

Consolidated Financial Results
for the Three Months Ended June 30, 2024
(Under Japanese GAAP)

August 7, 2024

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
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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 three months ended June 30, 2024 (from April 1 to June 30, 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	%
Three months ended June 30, 2024	590,733	(1.3)	31,072	(8.7)	35,045	(2.4)	24,044	(5.5)
June 30, 2023	598,689	10.3	34,040	321.9	35,904	19.7	25,451	21.0

Note: Comprehensive income For the three months ended June 30, 2024: 27,801 million yen [(11.8)%]
For the three months ended June 30, 2023: 31,512 million yen [(4.1)%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Three months ended June 30, 2024	60.90	—	—	—
June 30, 2023	64.44	—	—	—

Note: Diluted earnings per share for the three months ended June 30, 2024 (from April 1 to June 30, 2024) is not presented because there are no potentially dilutive securities. Diluted earnings per share for the three months ended June 30, 2023 (from April 1 to June 30, 2023) is not presented because there are no dilutive securities.

(2) Consolidated financial position

As of	Total assets		Net assets		Equity-to-asset ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
June 30, 2024	2,850,795	1,134,466	1,134,466	1,127,346	37.3	36.2
March 31, 2024	2,919,774	1,127,346	1,127,346	1,127,346	36.2	36.2

Reference: Equity capital As of June 30, 2024: 1,064,373 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 ending March 31, 2025	—	—	—	—	—
Fiscal year ending March 31, 2025 (Forecast)	—	45.00	—	45.00	90.00

Note: Revision to the forecast of cash dividends most recently announced: None

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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First-half	1,270,000	1.3	70,000	(24.0)	65,000	(29.0)	55,000	(31.5)	139.35
Full year	2,660,000	4.6	165,000	(11.6)	150,000	(6.8)	120,000	9.5	304.09

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

Please refer to the IR briefing material "Financial Results for the First 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: 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 June 30, 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 June 30, 2024	1,787,853 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)

Three months ended June 30, 2024	394,757,536 shares
Three months ended June 30, 2023	394,911,207 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

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 First Quarter of Fiscal 2024 and Forecast for the Full Fiscal Year"

Overview of Operating Results and Other Items

Consolidated Operating Results for the three months ended June 30, 2024

The overview of the consolidated operating results is provided in the "Financial Results for the First 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/>).

Financial Condition

On a consolidated basis, total assets at the end of the first quarter of fiscal 2024 decreased by 68.9 billion yen to 2,850.7 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 76.0 billion yen to 1,716.3 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 7.1 billion yen to 1,134.4 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 ratio at the end of the first quarter of fiscal 2024 was 37.3%, up 1.1 percentage points from the end of fiscal 2023.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2023 Ended March 31, 2024	FY2024 1Q Ended June 30, 2024
Current assets		
Cash and deposits	278,844	214,174
Notes and accounts receivable - trade, and contract assets	410,226	363,996
Merchandise and finished goods	273,677	293,191
Work in process	160,420	174,486
Raw materials and supplies	276,552	283,786
Other	70,183	81,968
Allowance for doubtful accounts	(4,165)	(4,414)
Total current assets	<u>1,465,737</u>	<u>1,407,188</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	282,093	282,100
Machinery, equipment and vehicles, net	558,045	549,847
Land	136,138	136,549
Other, net	58,135	56,658
Total property, plant and equipment	<u>1,034,413</u>	<u>1,025,155</u>
Intangible assets	39,276	45,559
Investments and other assets		
Investment securities	245,023	237,111
Other	156,674	158,094
Allowance for doubtful accounts	(21,351)	(22,313)
Total investments and other assets	<u>380,346</u>	<u>372,892</u>
 Total non-current assets	 <u>1,454,036</u>	 <u>1,443,607</u>
Total assets	 <u>2,919,774</u>	 <u>2,850,795</u>

LIABILITIES	FY2023 Ended March 31, 2024	FY2024 1Q Ended June 30, 2024
Current liabilities		
Notes and accounts payable - trade	477,198	432,339
Short-term borrowings	165,943	166,656
Current portion of bonds payable	—	25,000
Income taxes payable	43,133	6,827
Provisions	52,737	38,133
Other	249,996	262,675
Total current liabilities	989,010	931,633
Non-current liabilities		
Bonds payable	115,000	110,000
Long-term borrowings	542,486	528,638
Lease liabilities	40,045	38,722
Retirement benefit liability	65,615	68,595
Provisions	9,245	9,171
Other	31,025	29,567
Total non-current liabilities	803,417	784,695
Total liabilities	1,792,427	1,716,329
NET ASSETS		
Shareholders' equity		
Share capital	250,930	250,930
Capital surplus	116,325	116,328
Retained earnings	548,951	554,976
Treasury shares	(1,847)	(2,638)
Total shareholders' equity	914,360	919,596
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	70,610	63,902
Deferred gains or losses on hedges	(6,911)	(6,679)
Revaluation reserve for land	4,707	4,707
Foreign currency translation adjustment	45,950	55,361
Remeasurements of defined benefit plans	27,845	27,485
Total accumulated other comprehensive income	142,202	144,777
Non-controlling interests	70,784	70,093
Total net assets	1,127,346	1,134,466
Total liabilities and net assets	2,919,774	2,850,795

Consolidated Statements of Income

(In millions of yen)

	FY2023 1Q Ended June 30, 2023	FY2024 1Q Ended June 30, 2024
Net sales	598,689	590,733
Cost of sales	503,380	494,864
Gross profit	95,309	95,868
Selling, general and administrative expenses	61,269	64,795
Operating profit	34,040	31,072
Non-operating income		
Interest income	530	653
Dividend income	2,558	2,644
Seconded employees' reimbursement	800	796
Share of profit of entities accounted for using equity method	—	4,533
Foreign exchange gains	4,054	3,081
Other	3,837	1,836
Total non-operating income	11,779	13,546
Non-operating expenses		
Interest expenses	3,507	3,344
Seconded employees' salaries	2,282	2,421
Share of loss of entities accounted for using equity method	247	—
Other	3,879	3,806
Total non-operating expenses	9,915	9,573
Ordinary profit	35,904	35,045
Profit before income taxes	35,904	35,045
Income Taxes		
Income taxes - current	7,315	4,270
Income taxes - deferred	2,323	6,080
Total income taxes	9,639	10,350
Profit	26,265	24,694
Profit attributable to non-controlling interests	813	650
Profit attributable to owners of parent	25,451	24,044

Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2023 1Q Ended June 30, 2023	FY2024 1Q Ended June 30, 2024
Profit	26,265	24,694
Other comprehensive income		
Valuation difference on available-for-sale securities	5,932	(6,242)
Deferred gains or losses on hedges	(2,972)	229
Foreign currency translation adjustment	(1,245)	8,731
Remeasurements of defined benefit plans, net of tax	122	(391)
Share of other comprehensive income of entities accounted for using equity method	3,409	779
Total other comprehensive income	5,247	3,106
Comprehensive income	31,512	27,801
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	30,088	26,619
Comprehensive income attributable to non-controlling interests	1,423	1,182

Segment Information

(1) Information about Sales, Income (Loss), Assets and Other Items of Reportable Segments

(In millions of yen)

		FY2023 Ended June 30, 2023	FY2024 Ended June 30, 2024
Sales to outside customers:	Steel & Aluminum	259,877	263,285
	Advanced Materials	65,984	72,971
	Welding	22,711	22,982
	Machinery	47,337	55,235
	Engineering	34,100	27,365
	Construction Machinery	88,335	92,840
	Electric Power	78,141	54,628
	Other Businesses	1,953	1,185
	Adjustment	248	238
	Total	598,689	590,733
Intersegment sales:	Steel & Aluminum	8,567	9,446
	Advanced Materials	3,276	3,166
	Welding	250	160
	Machinery	2,669	2,782
	Engineering	820	376
	Construction Machinery	15	103
	Electric Power	—	—
	Other Businesses	492	411
	Adjustment	(16,090)	(16,447)
	Total	—	—
Total sales:	Steel & Aluminum	268,444	272,731
	Advanced Materials	69,260	76,137
	Welding	22,961	23,142
	Machinery	50,006	58,018
	Engineering	34,920	27,741
	Construction Machinery	88,351	92,944
	Electric Power	78,141	54,628
	Other Businesses	2,446	1,596
	Adjustment	(15,842)	(16,209)
	Total	598,689	590,733
Ordinary profit (loss):	Steel & Aluminum	8,511	10,889
	Advanced Materials	888	1,064
	Welding	505	1,035
	Machinery	4,307	6,259
	Engineering	1,516	1,446
	Construction Machinery	1,439	1,700
	Electric Power	17,344	12,023
	Other Businesses	1,350	1,204
	Adjustment	40	(578)
	Total	35,904	35,045

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 June 30, 2023 and 2024 are as follows:

(In millions of yen)

	FY2023	FY2024
	Ended June 30, 2023	Ended June 30, 2024
Consolidated profit (loss)	7,826	10,766
Other adjustments	(7,786)	(11,345)
Total	40	(578)

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

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 first 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 first quarter of fiscal 2023 and fiscal 2024.

(In millions of yen)

	FY2023 Ended June 30, 2023	FY2024 Ended June 30, 2024
Depreciation	29,205	29,633
Amortization of goodwill	129	154