

Financial Results for the First Nine Months of Fiscal 2021 and Forecast for the Full Fiscal Year

February 8, 2022
Kobe Steel, Ltd.

KOBELCO

1. Financial Results for the First Nine Months of Fiscal 2021
2. Forecast for Fiscal 2021
3. Reference Information

1. Financial Results for the First
Nine Months of Fiscal 2021

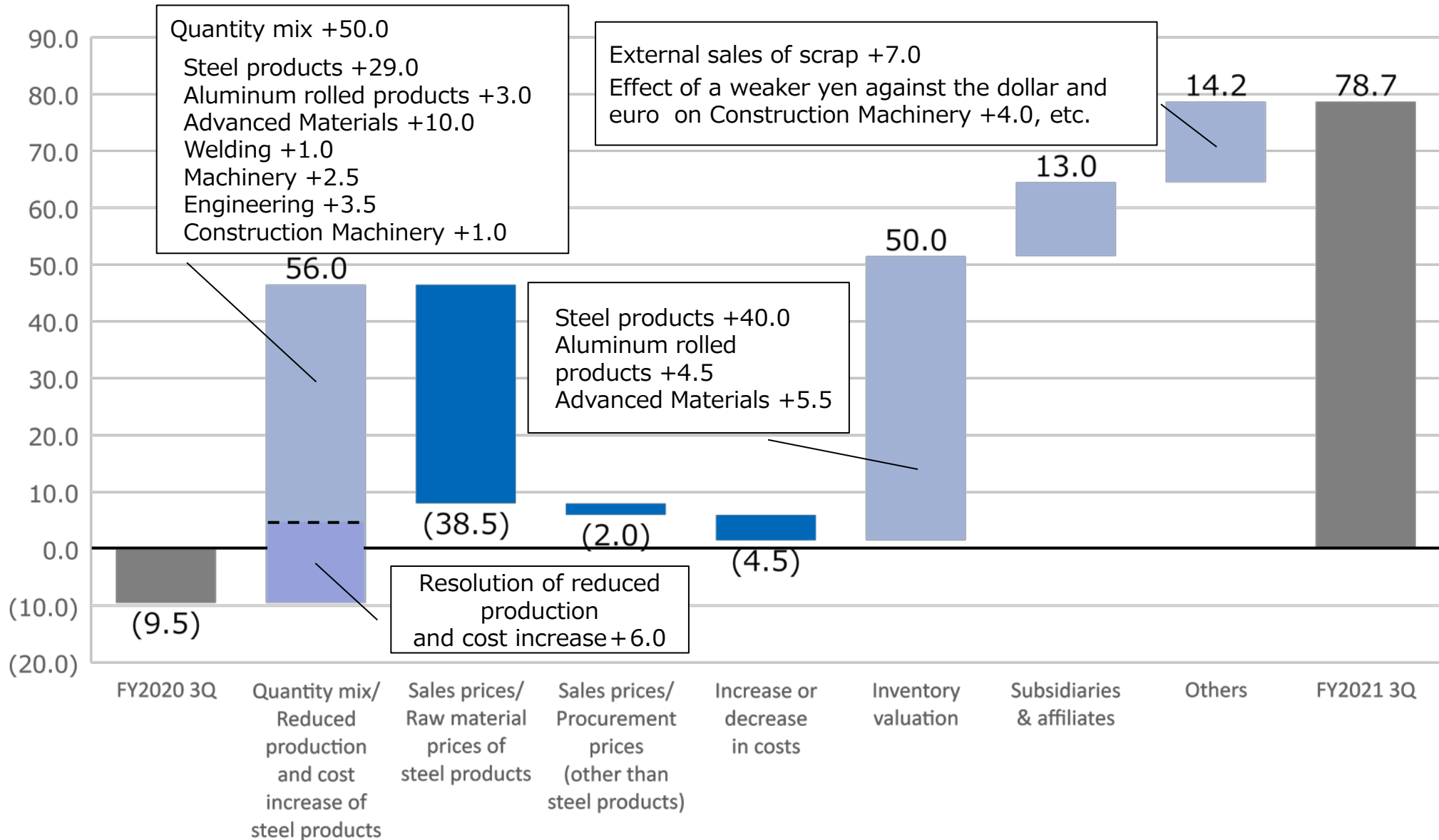
Net Sales: Increased due to an increase in sales volume mainly in the automotive sector compared to the same period of the previous fiscal year, which was affected by the novel coronavirus (COVID-19) pandemic.

Ordinary Income (Loss): Increased due to an increase in sales volume and an improvement in inventory valuation despite a deterioration in metal spreads associated with rising raw material prices of steel products

	FY2020 3Q ①	FY2021 3Q ②	(Billions of yen) Change ②-①
Net Sales	1,211.0	1,484.8	273.7
Operating Income (Loss)	2.4	76.5	74.1
Ordinary Income (Loss)	(9.5)	78.7	88.3
Excluding Inventory Valuation	(4.5)	33.7	38.3
Extraordinary Income (Loss)	* 13.1	—	(13.1)
Net Income (Loss) Attributable to Owners of the Parent	3.8	54.0	50.2

*Gain on sale of fixed assets: 9.8 billion yen
 Gain on step acquisitions: 3.2 billion yen
 Gain on sale of investment securities: 2.9 billion yen
 Loss in impairment: (2.9) billion yen

(Billions of yen)



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

Net Sales

(Billions of yen)

	FY2020 3Q ①	FY2021 3Q ②	Change ②-①
Steel & Aluminum	496.4	663.1	166.7
Advanced Materials	166.0	234.5	68.5
Welding	52.0	57.2	5.2
Machinery	125.6	118.6	(7.0)
Engineering	90.8	89.8	(0.9)
Construction Machinery	247.9	283.4	35.5
Electric Power	53.3	58.5	5.1
Other Businesses	17.1	18.1	0.9
Adjustment	(38.4)	(38.8)	(0.4)
Total	1,211.0	1,484.8	273.7

Ordinary Income (Loss)

(Billions of yen)

	FY2020 3Q ③	FY2021 3Q ④	Change ④-③
Steel & Aluminum	(32.5)	31.3	63.8
Advanced Materials	(10.9)	7.1	18.0
Welding	0.9	2.7	1.7
Machinery	8.5	8.5	(0.0)
Engineering	3.2	9.0	5.7
Construction Machinery	9.3	12.8	3.5
Electric Power	11.5	7.7	(3.8)
Other Businesses	1.4	2.4	0.9
Adjustment	(1.2)	(2.9)	(1.7)
Total	(9.5)	78.7	88.3

(Billions of yen)

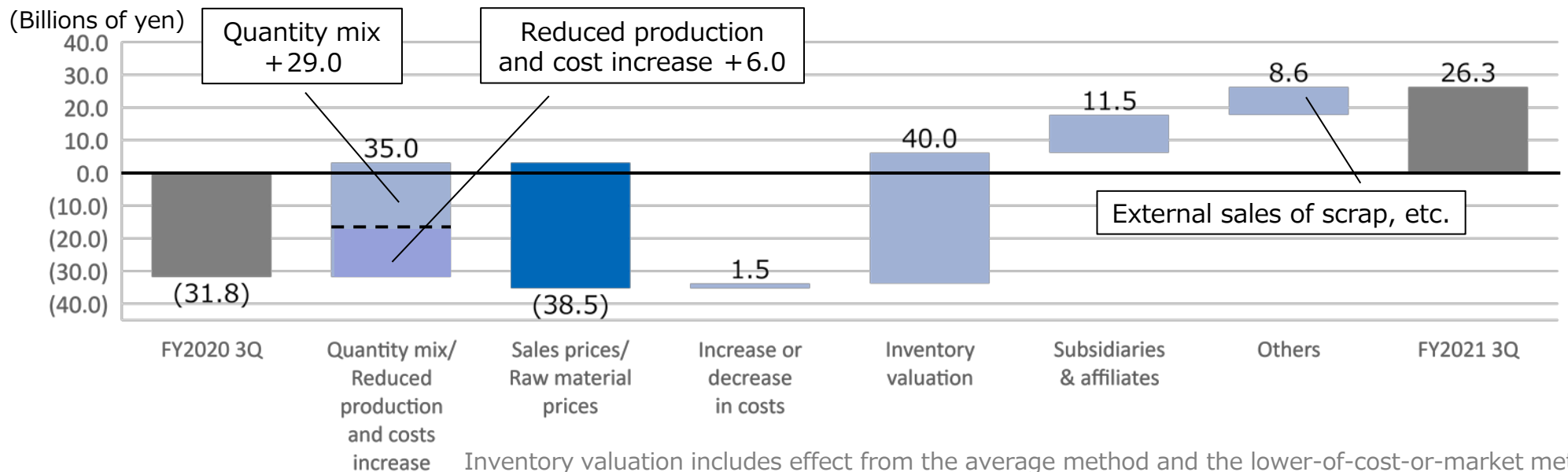
		FY2020 3Q	FY2021 3Q	Change
		①	②	②-①
Steel products	Net Sales	398.3	542.5	144.2
	Ordinary Income (Loss)	(31.8)	26.3	58.1
	Excluding Inventory Valuation	(28.8)	(10.6)	18.1
Aluminum rolled products	Net Sales	98.0	120.5	22.4
	Ordinary Income (Loss)	(0.6)	5.0	5.6
	Excluding Inventory Valuation	1.3	2.5	1.1
Total	Net Sales	496.4	663.1	166.7
	Ordinary Income (Loss)	(32.5)	31.3	63.8
	Excluding Inventory Valuation	(27.5)	(8.1)	19.3

Steel products

FY2020 First 9 Months: Net Sales of 398.3 billion yen →
FY2021 First 9 Months: Net Sales of 542.5 billion yen (Up 144.2 billion yen year on year)
FY2020 First 9 Months: Ordinary Loss of 31.8 billion yen →
FY2021 First 9 Months: Ordinary Income of 26.3 billion yen (Up 58.1 billion yen year on year)

- Crude steel production: 4.99 million tons (Up 0.86 million tons year on year)
- Sales volume: 4.00 million tons (Up 0.62 million tons year on year)
 - Increased mainly in the automotive and construction sector due to recovery in demand from the impact of COVID-19
- Sales price: 99,900 yen/ton (Up 19,300 yen/ton year on year)
- Factors affecting profit and loss
 - Increase in sales volume
 - Deterioration in metal spreads due to the increased impact of a delay in the timing of reflecting the increase in raw material prices to sales prices
 - Improvement in inventory valuation due to higher raw material prices

Related data on P34-36

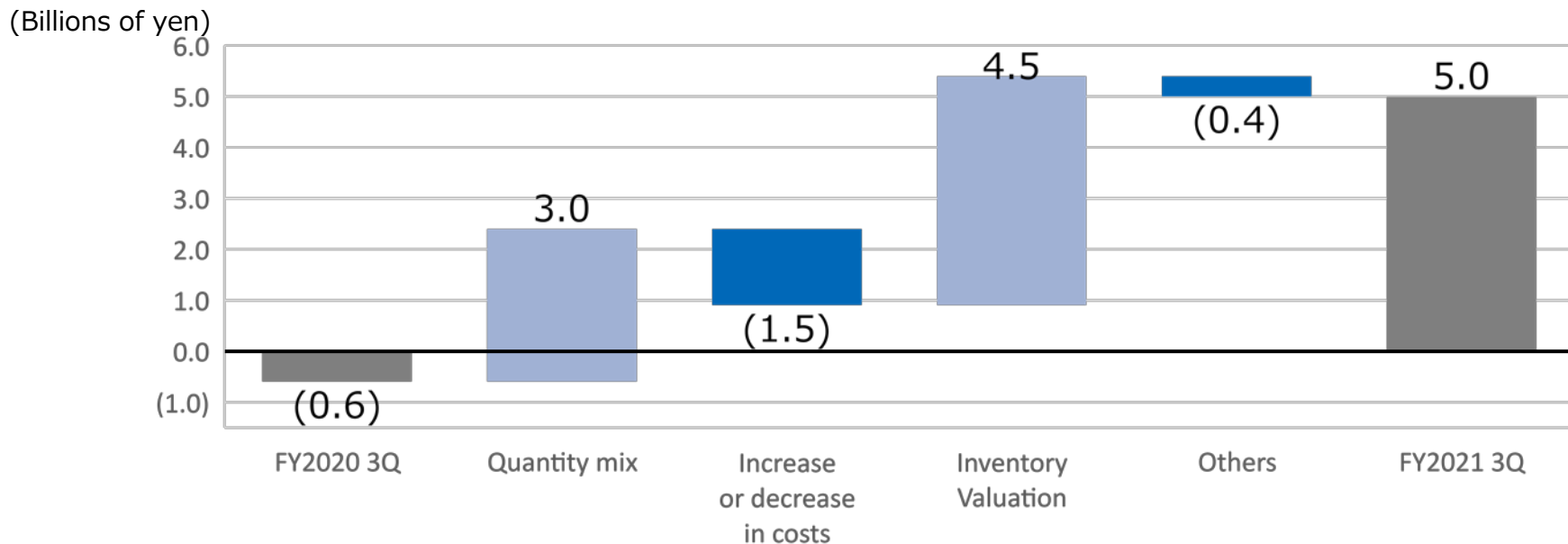


Aluminum
Rolled
Products

FY2020 First 9 Months: Net Sales of 98.0 billion yen →
FY2021 First 9 Months: Net Sales of 120.5 billion yen (Up 22.4 billion yen year on year)
FY2020 First 9 Months: Ordinary Loss of 0.6 billion →
FY2021 First 9 Months: Ordinary Income of 5.0 billion yen (Up 5.6 billion yen year on year)

- Sales volume: 259 thousand tons (Up 34 thousand tons year on year)
 - Beverage can stock: Increased due to an increase in sales
 - IT and semiconductors: Remained stable mainly in the semiconductor manufacturing equipment sector
 - Automobiles: Increased due to demand recovery and an increase in sales
- Factors affecting profit and loss
 - Increase in sales volume
 - Improvement in inventory valuation due to the rise in the aluminum bullion market prices

[Related data on P35-36](#)



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

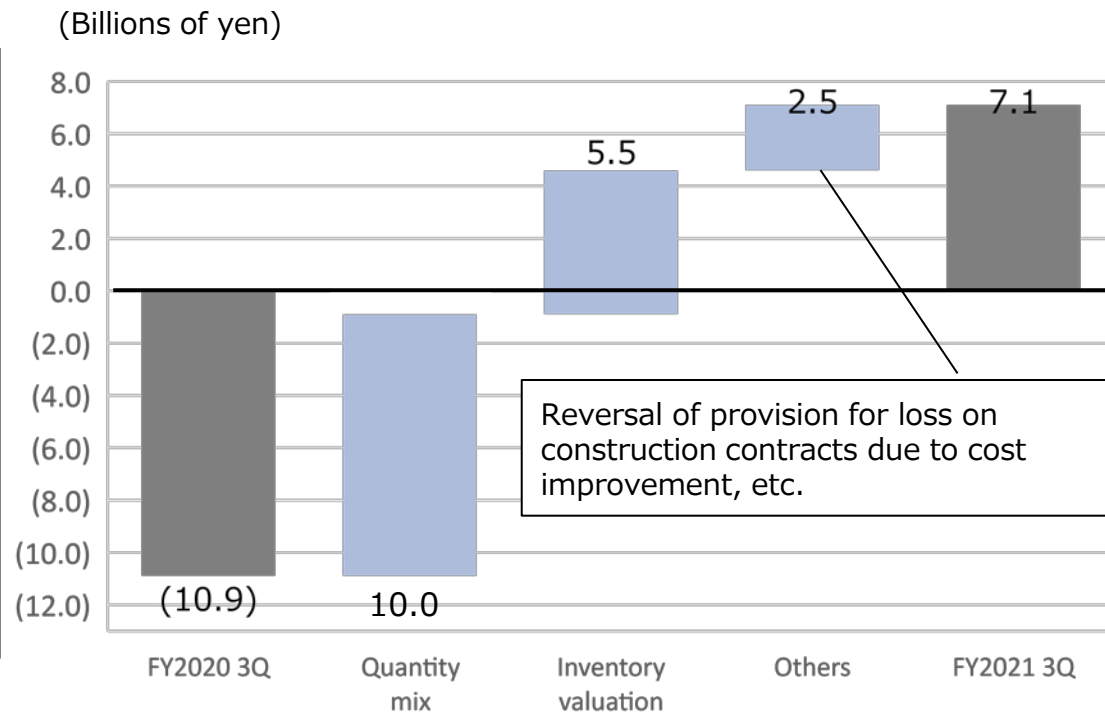
	FY2020 3Q ①	FY2021 3Q ②	(Billions of yen) Change ②-①
Net Sales	166.0	234.5	68.5
Ordinary Income (Loss)	(10.9)	7.1	18.0
Excluding Inventory Valuation	(10.9)	1.6	12.5

■ Sales volume

- Increased mainly in the automotive sector (e.g. aluminum suspensions, aluminum extrusions, copper flat rolled products, and steel powder)

■ Factors affecting profit and loss

- Increase in sales volume
- Improvement in inventory valuation due to an upturn in the copper market prices
- Reversal of provision for loss on construction contracts due to cost improvement



[Related data on P35-36](#)

(Billions of yen)

	FY2020 3Q ①	FY2021 3Q ②	Change ②-①
Net Sales	52.0	57.2	5.2
Ordinary Income (Loss)	0.9	2.7	1.7

■ Sales volume

Domestic: Increased in the automotive, architectural steel frame, and other sectors

Overseas: Increased in the automotive, construction machinery, and other sectors in Southeast Asia

■ Factors affecting profit and loss

- Increase in sales volume

[Related data on P35](#)

	FY2020 3Q ①	FY2021 3Q ②	(Billions of yen) Change ②-①
Net Sales	125.6	118.6	(7.0)
Ordinary Income (Loss)	8.5	8.5	(0.0)
Orders	* 90.9	146.7	55.8

Note: Previously, orders received by Kobe Steel, Ltd. and its major consolidated subsidiaries were counted. From the current fiscal year, we changed the method to count the orders of our company and all consolidated subsidiaries. Accordingly, orders for the previous fiscal year have been recalculated.

■ Orders

- Increased in industrial machinery and compressors due to recovery in capital investment.

■ Factors affecting profit and loss

- Changes in the project composition

(Billions of yen)

	FY2020 3Q ①	FY2021 3Q ②	Change ②-①
Net Sales	90.8	89.8	(0.9)
Ordinary Income (Loss)	3.2	9.0	5.7
Orders	93.0	136.2	43.1

■ Orders

- Increased mainly due to increased orders in the DRI-related business (MIDREX[®] HBI plants)

■ Factors affecting profit and loss

- Changes in the project composition mainly due to increased sales in the DRI-related business (MIDREX[®] HBI plants)

	FY2020 3Q ①	FY2021 3Q ②	(Billions of yen) Change ②-①
Net Sales	247.9	283.4	35.5
Ordinary Income (Loss)	9.3	12.8	3.5

■ Unit Sales

[Hydraulic excavator]

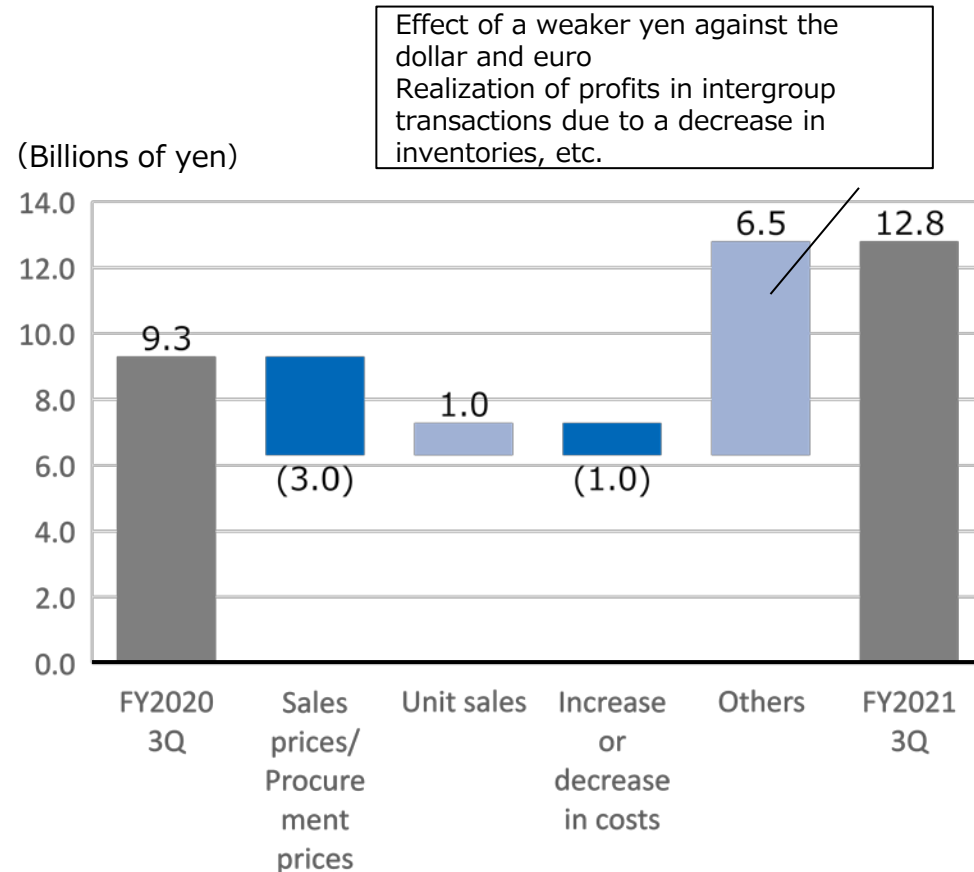
Increased mainly in Southeast Asia and Europe, due to recovery in demand from the impact of COVID-19 and an increase in infrastructure investment

[Crawler crane]

Decreased in Japan, affected by delays in customers' construction projects, and in North America, affected by engine certification problems

■ Factors affecting profit and loss

- Increase in procurement prices for steel products and others
- Increase in development costs and other costs associated with recovery in business activity levels
- Effect of a weaker yen against the dollar and euro
- Realization of profits in intergroup transactions due to a decrease in inventories



(Billions of yen)

	FY2020 3Q ①	FY2021 3Q ②	Change ②-①
Net Sales	53.3	58.5	5.1
Ordinary Income (Loss)	11.5	7.7	(3.8)

■ Sales volume: Decreased

- The number of operating days of the Moka Power Plant decreased due to the implementation of statutory inspections.

■ Unit price: Increased

- Affected by a rise in coal prices

■ Factors affecting profit and loss

- Decline in sales volume at the Moka Power Plant

2. Forecast for Fiscal 2021

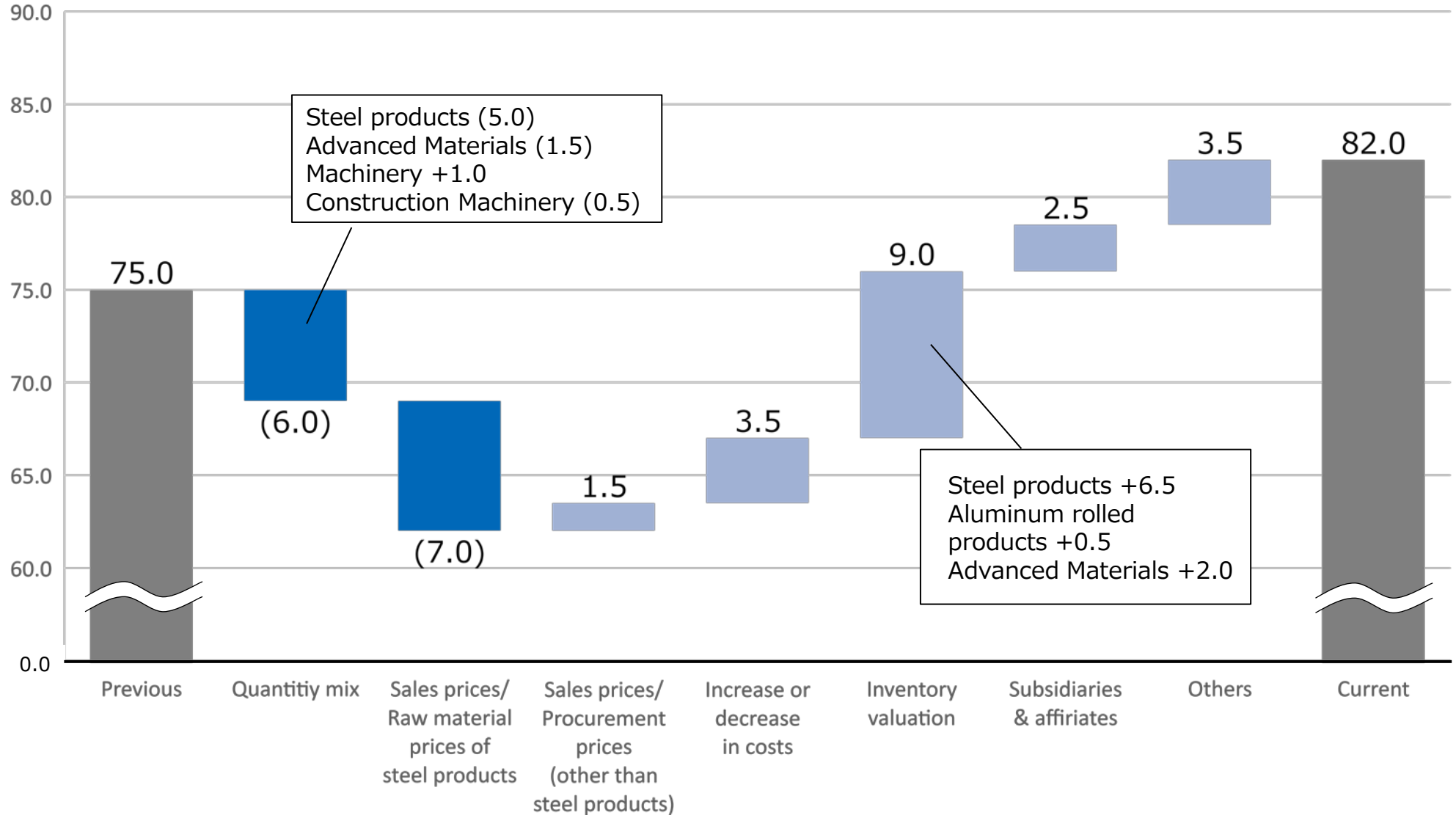
- Sales volume has declined in the materials businesses due to a decrease in automotive production.
- Metal spread has deteriorated due to a delay in the timing of reflecting the rise in coal prices to sales prices.
- Despite a temporary cost increase due to the steel business operating conditions, cost reductions are being implemented in each business.
- Improvement in inventory valuation is seen due to rising raw material prices.

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	1,705.5	972.1	1,117.9	2,090.0	972.1	1,117.9	2,090.0	384.5	–
Operating Income (Loss)	30.3	46.8	38.1	85.0	46.8	38.2	85.0	54.7	–
Ordinary Income (Loss)	16.1	44.3	30.7	75.0	44.3	37.7	82.0	65.9	7.0
Excluding Inventory Valuation	20.1	19.3	16.7	36.0	19.3	14.7	34.0	13.9	(2.0)
Extraordinary Income (Loss)	2.5	–	–	–	–	* (7.0)	(7.0)	(9.5)	(7.0)
Net Income (Loss) Attributable to Owners of the Parent	23.2	34.5	15.5	50.0	34.5	15.5	50.0	26.8	–

* Loss on transfer of shares of Kobelco & Materials Copper Tube, Ltd.: (7.0) billion yen

(Billions of yen)



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

Business units that are affected by demand fluctuation are shown in ().

<p>Automobiles</p>	<p>(Steel products, aluminum flat rolled products, aluminum suspensions, aluminum extrusions & fabrication, copper flat rolled products, steel powder, and welding) Demand is anticipated to be lower than the previous forecast due to the shortage of procured parts affected by the COVID-19 pandemic overseas.</p> <p>Estimation of Japanese Automobile Manufacturers' Production Volume (including overseas) (year on year)</p> <table border="1" data-bbox="501 521 1585 692"> <thead> <tr> <th></th> <th>1Q</th> <th>2Q</th> <th>3Q</th> <th>4Q</th> <th>Full year</th> </tr> </thead> <tbody> <tr> <td>Previous</td> <td>+60%</td> <td>(5%)</td> <td>(10%)</td> <td>+15%</td> <td>+10%</td> </tr> <tr> <td>Current</td> <td>+60%</td> <td>(5%)</td> <td>(15%)</td> <td>+5%</td> <td>+5%</td> </tr> </tbody> </table>		1Q	2Q	3Q	4Q	Full year	Previous	+60%	(5%)	(10%)	+15%	+10%	Current	+60%	(5%)	(15%)	+5%	+5%
	1Q	2Q	3Q	4Q	Full year														
Previous	+60%	(5%)	(10%)	+15%	+10%														
Current	+60%	(5%)	(15%)	+5%	+5%														
<p>Aircraft</p>	<p>(Aluminum casting & forging, and titanium) The market is anticipated to remain sluggish for several years due to a decline in passenger demand.</p>																		
<p>Shipbuilding</p>	<p>(Steel products, steel casting & forging, and welding) Domestic orders for new vessels are anticipated to be on a recovery track.</p>																		
<p>Beverage can stock</p>	<p>(Aluminum flat rolled products) Demand is anticipated to remain firm.</p>																		
<p>IT/ Semiconductors</p>	<p>(Aluminum flat rolled products, and copper flat rolled products) Continued strong demand is anticipated.</p>																		
<p>Civil engineering & construction</p>	<p>(Steel products, and welding) Demand in the construction sector is anticipated to be on a recovery track.</p>																		

Similar to the previous forecast

Net Sales

	FY2020 Actual	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change		
		①	1H	2H	②	1H	2H	③	③-①	③-②
Steel & Aluminum	696.3	427.3	497.7	925.0	427.3	492.7	920.0	223.7	(5.0)	
Advanced Materials	238.1	153.2	176.8	330.0	153.2	173.8	327.0	88.9	(3.0)	
Welding	70.0	38.0	38.0	76.0	38.0	38.0	76.0	6.0	–	
Machinery	175.3	79.7	91.3	171.0	79.7	90.3	170.0	(5.3)	(1.0)	
Engineering	136.1	55.6	88.4	144.0	55.6	88.4	144.0	7.9	–	
Construction Machinery	333.1	194.0	196.0	390.0	194.0	186.0	380.0	46.9	(10.0)	
Electric Power	80.4	37.5	56.5	94.0	37.5	71.5	109.0	28.6	15.0	
Other Businesses	27.8	11.4	16.6	28.0	11.4	16.6	28.0	0.2	–	
Adjustment	(51.7)	(24.8)	(43.1)	(68.0)	(24.8)	(39.2)	(64.0)	(12.3)	4.0	
Total	1,705.5	972.1	1,117.9	2,090.0	972.1	1,117.9	2,090.0	384.5	–	

Ordinary Income (Loss)

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Steel & Aluminum	(22.6)	14.8	25.2	40.0	14.8	20.2	35.0	57.6	(5.0)
Advanced Materials	(12.1)	5.2	(2.2)	3.0	5.2	(2.2)	3.0	15.1	–
Welding	1.7	2.0	0.5	2.5	2.0	0.5	2.5	0.8	–
Machinery	11.4	4.2	3.8	8.0	4.2	5.8	10.0	(1.4)	2.0
Engineering	4.4	4.3	3.7	8.0	4.3	3.7	8.0	3.6	–
Construction Machinery	12.7	8.4	(3.9)	4.5	8.4	1.6	10.0	(2.7)	5.5
Electric Power	20.6	5.7	5.3	11.0	5.7	6.8	12.5	(8.1)	1.5
Other Businesses	4.2	1.1	2.4	3.5	1.1	4.4	5.5	1.3	2.0
Adjustment	(4.3)	(1.7)	(3.7)	(5.5)	(1.7)	(2.8)	(4.5)	(0.2)	1.0
Total	16.1	44.3	30.7	75.0	44.3	37.7	82.0	65.9	7.0

		FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
			1H	2H	②	1H	2H	③	③-①	③-②
Steel products	Net Sales	563.8	346.5	413.5	760.0	346.5	408.5	755.0	191.2	(5.0)
	Ordinary Income (Loss)	(23.3)	12.4	24.6	37.0	12.4	18.6	31.0	54.3	(6.0)
	Excluding Inventory Valuation	(20.8)	(9.5)	12.5	3.0	(9.5)	0.0	(9.5)	11.3	(12.5)
Aluminum rolled products	Net Sales	132.4	80.7	84.3	165.0	80.7	84.3	165.0	32.6	–
	Ordinary Income (Loss)	0.6	2.4	0.6	3.0	2.4	1.6	4.0	3.4	1.0
	Excluding Inventory Valuation	3.1	2.4	(1.9)	0.5	2.4	(1.4)	1.0	(2.1)	0.5
Total	Net Sales	696.3	427.3	497.7	925.0	427.3	492.7	920.0	223.7	(5.0)
	Ordinary Income (Loss)	(22.6)	14.8	25.2	40.0	14.8	20.2	35.0	57.6	(5.0)
	Excluding Inventory Valuation	(17.6)	(7.1)	10.6	3.5	(7.1)	(1.4)	(8.5)	9.1	(12.0)

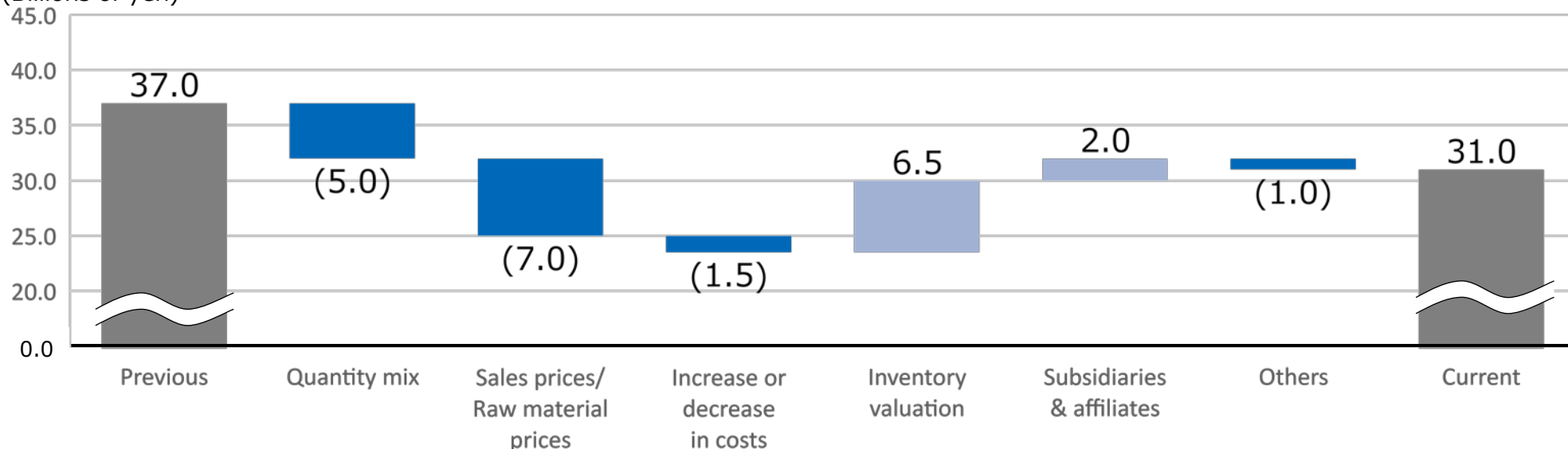
Steel products

[Previous FY2021 Forecast: Ordinary Income of 37.0 billion yen](#) →
[Current FY2021 Forecast: Ordinary Income of 31.0 billion yen](#)
 (Down 6.0 billion yen)

- Crude steel production : Approx. 6.60 million tons (Down 0.10 million tons)
- Sales volume : Approx. 5.35 million tons (Down 0.15 million tons)
 - Lower volume due to lower demand for automobiles
- Factors affecting profit and loss
 - Decrease in sales volume
 - Deterioration in metal spread due to a delay in the timing of reflecting a rise in raw material prices to sales prices
 - Temporary cost increase due to changes in operating conditions
 - Improvement in inventory valuation due to rising raw material prices

[Related data on P34-36](#)

(Billions of yen)



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

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
		Net Sales	132.4	80.7	84.3	165.0	80.7	84.3	165.0
Ordinary Income (Loss)	0.6	2.4	0.6	3.0	2.4	1.6	4.0	3.4	1.0
Excluding Inventory Valuation	3.1	2.4	(1.9)	0.5	2.4	(1.4)	1.0	(2.1)	0.5

Previous FY2021 Forecast: Ordinary Income of 3.0 billion yen →

Current FY2021 Forecast: Ordinary Income of 4.0 billion yen (Up 1.0 billion yen)

- Sales volume: Approx. 350 thousand tons (Down 5 thousand tons from the previous forecast)
 - Sales decreased in the automotive sector
- Factors affecting profit and loss
 - Reduction of variable costs and fixed costs
 - Improvement in inventory valuation due to the upturn in the aluminum ingot market prices

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
		Net Sales	238.1	153.2	176.8	330.0	153.2	173.8	327.0
Ordinary Income (Loss)	(12.1)	5.2	(2.2)	3.0	5.2	(2.2)	3.0	15.1	–
Excluding Inventory Valuation	(13.1)	2.2	(1.7)	0.5	2.2	(3.7)	(1.5)	11.6	(2.0)

Previous FY2021 Forecast: Ordinary Income of 3.0 billion yen →

Current FY2021 Forecast: Ordinary Income of 3.0 billion yen (with no change)

■ Sales volume

- Decrease in aluminum suspensions and extrusions due to reductions in automotive production

■ Factors affecting profit and loss

- Decrease in sales volume
- Increase in procurement prices due to higher secondary material prices
- Increase in energy costs associated with rising oil prices
- Improvement in inventory valuation due to the upturn in the copper market prices

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	70.0	38.0	38.0	76.0	38.0	38.0	76.0	6.0	–
Ordinary Income (Loss)	1.7	2.0	0.5	2.5	2.0	0.5	2.5	0.8	–

Previous FY2021 Forecast: Ordinary Income of 2.5 billion yen →

Current FY2021 Forecast: Ordinary Income of 2.5 billion yen (with no change)

■ Sales volume

Similar to the previous forecast

■ Factors affecting profit and loss

Similar to the previous forecast

Related data on P35

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	175.3	79.7	91.3	171.0	79.7	90.3	170.0	(5.3)	(1.0)
Ordinary Income (Loss)	11.4	4.2	3.8	8.0	4.2	5.8	10.0	(1.4)	2.0
Orders	*133.1	89.5	approx. 110.0	approx. 200.0	89.5	approx. 115.0	approx. 205.0	approx. 70.0	approx. 5.0

Note: Previously, orders received by Kobe Steel, Ltd. and its major consolidated subsidiaries were counted. From the current fiscal year, we changed the method to count the orders of our company and all consolidated subsidiaries. Accordingly, orders for the previous fiscal year were recalculated.

Previous FY2021 Forecast: Ordinary Income of 8.0 billion yen →

Current FY2021 Forecast: Ordinary Income of 10.0 billion yen (Up 2.0 billion yen)

■ Orders

- Increase in orders for industrial machinery and compressors due to recovery in capital investment

■ Factors affecting profit and loss

- Improving profitability of sales of standard compressors
- Decrease in reserve for loss on construction contracts due to improvement in demand environment

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	136.1	55.6	88.4	144.0	55.6	88.4	144.0	7.9	–
Ordinary Income (Loss)	4.4	4.3	3.7	8.0	4.3	3.7	8.0	3.6	–
Orders	113.4	73.5	approx. 115.0	approx. 190.0	73.5	approx. 100.0	approx. 175.0	approx. 60.0	approx. (15.0)

Previous FY2021 Forecast: Ordinary Income of 8.0 billion yen →

Current FY2021 Forecast: Ordinary Income of 8.0 billion yen (with no change)

■ Orders

- Received orders for three MIDREX® HBI plants in the DRI-related business during the current fiscal year
- Decrease from the previous forecast due to the postponement of overseas urban transportation projects

■ Factors affecting profit and loss

Similar to the previous forecast

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	333.1	194.0	196.0	390.0	194.0	186.0	380.0	46.9	(10.0)
Ordinary Income (Loss)	12.7	8.4	(3.9)	4.5	8.4	1.6	10.0	(2.7)	5.5

Previous FY2021 Forecast: Ordinary Income of 4.5 billion yen →

Current FY2021 Forecast: Ordinary Income of 10.0 billion yen (Up 5.5 billion yen)

■ Unit Sales

China : Decrease due to intensifying competition amid weakening demand along with a decline in infrastructure investment

Other regions : Steady growth mainly in Europe and Australia, where demand is strong

■ Factors affecting profit and loss

- Progress in reflecting rising steel prices to sales prices in some regions
- Cost reduction such as development and other costs

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
		Net Sales	80.4	37.5	56.5	94.0	37.5	71.5	109.0
Ordinary Income (Loss)	20.6	5.7	5.3	11.0	5.7	6.8	12.5	(8.1)	1.5

Previous FY2021 Forecast: Ordinary Income of 11.0 billion yen→

Current FY2021 Forecast: Ordinary Income of 12.5 billion yen (Up 1.5 billion yen)

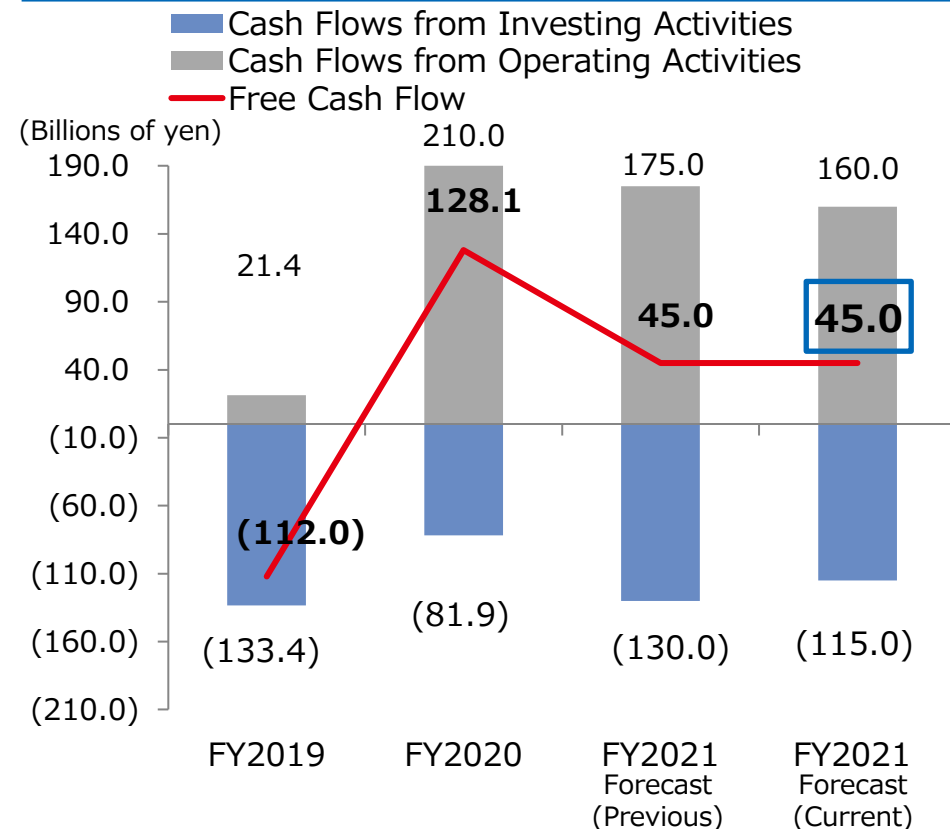
- Sales volume: Similar to the previous forecast
- Unit price: Anticipates an increase
 - Affected by a rise in coal prices
- Factors affecting profit and loss
 - Reduction of maintenance and other costs

- 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 20 yen per share for the current fiscal year.

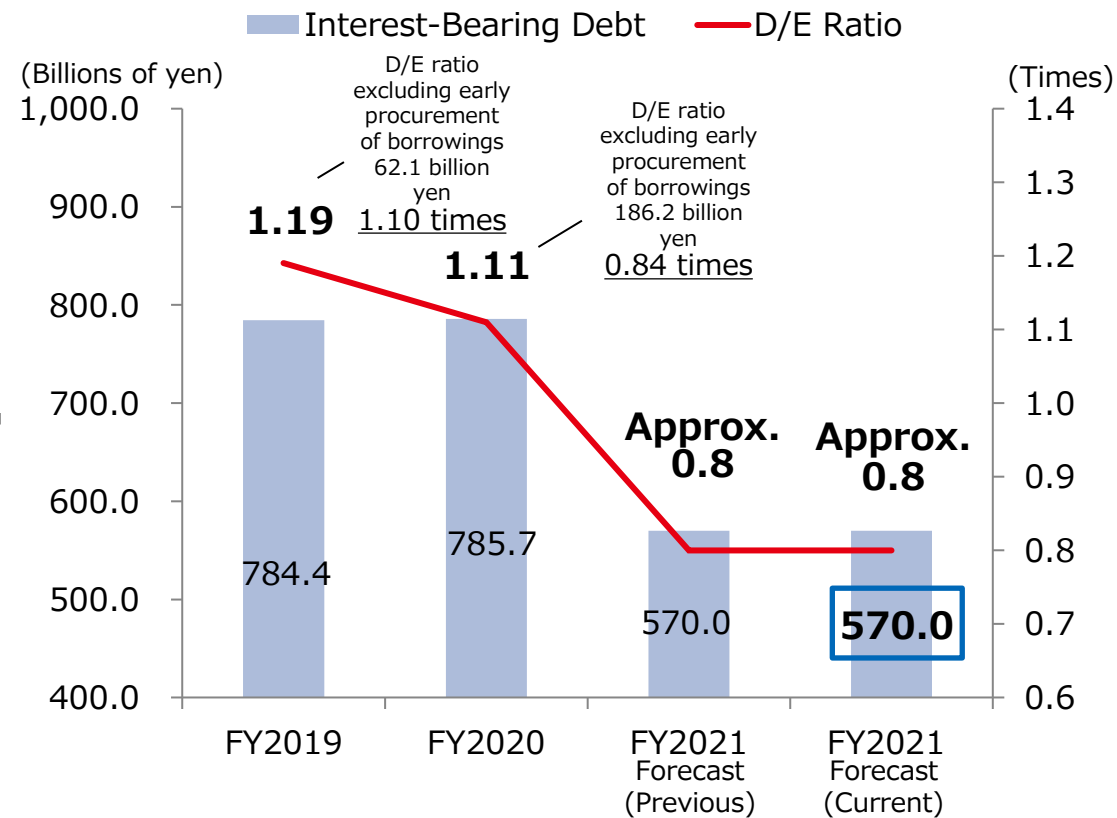
	FY2020			FY2021		
	Interim	Year-end		Interim	Year-end	
Dividends per share in yen	–	10	10	10	20	30
Dividend payout ratio			15.6%			22.5%

- The newly established Business Portfolio Management Committee is strengthening the monitoring of cash flow plans.
- Free cash flow is anticipated to remain at the same level as the previous forecast due to reductions in capital investment payments, despite a deterioration in working capital resulting from a decrease in sales volume.
- We plan to maintain a D/E ratio of approximately 0.8 as in the previous fiscal year while continuing to strengthen our financial base.

《Free Cash Flow》



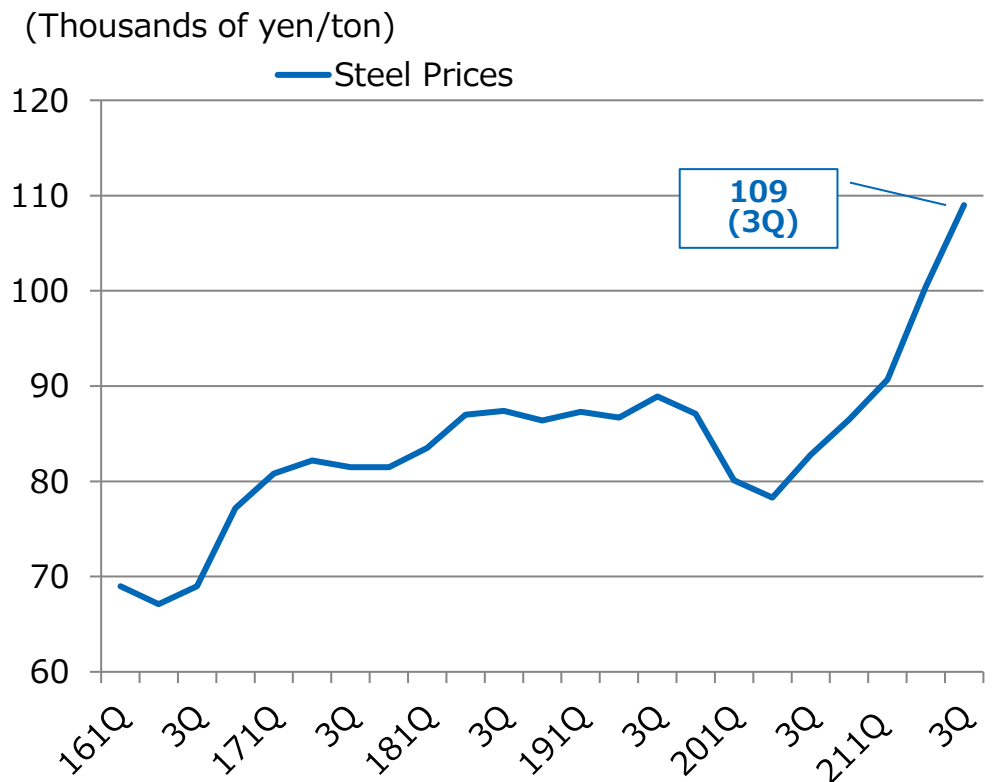
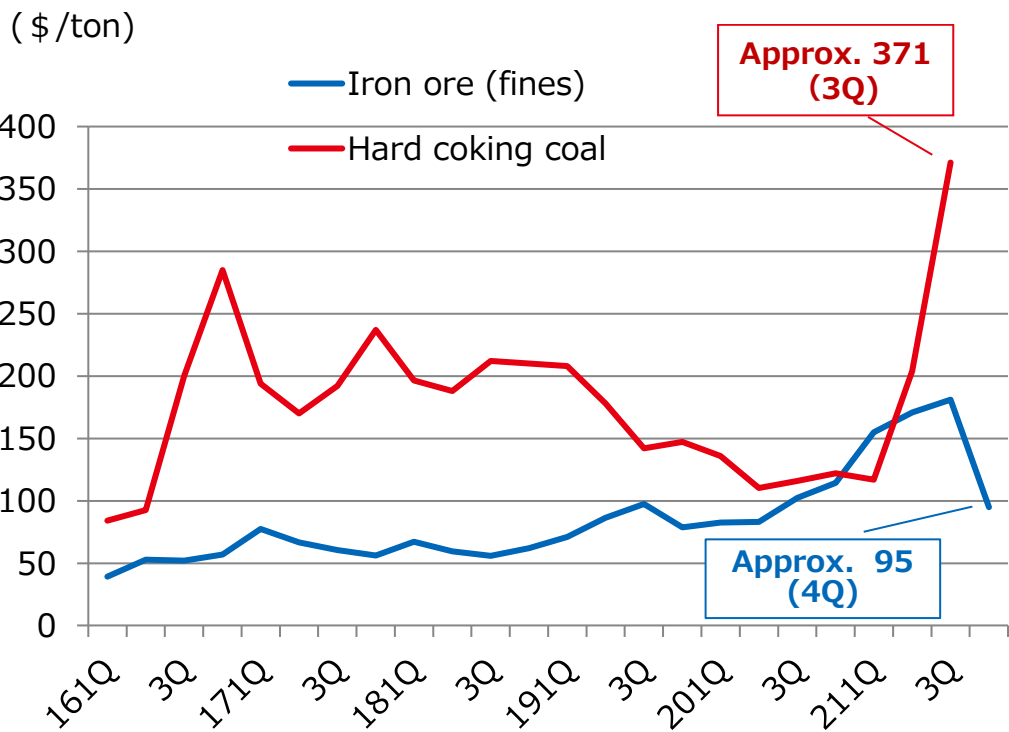
《Interest Bearing Debt & D/E Ratio》



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

3 . Reference Information

	FY2020 Actual				Fiscal year	FY2021		
	1H	3Q	2H	1H		3Q		
Domestic crude steel production (Millions of tons)	37.09	21.99	45.70	82.78	48.42	24.20	Apr.-Dec. total advance figure	
Domestic inventory level (Millions of tons)	5.12	5.09	5.07	5.07	5.87	6.11	End of December advance figure	
Inventory level of three types of steel sheets (Millions of tons)	3.67	3.56	3.51	3.51	4.32	4.54	End of December advance figure	
Domestic auto production (Millions of cars)	3.35	2.37	4.63	7.98	3.61	1.27	Apr.-Nov. total	



* Includes production volume of electric arc furnaces at Takasago Works.	FY2020 Actual				FY2021 Forecast (Previous)	FY2021 Forecast (Current)			
	1H	3Q	2H	Full Year	Full Year	1H	3Q	2H	Full Year
Crude steel production* (Millions of tons)	2.48	1.65	3.33	5.81	approx.6.70	3.35	1.64	approx.3.25	approx.6.60
Sales volume of steel products (Millions of tons)	2.04	1.34	2.69	4.73	approx.5.50	2.68	1.32	approx.2.70	approx.5.35
(Domestic)	(1.43)	(1.00)	(2.01)	(3.44)		(2.03)	(0.98)		
(Exports)	(0.61)	(0.34)	(0.68)	(1.29)		(0.66)	(0.34)		
Average steel selling price (Thousands of yen/ton)	79.1	82.8	84.7	82.3		95.5	108.9		
Export ratio (value basis)	25.0%	22.3%	23.1%	23.9%		24.9%	26.1%		
Aluminum rolled products (Thousands of tons)	152	73	153	305	approx. 355	179	81	approx.170	approx.350
(Domestic)	(121)	(54)	(114)	(236)		(134)	(57)		
(Exports)	(30)	(18)	(38)	(69)		(45)	(24)		
Aluminum extrusions (Thousands of tons)	12	9	18	31	approx. 39	19	9	approx.18	approx.37
(Domestic)	(12)	(8)	(17)	(29)		(18)	(8)		
(Exports)	(0)	(0)	(1)	(1)		(1)	(1)		
Copper rolled products (Thousands of tons)	19	14	30	48	approx.60	29	15	approx.31	approx.60
Copper tubes (Thousands of tons)	32	16	35	67	approx.76	40	18	approx.37	approx.77
Welding materials (Thousands of tons)	120	62	121	242	approx.260	133	62	approx.130	approx.260
(Domestic)	(49)	(26)	(51)	(100)		(53)	(27)		
(Exports)	(71)	(36)	(70)	(142)		(80)	(35)		

(Billions of yen)

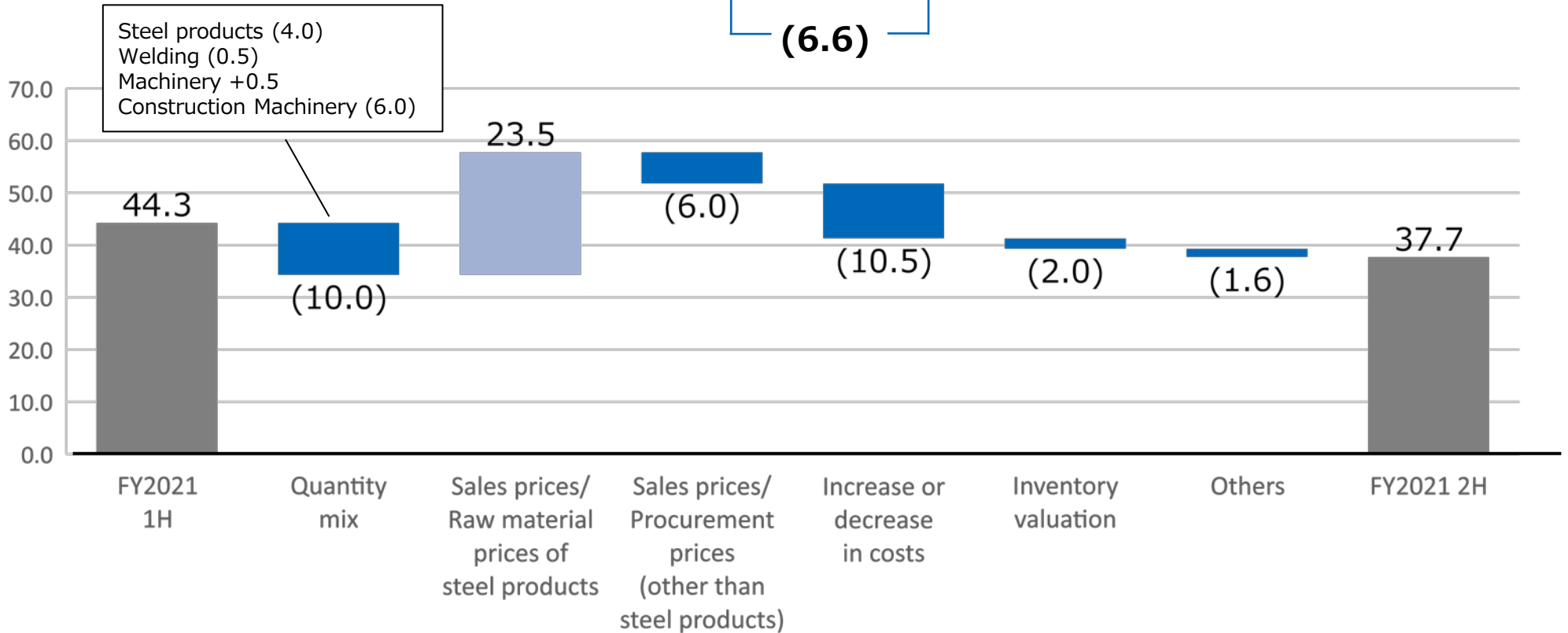
Steel products	FY2020 Actual				FY2021 Forecast			
	1H	3Q	2H	Full Year	1H	3Q	2H	Full Year
Iron ore	0.5	2.0	3.0	3.5	6.0	1.5	(8.0)	(2.0)
Coal	(1.5)	0.5	0.5	(1.0)	3.5	7.5	5.0	8.5
Carry Over	(1.0)	2.5	3.5	2.5	9.5	9.0	(3.0)	6.5

Average method	0.5	(4.5)	(6.0)	(5.5)	22.0	15.5	18.5	40.5
Lower-of-cost-or-market method	(9.0)	10.0	12.0	3.0	0.0	(0.5)	0.0	0.0
Inventory Valuation	(8.5)	5.5	6.0	(2.5)	22.0	15.0	18.5	40.5

Aluminum rolled products	FY2020 Actual				FY2021 Forecast			
	1H	3Q	2H	Full Year	1H	3Q	2H	Full Year
Average method	(1.5)	(0.5)	(1.0)	(2.5)	0.0	2.5	3.0	3.0
Lower-of-cost-or-market method	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory Valuation	(1.5)	(0.5)	(1.0)	(2.5)	0.0	2.5	3.0	3.0

Advanced Materials	FY2020 Actual				FY2021 Forecast			
	1H	3Q	2H	Full Year	1H	3Q	2H	Full Year
Average method	0.0	1.0	1.0	1.0	3.0	2.5	1.5	4.5
Lower-of-cost-or-market method	(0.5)	(0.5)	0.5	0.0	0.0	0.0	0.0	0.0
Inventory Valuation	(0.5)	0.5	1.5	1.0	3.0	2.5	1.5	4.5

Ordinary Income (Loss)		(Billions of yen)	
	FY2021 Forecast		
	1H	2H	Full Year
Companywide	44.3	37.7	82.0



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

Ordinary Income (Loss) (Billions of yen)

	FY2021 Forecast		
	1H	2H	Full Year
Steel products	12.4	18.6	31.0

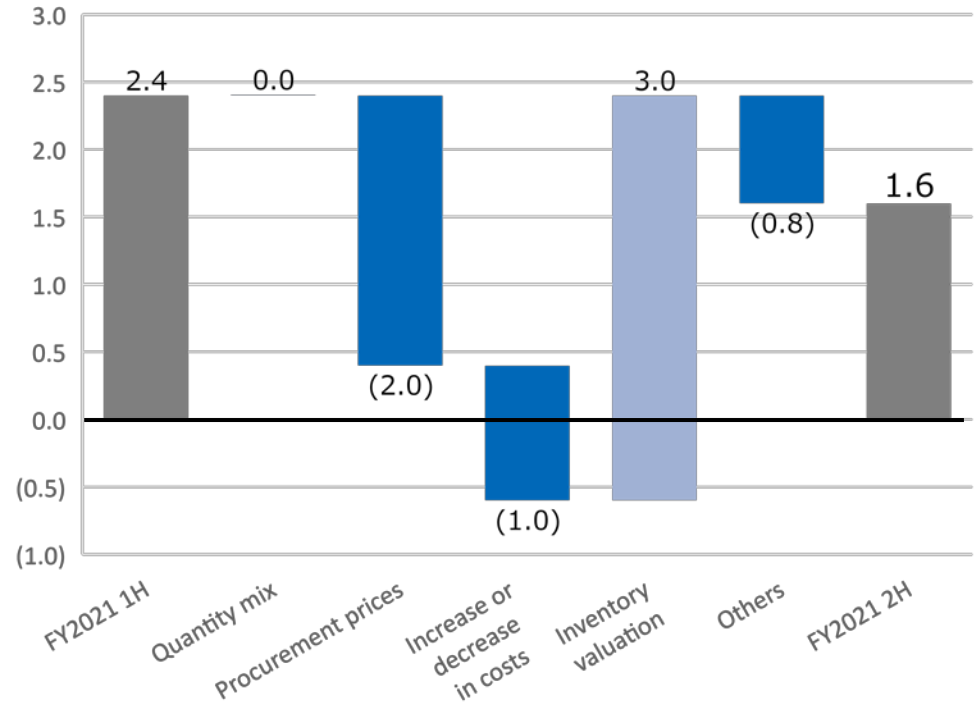
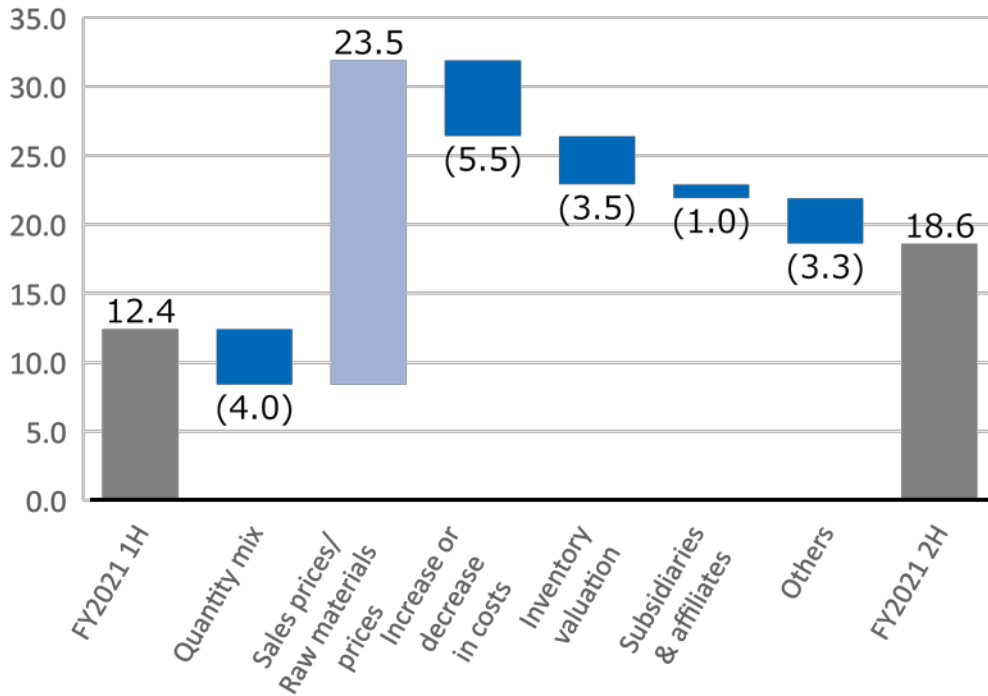
+6.2

Ordinary Income (Loss) (Billions of yen)

	FY2021 Forecast		
	1H	2H	Full Year
Aluminum rolled products	2.4	1.6	4.0

(0.8)

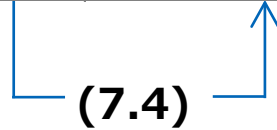
(Billions of yen)



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

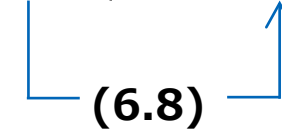
Ordinary Income (Loss) (Billions of yen)

	FY2021 Forecast		
	1H	2H	Full Year
Advanced Materials	5.2	(2.2)	3.0

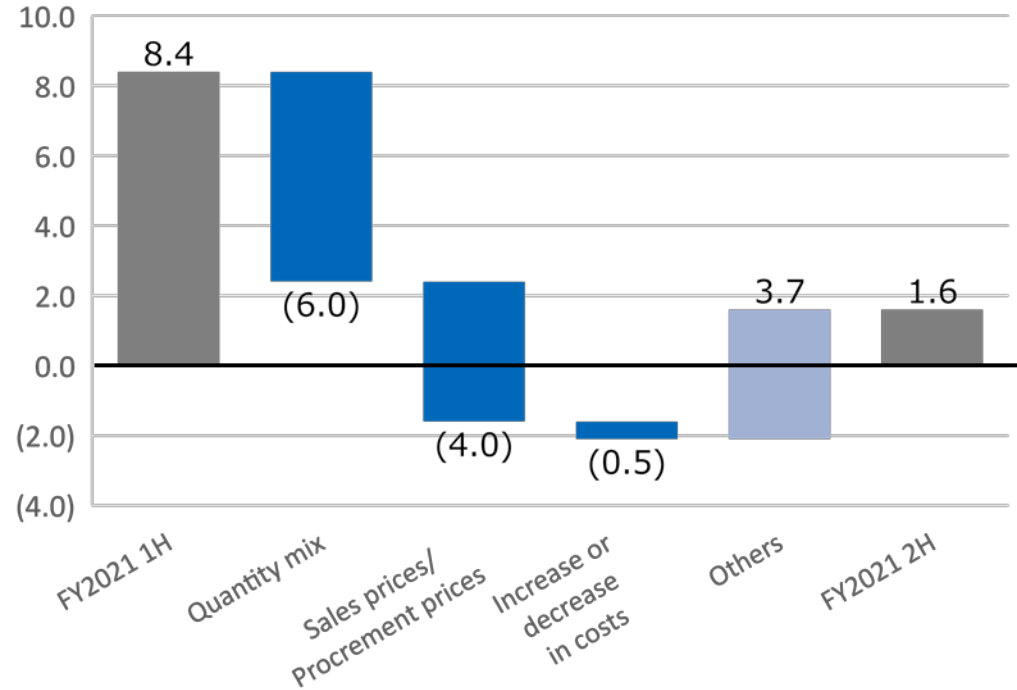
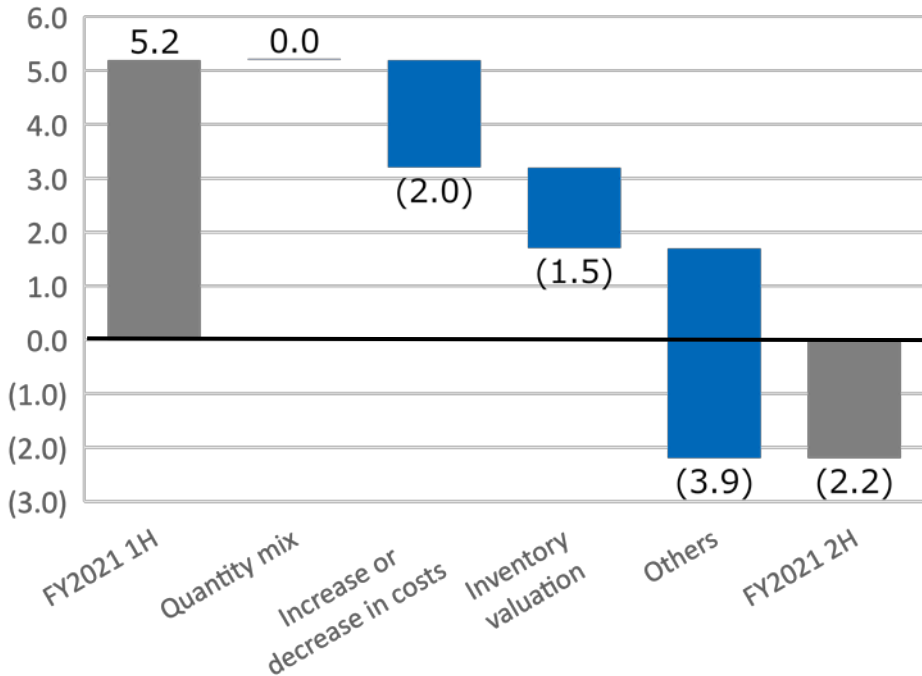


Ordinary Income (Loss) (Billions of yen)

	FY2021 Forecast		
	1H	2H	Full Year
Construction Machinery	8.4	1.6	10.0



(Billions of yen)

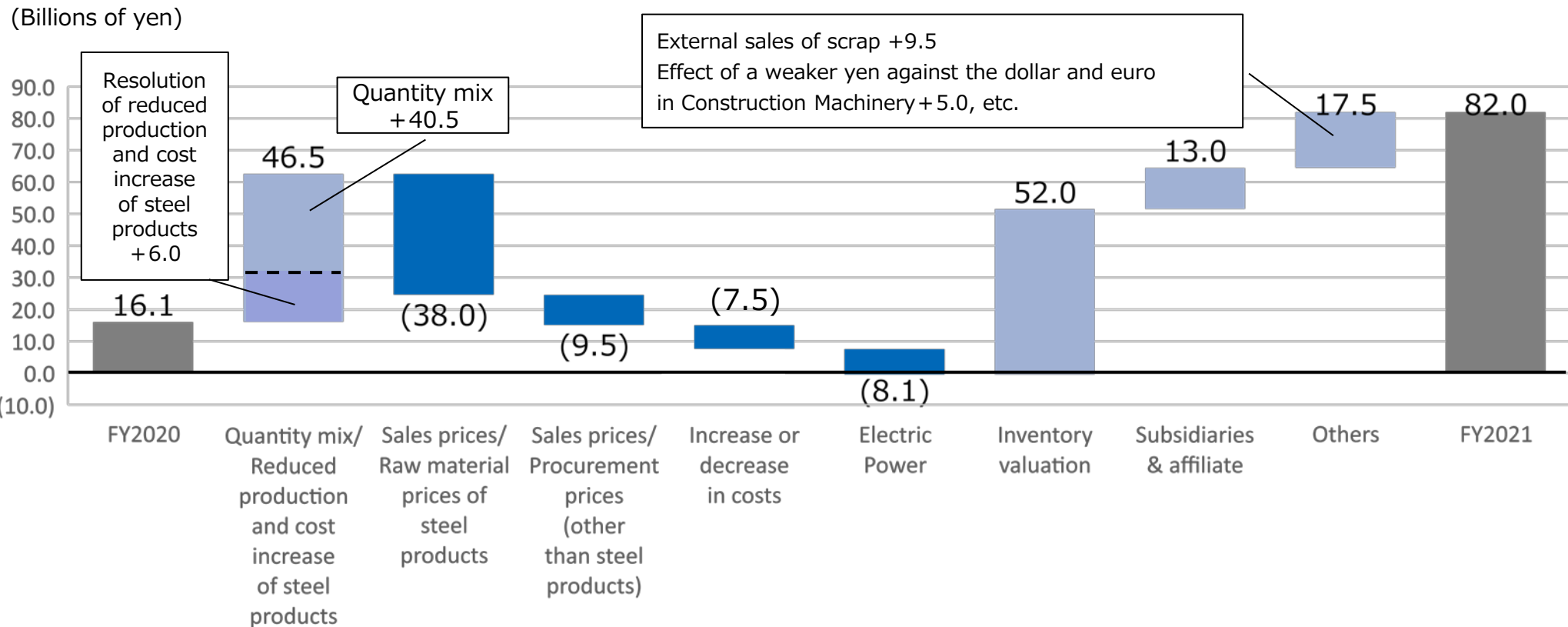


Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

Ordinary Income (Loss) (Billions of yen)

	FY2020 Actual	FY2021 Forecast (Current)		
		1H	2H	Full Year
Companywide	16.1	44.3	37.7	82.0

+65.9



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

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous) ②	FY2021 Forecast (Current) ③	Change	
				③-①	③-②
Cash Flows from Operating Activities	210.0	175.0	160.0	(50.0)	(15.0)
Cash Flows from Investing Activities	(81.9)	(130.0)	(115.0)	(33.1)	15.0
Free Cash Flow (excluding project financing)	128.1	45.0	45.0	(83.1)	—
Free Cash Flow (including project financing)	52.9	(15.0)	(15.0)	(67.9)	—
Cash and Deposits (excluding project financing)	301.8	130.0	130.0	(171.8)	—

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous) ②	FY2021 Forecast (Current) ③	Change	
				③-①	③-②
Capital Investment (accrual basis)	185.0	145.0	135.0	(50.0)	(10.0)
Capital Investment (payment basis)	173.2	175.0	165.0	(8.2)	(10.0)
Depreciation	100.8	105.0	105.0	4.2	—

	FY2019 Actual	FY2020 Actual	FY2021 Forecast (Previous)	FY2021 Forecast (Current)
Net Income (Loss) per Share	(187.55) yen	64.05 yen	133.32 yen	133.34 yen
Outside Debt	906.6 billion yen	987.8 billion yen	825.0 billion yen	825.0 billion yen
Outside Debt Excluding Debt from IPP Project Financing	784.4 billion yen	785.7 billion yen	570.0 billion yen	570.0 billion yen
D/E Ratio *1	*2 1.19 times	*3 1.11 times	approx. 0.8 times	approx. 0.8 times
ROS *4	(0.4)%	0.9%	3.6%	3.9%
ROA *5	(0.3)%	0.6%	2.9%	3.1%
ROE *6	(9.7)%	3.4%	6.7%	6.3%
ROIC *7	0.9%	1.1%	4.1%	4.2%

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

*2: Includes early procurement of borrowings for FY 2019 (62.1 billion yen)
D/E Ratio 1.10 times (excluding early procurement of borrowings)

*3: Includes early procurement of borrowings for FY 2020 (186.2 billion yen)
D/E Ratio 0.84 times (excluding early procurement of borrowings)

*4: ROS: Ordinary Income / Net Sales

*5: ROA: Ordinary Income / Total Assets

*6: ROE: Net Income Attributable to Owners of the Parent / Stockholders' Equity

*7: ROIC: After-tax operating Income / Invested Capital

	FY2020 Actual				
	Cumulative			4Q	Full Year
	1H	3Q	3Q		
1 U.S. dollar to yen	106.9	104.5	106.1	105.9	106.1
1 Chinese yuan to yen	15.3	15.8	15.4	16.4	15.7
1 Euro to yen	121.3	124.5	122.4	127.7	123.7

	FY2021 Forecast (Current)					FY2021 Forecast (Previous) Full Year
	Cumulative			4Q	Full Year	
	1H	3Q	3Q			
1 U.S. dollar to yen	109.8	113.7	111.1	114.0	111.8	111.9
1 Chinese yuan to yen	17.0	17.8	17.3	17.0	17.2	17.0
1 Euro to yen	130.9	130.1	130.6	130.0	130.5	130.5

KOBELCO Group Medium-Term Management Plan Announced on May 11, 2021

Priority Issues

(1) Establishing a Stable Earnings Base

Five Key Measures

- ◆ Strengthening the earnings base of the steel business
- ◆ Smooth startup / stable operation of new electric power projects
- ◆ Strategic investment in the materials businesses leading to earnings contribution
- ◆ Restructuring unprofitable businesses
- ◆ Stabilizing earnings in the machinery business and responding to growing markets

By steadily implementing five key measures, we aim to achieve a return on invested capital (ROIC) of 5% or higher in fiscal 2023, the year in which the new power plants start to fully contribute to earnings and, in the future, we aim to achieve a ROIC of 8% or higher in order to achieve sustainable growth of the Group.

(2) Taking on the Challenge of Realizing Carbon Neutrality

	2030 Targets	2050 Vision
Reduction of CO ₂ emissions in production processes	30–40% *1 (vs. FY2013)	Take on the challenge of achieving carbon neutrality
Contribution to reduction of CO ₂ emissions through technologies, products, and services *2	61 Mt (including 45 Mt through MIDREX® Process)	100 Mt or more

*1 Most of the reduction targets are associated with iron and steel making processes. We reviewed the targets announced in September 2020.

*2 The KOBELCO Group contributes to the reduction of CO₂ emissions in various areas of society through its distinctive technologies, products, and services.

Initiatives in the Electric Power Business

In the electric power business, we will make bold efforts to improve the efficiency of energy use throughout the region by using biomass technology and other technologies and examine the use of external innovative technologies using ammonia and other substances.

- ◆ **United Nations Global Compact**
(From Mar. 2021)



- ◆ **Keidanren's Challenge Initiatives for 30% of Executives to be Women by 2030** (From Aug. 2021)



- ◆ **TCFD**
(From Dec. 2020)



- ◆ **Declaration of Partnership Building**



- ◆ **Declaration on Action by Male Leaders Coalition for Empowerment of Women, Cabinet Office** (From Aug. 2021)



◆ **FTSE4Good Index Series**
(From June 2021)



FTSE4Good

Included in the ESG Investment Index for the first time

◆ **2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500)**



2021
健康経営優良法人
Health and productivity
ホワイト500
Certified two
years in a row

◆ **CDP**
(From Dec. 2020)



Awarded “A-” in the climate change and water security categories

◆ **FTSE Blossom Japan Index**
(From June 2021)



FTSE Blossom Japan

Included in the ESG Investment Index for the first time

◆ **Platinum Kurumin Certification**
(From 2019)



<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

- **Certain statements in this presentation contain forward-looking statements concerning forecasts, assertions, prospects, intentions and strategies. The decisions and assumptions leading to these statements are based on information currently available to Kobe Steel. Due to possible changes in decisions and assumptions, future business operation, and internal and external conditions, actual results may differ materially from the projected forward-looking statements. Kobe Steel is not obligated to revise the forward-looking contents of this presentation.**
- **Uncertain and variable factors include, but are not limited to:**
 - Changes in economic outlook, demand and market conditions
 - Political situation and trade and other regulations
 - Changes in currency exchange rates
 - Availability and market conditions of raw materials
 - Products and services of competing companies, pricing policy, alliances, and business development including M&As
 - Strategy changes of alliance partners