

Kobe Steel's Consolidated Financial Results for the First Half of Fiscal 2022 (April 1-September 30, 2022)

November 9, 2022

Company name: Kobe Steel, Ltd.
 Code number: 5406
 Stock exchanges listed: Tokyo and Nagoya, Japan
 Website: <https://www.kobelco.co.jp/english/>
 Representative: Mitsugu Yamaguchi, President, CEO and Representative Director
 Filing of half-yearly report: November 9, 2022
 Dividend payments begin: December 1, 2022
 Supplemental information available: Yes
 IR Briefing: Yes (available only in Japanese)
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(Sums of less than 1 million yen are omitted.)

1. Consolidated results for the first half of fiscal 2022 (April 1-September 30, 2022)

(1) Consolidated operating results

(The percentage indicates the change from the corresponding period of the previous year.)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of the parent | |
|-----------|-------------|------|------------------|--------|-----------------|-------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FY2022 1H | 1,169,657 | 20.3 | 19,771 | (57.8) | 41,826 | (5.7) | 28,008 | (18.9) |
| FY2021 1H | 972,182 | 25.2 | 46,814 | — | 44,336 | — | 34,519 | — |

Note: Comprehensive income FY2022 1H: 60,280 million yen [7.9%]

FY2021 1H: 55,850 million yen [—%]

| | Net income per share | Diluted net income per share |
|-----------|----------------------|------------------------------|
| | Yen | Yen |
| FY2022 1H | 70.96 | — |
| FY2021 1H | 95.16 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity capital ratio |
|-----------|--------------|-------------|----------------------|
| | Million yen | Million yen | % |
| FY2022 1H | 2,847,386 | 919,820 | 30.2 |
| FY2021 | 2,728,745 | 872,346 | 29.9 |

Reference: Equity capital FY2022 1H: 860,439 million yen FY2021: 815,326 million yen

2. Dividends

| | Annual dividends | | | | |
|-----------------|------------------|-------|-----|-------|-------|
| | 1Q | 2Q | 3Q | 4Q | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY2021 | — | 10.00 | — | 30.00 | 40.00 |
| FY2022 | — | 15.00 | — | — | — |
| FY2022 Forecast | — | — | — | — | — |

Revision to the dividend forecast for fiscal 2022 from the previous announcement: No

The dividend for the end of fiscal 2022 is undetermined.

3. Consolidated earnings forecast for fiscal 2022 (April 1, 2022-March 31, 2023)

(The percentage indicates the change from the corresponding period of the previous year.)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of the parent | | Net income per share |
|-----------|-------------|------|------------------|--------|-----------------|--------|---|--------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 2,530,000 | 21.5 | 55,000 | (37.2) | 70,000 | (24.9) | 45,000 | (25.1) | 113.98 |

Revision to the consolidated forecast for fiscal 2022 from the previous announcement: Yes

For more information, please refer to the IR briefing material "Financial Results for the First Half of Fiscal 2022 and Forecast for the Full Fiscal Year" announced today.

Notes

(1) Changes in the number of material subsidiaries in this fiscal year

(Changes in specified subsidiaries due to changes in scope of consolidation): No

(2) Adoption of specific accounting procedures for preparing the quarterly consolidated financial statements: No

(3) Changes in accounting policies, estimates and restatement on the preparation of consolidated financial statements

- Changes in accounting policies due to revised accounting standards: No

- Other changes: No

- Changes in accounting estimates: No

- Restatement: No

(4) Number of issued shares (common stock)

| | FY2022 1H | FY2021 |
|--|--------------------|--------------------|
| Number of issued shares (including treasury stock) | 396,345,963 shares | 396,345,963 shares |
| Number of shares of treasury stock | 1,445,243 shares | 1,798,236 shares |
| Average number of shares (1H) | 394,698,823 shares | 362,718,142 shares |

Explanation on the Appropriate Use of the Forecast and Other Special Notes

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 for the forecast and other related factors, please refer to the IR briefing material "Financial Results for the First Half of Fiscal 2022 and Forecast for the Full Fiscal Year" .

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(In millions of yen)

| ASSETS | FY2021 Ended March 31, 2022 | FY2022 1H Ended September 30, 2022 |
|--|--|---|
| Current Assets | | |
| Cash and deposits | 243,502 | 217,296 |
| Notes and accounts receivable, and contract assets | 357,972 | 398,986 |
| Securities | 17,200 | — |
| Merchandise and finished goods | 209,417 | 246,335 |
| Work-in-process | 138,664 | 156,809 |
| Raw materials and supplies | 225,053 | 277,443 |
| Other | 99,760 | 108,577 |
| Allowance for doubtful accounts | (4,256) | (4,905) |
| Total current assets | <u>1,287,314</u> | <u>1,400,543</u> |
| Fixed Assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 292,487 | 288,319 |
| Machinery and equipment | 528,904 | 512,002 |
| Land | 131,896 | 131,800 |
| Other | 106,909 | 115,473 |
| Total property, plant and equipment | <u>1,060,197</u> | <u>1,047,596</u> |
| Intangible fixed assets | 36,324 | 38,519 |
| Investments and other assets | | |
| Investments in securities | 194,381 | 196,951 |
| Other | 169,934 | 185,599 |
| Allowance for doubtful accounts | (19,408) | (21,823) |
| Total investment and other assets | <u>344,908</u> | <u>360,727</u> |
| Total fixed assets | <u>1,441,430</u> | <u>1,446,843</u> |
| Total assets | <u>2,728,745</u> | <u>2,847,386</u> |

| LIABILITIES | FY2021 Ended March 31, 2022 | FY2022 1H Ended September 30, 2022 |
|---|---------------------------------------|--|
| Current liabilities | | |
| Notes and accounts payable | 539,267 | 649,069 |
| Short-term borrowings | 87,265 | 129,911 |
| Current portion of bonds | 25,150 | 975 |
| Income and enterprise taxes payable | 8,318 | 8,713 |
| Provisions | 52,791 | 50,682 |
| Other | 172,146 | 184,963 |
| Total current liabilities | 884,939 | 1,024,314 |
| Long-term liabilities | | |
| Bonds and notes | 45,900 | 45,000 |
| Long-term borrowings | 750,126 | 684,631 |
| Lease obligations | 51,427 | 48,248 |
| Net defined benefit liability | 79,978 | 83,209 |
| Provisions | 3,051 | 2,955 |
| Other | 40,976 | 39,207 |
| Total long-term liabilities | 971,459 | 903,251 |
| Total liabilities | 1,856,399 | 1,927,566 |
| NET ASSETS | | |
| Stockholders' equity | | |
| Common stock | 250,930 | 250,930 |
| Capital surplus | 116,434 | 116,419 |
| Retained earnings | 418,033 | 434,149 |
| Treasury stock | (2,261) | (1,942) |
| Total stockholders' equity | 783,136 | 799,556 |
| Accumulated other comprehensive income | | |
| Unrealized gains or losses on securities, net of taxes | 28,987 | 28,433 |
| Unrealized gains or losses on hedging derivatives, net of taxes | (13,141) | (10,598) |
| Land revaluation differences, net of taxes | (3,400) | (3,400) |
| Foreign currency translation adjustments | 16,054 | 42,231 |
| Remeasurements of defined benefit plans, net of taxes | 3,689 | 4,218 |
| Total accumulated other comprehensive income | 32,189 | 60,883 |
| Non-controlling interests | 57,019 | 59,380 |
| Total net assets | 872,346 | 919,820 |
| Total liabilities and net assets | 2,728,745 | 2,847,386 |

Consolidated Statements of Income

(In millions of yen)

| | FY2021 1H Ended September 30, 2021 | FY2022 1H Ended September 30, 2022 |
|---|---------------------------------------|---------------------------------------|
| Net sales | 972,182 | 1,169,657 |
| Cost of sales | 821,236 | 1,035,269 |
| Gross profit | 150,946 | 134,387 |
| Selling, general and administrative expenses | 104,131 | 114,615 |
| Operating income | 46,814 | 19,771 |
| Non-operating income | | |
| Interest income | 925 | 739 |
| Dividend income | 1,660 | 2,644 |
| Reimbursement of seconded employees' salaries | 1,760 | 1,564 |
| Equity in income of equity method companies | 5,907 | 8,775 |
| Foreign exchange gain | — | 10,279 |
| Compensation income | 688 | 10,925 |
| Other | 5,045 | 5,171 |
| Total non-operating income | 15,987 | 40,099 |
| Non-operating expenses | | |
| Interest expense | 6,632 | 6,366 |
| Seconded employees' salaries | 4,557 | 4,798 |
| Foreign exchange loss | 1,064 | — |
| Other | 6,211 | 6,879 |
| Total non-operating expenses | 18,465 | 18,044 |
| Ordinary income | 44,336 | 41,826 |
| Extraordinary loss | | |
| Loss on liquidation of business | — | 2,635 |
| Total extraordinary loss | — | 2,635 |
| Income before income taxes and non-controlling interests | 44,336 | 39,190 |
| Income Taxes | | |
| Current | 7,538 | 8,843 |
| Deferred | 41 | 940 |
| Total income taxes | 7,579 | 9,783 |
| Income before non-controlling interests | 36,756 | 29,407 |
| Net income attributable to non-controlling interests | 2,237 | 1,398 |
| Net income attributable to owners of the parent | 34,519 | 28,008 |

Consolidated Statements of Comprehensive Income

(In millions of yen)

| | FY2021 1H Ended September 30, 2021 | FY2022 1H Ended September 30, 2022 |
|--|---------------------------------------|---------------------------------------|
| Income before non-controlling interests | 36,756 | 29,407 |
| Other comprehensive income | | |
| Unrealized gains or losses on securities, net of taxes | 7,202 | (301) |
| Unrealized gains or losses on hedging derivatives, net of taxes | (1,269) | 2,489 |
| Foreign currency translation adjustments | 11,407 | 26,645 |
| Remeasurements of defined benefit plans, net of taxes | 2,136 | 551 |
| Share of other comprehensive gains and losses related to equity method companies | (383) | 1,488 |
| Total other comprehensive income | 19,093 | 30,873 |
| Comprehensive Income | 55,850 | 60,280 |
| Breakdown of total comprehensive income attributed to: | | |
| Stockholders of the parent interests | 53,288 | 56,702 |
| Non-controlling interests | 2,561 | 3,578 |

Notes

Notes on the going concern assumption: None

Notes on substantial changes in the amount of shareholders' equity: None