

Financial Results for the First Half of Fiscal 2022 and Forecast for the Full Fiscal Year

November 9, 2022
Kobe Steel, Ltd.

KOBELCO

1. Summary of Financial Results and Forecast
2. Financial Results for the First Half of Fiscal 2022
3. Forecast for Fiscal 2022
4. Reference Information

1. Summary of Financial Results and Forecast

Summary of Financial Results for the First Half of Fiscal 2022

(Year on year)

- **The production volume of automobiles**, a major demand sector, **decreased year on year** due to semiconductor shortages and supply chain disruptions caused by the lockdown in Shanghai. **Sales volume decreased mainly in the steel business and in the construction machinery business**, which was affected by a decrease in overall demand in China.
- **Steel metal spreads significantly improved year on year** due to steady improvement in selling prices. Margins for aluminum rolled products and construction machinery deteriorated year on year due to a sharp rise in energy prices and **a delay in passing on rising prices of various materials, such as steel, to selling prices.**
- **Ordinary income decreased by 2.5 billion yen year on year to 41.8 billion yen** due to factors such as a decrease in sales volume, deterioration of margins for aluminum rolled products and construction machinery, and **a temporary decline in earnings associated with electricity selling prices**, partly affected by time lags in fuel cost adjustments in the electric power business, despite improvements in steel metal spreads and compensation income related to the engine certification problem in North America in the construction machinery business.

Summary of Revisions to Fiscal 2022 Full-Year Earnings Forecast

(Compared to the previous forecast)

- **Steel metal spreads are expected to improve from the previous forecast.** However, compared to the previous forecast, **sales volume is anticipated to decrease in the materials businesses** due to a decline in automobile production, as well as **a decline in sales volume in the construction machinery business** affected by the engine certification problem. In addition, in the electric power business, with thermal coal market prices continuing to soar, the **impact of a temporary decline in earnings associated with time lags in adjusting electricity selling prices** has become increasingly evident.
- In the fiscal 2022 full-year earnings forecast, **ordinary income is expected to decrease to 70.0 billion yen** (from 80.0 billion yen in the previous forecast), partly due to **the impact of the temporary decline in earnings in the electric power business.** Although the outlook remains uncertain, particularly in the materials businesses, **we will steadily implement measures to improve earnings, including improving selling prices**, to secure earnings for the current term and fiscal 2023.

(Billions of yen)

		FY2021 Actual		FY2022 Forecast (Previous)	FY2022 Forecast (Current)		Change		
		1H	Full Year		1H	Full Year	1H	Full Year	Full Year
		①	②		③	④	⑤	④ - ①	⑤ - ②
Net Sales		972.1	2,082.5	2,510.0	1,169.6	2,530.0	197.4	447.5	20.0
Operating Income (Loss)		46.8	87.6	75.0	19.7	55.0	(27.0)	(32.6)	(20.0)
	Steel & Aluminum	14.8	37.5	35.0	22.3	35.0	7.4	(2.5)	-
	Advanced Materials	5.2	5.1	1.5	1.4	1.0	(3.8)	(4.1)	(0.5)
	Welding	2.0	2.7	2.0	0.8	2.5	(1.2)	(0.2)	0.5
	Machinery	4.2	12.5	12.5	5.2	15.0	1.0	2.5	2.5
	Engineering	4.3	7.7	2.5	0.9	1.5	(3.4)	(6.2)	(1.0)
	Construction Machinery	8.4	12.0	7.5	10.0	4.0	1.6	(8.0)	(3.5)
	Electric Power	5.7	13.2	23.0	(1.3)	13.5	(7.1)	0.3	(9.5)
	Other Businesses	1.1	7.0	4.5	2.1	5.0	1.0	(2.0)	0.5
	Adjustment	(1.7)	(4.9)	(8.5)	0.1	(7.5)	1.8	(2.6)	1.0
Ordinary Income (Loss)		44.3	93.2	80.0	41.8	70.0	(2.5)	(23.2)	(10.0)
Excluding Inventory Valuation		19.3	42.2	55.5	19.3	41.5	(0.0)	(0.7)	(14.0)
Extraordinary Income (Loss)		-	^{*1} (9.2)	-	^{*2} (2.6)	(2.6)	(2.6)	6.6	(2.6)
Net Income (Loss) Attributable to Owners of the Parent		34.5	60.0	60.0	28.0	45.0	(6.5)	(15.0)	(15.0)

*1 Loss on transfer of shares in the copper tube business

*2 Compensation for retirees due to integration of production facilities in China in the construction machinery business

Segment	Summary (Changes from the previous forecast)
<p>Materials businesses</p> <ul style="list-style-type: none"> • Iron & steel • Aluminum rolled products • Advanced materials • Welding 	<ul style="list-style-type: none"> ■ Sales volume is expected to decline from the previous forecast due to further delays in the recovery of automobile production, affected by semiconductor shortages, and inventory adjustments by customers. ■ Steel metal spreads are expected to improve from the previous forecast due to a decline in the market prices of major raw materials and an improvement in selling prices for automobiles. ■ In the aluminum rolled products business, it is expected that passing on the rising costs to selling prices will be further delayed due to further increases in procurement costs associated with higher energy prices.
<p>Machinery/Engineering</p>	<ul style="list-style-type: none"> ■ With demand continuing to remain strong, orders for machinery are expected to be significantly higher than the previous fiscal year's record high, owing to prospective large-scale orders for energy projects. ■ In the engineering business, demand for MIDREX® plants remains strong.
<p>Construction machinery</p>	<ul style="list-style-type: none"> ■ Unit sales of hydraulic excavators are expected to be lower than the previous forecast mainly in Europe, which was affected by the engine certification problem. Unit sales of crawler cranes are expected to decline from the previous forecast due to the impact of the engine certification problem and intensified competition from Chinese companies.
<p>Electric power</p>	<ul style="list-style-type: none"> ■ With thermal coal market prices continuing to soar, earnings are expected to deteriorate significantly from the previous forecast due to the outlook that coal prices in the national trade statistics, an index for electricity selling prices, will remain at a lower level than the Company's coal purchasing prices due to temporary factors.

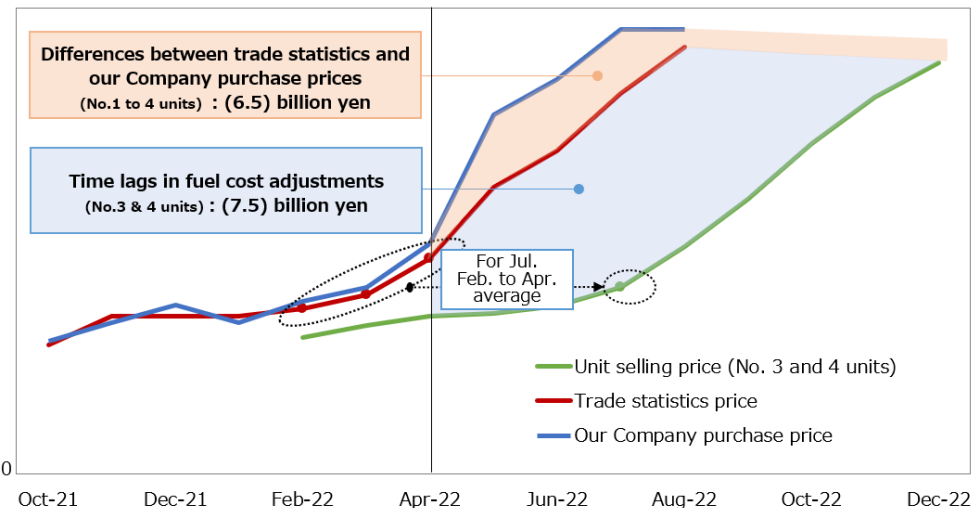
- **The electricity rate**, which is equivalent to the fuel cost received by our Company's power generation subsidiaries (hereinafter collectively called "our Company") from The Kansai Electric Power Co., Inc. is calculated based on **the fuel cost set at the time of contract and adjusted with changes in coal prices in the import trade statistics (national average) from the time of contract.**
- The most recent import trade statistics have revealed coal prices are lower in some exporting countries, or at certain importing ports, **which push down the national average prices of imported coal, thereby keeping our Company's unit selling price of electricity low and causing losses.**
- We assume this is caused by **fixed price contracts for some coal brands** by other electric power companies (the price gap has widened due to a subsequent surge in market prices) and **the time lag between coal purchase and delivery.** We consider this to be temporary.

Our forecast for the impact on earning due to the difference between the trade statistics price and our Company purchase price is as follows: **Previous forecast : 0.0 billion yen → Current: (6.5) billion yen (Down 6.5 billion yen)**

- In addition, as for the **Kobe Power Plant No. 3 and No. 4 units**, trade statistics from 3 to 5 months ago are referenced for determining the unit selling price of electricity. **Then, a loss will be incurred due to time lags in fuel cost adjustments** when market prices soar.

Our forecast for the impact on earnings due to time lags in fuel cost adjustments is as follows : **Previous forecast : (5.0) billion yen → Current: (7.5) billion yen (Down 2.5 billion yen)**

Trends in Coal Trade Statistics Prices and Our Company Purchase Prices (for illustrative purposes only)



Reasons for the difference between trade statistics prices and our Company purchase prices (estimated)

- Fixed price contracts concluded by other electric power companies before market price hikes
- The time lag between purchase and delivery of items, based on the previous fiscal year's price contracts concluded by other electric power companies

➔ Impact on earnings becoming evident with thermal coal market prices continuing to soar

Automobile production

• **Automobile production volume** : The previous forecast anticipated the end of semiconductor shortages in the fourth quarter, but it was **revised based on the assumption that a certain degree of impact will remain considering the current situation.**

* Affected units : Steel products, aluminum flat rolled products, aluminum suspensions, aluminum extrusions, copper flat rolled products, steel powder, and welding

Estimated automobile production volume by Japanese automotive manufacturers (including overseas production)

* Compared to the average in fiscal 2019

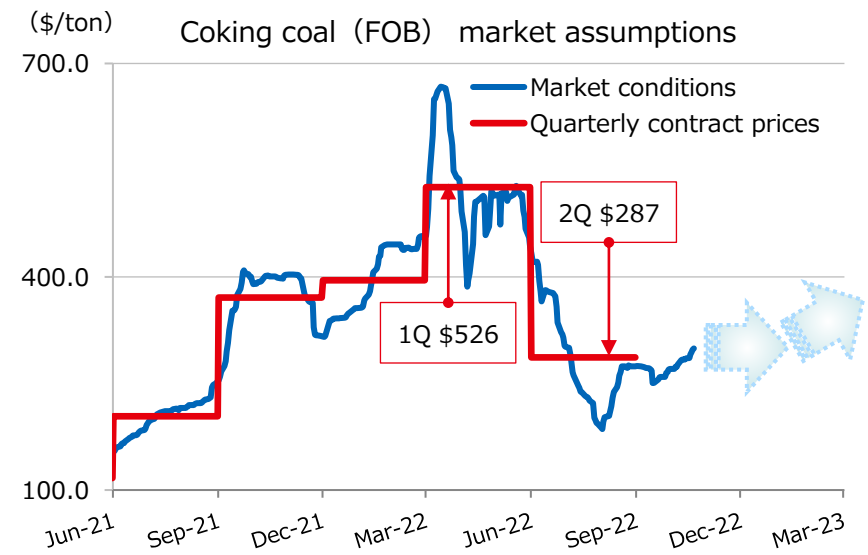
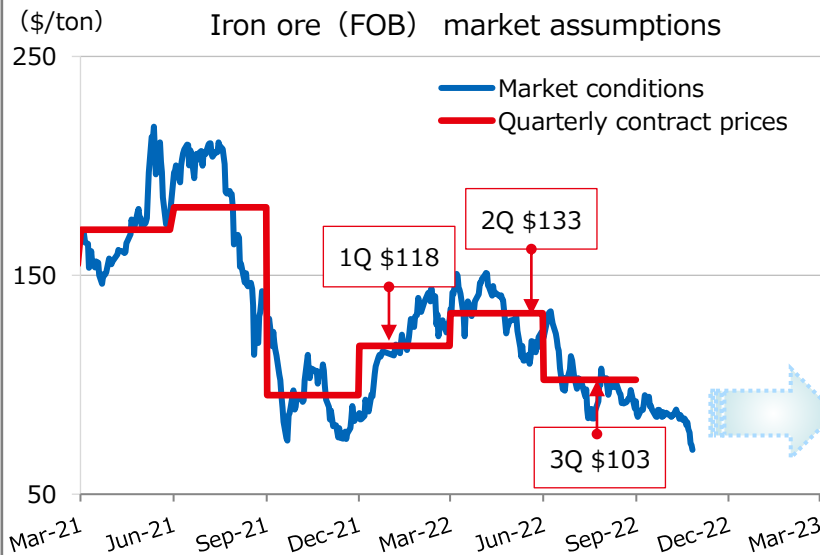
	FY2021	FY2022 Forecast (Previous)					FY2022 Forecast (Current)				
		1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q	4Q	Full Year
Change	(12%)	(22%)	(11%)	(4%)	+5%	(8%)	(22%)	(11%)	(7%)	(2%)	(10%)

Iron ore : Prices in 3Q have been settled at \$103. Prices in 4Q are assumed at current market levels.

Coking coal : Prices in 2Q have been settled at \$287. Prices in 3Q are assumed at the same level as 2Q.

Prices in 4Q are expected to reflect a certain degree of improvement from the current market conditions.

Iron ore
Coking coal



2. Financial Results for the First Half of Fiscal 2022

Net sales: 1,169.6 billion yen (Up 197.4 billion yen year on year)

- Net sales increased due to improvements in selling prices and an increase in the unit selling price of electricity associated with a sharp rise in the market price of thermal coal for electricity, despite a decline in sales volume in the materials businesses affected by a decline in automobile production and in the construction machinery business affected by a decline in demand in China.

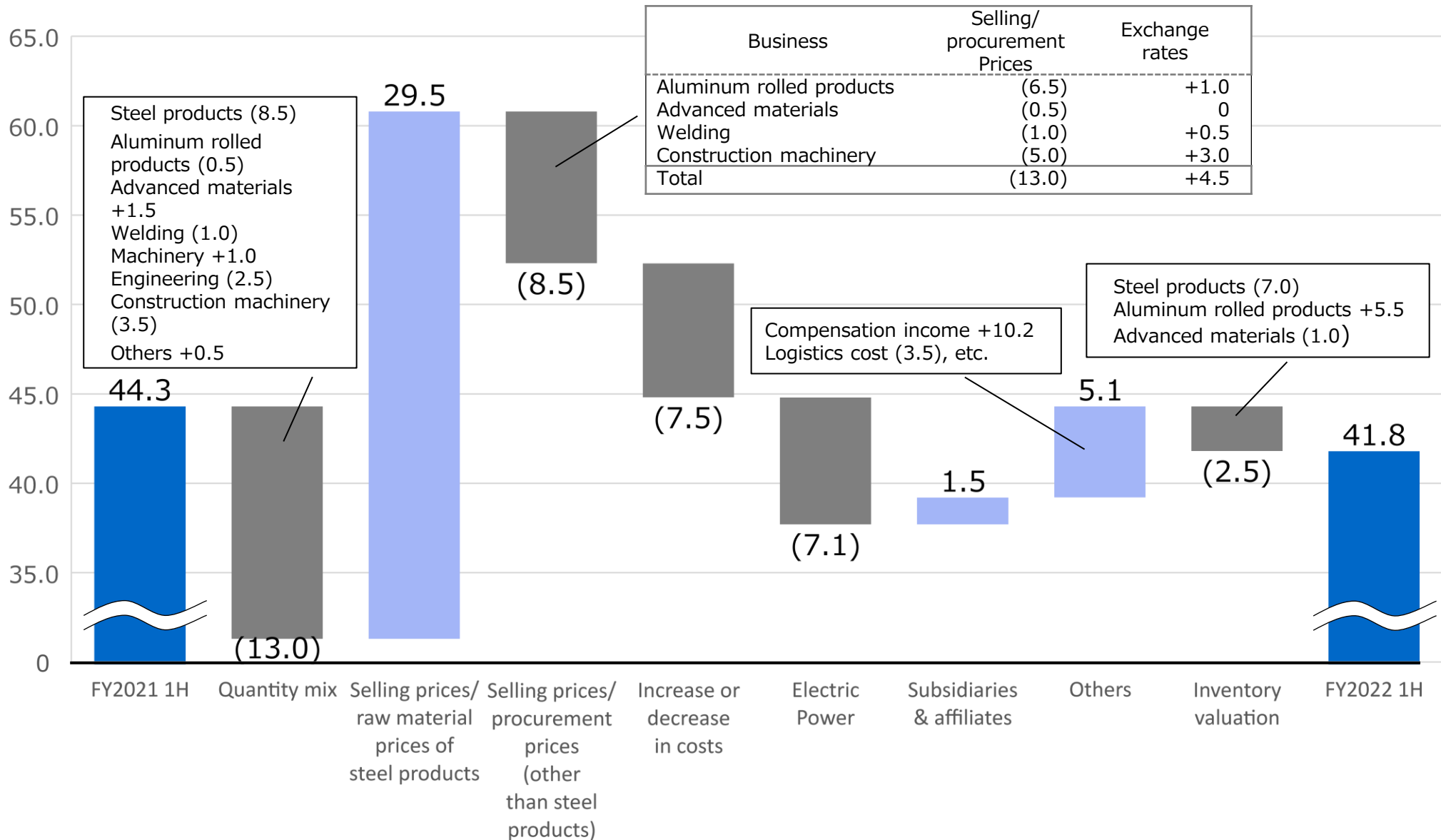
Ordinary income: 41.8 billion yen (Down 2.5 billion yen year on year)

- Ordinary income decreased due to factors such as a decrease in sales volume, deterioration of margins for aluminum rolled products and construction machinery, an increase in fixed costs, such as labor costs, and time lags in fuel cost adjustments in the electric power business despite improvements in steel metal spreads and the compensation income related to the engine certification problem in North America in the construction machinery business.

	(Billions of yen)		
	FY2021 1H ①	FY2022 1H ②	Change ②-①
Net Sales	972.1	1,169.6	197.4
Operating Income (Loss)	46.8	19.7	(27.0)
Ordinary Income (Loss)	44.3	41.8	(2.5)
Excluding Inventory Valuation	19.3	19.3	(0.0)
Extraordinary Income (Loss)	-	(2.6)*	(2.6)
Net Income (Loss) Attributable to Owners of the Parent	34.5	28.0	(6.5)

* Compensation for retirees due to integration of production facilities in China in the construction machinery business

(Billions of yen)



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

Net Sales

(Billions of yen)

	FY2021 1H ①	FY2022 1H ②	Change ②-①
Steel & Aluminum	427.3	536.5	109.1
Advanced Materials	153.2	133.1	(20.0)
Welding	38.0	42.1	4.1
Machinery	79.7	86.2	6.5
Engineering	55.6	61.1	5.4
Construction Machinery	194.0	183.7	(10.2)
Electric Power	37.5	147.5	109.9
Other Businesses	11.4	10.8	(0.5)
Adjustment	(24.8)	(31.7)	(6.9)
Total	972.1	1,169.6	197.4

Ordinary Income (Loss)

(Billions of yen)

	FY2021 1H ③	FY2022 1H ④	Change ④-③
Steel & Aluminum	14.8	22.3	7.4
Advanced Materials	5.2	1.4	(3.8)
Welding	2.0	0.8	(1.2)
Machinery	4.2	5.2	1.0
Engineering	4.3	0.9	(3.4)
Construction Machinery	8.4	10.0	1.6
Electric Power	5.7	(1.3)	(7.1)
Other Businesses	1.1	2.1	1.0
Adjustment	(1.7)	0.1	1.8
Total	44.3	41.8	(2.5)

(Billions of yen)

		FY2021	FY2022	Change
		1H ①	1H ②	②-①
Steel products	Net Sales	346.5	438.3	91.8
	Ordinary Income (Loss)	12.4	21.0	8.6
	Excluding Inventory Valuation	(9.5)	6.0	15.6
Aluminum rolled products	Net Sales	80.7	98.1	17.3
	Ordinary Income (Loss)	2.4	1.2	(1.2)
	Excluding Inventory Valuation	2.4	(4.2)	(6.7)
Total	Net Sales	427.3	536.5	109.1
	Ordinary Income (Loss)	14.8	22.3	7.4
	Excluding Inventory Valuation	(7.1)	1.8	8.9

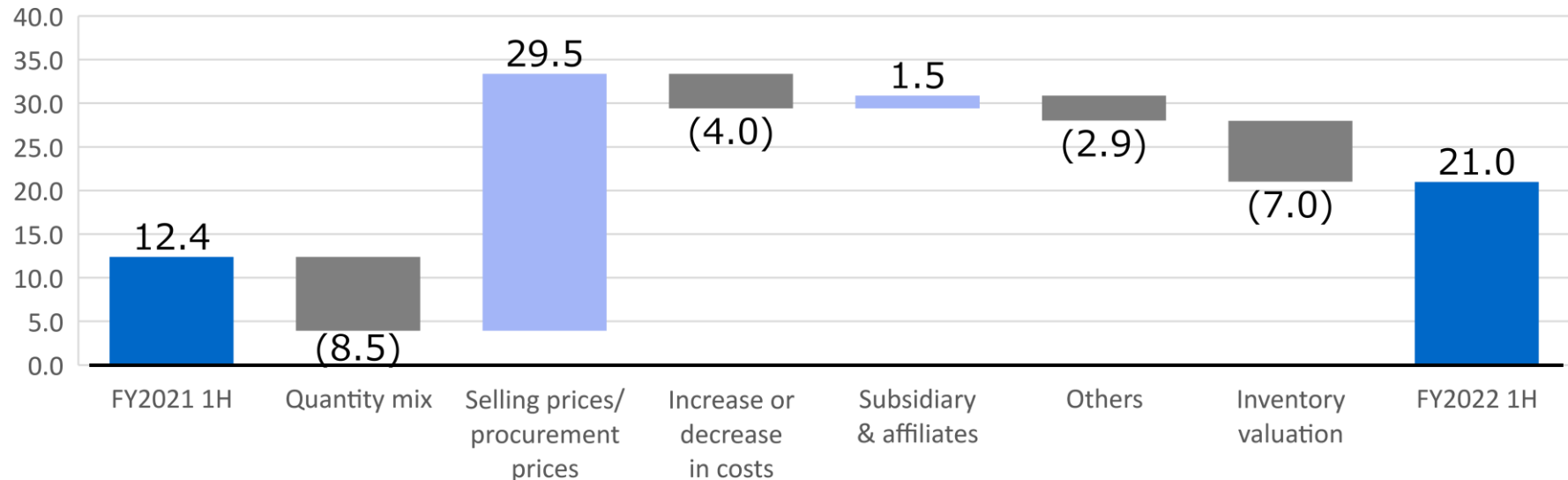
Steel products

FY2021 1H : Net sales of 346.5 billion yen →
FY2022 1H : Net sales of 438.3 billion yen (Up 91.8 billion yen year on year)
FY2021 1H : Ordinary Income of 12.4 billion yen →
FY2022 1H : Ordinary Income of 21.0 billion yen (Up 8.6 billion yen year on year)

- Crude steel production: 3.15 million tons (Down 0.20 million tons year on year)
- Sales volume: 2.50 million tons (Down 0.18 million tons year on year)
 - Decrease in sales volume due to a decrease in automobile production
- Selling price: 134,500 yen/ton (Up 39,000 yen/ton year on year)
- Factors affecting profit and loss
 - Decrease in sales volume
 - Metal spreads improved year on year due to improvements in selling prices
 - Cost increases centered on fixed costs, such as labor costs
 - Improvement in earnings of U.S. Group Companies
 - Shrinking inventory valuation gains

(Billions of yen)

[Related data on P44-45](#)



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

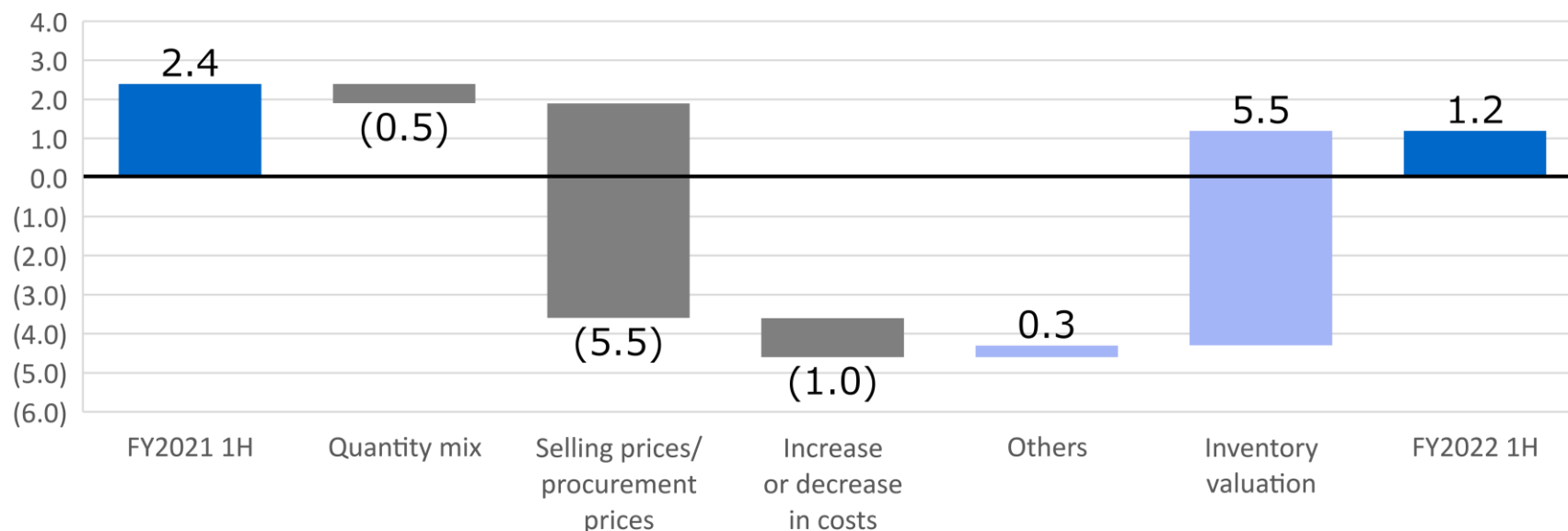
Aluminum
rolled
products

FY2021 1H : Net sales of 80.7 billion yen →
FY2022 1H : Net sales of 98.1 billion yen (Up 17.3 billion yen year on year)
FY2021 1H : Ordinary income of 2.4 billion yen →
FY2022 1H : Ordinary income of 1.2 billion yen (Down 1.2 billion yen year on year)

- Sales volume: 170 thousand tons (Down 9 thousand tons year on year)
 - Beverage cans : Decreased due to lower demand for beverage cans
 - Automobiles: Increased slightly due to sales expansion despite a decrease in demand affected by automobile production cuts
 - IT and semiconductors: Remained strong mainly in the semiconductor manufacturing equipment sector
- Factors affecting profit and loss
 - Decrease in sales volume
 - Delay in passing on the increase in procurement costs due to rising energy prices to selling prices
 - Improvement in inventory valuation gains due to rising aluminum market prices

(Billions of yen)

[Related data on P44-45](#)



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

	FY2021 1H ①	FY2022 1H ②	(Billions of yen) Change ②-①
Net Sales	153.2	133.1	(20.0)
Ordinary Income (Loss)	5.2	1.4	(3.8)
Excluding Inventory Valuation	2.2	(0.5)	(2.8)

■ Sales volume

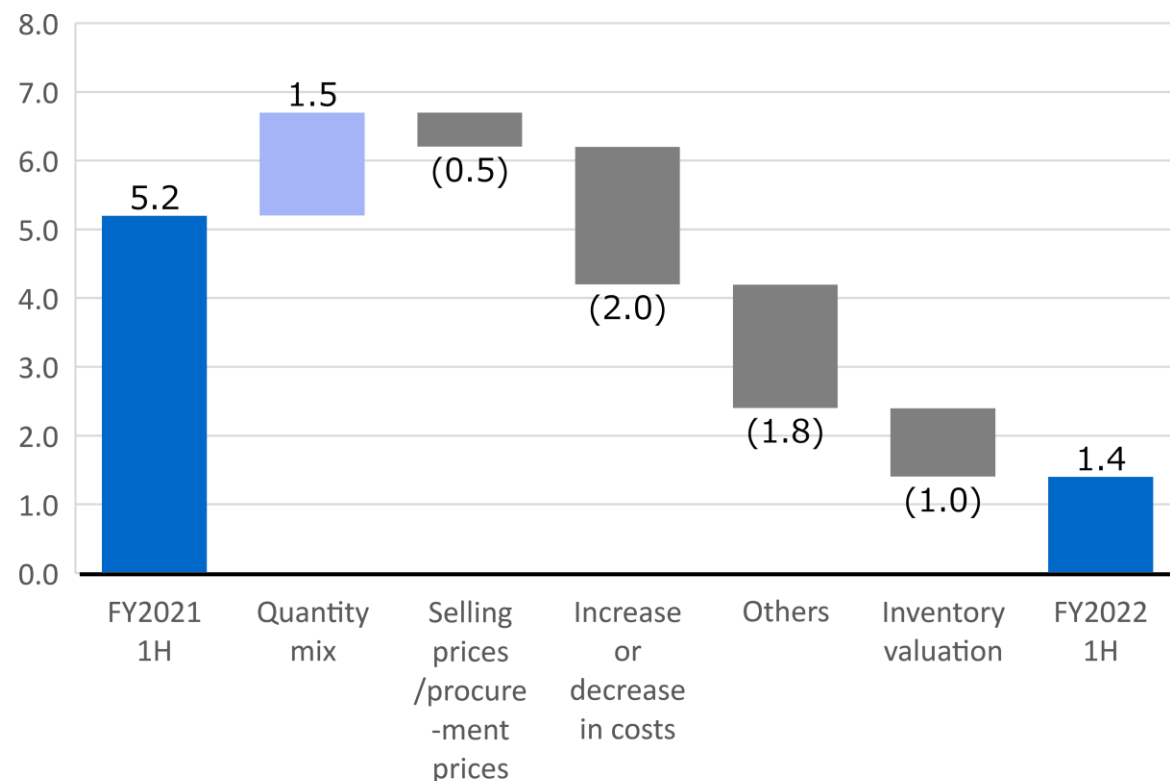
- Increased in steel castings & forgings due to increased demand in the shipbuilding sector
- Increased in titanium due to demand recovery in the general industrial sector
- Decreased in aluminum suspensions, aluminum extrusions, copper flat rolled products, and steel powder due to demand decline in the automotive sector

■ Factors affecting profit and loss

- Increase in sales volume of steel castings & forgings and titanium
- Cost increases centered on fixed costs, such as labor costs
- Decline in inventory valuation gains (the sale of the copper tube business)

(Billions of yen)

[Related data on P44-45](#)



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

	FY2021 1H ①	FY2022 1H ②	(Billions of yen) Change ②-①
Net Sales	38.0	42.1	4.1
Ordinary Income (Loss)	2.0	0.8	(1.2)

[Related data on P44](#)

- Sales volume
 - Decreased mainly in overseas due to declining demand for automobiles

- Factors affecting profit and loss
 - Decrease in sales volume

(Billions of yen)

	FY2021 1H ①	FY2022 1H ②	Change ②-①
Net Sales	79.7	86.2	6.5
Ordinary Income (Loss)	4.2	5.2	1.0
Orders	89.5	111.4	21.8

	End of FY2021 ①	End of FY2022 1H ②	Change ②-①
Backlog of Orders	157.0	186.1	29.1

■ Orders

- Increased in both industrial machinery and rotating machinery owing to strong demand in the petrochemicals and energy sectors

■ Factors affecting profit and loss

- Improvement in project profitability due to an upturn in the business environment

	FY2021 1H ①	FY2022 1H ②	(Billions of yen) Change ②-①
Net Sales	55.6	61.1	5.4
Ordinary Income (Loss)	4.3	0.9	(3.4)
Orders	73.5	77.2	3.7

	End of FY2021 ①	End of FY2022 1H ②	Change ②-①
Backlog of Orders	343.0	372.3	29.3

■ Orders

- Increased due to strong demand in the water treatment-related business and other businesses

■ Factors affecting profit and loss

- Changes in the project composition mainly in the DRI-related business

	FY2021 1H ①	FY2022 1H ②	(Billions of yen) Change ②-①
Net Sales	194.0	183.7	(10.2)
Ordinary Income (Loss)	8.4	10.0	1.6

Related data on P44

■ Unit Sales

[Hydraulic excavator]

- Decreased in China, affected by weakened demand due to a decline in infrastructure investment, as well as in Japan and Europe, affected by shortages of procured parts due to the lockdown in Shanghai

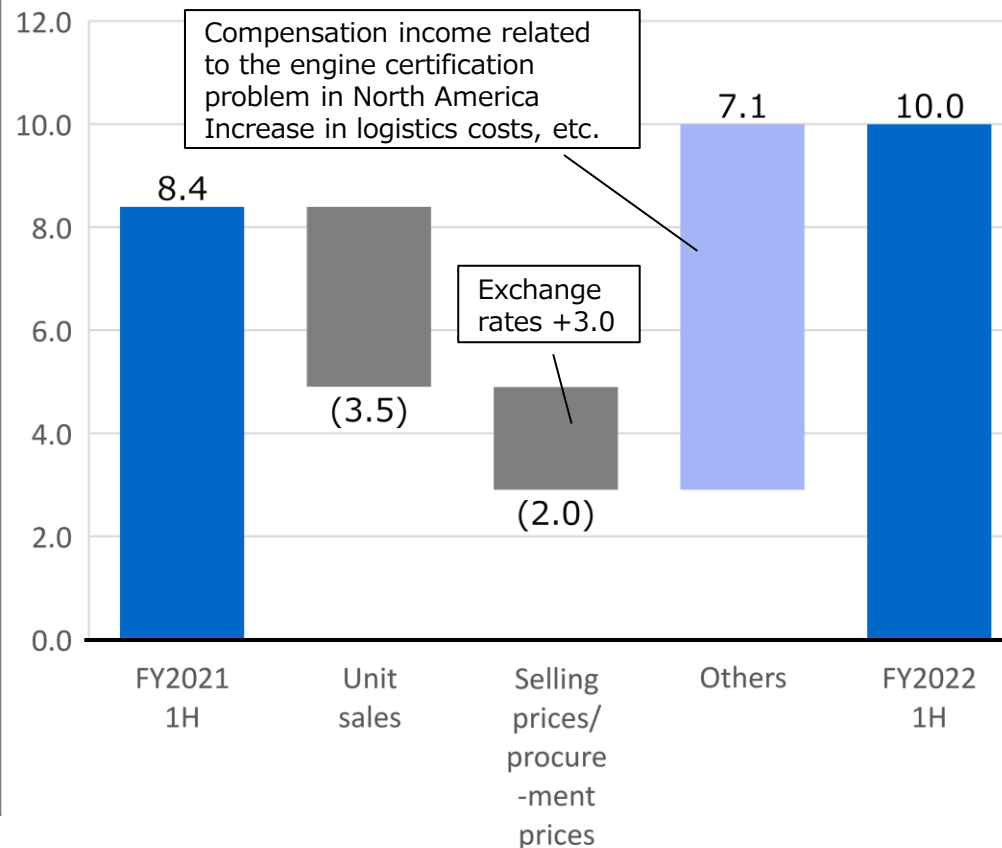
[Crawler crane]

- Remain unchanged year on year

■ Factors affecting profit and loss

- Decrease in unit sales of hydraulic excavators
- Delay in passing on increased procurement prices of various materials, such as steel, to selling prices
- Improvement in export profitability due to a weaker yen against the dollar and the euro
- Compensation income related to the engine certification problem in North America

(Billions of yen)



(Billions of yen)

	FY2021 1H ①	FY2022 1H ②	Change ②-①
Net Sales	37.5	147.5	109.9
Ordinary Income (Loss)	5.7	(1.3)	(7.1)

■ Sales volume

- Increased due to the start of operations of the Kobe Power Plant No. 3 unit (started operations in February 2022)

■ Unit selling price

- Rose along with soaring thermal coal prices

■ Factors affecting profit and loss

- Start of operations of the Kobe Power Plant No. 3 unit
- Coal prices in the national trade statistics, an index of the selling prices of electricity generated by the Kobe Power Plant No. 1 to No. 3 units, remaining at a lower level than the Company's coal procurement prices (due to temporary factors)
- Impact of time lags in fuel cost adjustments at the Kobe Power Plant No. 3 unit

3. Forecast for Fiscal 2022

Net sales: FY2022 previous: 2,510.0 billion yen → FY2022 current: 2,530.0 billion yen (Up 20.0 billion yen)

- Sales volume is expected to decrease mainly in the materials businesses due to delayed recovery in demand for automobiles.
- Sales of construction machinery are expected to decrease, mainly in Europe, due to the engine certification problem.
- Sales of electricity are expected to significantly increase due to a rise in the unit selling price of electricity, associated with a surge in thermal coal market prices.

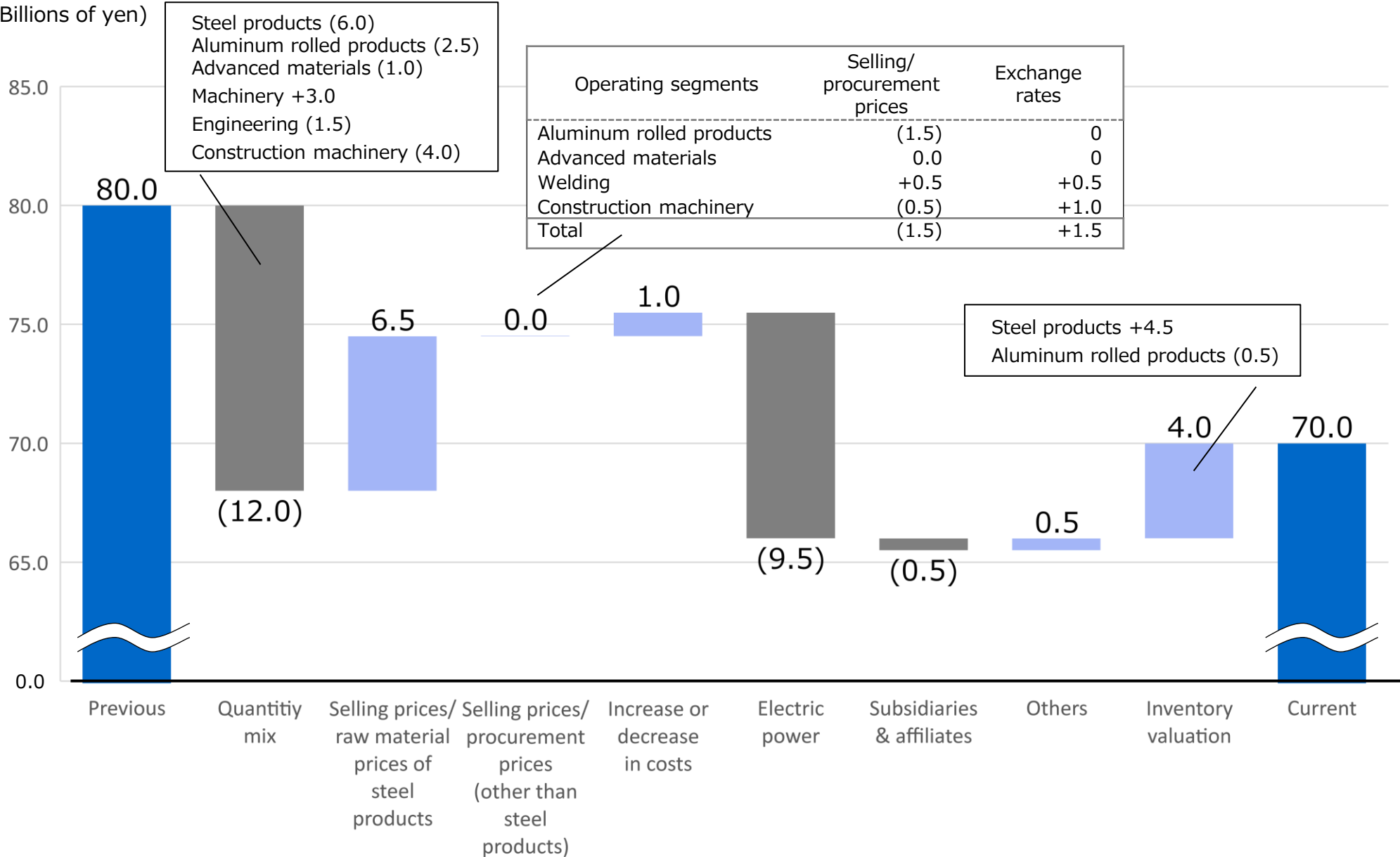
Ordinary income: FY2022 previous: 80.0 billion yen → FY2022 current: 70.0 billion yen (Down 10.0 billion yen)

- Decrease in sales volume in the materials businesses and the construction machinery business
- Temporary decline in earnings, associated with time lags in adjusting electricity selling prices

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	972.1	1,110.3	2,082.5	1,170.0	1,340.0	2,510.0	1,169.6	1,360.3	2,530.0	20.0
Operating Income (Loss)	46.8	40.8	87.6	19.0	56.0	75.0	19.7	35.2	55.0	(20.0)
Ordinary Income (Loss)	44.3	48.8	93.2	32.0	48.0	80.0	41.8	28.1	70.0	(10.0)
Excluding Inventory Valuation	19.3	22.8	42.2	11.0	44.5	55.5	19.3	22.1	41.5	(14.0)
Extraordinary Income (Loss)	–	(9.2)	(9.2)	–	–	–	(2.6)	–	(2.6)	(2.6)
Net Income (Loss) Attributable to Owners of the Parent	34.5	25.5	60.0	25.0	35.0	60.0	28.0	16.9	45.0	(15.0)

(Billions of yen)



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

Net Sales

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change
	1H	2H		1H	2H	①	1H	2H	②	②-①
Steel & Aluminum	427.3	487.5	914.9	532.0	598.0	1,130.0	536.5	578.4	1,115.0	(15.0)
Advanced Materials	153.2	180.0	333.2	140.0	160.0	300.0	133.1	161.8	295.0	(5.0)
Welding	38.0	38.8	76.9	41.0	45.0	86.0	42.1	45.8	88.0	2.0
Machinery	79.7	87.1	166.8	88.0	104.0	192.0	86.2	107.7	194.0	2.0
Engineering	55.6	79.9	135.6	66.0	90.0	156.0	61.1	86.8	148.0	(8.0)
Construction Machinery	194.0	177.6	371.6	185.0	211.0	396.0	183.7	213.2	397.0	1.0
Electric Power	37.5	72.3	109.8	143.0	146.0	289.0	147.5	171.4	319.0	30.0
Other Businesses	11.4	17.4	28.8	11.0	17.0	28.0	10.8	17.1	28.0	–
Adjustment	(24.8)	(30.4)	(55.3)	(36.0)	(31.0)	(67.0)	(31.7)	(22.2)	(54.0)	13.0
Total	972.1	1,110.3	2,082.5	1,170.0	1,340.0	2,510.0	1,169.6	1,360.3	2,530.0	20.0

Ordinary Income (Loss)

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change
	1H	2H		1H	2H	①	1H	2H	②	②-①
Steel & Aluminum	14.8	22.6	37.5	13.0	22.0	35.0	22.3	12.6	35.0	–
Advanced Materials	5.2	(0.1)	5.1	1.0	0.5	1.5	1.4	(0.4)	1.0	(0.5)
Welding	2.0	0.7	2.7	0.5	1.5	2.0	0.8	1.6	2.5	0.5
Machinery	4.2	8.3	12.5	3.5	9.0	12.5	5.2	9.7	15.0	2.5
Engineering	4.3	3.3	7.7	0.0	2.5	2.5	0.9	0.5	1.5	(1.0)
Construction Machinery	8.4	3.6	12.0	7.0	0.5	7.5	10.0	(6.0)	4.0	(3.5)
Electric Power	5.7	7.5	13.2	6.0	17.0	23.0	(1.3)	14.8	13.5	(9.5)
Other Businesses	1.1	5.9	7.0	1.0	3.5	4.5	2.1	2.8	5.0	0.5
Adjustment	(1.7)	(3.1)	(4.9)	0.0	(8.5)	(8.5)	0.1	(7.6)	(7.5)	1.0
Total	44.3	48.8	93.2	32.0	48.0	80.0	41.8	28.1	70.0	(10.0)

(Billions of yen)

		FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change
		1H	2H		1H	2H	①	1H	2H	②	②-①
Steel products	Net Sales	346.5	404.4	751.0	438.0	500.0	938.0	438.3	484.6	923.0	(15.0)
	Ordinary Income (Loss)	12.4	22.2	34.6	10.0	21.0	31.0	21.0	14.9	36.0	5.0
	Excluding Inventory Valuation	(9.5)	1.2	(8.4)	(3.0)	17.5	14.5	6.0	8.9	15.0	0.5
Aluminum rolled products	Net Sales	80.7	83.0	163.8	94.0	98.0	192.0	98.1	93.8	192.0	–
	Ordinary Income (Loss)	2.4	0.4	2.8	3.0	1.0	4.0	1.2	(2.2)	(1.0)	(5.0)
	Excluding Inventory Valuation	2.4	(1.6)	0.8	(2.5)	0.0	(2.5)	(4.2)	(2.7)	(7.0)	(4.5)
Total	Net Sales	427.3	487.5	914.9	532.0	598.0	1,130.0	536.5	578.4	1,115.0	(15.0)
	Ordinary Income (Loss)	14.8	22.6	37.5	13.0	22.0	35.0	22.3	12.6	35.0	–
	Excluding Inventory Valuation	(7.1)	(0.4)	(7.6)	(5.5)	17.5	12.0	1.8	6.1	8.0	(4.0)

Steel products

FY2022 previous: Net sales of 938.0 billion yen →

FY2022 current: Net sales of 923.0 billion yen (Down 15.0 billion yen)

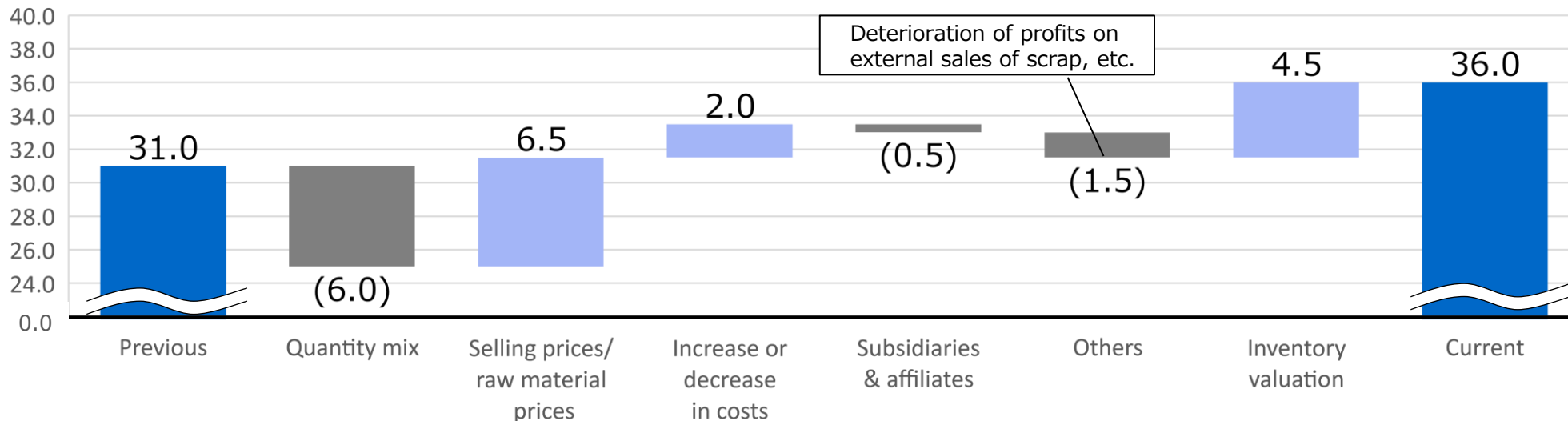
FY2022 previous: Ordinary income of 31.0 billion yen →

FY2022 current: Ordinary income of 36.0 billion yen (Up 5.0 billion yen)

- Crude steel production : Approx. 6.30 million tons (Down 0.20 million tons)
- Sales volume : Approx. 5.10 million tons (Down 0.20 million tons)
 - Anticipate a decrease in sales volume due to slow demand recovery in the automotive sector due to semiconductor shortages and customer inventory adjustments
- Factors affecting profit and loss
 - Decrease in sales volume
 - Metal spreads are expected to improve due to a decline in raw materials prices and improvement in selling prices
 - Cost improvement through increased use of inexpensive raw materials, etc.
 - Improvement in inventory valuation gains due to a weaker yen

[Related data on P44-45](#)

(Billions of yen)



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

Aluminum rolled products

FY2022 previous: Net sales of 192.0 billion yen →

FY2022 current: Net sales of 192.0 billion yen (with no change)

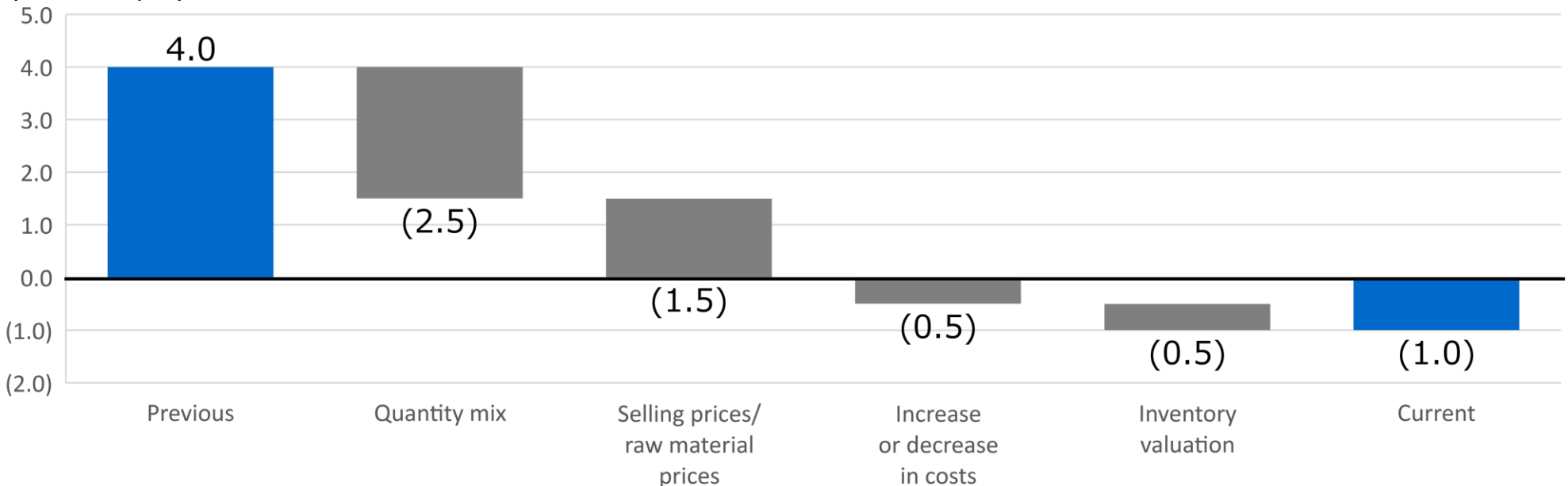
FY2022 previous: Ordinary income of 4.0 billion yen →

FY2022 current: Ordinary loss of 1.0 billion yen (Down 5.0 billion yen)

- Sales volume: Approx. 360 thousand tons (Down 10 thousand tons)
 - Anticipate a decrease in sales volume in the automotive, IT and semiconductor sectors due to a decrease in demand
- Factors affecting profit and loss
 - Decrease in sales volume
 - Delay in passing on rises in energy prices to selling prices
 - Deterioration in inventory valuation gains due to a decline in the aluminum market prices

[Related data on P44-45](#)

(Billions of yen)



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

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	153.2	180.0	333.2	140.0	160.0	300.0	133.1	161.8	295.0	(5.0)
Ordinary Income (Loss)	5.2	(0.1)	5.1	1.0	0.5	1.5	1.4	(0.4)	1.0	(0.5)
Excluding Inventory Valuation	2.2	(3.1)	(0.9)	(1.5)	1.5	0.0	(0.5)	0.0	(0.5)	(0.5)

Related data on P44-45

FY2022 previous: Ordinary income of 1.5 billion yen



FY2022 current: Ordinary income of 1.0 billion yen

(Down 0.5 billion yen)

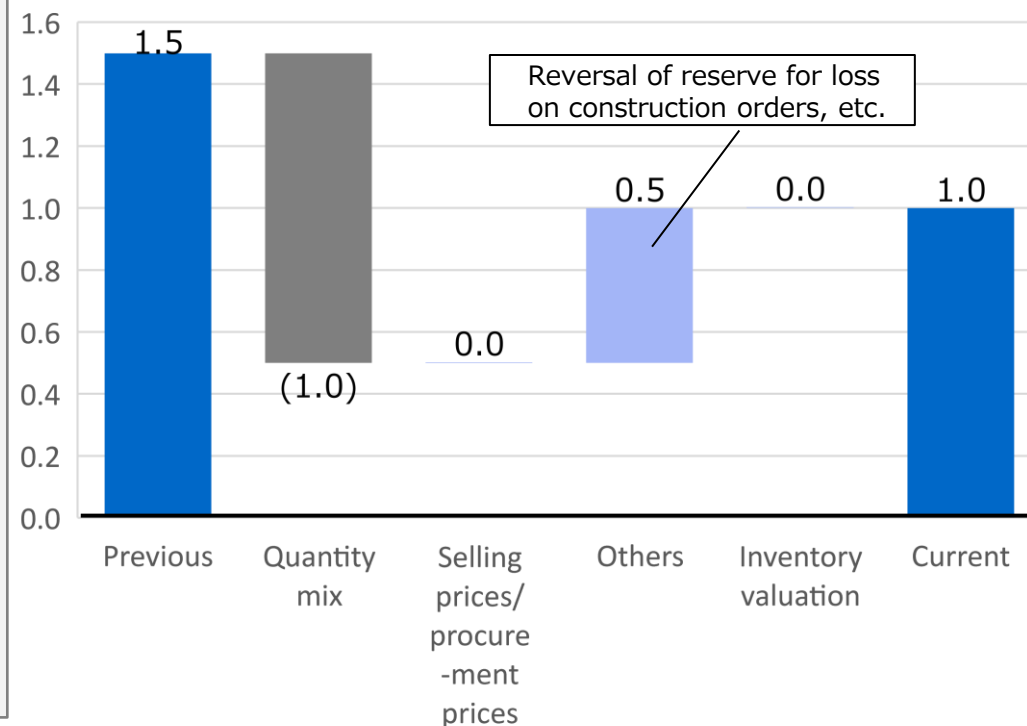
■ Sales volume

- Anticipate a decrease mainly in suspensions and aluminum extrusions due to slow recovery in demand for automobiles

■ Factors affecting profit and loss

- Decrease in sales volume
- Procurement prices remaining unchanged due to a decline in scrap market prices for steel castings & forgings and iron powder, while energy prices are rising
- Reversal of reserve for loss on construction orders

(Billions of yen)



(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	38.0	38.8	76.9	41.0	45.0	86.0	42.1	45.8	88.0	2.0
Ordinary Income (Loss)	2.0	0.7	2.7	0.5	1.5	2.0	0.8	1.6	2.5	0.5

Related data on P44

FY2022 previous: Ordinary income of 2.0 billion yen →

FY2022 current: Ordinary income of 2.5 billion yen (Up 0.5 billion yen)

■ Sales volume

- Anticipate a decline mainly in overseas sales due to slow demand recovery in the automotive sector and in Southeast Asia

■ Factors affecting profit and loss

- Improvement due to the progress in passing on rises in procurement prices to selling prices

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	79.7	87.1	166.8	88.0	104.0	192.0	86.2	107.7	194.0	2.0
Ordinary Income (Loss)	4.2	8.3	12.5	3.5	9.0	12.5	5.2	9.7	15.0	2.5
Orders	89.5	117.0	206.6	approx 110.0	approx. 95.0	approx. 205.0	111.4	approx. 125.0	approx. 235.0	approx. 30.0

FY2022 previous: Ordinary income of 12.5 billion yen →

FY2022 current: Ordinary income of 15.0 billion yen (Up 2.5 billion yen)

■ Orders—Increased

- Anticipate orders to increase and reach a record high of around 235.0 billion yen, owing to prospective large-scale orders for rotating machinery

■ Factors affecting profit and loss

- Increase in sales of after-sales services and changes in the product model composition
- Improvement in project profitability owing to the weaker yen and strong business environment

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	55.6	79.9	135.6	66.0	90.0	156.0	61.1	86.8	148.0	(8.0)
Ordinary Income (Loss)	4.3	3.3	7.7	0.0	2.5	2.5	0.9	0.5	1.5	(1.0)
Orders	73.5	134.9	208.5	approx. 65.0	approx. 85.0	approx. 150.0	77.2	approx. 75.0	approx. 150.0	–

FY2022 previous: Ordinary income of 2.5 billion yen →

FY2022 current: Ordinary income of 1.5 billion yen (Down 1.0 billion yen)

■ Orders—Remain unchanged

- Anticipate orders to reach around 150.0 billion yen owing to water treatment-related business, backed by strong infrastructure investment, new orders for a commercial hydrogen-based direct reduced iron (DRI) plant, and other factors

(For more information about hydrogen-based direct reduced iron plant, please see [H2 Green Steel contracts with Midrex and Paul Wurth for the world's first commercial 100% hydrogen direct reduced iron plant](#), and [Kobe Steel partners with H2 Green Steel for equity investment](#) released on October 12, 2022.)

■ Factors affecting profit and loss

- Reviewed progress of individual projects

(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	194.0	177.6	371.6	185.0	211.0	396.0	183.7	213.2	397.0	1.0
Ordinary Income (Loss)	8.4	3.6	12.0	7.0	0.5	7.5	10.0	(6.0)	4.0	(3.5)

Related data on P44

FY2022 previous: Ordinary income of 7.5 billion yen



**FY2022 current: Ordinary income of 4.0 billion yen
(Down 3.5 billion yen)**

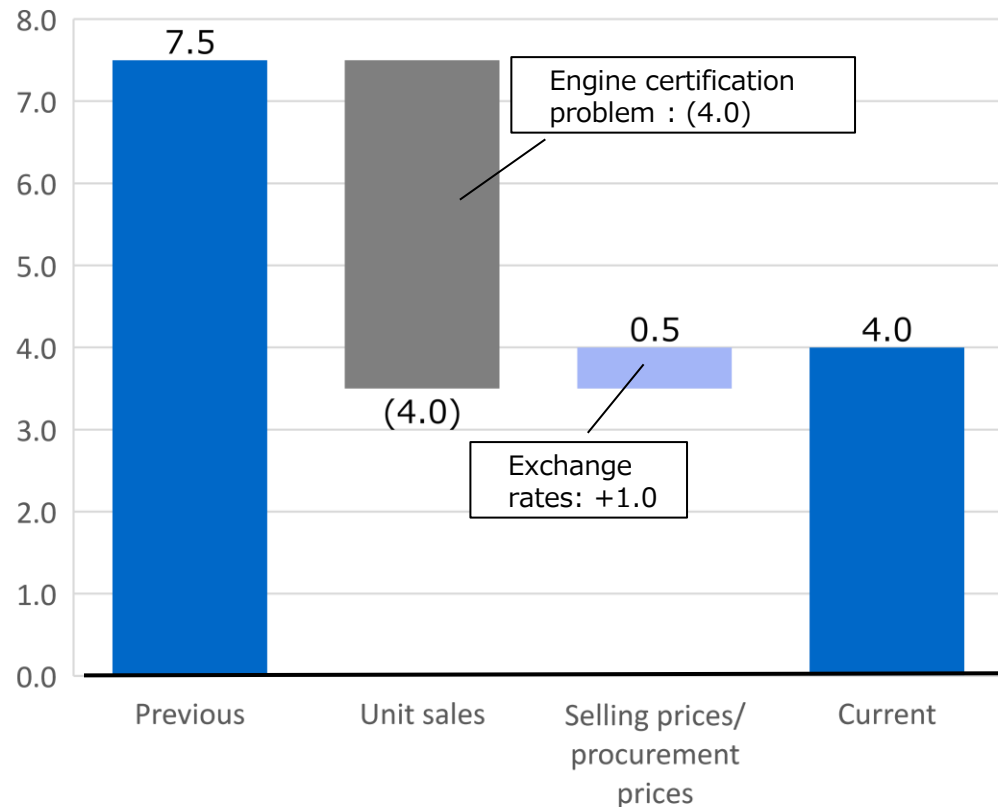
■ Unit Sales

- While demand in China declines as infrastructure investment continued to wane, demand in Japan, North America, Southeast Asia and other regions remains strong
- Unit sales are anticipated to decrease from the previous forecast affected by the engine certification problem

■ Factors affecting profit and loss

- Decline in unit sales
- Profitability improvement due to a weaker yen against the dollar and the euro

(Billions of yen)



(Billions of yen)

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	37.5	72.3	109.8	143.0	146.0	289.0	147.5	171.4	319.0	30.0
Ordinary Income (Loss)	5.7	7.5	13.2	6.0	17.0	23.0	(1.3)	14.8	13.5	(9.5)

FY2022 previous:

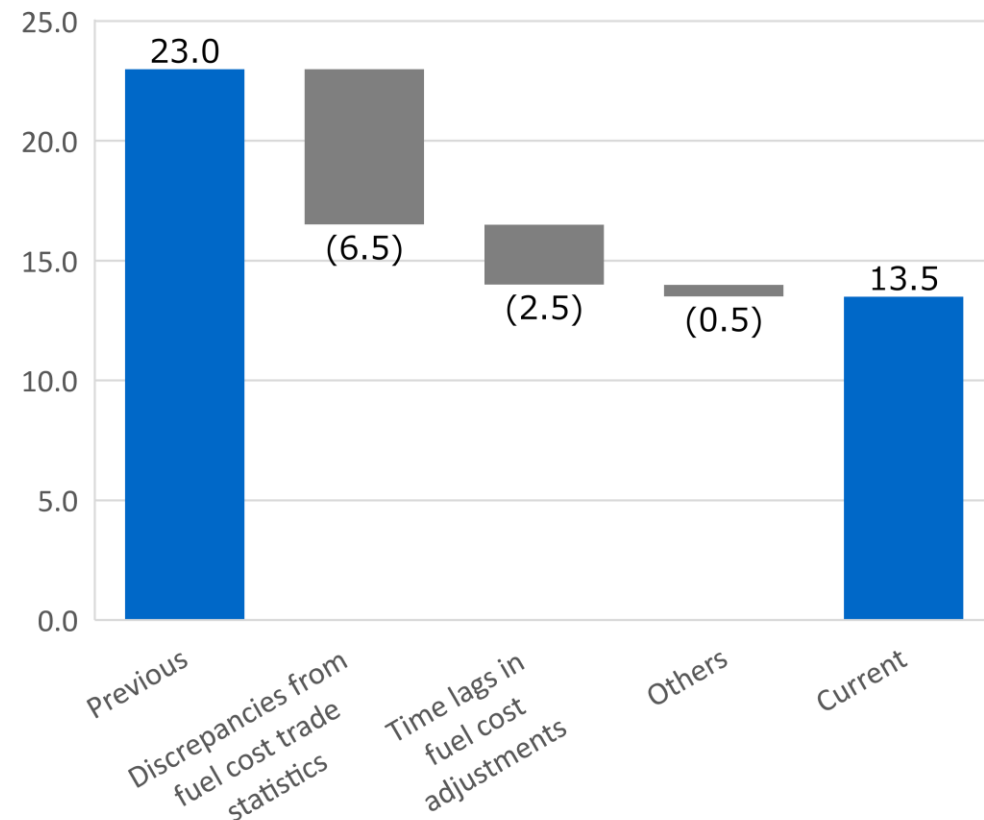
Ordinary income of 23.0 billion yen→

FY2022 current:

Ordinary income of 13.5 billion yen

(Down 9.5 billion yen)

- Sales volume—Remain unchanged
- Unit price—Anticipate an increase
 - Remain increasing owing to higher thermal coal prices
- Factors affecting profit and loss
 - Coal prices in the national trade statistics, an index for the selling price of electricity generated by the Kobe Power Plant No. 1 to No. 4 units, remaining at a lower level than the Company’s coal procurement prices (due to temporary factors)
 - Growing impact of time lags in fuel cost adjustments at the Kobe Power Plant No. 3 unit

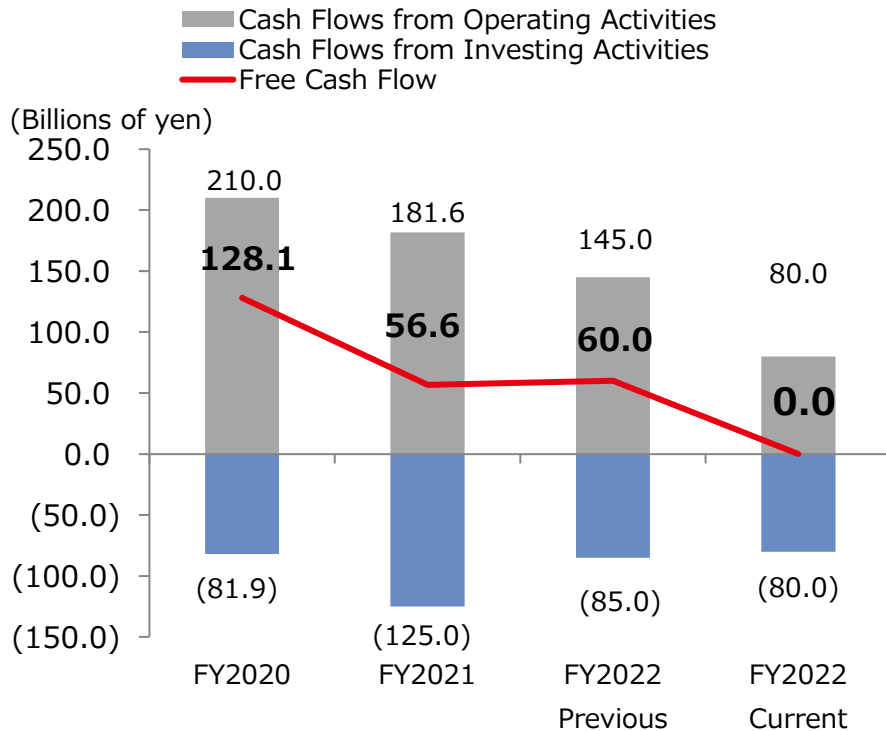


- Kobe Steel determines dividends taking its financial condition, business performance, future capital needs and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle. The target dividend payout ratio is 15 to 25% of consolidated net income attributable to owners of the parent.
- As previously announced on August 9, 2022, Kobe steel resolved to pay an interim dividend of 15 yen per share.
- The year end dividend forecast for fiscal 2022 has not yet been determined.

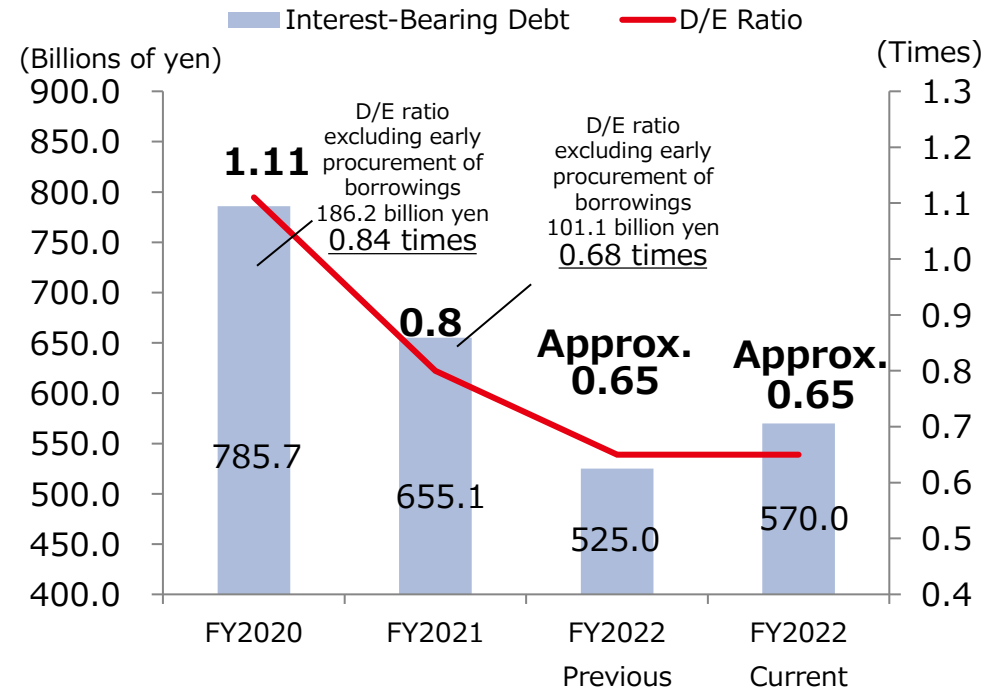
	FY2021			FY2022		
	Interim	Year-end		Interim	Year-end	
Dividends per share in yen	10	30	40	15	Undetermined	Undetermined
Dividend payout ratio			25.0%			

- **Free cash flow is expected to deteriorate from the previous forecast** due to a decline in sales volume in the materials businesses, **a decline in working capital** due to an increase in orders received in the machinery businesses (increase in inventories), and a shift in deposits to the following fiscal year, in addition to **a decline in business performance**.
- In the current fiscal year, we are working to further strengthen cash flow through **setting key performance indicators (KPIs) for ROIC management**. In light of **the outlook for deteriorating cash flow**, we will **take prompt measures and strengthen management, especially for optimizing inventories**.

Free Cash Flow



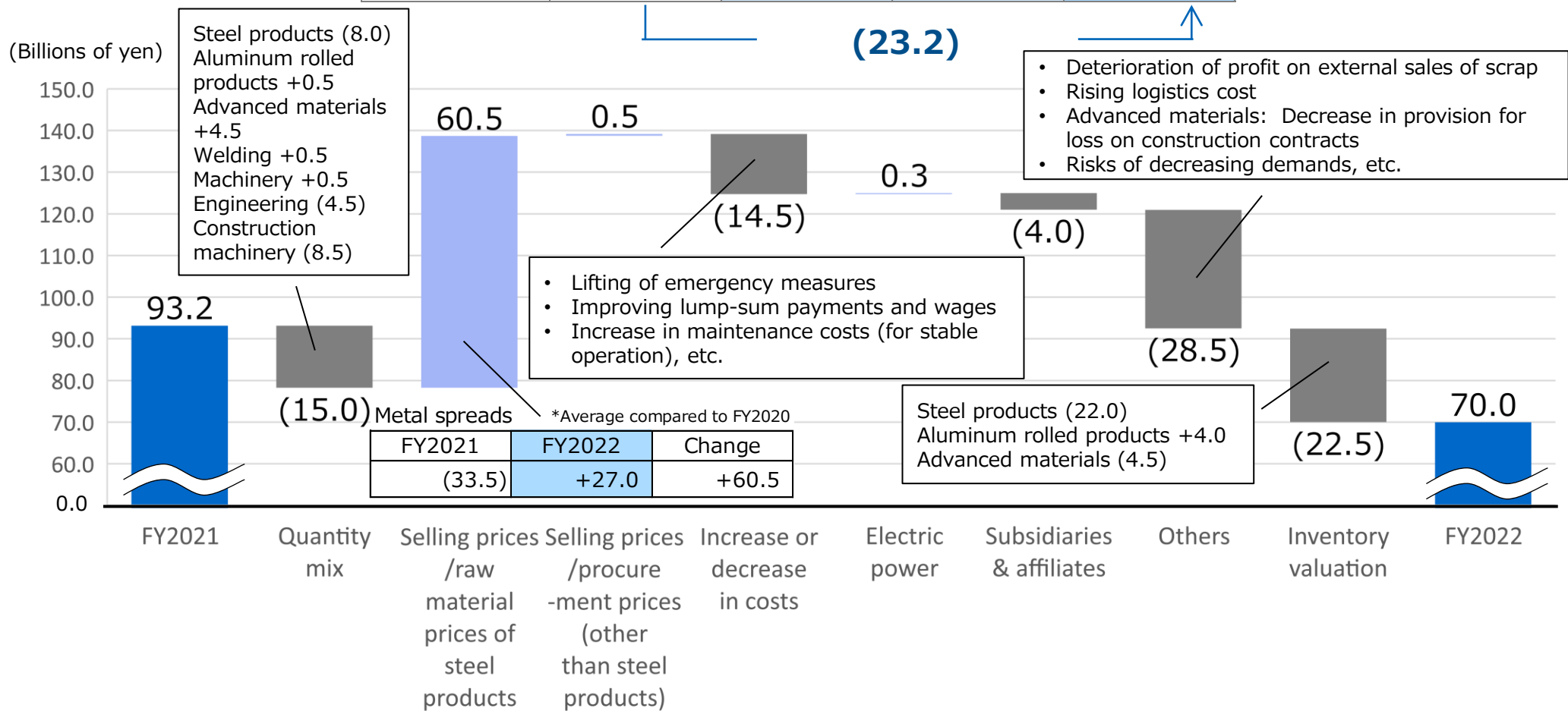
Interest-Bearing Debt & D/E Ratio



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

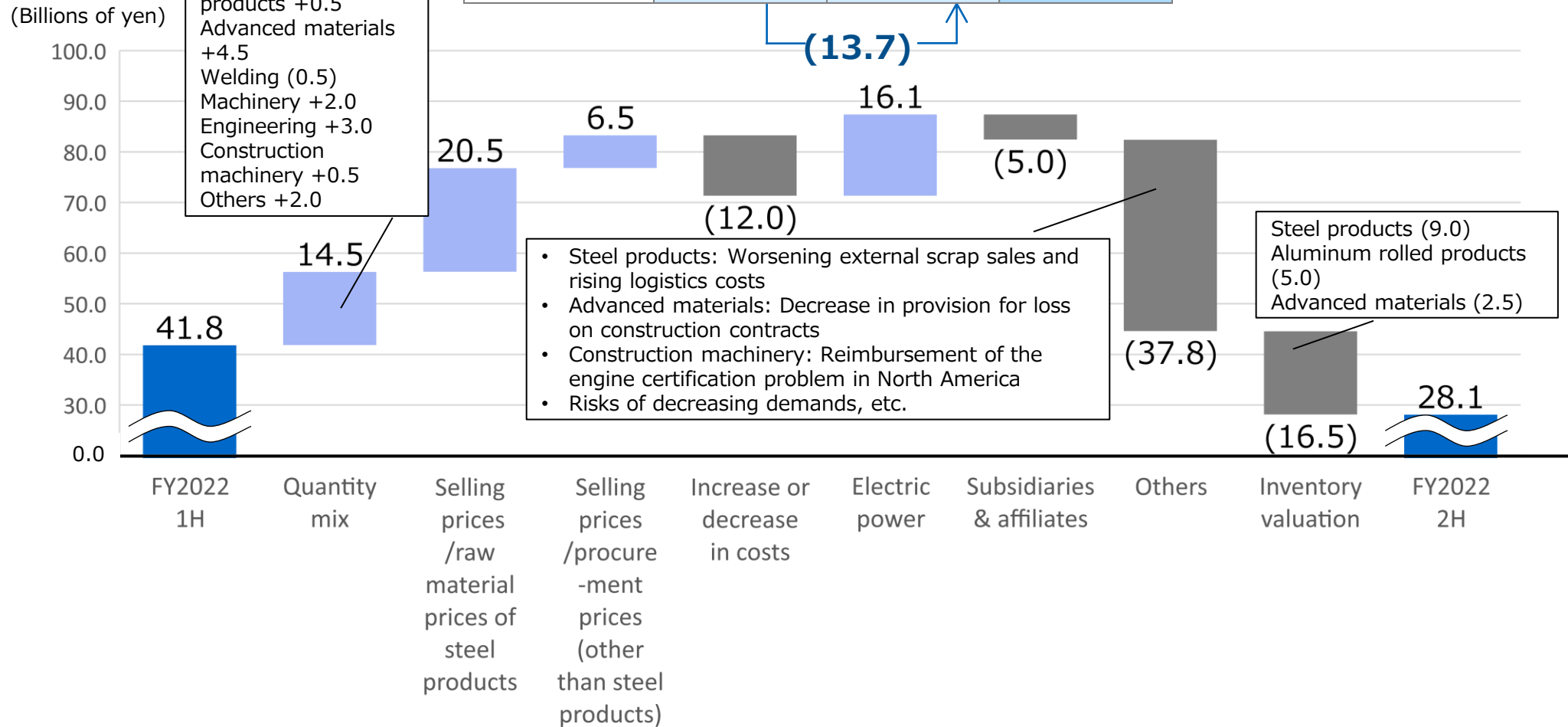
4. Reference Information

Ordinary Income (Loss)		(Billions of yen)		
	FY2021 Actual	FY2022 Forecast (Current)		
		1H	2H	Full Year
Consolidated	93.2	41.8	28.1	70.0



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

Ordinary Income (Loss)		(Billions of yen)		
		FY2022 Forecast		
		1H	2H	Full Year
Consolidated		41.8	28.1	70.0



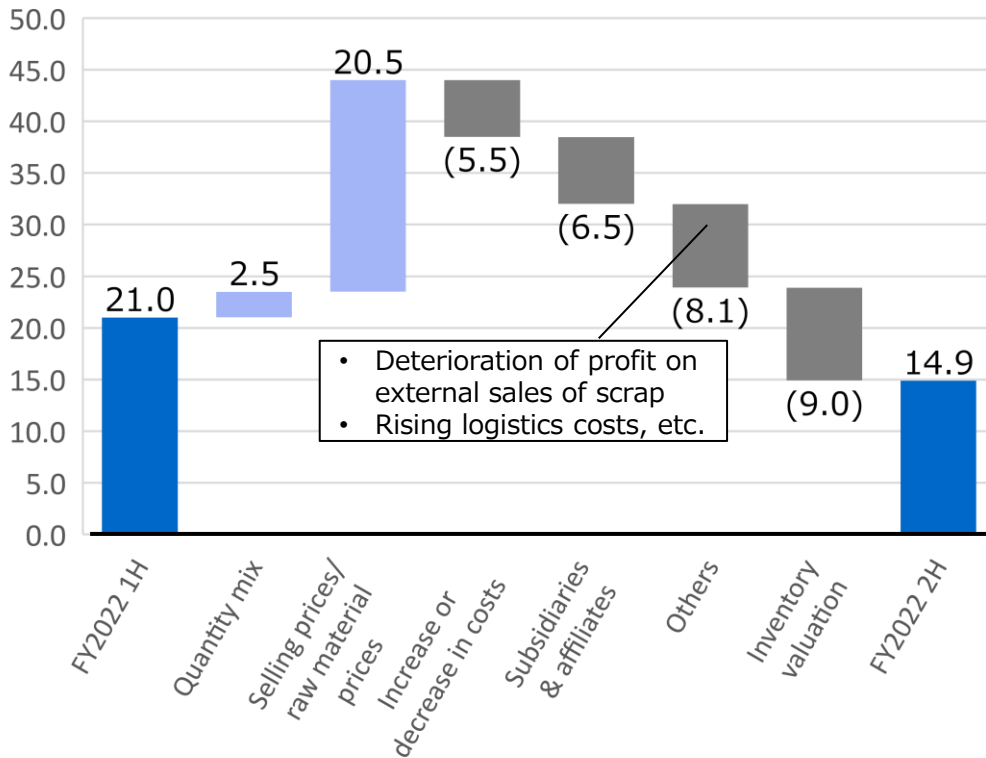
Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

Ordinary Income (Loss) (Billions of yen)

	FY2022 Forecast		
	1H	2H	Full Year
Steel products	21.0	14.9	36.0

(6.1)

(Billions of yen)

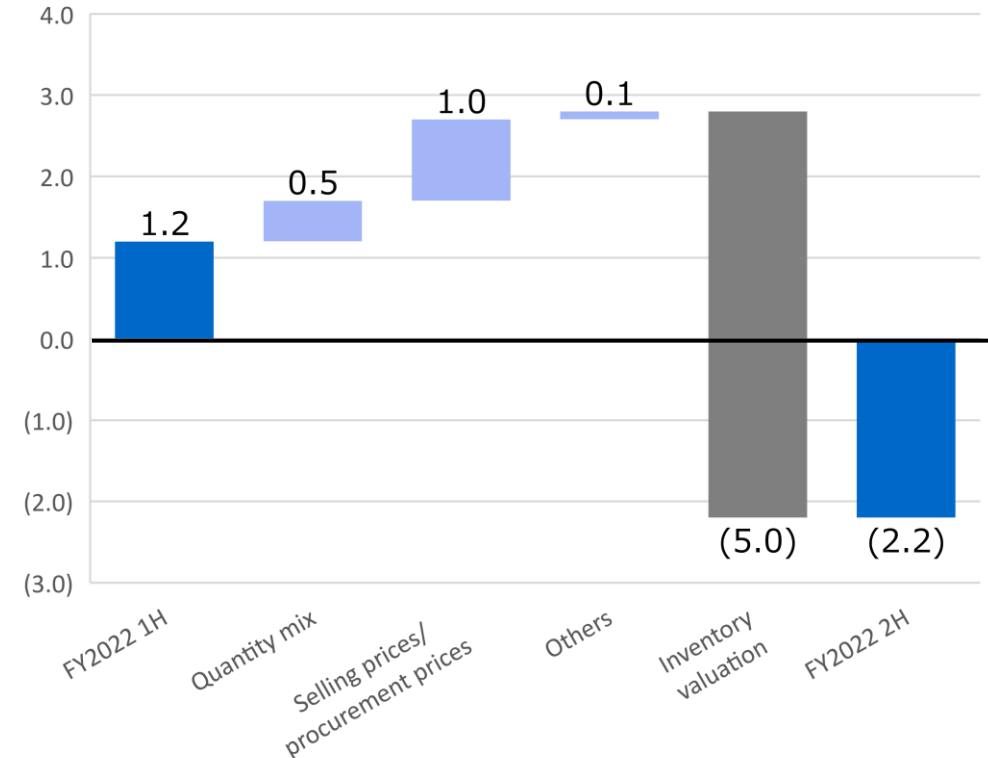


Ordinary Income (Loss) (Billions of yen)

	FY2022 Forecast		
	1H	2H	Full Year
Aluminum rolled products	1.2	(2.2)	(1.0)

(3.4)

(Billions of yen)



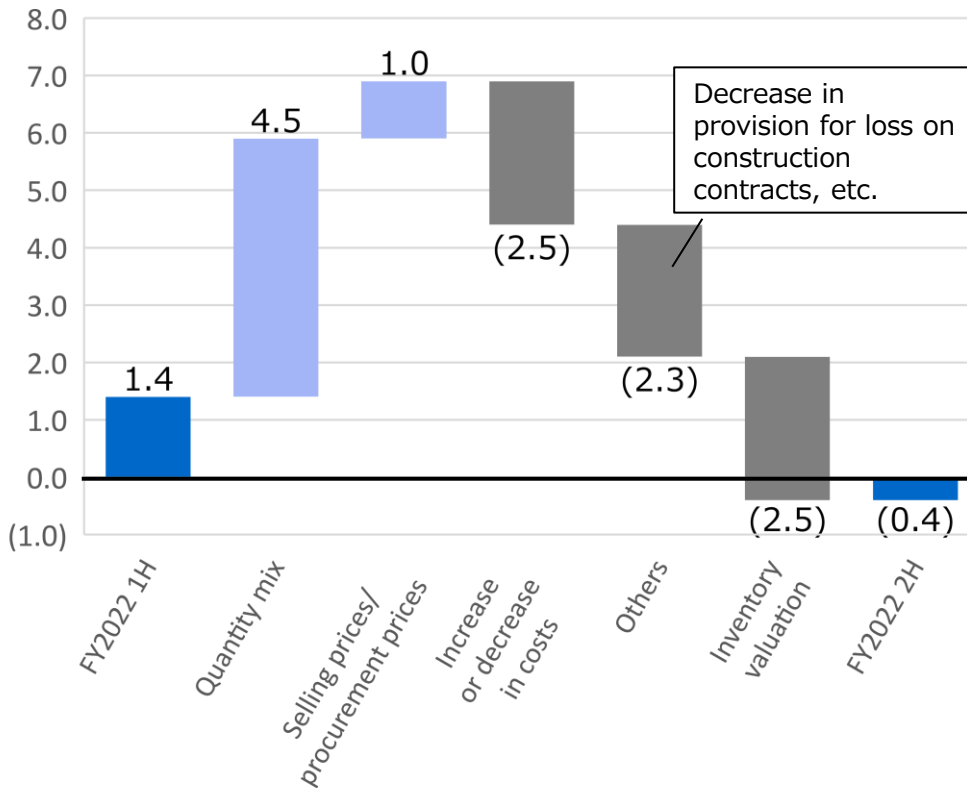
Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

Ordinary Income (Loss) (Billions of yen)

	FY2022 Forecast		
	1H	2H	Full Year
Advanced materials	1.4	(0.4)	1.0

(1.8)

(Billions of yen)

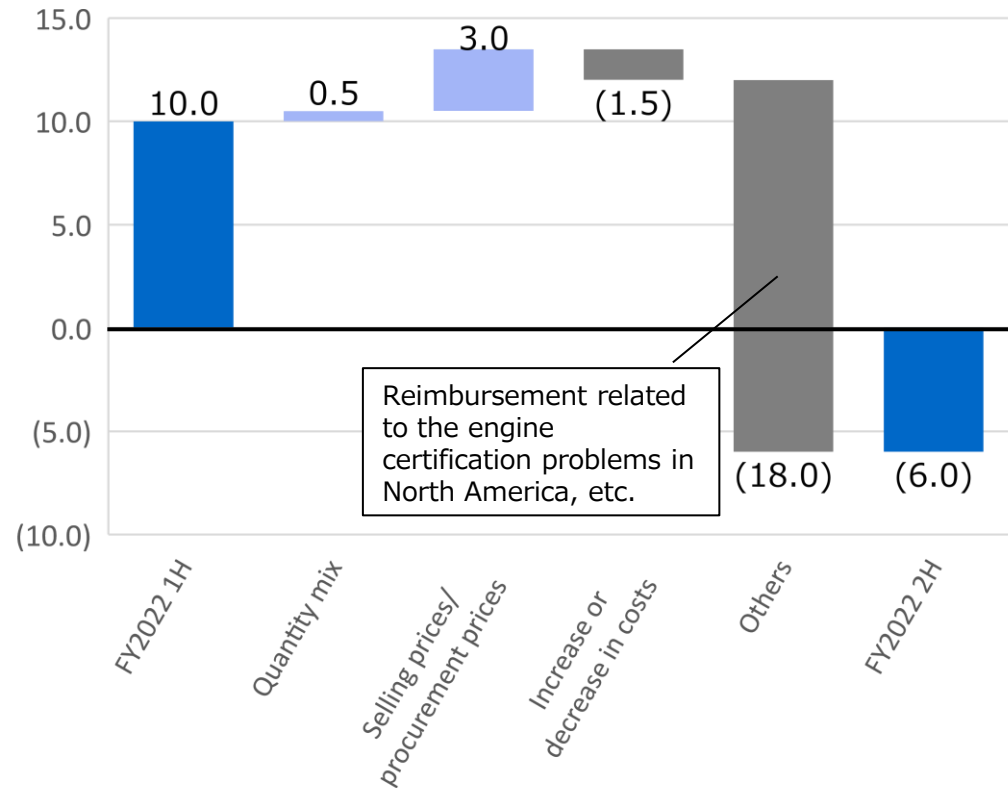


Ordinary Income (Loss) (Billions of yen)

	FY2022 Forecast		
	1H	2H	Full Year
Construction machinery	10.0	(6.0)	4.0

(16.0)

(Billions of yen)



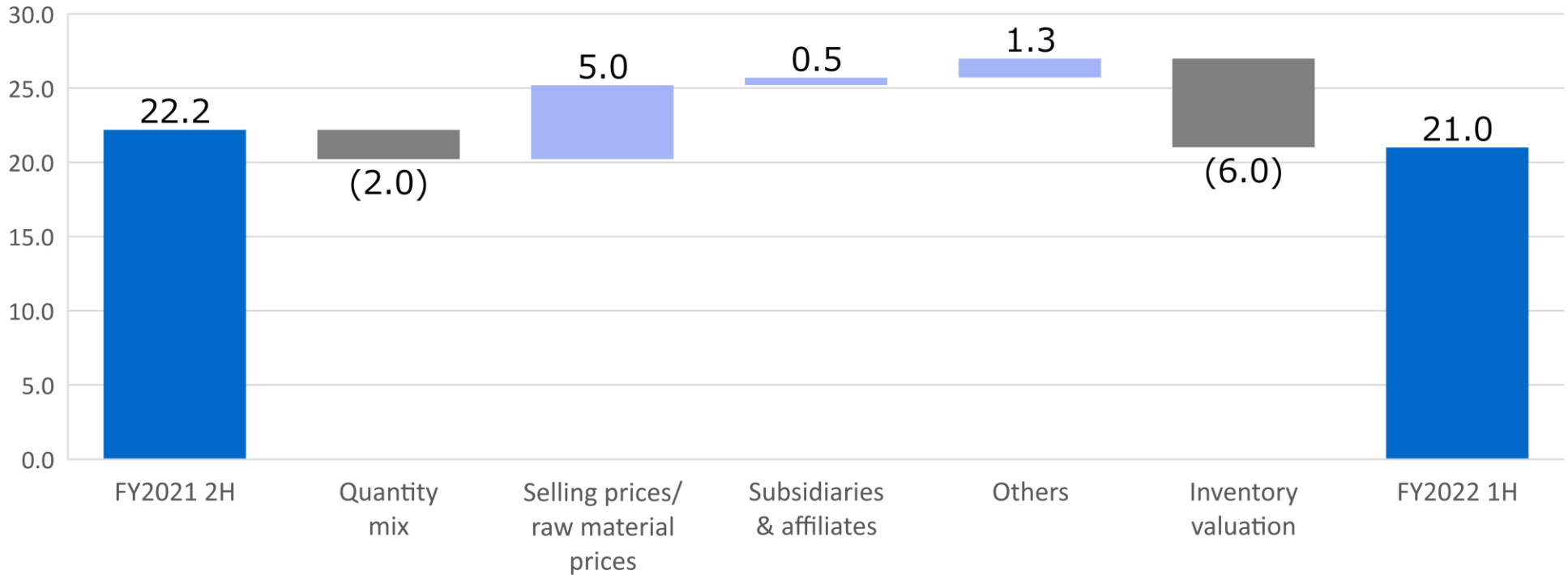
Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

(Billions of yen)

	FY2021 Actual			FY2022 Forecast		
	1H	2H	Full Year	1H	2H	Full Year
Steel products	12.4	22.2	34.6	21.0	14.9	36.0

(1.2)

(Billions of yen)



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

	FY2021 Actual			FY2022 Forecast (Previous)		FY2022 Forecast (Current)		
	1H	2H	Full Year	1H	Full Year	1H	2H	Full Year
Crude steel production*1 (Millions of tons)	3.35	3.24	6.59	approx.3.20	approx. 6.50	3.15	approx. 3.20	approx. 6.30
Sales volume of steel products*2 (Millions of tons)	2.68	2.59	5.27	approx.2.60	approx. 5.30	2.50	approx. 2.60	approx. 5.10
(Domestic)	(2.03)	(1.97)	(3.99)	(approx.2.00)	(approx.4.10)	(1.92)	approx. 2.00	approx. 3.90
(Exports)	(0.66)	(0.62)	(1.28)	(approx.0.60)	(approx.1.20)	(0.58)	approx. 0.60	approx. 1.20
Average steel selling price (Thousands of yen/ton)	95.5	116.1	105.6			134.5		
Export ratio (value basis)	24.9%	23.6%	24.2%			23.4%		
Aluminum rolled products*3 (Thousands of tons)	179	164	343	approx.180	approx.370	170	approx. 190	approx. 360
(Domestic)	(134)	(117)	(250)	(approx.130)	(approx.255)	(119)	approx. 125	approx. 245
(Overseas)	(45)	(47)	(93)	(approx.50)	(approx.115)	(51)	approx. 65	approx. 115
Aluminum extrusions*3 (Thousands of tons)	19	17	36	approx.18	approx.38	17	approx. 19	approx. 37
(Domestic)	(16)	(14)	(30)	(approx.14)	(approx.29)	(14)	approx. 15	approx. 29
(Overseas)	(3)	(3)	(6)	(approx.4)	(approx.9)	(4)	approx. 4	approx. 8
Copper rolled products*2 (Thousands of tons)	29	31	60	approx.29	approx.62	27	approx. 33	approx. 60
Welding materials*3 (Thousands of tons)	133	125	258	approx.125	approx.260	126	approx. 125	approx. 250
(Domestic)	(53)	(54)	(108)	(approx.50)	(approx.105)	(52)	approx. 55	approx. 105
(Overseas)	(80)	(70)	(150)	(approx.75)	(approx.155)	(74)	approx. 70	approx. 145
Hydraulic excavators*4 (Thousands of units)	14.2	13.9	28.1	approx.13.0	approx.26.5	11.9	approx. 14.0	approx. 26.0
(Domestic)	(3.5)	(4.4)	(7.9)	(approx.4.0)	(approx.8.0)	(3.4)	approx. 4.5	approx. 8.0
(Overseas)	(10.7)	(9.5)	(20.2)	(approx.9.0)	(approx.18.5)	(8.5)	approx. 9.5	approx. 18.0
Crawler cranes*3 (Millions of tons)	143	178	321	approx.170	approx.375	145	approx. 195	approx. 340

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

*2 Non-consolidated basis

*3 Consolidated basis

*4 Consolidated basis (including mini-excavators)

(Billions of yen)

Steel products		FY2021 Actual				FY2022 Forecast				
		1Q	2Q	1H	Full Year	1Q	2Q	1H	2H	Full Year
	Iron ore	4.5	1.5	6.0	(2.5)	3.0	2.0	5.0	(7.0)	(2.0)
	Coal	(0.5)	4.0	3.5	11.5	3.5	(6.5)	(3.0)	1.5	(1.5)
	Carry over	4.0	5.5	9.5	9.0	6.5	(4.5)	2.0	(5.5)	(3.5)

	Average method	14.0	8.0	22.0	43.0	18.0	(1.5)	16.5	6.0	22.5
	Lower-of-cost-or-market method	0.0	0.0	0.0	0.0	(2.0)	0.5	(1.5)	0.0	(1.5)
	Inventory valuation	14.0	8.0	22.0	43.0	16.0	(1.0)	15.0	6.0	21.0

Aluminum rolled products		FY2021 Actual				FY2022 Forecast				
		1Q	2Q	1H	Full Year	1Q	2Q	1H	2H	Full Year
	Average method	0.5	(0.5)	0.0	2.0	4.0	1.5	5.5	0.5	6.0
	Lower-of-cost-or-market method	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Inventory valuation	0.5	(0.5)	0.0	2.0	4.0	1.5	5.5	0.5	6.0

Advanced materials		FY2021 Actual				FY2022 Forecast				
		1Q	2Q	1H	Full Year	1Q	2Q	1H	2H	Full Year
	Average method	3.0	0.0	3.0	6.0	2.5	0.0	2.5	(1.0)	1.5
	Lower-of-cost-or-market method	0.0	0.0	0.0	0.0	(0.5)	0.0	(0.5)	0.5	0.0
	Inventory valuation	3.0	0.0	3.0	6.0	2.0	0.0	2.0	(0.5)	1.5

(Billions of yen)

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast (Previous)	FY2022 Forecast (Current)
Cash flows from operating activities	72.3	21.4	210.0	181.6	145.0	80.0
Cash flows from investing activities	(10.9)	(133.4)	(81.9)	(125.0)	(85.0)	(80.0)
Free cash flow (excluding project financing)	61.4	(112.0)	128.1	56.6	60.0	0.0
Free cash flow (including project financing)	38.5	(191.9)	52.9	7.2	70.0	15.0
Cash and deposits (excluding project financing)	192.6	134.9	301.8	243.2	140.0	125.0

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast (Previous)	FY2022 Forecast (Current)
Capital investment (accrual basis)	133.4	239.8	185.0	108.1	115.0	115.0
Capital investment (payment basis)	132.4	245.3	173.2	156.4	105.0	100.0
Depreciation	102.5	105.3	100.8	105.1	120.0	115.0

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast (Previous)	FY2022 Forecast (Current)
Net income (loss) per share	99.20 yen	(187.55) yen	64.05 yen	160.23 yen	152.07 yen	113.98 yen
Outside debt	760.3 billion yen	906.6 billion yen	987.8 billion yen	908.4 billion yen	795.0 billion yen	840.0 billion yen
Outside debt excluding debt from IPP project financing	724.2 billion yen	784.4 billion yen	785.7 billion yen	655.1 billion yen	525.0 billion yen	570.0 billion yen
D/E ratio *1	^{*2} 0.98 times	^{*3} 1.19 times	^{*4} 1.11 times	^{*5} 0.80 times	approx. 0.65 times	approx. 0.65 times
ROS *6	1.8%	(0.4)%	0.9%	4.5%	3.2%	2.8%
ROA *7	1.5%	(0.3)%	0.6%	3.5%	2.9%	2.6%
ROE *8	4.8%	(9.7)%	3.4%	7.9%	7.1%	5.3%
ROIC *9	2.8%	0.9%	1.1%	4.7%	4.0%	3.2%

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

*2: Includes early procurement of borrowings for fiscal 2018 (92.1 billion yen)
D/E ratio 0.85 times (excluding early procurement of borrowings)

*3: Includes early procurement of borrowings for fiscal 2019 (62.1 billion yen)
D/E ratio 1.10 times (excluding early procurement of borrowings)

*4: Includes early procurement of borrowings for fiscal 2020 (186.2 billion yen)
D/E ratio 0.84 times (excluding early procurement of borrowings)

*5: Includes early procurement of borrowings for fiscal 2021 (101.1 billion yen)
D/E ratio 0.68 times (excluding early procurement of borrowings)

*6: ROS: Ordinary income / Net sales

*7: ROA: Ordinary income / Total assets

*8: ROE: Net income attributable to owners of
the parent / Stockholders' equity

*9: ROIC: After-tax operating income / invested capital

	FY2021 Actual			FY2022 Forecast (Previous)			FY2022 Forecast (Current)		
	1H	2H	Full Year	1H	2H	Full Year	1H	2H	Full Year
1 U.S. dollar to yen	109.8	115.0	112.4	132.3	135.0	133.7	135.3	145.0	140.2
1 Chinese yuan to yen	17.0	18.0	17.5	19.3	19.0	19.2	19.9	20.0	20.0
1 euro to yen	130.9	130.2	130.6	136.6	135.0	135.8	139.1	140.0	139.6

Analysis of exchange rate sensitivity

Impact of the 1 yen depreciation against the U.S. dollar on future business performance (FY2022 2H)

Steel products: approx. 0.0 billion yen

(Impact of dollar balance: (0.6) billion yen, inventory valuation, cost pass-through to selling price, etc.: +0 billion yen)

Construction machinery: approx. +0.1 billion yen

Impact of the 1 yen depreciation against the euro on future business performance (FY2022 2H)

Construction machinery: +0.2 billion yen

◆ **FTSE4Good Index Series**
(From Jun. 2021)



FTSE4Good

◆ **FTSE Blossom Japan Sector Relative Index**
(From Apr. 2022)



FTSE Blossom Japan Sector Relative Index

◆ **FTSE Blossom Japan Index**
(From Jun. 2021)



FTSE Blossom Japan

◆ **MSCI JAPAN ESG SELECT LEADERS INDEX***
(From Jul. 2022)

2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

◆ **CDP**
(From Dec. 2020)



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

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



*THE INCLUSION OF KOBELCO, LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF KOBELCO, LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

<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