Profit (Loss)

Increased primarily due to an increase in service sales centered on compressors and the progress in existing orders.

## Forecast for Fiscal 2024 (Compared to the previous forecast)

### Orders

Expected to remain at the previously forecast level.

### Ordinary Profit (Loss)

Expected to increase primarily due to an increase in unit/service sales centered on compressors.

	FY2023 Actual			FY2024 Forecast (Previous)			FY2024 Forecast (Current)			Change		Change
	1H ①	2H	Full Year ②	1H	2H	Full Year ③	1H ④	2H	Full Year ⑤	1H ④-①	Full Year ⑤-②	Full Year ⑤-③
(Billions of yen)												
Net Sales	75.1	95.4	170.6	72.0	111.0	183.0	65.3	117.6	183.0	(9.8)	12.3	-
Ordinary Profit (Loss)	6.2	6.2	12.4	2.5	8.5	11.0	4.6	6.3	11.0	(1.5)	(1.4)	-
Orders	122.4	91.8	214.3	60.0	120.0	180.0	59.5	120.4	180.0	(62.9)	(34.3)	-
Backlog of Orders	439.3	433.6	433.6				443.1			3.7		

## Financial Results for the First Half of Fiscal 2024 (Year on year)

### Orders

Decreased compared to the same period of fiscal 2023 that recorded orders for large-scale projects in the DRI-related business and waste treatment-related business.

### Ordinary Profit (Loss)

Decreased due to changes in project composition.

## Forecast for Fiscal 2024 (Compared to the previous forecast)

### Orders

Expected to remain at the previously forecast level.

### Ordinary Profit (Loss)

Expected to remain at the previously forecast level.



# Construction Machinery

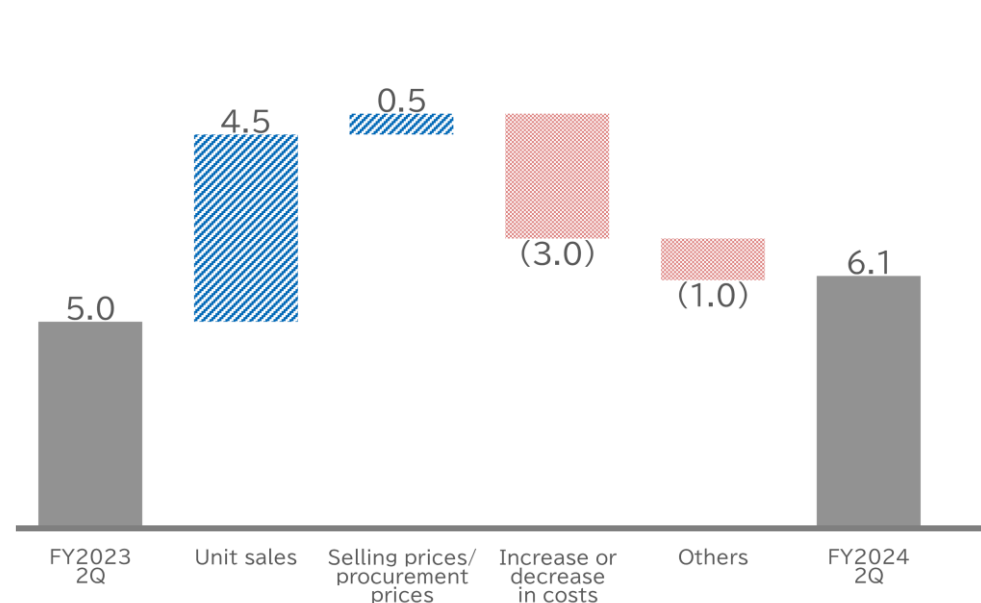


	FY2023 Actual			FY2024 Forecast (Previous)			FY2024 Forecast (Current)			Change		Change
	1H ①	2H	Full Year ②	1H	2H	Full Year ③	1H ④	2H	Full Year ⑤	1H ④-①	Full Year ⑤-②	Full Year ⑤-③
(Billions of yen)												
Net Sales	192.6	211.4	404.0	195.0	205.0	400.0	197.5	196.4	394.0	4.8	(10.0)	(6.0)
Ordinary Profit (Loss)	5.0	4.0	9.1	0.0	9.0	9.0	6.1	5.8	12.0	1.0	2.8	3.0
Unit sales of hydraulic excavators* <sup>1</sup>	(Thousands of units)			11.5	14.0	25.5	10.3	12.7	23.0	(1.4)	(1.1)	(2.5)
Domestic	3.4	4.7	8.1				2.7			(0.7)		
Exports	8.3	7.6	15.9				7.7			(0.6)		
Unit sales of crawler cranes* <sup>2</sup>	(Units)			170	200	370	157	213	370	25	55	—

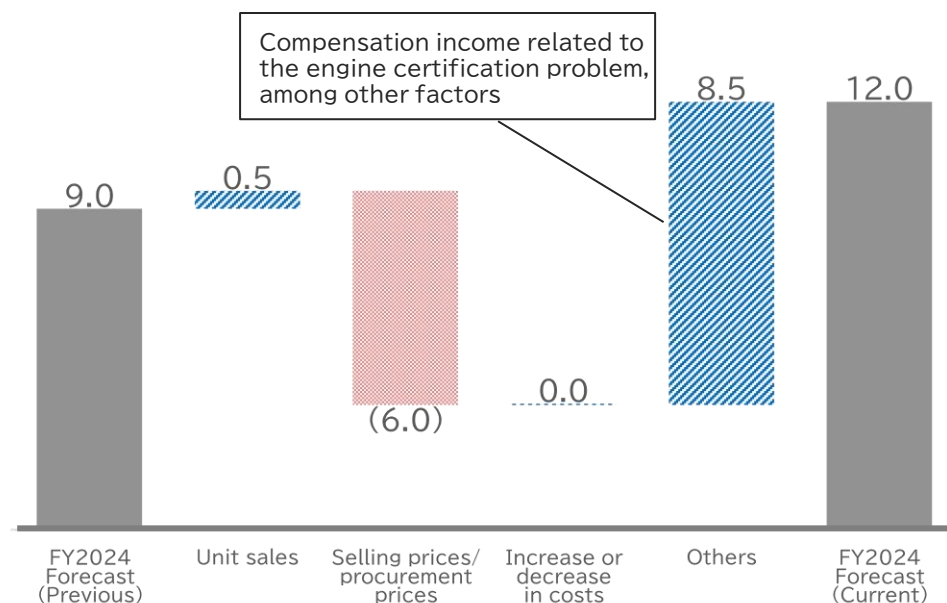
\*1 Consolidated basis (including mini-excavators)

\*2 Consolidated basis

## Financial Results for the First Half of Fiscal 2024 (Year on year)



## Forecast for Fiscal 2024 (Compared to the previous forecast)



(Billions of yen)	FY2023 Actual			FY2024 Forecast (Previous)			FY2024 Forecast (Current)			Change		Change
	1H ①	2H	Full Year ②	1H	2H	Full Year ③	1H ④	2H	Full Year ⑤	1H ④-①	Full Year ⑤-②	Full Year ⑤-③
Net Sales	172.7	143.1	315.9	134.0	126.0	260.0	133.6	129.3	263.0	(39.1)	(52.9)	3.0
Ordinary Profit (Loss)	47.4	38.3	85.7	26.0	21.5	47.5	29.2	20.2	49.5	(18.1)	(36.2)	2.0
Time lags in fuel cost adjustments	16.0	6.0	22.0	4.0	—	4.0	4.0	—	4.0	(12.0)	(18.0)	—
Effect of temporary gains/losses from changes in electricity selling prices	8.0	12.0	20.0	—	—	—	2.0	—	2.0	(6.0)	(18.0)	2.0

## Financial Results for the First Half of Fiscal 2024 (Year on year)

Sales Volume	Decreased year on year.
Unit Selling Price	Decreased due to fluctuations in coal prices.
Ordinary Profit (Loss)	Decreased due to reduced gains from time lags in fuel cost adjustments, and other factors.

## Forecast for Fiscal 2024 (Compared to the previous forecast)

Sales Volume	Expected to remain at the previously forecast level.
Unit Selling Price	Expected to increase due to fluctuations in coal prices.
Ordinary Profit (Loss)	Expected to increase due to temporary gains from changes in electricity selling prices.

# Reference Information

# Exchange Rate Assumption

	FY2023 Actual			FY2024 Forecast (Previous)	FY2024 Forecast (Current)		
	1H	2H	Full Year	Full Year	1H	2H	Full Year
1 U.S. dollar to yen	142.6	148.0	145.3	155.8	152.4	145.0	148.7
1 Chinese yuan to yen	19.9	20.5	20.2	21.2	21.2	20.0	20.6
1 euro to yen	154.8	160.6	157.7	166.3	165.8	155.0	160.4

## [Analysis of exchange rate sensitivity]

Impact of the 1 yen depreciation against the U.S. dollar on future business performance

Steel products: approx. (0.1) billion yen

(Impact of dollar balance: (0.5) billion yen

Inventory valuation, cost pass-through to selling prices, etc.: 0.4 billion yen)

Construction machinery: approx. 0.1 billion yen (Impact of dollar balance: 0.1 billion yen)

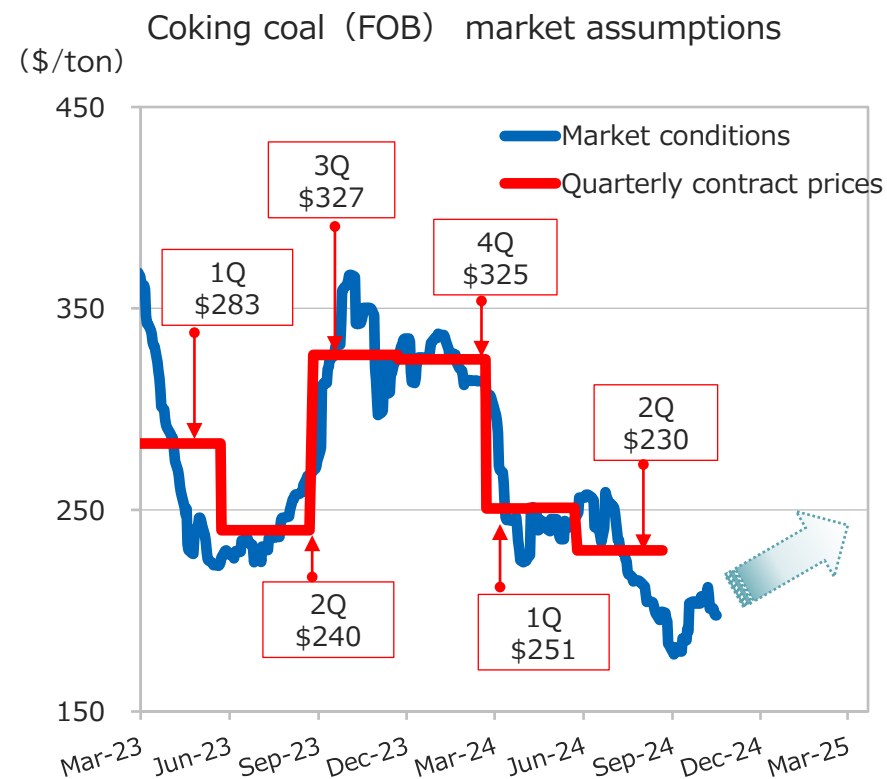
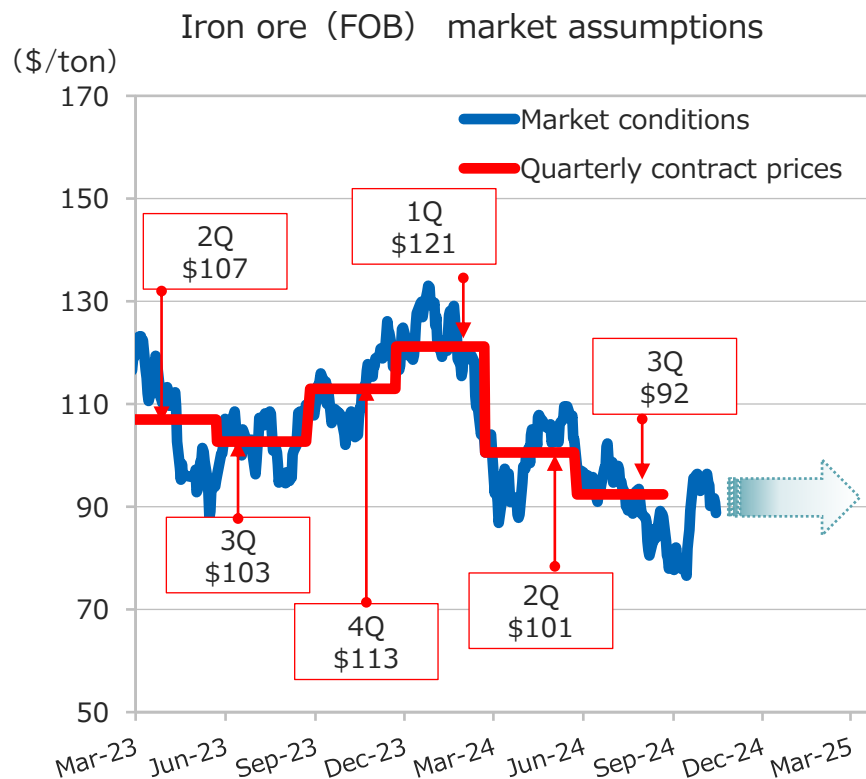
Impact of the 1 yen depreciation against the euro on future business performance

Construction machinery: approx. 0.1 billion yen

(Impact of euro balance: 0.1 billion yen)

# Raw Material Market Assumption

Iron ore	The price for 3Q has been settled at \$92. The price for 4Q is expected to <b>remain at the current level</b> .
Coking coal	The price for 2Q has been settled at \$230. The price for 3Q will be estimated based on the current market conditions. <b>Prices are expected to rise gradually toward 4Q.</b>
Thermal coal	The price from July to September was around \$130-150. The price for 3Q and beyond is expected to <b>remain at the current level</b> .



# Inventory Valuation



(Billions of yen)

## Steel Products

	FY2023 Actual			FY2024 Forecast (Previous)			FY2024 Forecast (Current)		
	1H	2H	Full Year	1H	2H	Full Year	1H	2H	Full Year
Iron ore	2.5	1.0	3.5	(2.0)	1.0	(1.0)	(1.5)	(2.0)	(3.5)
Coal	(2.0)	2.5	0.5	(2.0)	1.5	(0.5)	(2.5)	0.5	(2.0)
Carry over	0.5	3.5	4.0	(4.0)	2.5	(1.5)	(4.0)	(1.5)	(5.5)
Average method	(7.0)	6.0	(1.0)	2.0	6.0	8.0	3.5	(6.5)	(3.0)
Lower-of-cost-or market method	0.5	(0.5)	0.0	0.0	0.0	0.0	(1.0)	1.0	0.0
Inventory valuation	(6.5)	5.5	(1.0)	2.0	6.0	8.0	2.5	(5.5)	(3.0)

## Aluminum Rolled Products

	FY2023 Actual			FY2024 Forecast (Previous)			FY2024 Forecast (Current)		
	1H	2H	Full Year	1H	2H	Full Year	1H	2H	Full Year
Average method	0.5	1.0	1.5	1.5	0.5	2.0	(0.5)	2.0	1.5
Lower-of-cost-or market method	0.5	0.0	0.5	(1.5)	0.0	(1.5)	0.5	0.0	0.5
Inventory valuation	1.0	1.0	2.0	0.0	0.5	0.5	0.0	2.0	2.0

## Advanced Materials

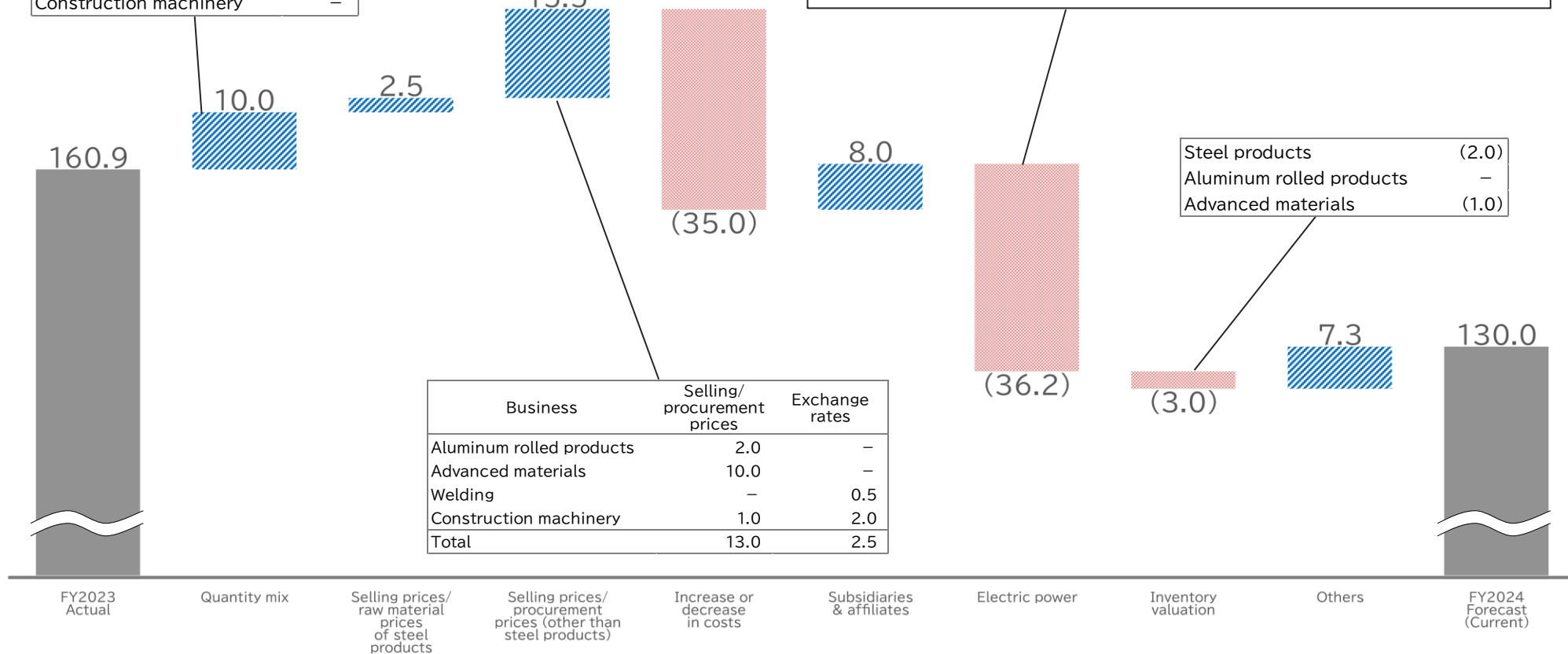
	FY2023 Actual			FY2024 Forecast (Previous)			FY2024 Forecast (Current)		
	1H	2H	Full Year	1H	2H	Full Year	1H	2H	Full Year
Average method	1.0	2.5	3.5	2.0	0.0	2.0	2.5	0.5	3.0
Lower-of-cost-or market method	0.0	0.0	0.0	(0.5)	0.5	0.0	(1.0)	0.5	(0.5)
Inventory valuation	1.0	2.5	3.5	1.5	0.5	2.0	1.5	1.0	2.5

# Forecast for Fiscal 2024 : Analysis of Ordinary Profit (Loss) (Compared to FY2023 Actual)

(30.9) billion yen

Steel products	1.5
Aluminum rolled products	5.0
Advanced materials	1.5
Welding	(1.0)
Machinery	5.5
Engineering	(2.5)
Construction machinery	—

Effect of time lags in fuel cost adjustments (18.0)  
Temporary gains from changes in electricity selling prices (18.0),  
among other factors



The calculation of inventory valuation incorporates the average method and the lower-of-cost-or-market method.

# Indicators

	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast (Previous)	FY2024 Forecast (Current)
Capital investment (accrual basis)	108.1 billion yen	97.3 billion yen	105.2 billion yen	115.0 billion yen	110.0 billion yen
Capital investment (payment basis)	156.4 billion yen	98.9 billion yen	94.8 billion yen	125.0 billion yen	120.0 billion yen
Depreciation	105.1 billion yen	112.5 billion yen	119.0 billion yen	125.0 billion yen	120.0 billion yen
Net assets ratio	32.0%	34.0%	38.6%	approx. 40%	approx. 40%
Interest-bearing debt (including lease liabilities)	973.8 billion yen	917.2 billion yen	873.4 billion yen	890.0 billion yen	980.0 billion yen
Gross D/E ratio* <sup>1</sup>	1.19 times	1.00 times	0.83 times	approx. 0.8 times	approx. 0.85 times
Cash flows from operating activities	168.8 billion yen	119.6 billion yen	205.2 billion yen	110.0 billion yen	70.0 billion yen
Cash flows from investing activities	(161.5) billion yen	(97.2) billion yen	(53.7) billion yen	(150.0) billion yen	(140.0) billion yen
Free cash flow	7.2 billion yen	22.4 billion yen	151.5 billion yen	(40.0) billion yen	(70.0) billion yen
Cash and deposits	260.5 billion yen	203.3 billion yen	278.7 billion yen	205.0 billion yen	205.0 billion yen
Profit (loss) per share	160.23 yen	183.80 yen	277.38 yen	304.09 yen	304.03 yen
ROE* <sup>2</sup>	7.9%	8.4%	11.1%	approx. 10.8%	approx. 11%
ROIC* <sup>3</sup>	4.7%	4.9%	6.7%	approx. 6.5%	approx. 6%

\*1 Gross D/E ratio : Interest-bearing debt (including lease liabilities) divided by stockholders' equity

\*2 ROE : Profit (loss) attributable to owners of parent divided by stockholders' equity

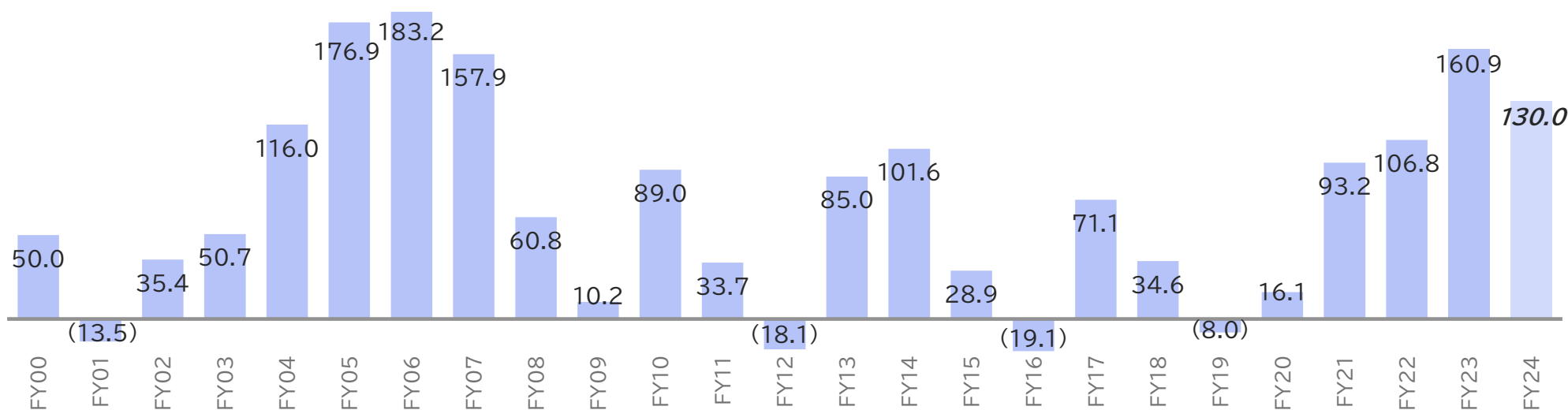
\*3 ROIC : After-tax operating income divided by invested capital



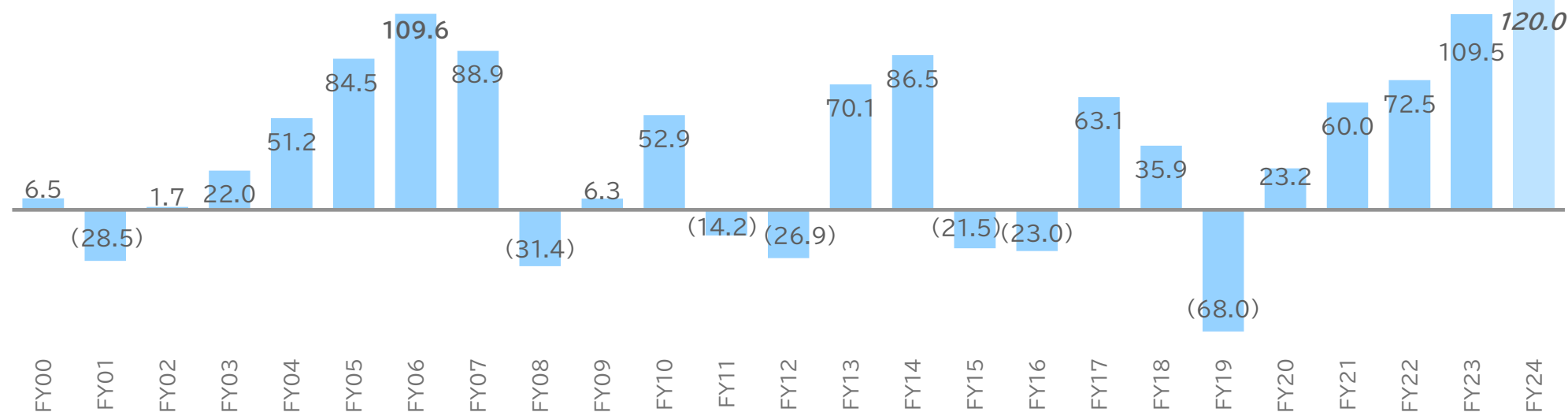
# Changes in Consolidated Financial Results

(Billions of yen)

## Ordinary Profit (Loss)



## Profit (Loss) Attributable to Owners of Parent



## Dialogue with the Capital Market

Our Company is actively engaged in dialogue with capital markets to achieve sustainable growth and increase corporate value over the medium to long term. The details of our dialogue are disclosed on our corporate website.

**Dialogue with the Capital Market FY2023, announced in June 2024**

[https://www.kobelco.co.jp/english/about\\_kobelco/kobesteel/governance/files/capital\\_markets\\_23\\_e.pdf](https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/files/capital_markets_23_e.pdf)



## External Evaluations (Listed below are only major ones)

### ◆ FTSE4Good Index Series (since Jun. 2021)



FTSE4Good

### ◆ FTSE Blossom Japan Sector Relative Index (since Mar. 2022)



FTSE Blossom  
Japan Sector  
Relative Index

### ◆ FTSE Blossom Japan Index (since Jun. 2021)



FTSE Blossom  
Japan

### ◆ CDP (since Dec. 2020)



Awarded “A-” in the climate change category for the fourth consecutive year

### ◆ MSCI JAPAN ESG SELECT LEADERS INDEX\* (since Jun. 2022)

2024 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

### ◆ MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)\* (since Dec. 2022)

2024 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

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<b>KOBELCO's View of the Future</b>	<p>Our view of a society and future to be attained as we carry out KOBELCO's mission</p> <p><b>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.</b></p>
<b>KOBELCO's Mission</b>	<p>Our mission and the social significance of the KOBELCO Group that we must fulfill</p> <p><b>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.</b></p>
<b>Core Values of KOBELCO</b>	<p>The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group</p> <ol style="list-style-type: none"> <li>1. We provide technologies, products and services that win the trust and confidence of our customers we serve and the society in which we live.</li> <li>2. We value, and support the growth of, each employee on an individual basis, while creating a cooperative and harmonious environment.</li> <li>3. Through continuous and innovative changes, we create new values for the society of which we are a member.</li> </ol>
<b>Six Pledges of KOBELCO</b>	<p>Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter</p> <ol style="list-style-type: none"> <li>1. Uphold the Highest Sense of Ethics and Professionalism</li> <li>2. Contribute to the Society by Providing Superior Products and Services <b>Quality Charter</b></li> <li>3. Establish a Comfortable but Challenging Work Environment</li> <li>4. Live in Harmony with the Local Community</li> <li>5. Contribute to a Sustainable Environment</li> <li>6. Respect Each Stakeholder</li> </ol>

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  - Political situations and trade and other regulations
  - Changes in currency exchange rates
  - Availability and market conditions of raw materials
  - Products and services of competitors, pricing policies, alliances, and business developments including M&As
  - Strategy changes of alliance partners