

# Financial Results for the First Half of Fiscal 2023 and Forecast for the Full Fiscal Year

November 9, 2023  
Kobe Steel, Ltd.

**KOBELCO**

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# 1. Summary of Financial Results and Forecast

## Summary of Financial Results for the First Half of Fiscal 2023

(Year on year)

- Despite a year-on-year increase in the production volume of automobiles along **with the easing semiconductor shortage, etc.**, sales volume of steel products and aluminum rolled products decreased due to **a decline in demand in the IT and semiconductor sectors** and sluggish demand in the construction and civil engineering sectors.
- **Ordinary profit increased by 49.7 billion yen year on year to 91.6 billion yen** (record high) primarily due to **a significant improvement in steel metal spreads**, as well as strong earnings in the electric power business with **the start of operation of the Kobe Power Plant No. 4 unit**, **improved effect of time lags in fuel cost adjustments**, **effect of temporary gains from changes in electricity selling prices (differences between the coal trade statistics price, an indicator for determining electricity selling price, and our Company purchase price)**, etc., despite a decrease in sales volumes of steel products and aluminum rolled products, a decline in inventory valuation gains, and a decline in compensation income related to the engine certification problem in the construction machinery business. **Profit attributable to owners of parent increased by 52.3 billion yen year on year to 80.3 billion yen** (record high) due to an increase in ordinary profit and **gains on the transfer of fixed assets at subsidiaries**.

## Summary of Revisions to Fiscal 2023 Full-Year Earnings Forecast

(Compared to the previous forecast)

- Although steel metal spreads are expected to **remain roughly at a similar level to the previous forecast**, we anticipate **a decline in sales volume in the materials businesses** due to a decline in demand in the construction and civil engineering sectors and slow demand recovery in some part of the IT and semiconductor sectors, and **a decline in unit sales of construction machinery** mainly in Europe and Southeast Asia. On the other hand, in **the machinery business**, where demand is strong, **orders are expected to increase** to a similar level to fiscal 2022 that saw record high orders.
- **Ordinary profit is expected to be around 145.0 billion yen (ROIC 6.9%)**, which is similar to the previous forecast, due to strong earnings in the machinery business with an increase in service contracts and an improvement in order profitability, improvement in export profitability in the construction machinery business along with the depreciation of the yen, **effect of temporary gains from changes in electricity selling prices in the electric power business**, and an improvement in inventory valuation gains, despite **a decrease in sales volume in the materials businesses and the construction machinery business**. Profit attributable to owners of parent is expected to be around 120.0 billion yen (record high), a similar level to the previous forecast.

(Billions of yen)

|  | FY2022 Actual     |                    | FY2023 Forecast (Previous) | FY2023 Forecast (Current) |                | Change    |                  |                  |
|--|-------------------|--------------------|----------------------------|---------------------------|----------------|-----------|------------------|------------------|
|  | 1H<br>①           | Full Year<br>②     |                            | 1H<br>④                   | Full Year<br>⑤ | 1H<br>④-① | Full Year<br>⑤-② | Full Year<br>⑤-③ |
| Net Sales                                      | 1,169.6           | 2,472.5            | 2,590.0                    | 1,253.8                   | 2,570.0        | 84.1      | 97.5             | (20.0)           |
| Operating Profit (Loss)                        | 19.7              | 86.3               | 165.0                      | 92.1                      | 165.0          | 72.3      | 78.7             | -                |
| Steel & Aluminum                               | 22.3              | 41.9               | 33.0                       | 20.7                      | 25.5           | (1.5)     | (16.4)           | (7.5)            |
| Advanced Materials                             | 1.4               | 0.9                | 3.5                        | (0.0)                     | 2.0            | (1.5)     | 1.1              | (1.5)            |
| Welding  | 0.8               | 2.8                | 4.0                        | 1.5                       | 4.0            | 0.7       | 1.2              | -                |
| Machinery                                      | <sup>*1</sup> 5.0 | <sup>*1</sup> 15.7 | 22.0                       | 10.3                      | 26.0           | 5.3       | 10.3             | 4.0              |
| Engineering                                    | 0.9               | 4.1                | 8.0                        | 6.2                       | 8.0            | 5.2       | 3.9              | -                |
| Construction Machinery                         | 10.0              | 12.3               | 13.0                       | 5.0                       | 11.0           | (4.9)     | (1.3)            | (2.0)            |
| Electric Power                                 | (1.3)             | 24.5               | 66.0                       | 47.4                      | 70.0           | 48.8      | 45.5             | 4.0              |
| Other Businesses                               | <sup>*1</sup> 2.4 | <sup>*1</sup> 4.8  | 4.5                        | 1.7                       | 3.5            | (0.6)     | (1.3)            | (1.0)            |
| Adjustment                                     | 0.1               | (0.7)              | (9.0)                      | (1.5)                     | (5.0)          | (1.6)     | (4.3)            | 4.0              |
| Ordinary Profit (Loss)                         | <b>41.8</b>       | 106.8              | <b>145.0</b>               | <b>91.6</b>               | <b>145.0</b>   | 49.7      | 38.2             | -                |
| Excluding Inventory Valuation                  | 19.3              | 82.8               | 146.0                      | 96.1                      | 141.5          | 76.7      | 58.7             | (4.5)            |
| Extraordinary Income (Losses)                  | (2.6)             | (8.7)              | 27.0                       | <sup>*2</sup> 27.7        | 27.7           | 30.3      | 36.4             | 0.7              |
| Profit (Loss) Attributable to Owners of Parent | 28.0              | 72.5               | <b>120.0</b>               | 80.3                      | <b>120.0</b>   | 52.3      | 47.5             | -                |

\*1 Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other segment, has come under the Machinery segment. According to this change, the results for fiscal 2022 have been recalculated.

\*2 Gain on transfer of fixed assets in subsidiaries.

Automobile production

- Both domestic and overseas production remain at a similar level to the previous forecast.  
 \*Affected units : Steel products, aluminum rolled products, aluminum extrusions, aluminum suspensions, copper rolled products, steel powder, and welding
- Listed below are estimated changes in automobile production volume by Japanese automobile manufacturers (including overseas production), compared to the average in fiscal 2019.

|        | FY2022 Actual |       |       |           | FY2023 Forecast (Previous) |      |      |           | FY2023 Forecast (Current) |       |      |           |
|--------|---------------|-------|-------|-----------|----------------------------|------|------|-----------|---------------------------|-------|------|-----------|
|        | 1Q            | 2Q    | 2H    | Full Year | 1Q                         | 2Q   | 2H   | Full Year | 1Q                        | 2Q    | 2H   | Full Year |
| Change | (22%)         | (10%) | (12%) | (14%)     | (14%)                      | (9%) | (7%) | (9%)      | (11%)                     | (10%) | (7%) | (9%)      |

IT and semiconductors

- Disk materials: **Similar to the previous forecast** (Demand is expected to drop sharply year on year due to slow demand recovery but is expected to recover gradually from the second half of the fiscal year or later. Full-fledged recovery is expected in the next fiscal year or later.)
- Semiconductors: **Down from the previous forecast** as demand and supply adjustment phase continues  
 \*Affected units : Aluminum rolled products, aluminum castings and forgings, and copper rolled products

Shipbuilding

- Similar to the previous forecast** (In fiscal 2023, the amount of construction work completed is expected to increase year on year despite exacerbating labor shortages.)  
 \*Affected units : Steel products, steel castings and forgings, and welding

Aircraft

- Similar to the previous forecast** (Demand is on a recovery trend and expected to increase year on year.)  
 \*Affected units : Titanium, and aluminum castings and forgings

Beverage cans

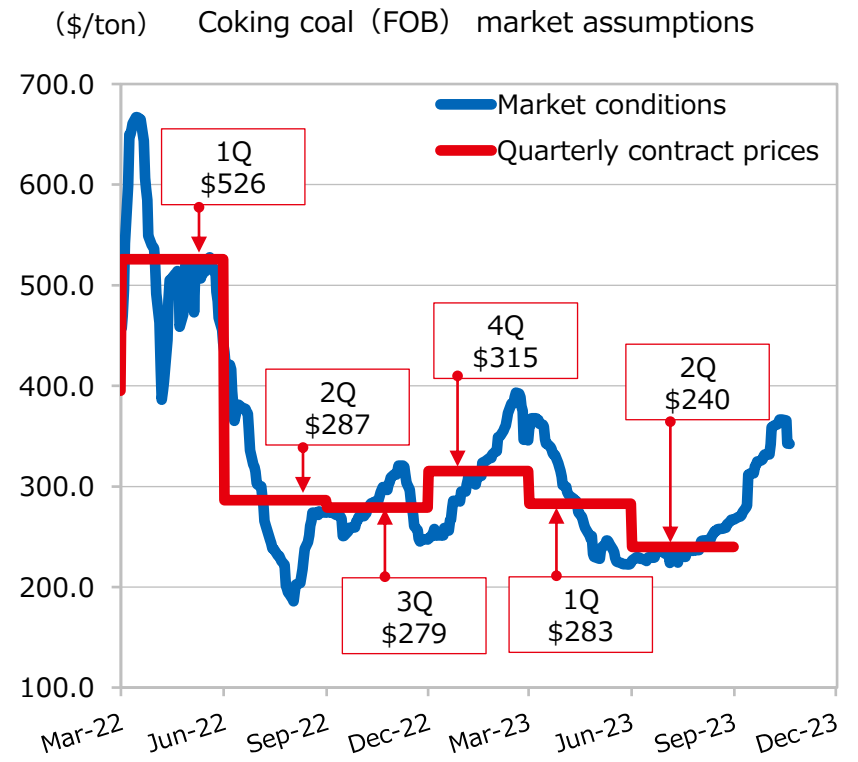
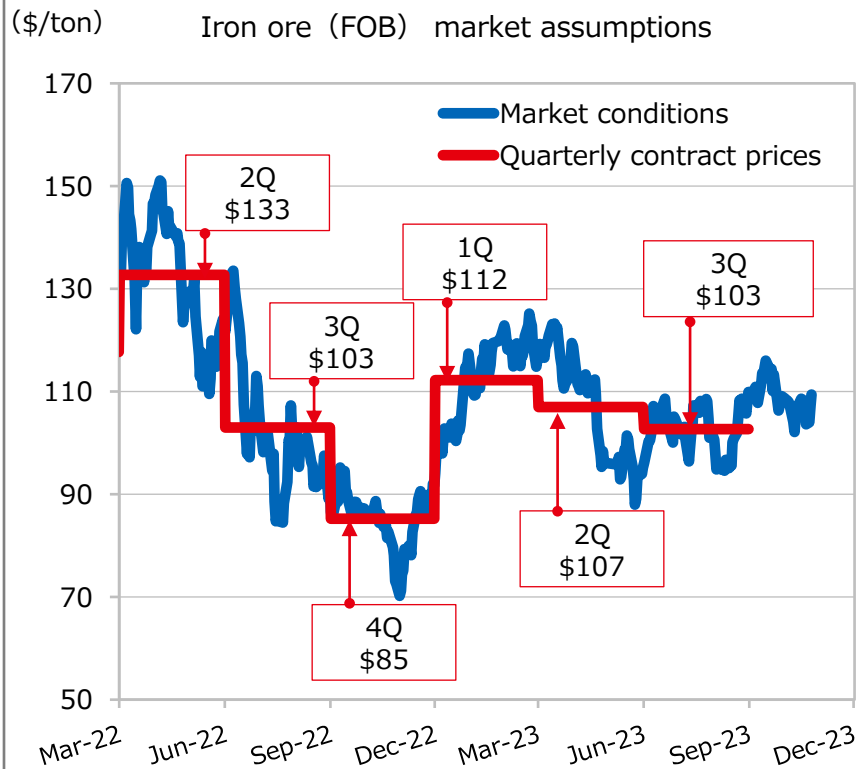
- Similar to the previous forecast** (Demand is expected to recover and remain at a similar level to the previous fiscal year along with the increase in the flow of people.)  
 \*Affected units : Aluminum rolled products

Construction and civil engineering

- Down from the previous forecast**, as the construction projects continue to be pushed back due to labor shortages.  
 \*Affected units : Steel products and welding

Iron ore: The 3Q price has been settled at \$103. The 4Q price is expected to be similar to the 3Q price.  
 Coking coal: The 2Q price has been settled at \$240. The 2H price is expected to be slightly reversed from the 2Q price.  
 Thermal coal: The market price was at a high level but turned downward in May. It turned around in July and has been around \$160 in September. Second-half prices are assumed based on the September market conditions.

Raw material market conditions



## 2. Financial Results for the First Half of Fiscal 2023



**Net sales of 1,253.8 billion yen (Up 84.1 billion yen year on year)**

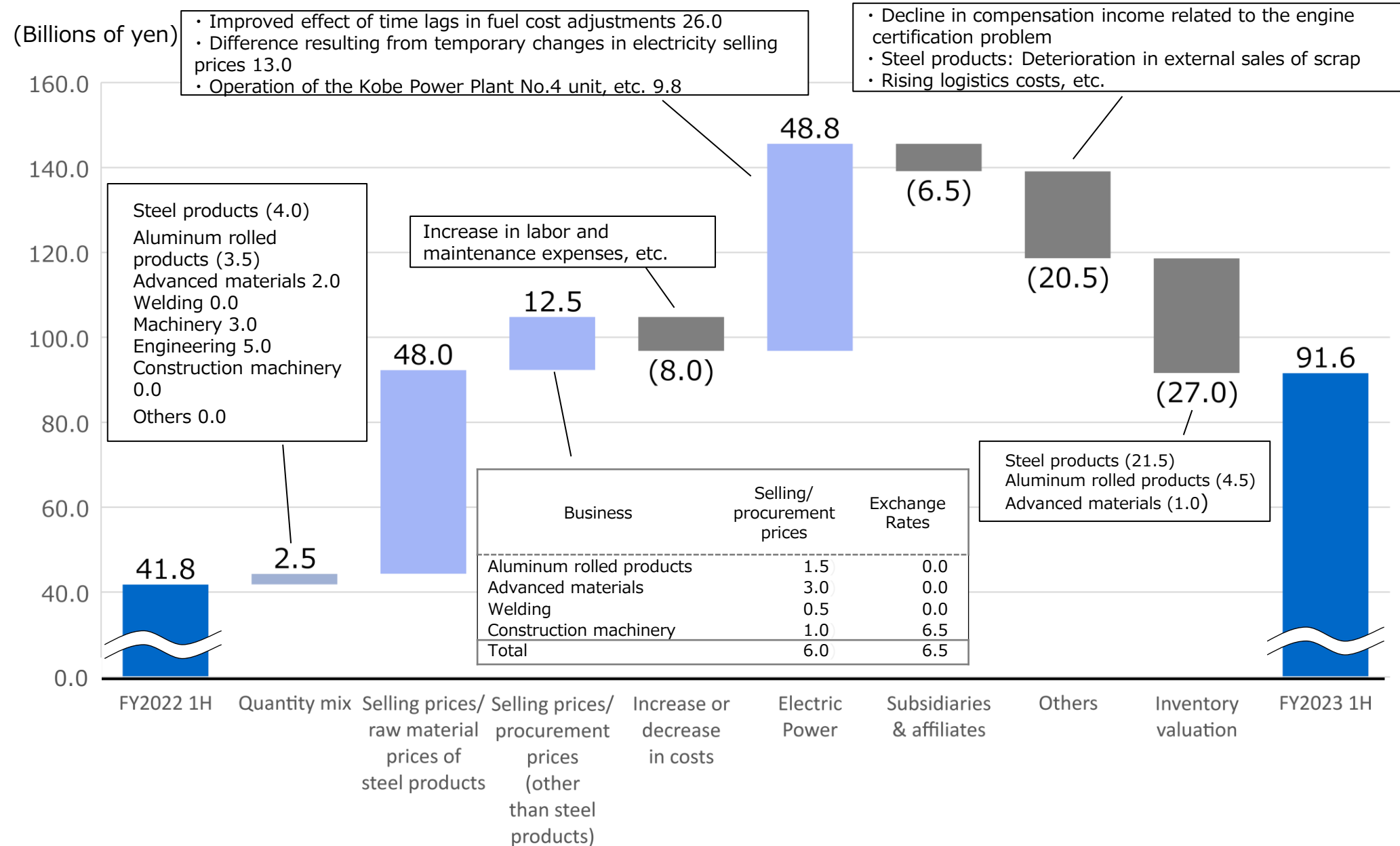
- Net sales increased due to selling price improvements in the materials businesses and the construction machinery business, progress of projects ordered in the machinery and engineering businesses, and the start of operation of the Kobe Power Plant No.4 unit in the electric power business.

**Ordinary profit of 91.6 billion yen (Up 49.7 billion yen year on year)**

- Ordinary profit increased due to a significant improvement in steel metal spreads (along with a decline in coking coal prices and progress in selling price improvements), an increase in net sales in the machinery and engineering businesses, the start of operation of the Kobe Power Plant No. 4 unit, improved effect of time lags in fuel cost adjustments, and effect of temporary gains from changes in electricity selling prices, despite a decrease in sales volume of steel products and aluminum rolled products, a decline in inventory valuation gains, and a decline in compensation income related to the engine certification problem in the construction machinery business.

|  | FY2022  | FY2023            | (Billions of yen) |
|--|---------|-------------------|-------------------|
|  | 1H ①    | 1H ②              | Change<br>②-①     |
| Net Sales                                      | 1,169.6 | 1,253.8           | 84.1              |
| Operating Profit (Loss)                        | 19.7    | 92.1              | 72.3              |
| Ordinary Profit (Loss)                         | 41.8    | 91.6              | 49.7              |
| Excluding Inventory Valuation                  | 19.3    | 96.1              | 76.7              |
| Extraordinary Income (Losses)                  | (2.6)   | 27.7 <sup>*</sup> | 30.3              |
| Profit (Loss) Attributable to Owners of Parent | 28.0    | 80.3              | 52.3              |

\* Gain on transfer of fixed assets in subsidiaries.



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

### Net Sales

(Billions of yen)

|                        | FY2022            | FY2023         | Change      |
|------------------------|-------------------|----------------|-------------|
|                        | 1H ①              | 1H ②           | ②-①         |
| Steel & Aluminum       | 536.5             | 548.9          | 12.3        |
| Advanced Materials     | 133.1             | 141.8          | 8.7         |
| Welding                | 42.1              | 46.4           | 4.2         |
| Machinery              | 92.7 <sup>*</sup> | 103.2          | 10.4        |
| Engineering            | 61.1              | 75.1           | 14.0        |
| Construction Machinery | 183.7             | 192.6          | 8.8         |
| Electric Power         | 147.5             | 172.7          | 25.2        |
| Other Businesses       | 4.2 <sup>*</sup>  | 4.5            | 0.3         |
| Adjustment             | (31.7)            | (31.9)         | (0.1)       |
| <b>Total</b>           | <b>1,169.6</b>    | <b>1,253.8</b> | <b>84.1</b> |

### Ordinary Profit (Loss)

(Billions of yen)

|                        | FY2022           | FY2023      | Change      |
|------------------------|------------------|-------------|-------------|
|                        | 1H ③             | 1H ④        | ④-③         |
| Steel & Aluminum       | 22.3             | 20.7        | (1.5)       |
| Advanced Materials     | 1.4              | (0.0)       | (1.5)       |
| Welding                | 0.8              | 1.5         | 0.7         |
| Machinery              | 5.0 <sup>*</sup> | 10.3        | 5.3         |
| Engineering            | 0.9              | 6.2         | 5.2         |
| Construction Machinery | 10.0             | 5.0         | (4.9)       |
| Electric Power         | (1.3)            | 47.4        | 48.8        |
| Other Businesses       | 2.4 <sup>*</sup> | 1.7         | (0.6)       |
| Adjustment             | 0.1              | (1.5)       | (1.6)       |
| <b>Total</b>           | <b>41.8</b>      | <b>91.6</b> | <b>49.7</b> |

\* Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other segment, has come under the Machinery segment. According to this change, the results for fiscal 2022 have been recalculated.

(Billions of yen)

|                          |                               | FY2022 | FY2023 | Change |
|--------------------------|-------------------------------|--------|--------|--------|
|                          |                               | 1H ①   | 1H ②   | ②-①    |
| Steel products           | Net Sales                     | 438.3  | 452.4  | 14.0   |
|                          | Ordinary Profit (Loss)        | 21.0   | 25.9   | 4.8    |
|                          | Excluding Inventory Valuation | 6.0    | 32.4   | 26.3   |
| Aluminum rolled products | Net Sales                     | 98.1   | 96.5   | (1.6)  |
|                          | Ordinary Profit (Loss)        | 1.2    | (5.1)  | (6.3)  |
|                          | Excluding Inventory Valuation | (4.2)  | (6.1)  | (1.8)  |
| Total                    | Net Sales                     | 536.5  | 548.9  | 12.3   |
|                          | Ordinary Profit (Loss)        | 22.3   | 20.7   | (1.5)  |
|                          | Excluding Inventory Valuation | 1.8    | 26.2   | 24.4   |

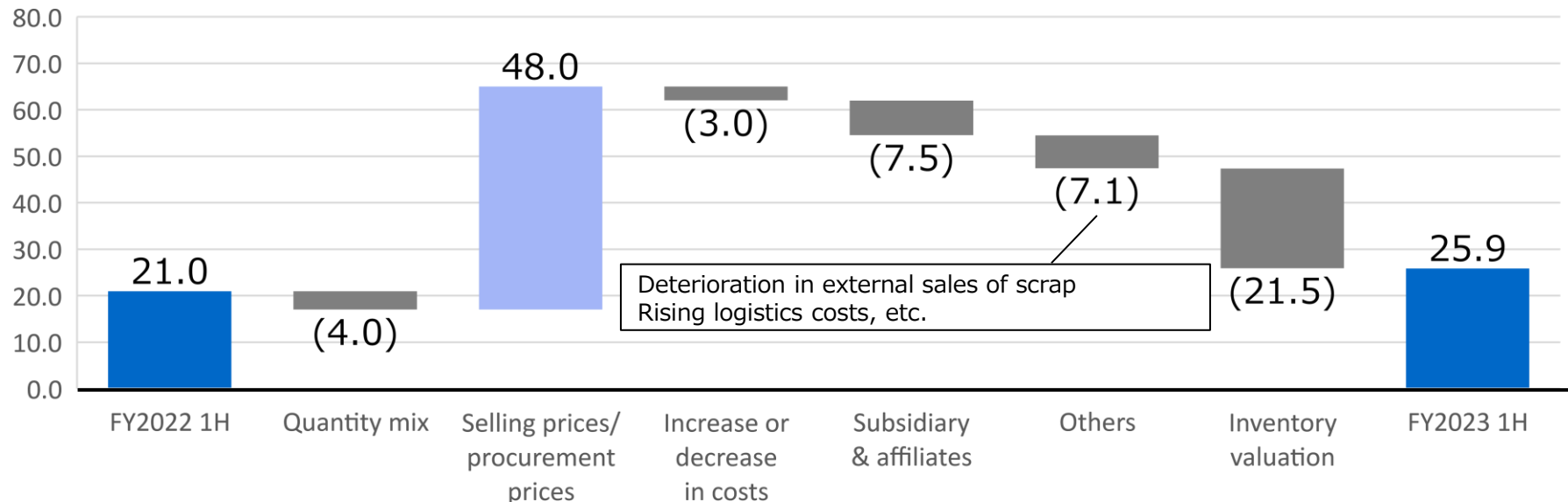
Steel products

FY2022 1H : Net sales of 438.3 billion yen →  
FY2023 1H : Net sales of 452.4 billion yen (Up 14.0 billion yen year on year)  
FY2022 1H : Ordinary profit of 21.0 billion yen →  
FY2023 1H : Ordinary profit of 25.9 billion yen (Up 4.8 billion yen year on year)

- Crude steel production: 3.09 million tons (Down 0.06 million tons year on year)
- Sales volume: 2.47 million tons (Down 0.03 million tons year on year)
  - Despite an increase in sales volume in the automotive sector along with demand recovery, overall sales volume remained at a similar level year on year due to a decline in demand in other sectors.
- Selling price: 140,400 yen/ton (Up 5,900 yen/ton year on year)
- Factors affecting profit and loss
  - Decrease in sales volume
  - Improvement in steel metal spreads (along with a decline in coking coal prices and progress in selling price improvements)
  - Increase in costs, centered on fixed costs such as maintenance costs
  - Deteriorating business performance of U.S. affiliates
  - Decrease in inventory valuation gains

(Billions of yen)

[Related data on P42-43](#)



Deterioration in external sales of scrap  
Rising logistics costs, etc.

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

Aluminum  
rolled  
products

FY2022 1H : Net sales of 98.1 billion yen →

FY2023 1H : Net sales of 96.5 billion yen (Down 1.6 billion yen year on year)

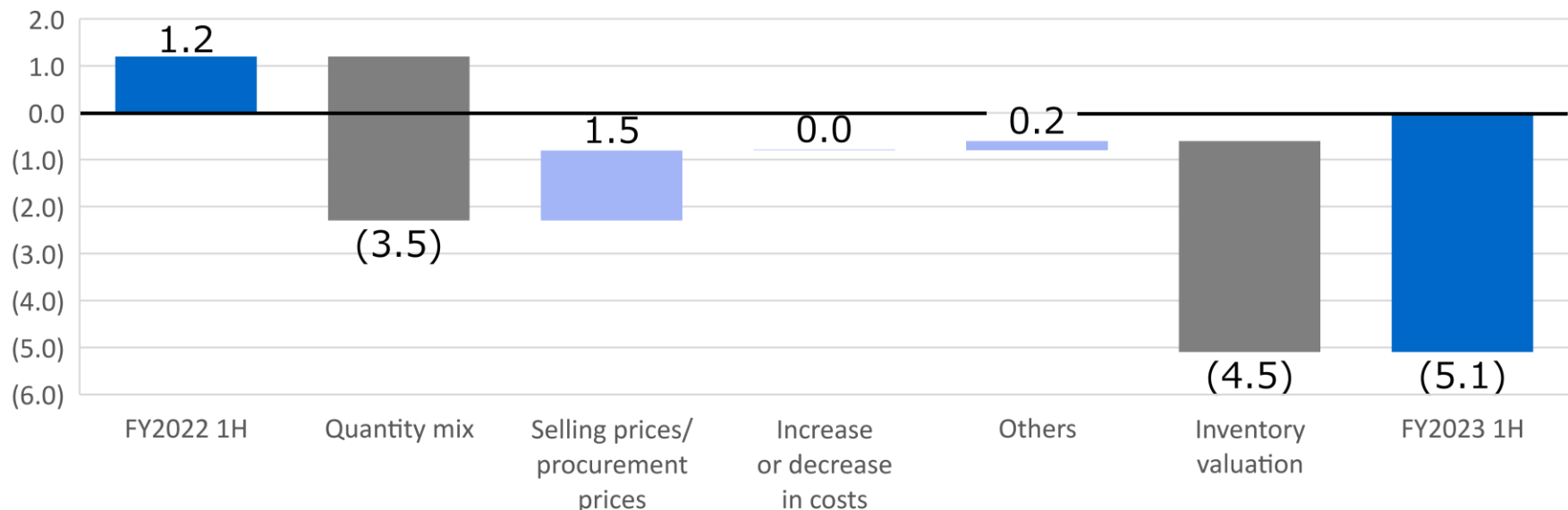
FY2022 1H : Ordinary profit of 1.2 billion yen→

FY2023 1H : Ordinary loss of 5.1 billion yen (Down 6.3 billion yen year on year)

- Sales volume: 161,000 tons (Down 9,000 tons year on year)
  - Beverage cans : Remained at a similar level year on year
  - Automobiles: Remained at a similar level year on year
  - IT and semiconductors: Decreased significantly due to a decline in demand for aluminum plates for semiconductor manufacturing equipment and disk materials for data centers, which are in a supply-demand adjustment phase
- Factors affecting profit and loss
  - Decrease in sales volume
  - Progress in passing on higher procurement costs to selling prices
  - Decrease in inventory valuation gains

(Billions of yen)

[Related data on P42-43](#)



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

|                               | FY2022 | FY2023 | Change<br>②-① |
|-------------------------------|--------|--------|---------------|
|                               | 1H ①   | 1H ②   |               |
| Net Sales                     | 133.1  | 141.8  | 8.7           |
| Ordinary Profit (Loss)        | 1.4    | (0.0)  | (1.5)         |
| Excluding Inventory Valuation | (0.5)  | (1.0)  | (0.5)         |

(Billions of yen)

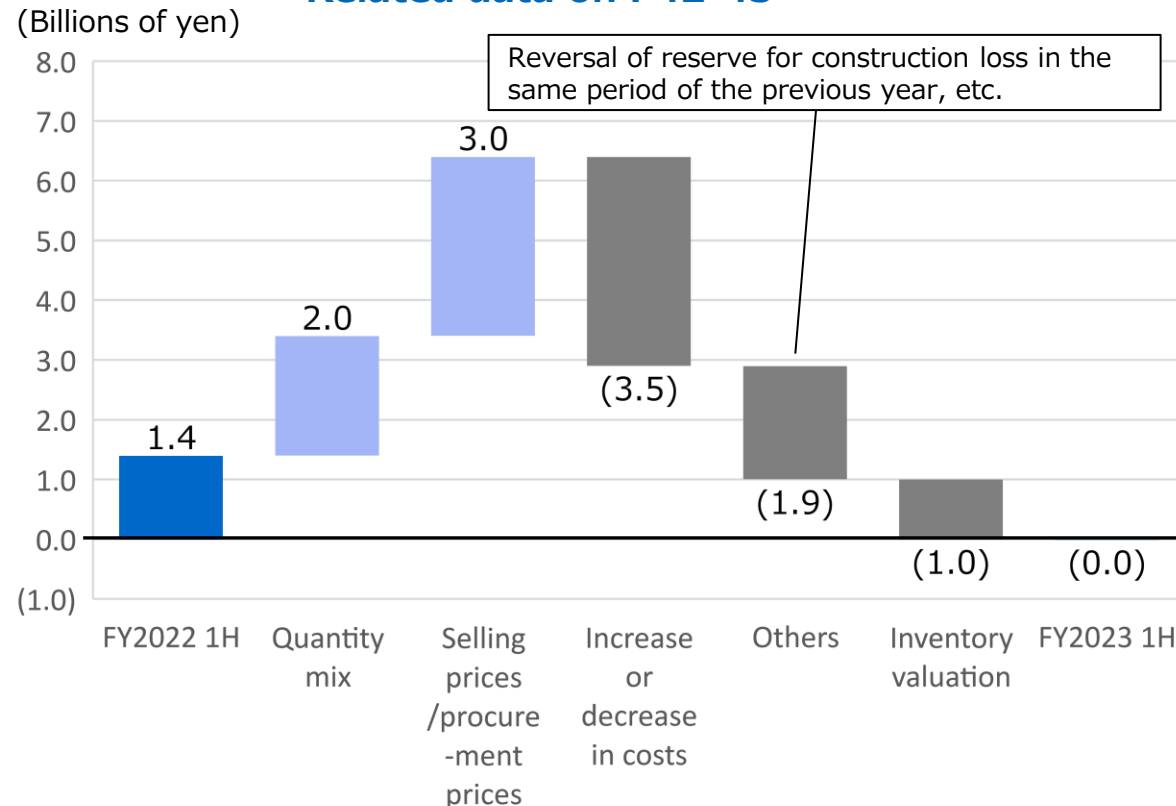
■ Sales volume

- Increased in steel castings and forgings due to strong demand in the shipbuilding sector
- Increased in titanium due to demand recovery in the general industrial sector
- Increase in suspensions due to recovery in demand for automobiles
- Decreased in copper rolled products and aluminum castings and forgings due to declining demand in the IT and semiconductor sectors

■ Factors affecting profit and loss

- Increase in sales volume
- Progress in passing on higher procurement costs to selling prices
- Cost increases centered on fixed costs, such as labor costs
- Decline in inventory valuation gains

### Related data on P42-43



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

(Billions of yen)

|                        | FY2022<br>1H ① | FY2023<br>1H ② | Change<br>②-① |
|------------------------|----------------|----------------|---------------|
| Net Sales              | 42.1           | 46.4           | 4.2           |
| Ordinary Profit (Loss) | 0.8            | 1.5            | 0.7           |

[Related data on P42](#)

■ Sales volume

Domestic: Remained at a similar level year on year

Overseas: Decreased due to a slow demand recovery in Southeast Asia and a decrease in demand in the Japanese automotive sector and in the construction machinery sector in China

■ Factors affecting profit and loss

- Decrease in sales volume
- Progress in passing on increased procurement costs to selling prices



(Billions of yen)

|                        | FY2022<br>1H ① * | FY2023<br>1H ② | Change<br>②-① |
|------------------------|------------------|----------------|---------------|
| Net Sales              | 92.7             | 103.2          | 10.4          |
| Ordinary Profit (Loss) | 5.0              | 10.3           | 5.3           |
| Orders                 | 119.4            | 115.8          | (3.6)         |

|                   | End of FY2022<br>① | End of FY2023<br>1H<br>② | Change<br>②-① |
|-------------------|--------------------|--------------------------|---------------|
| Backlog of Orders | 214.7              | 226.2                    | 11.5          |

\* Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other segment, has come under the Machinery segment. According to this change, the results for fiscal 2022 have been recalculated.

■ Orders

- Remained strong in the petrochemical and energy sectors.
- Decreased year on year compared to fiscal 2022 with orders for large-scale projects in plastic processing machinery.

■ Factors affecting profit and loss

- Increase in sales due to increased orders received in fiscal 2022

(Billions of yen)

|                        | FY2022<br>1H ①     | FY2023<br>1H ②           | Change<br>②-① |
|------------------------|--------------------|--------------------------|---------------|
| Net Sales              | 61.1               | 75.1                     | 14.0          |
| Ordinary Profit (Loss) | 0.9                | 6.2                      | 5.2           |
| Orders                 | 77.2               | 122.4                    | 45.1          |
|                        | End of FY2022<br>① | End of FY2023<br>1H<br>② | Change<br>②-① |
| Backlog of Orders      | 371.1              | 439.3                    | 68.2          |

■ Orders

- Increased due to orders for large-scale overseas projects in the DRI-related business and strong orders in the waste treatment-related business

■ Factors affecting profit and loss

- Changes in the project mix centered on the DRI-related business

|                        | FY2022 | FY2023 | (Billions of yen) |
|------------------------|--------|--------|-------------------|
|                        | 1H ①   | 1H ②   | Change<br>②-①     |
| Net Sales              | 183.7  | 192.6  | 8.8               |
| Ordinary Profit (Loss) | 10.0   | 5.0    | (4.9)             |

### Related data on P42

#### ■ Unit Sales

Hydraulic excavator : Similar level year on year

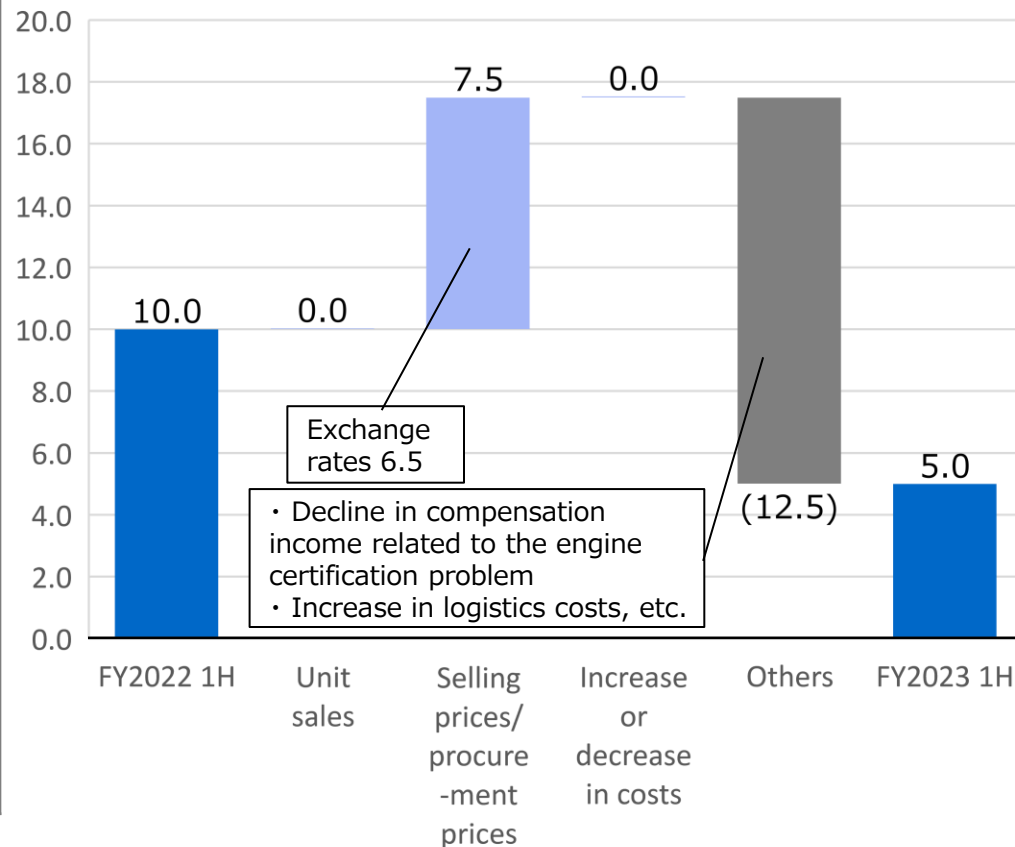
- Decreased in China due to weak demand
- Decreased in Europe due to the engine certification problem
- Increased in North America, etc.

Crawler crane

- Increased in North America, but decreased in Europe due to the engine certification problem

#### ■ Factors affecting profit and loss

- Improvement in export profitability due to a weaker yen against the dollar and the euro
- Decline in compensation income related to the engine certification problem



(Billions of yen)

|                        | FY2022<br>1H ① | FY2023<br>1H ② | Change<br>②-① |
|------------------------|----------------|----------------|---------------|
| Net Sales              | 147.5          | 172.7          | 25.2          |
| Ordinary Profit (Loss) | (1.3)          | 47.4           | 48.8          |

**Related data on P48**

■ Sales volume

- Increased with the start of operation of the Kobe Power Plant No. 4 unit (started in February 2023)

■ Unit selling price

- Remained at a similar level year on year due to time lags in fuel cost adjustments despite a year-on-year decline in thermal coal prices.

■ Factors affecting profit and loss

- Start of operation of the Kobe Power Plant No. 4 unit
- Improved effect of time lags in fuel cost adjustments at the Kobe Power Plant No.3 and 4 units
- Effect of temporary gains from changes in electricity selling prices at the Kobe Power Plant No.1 to 4 units (Ordinary loss in the first half of fiscal 2022 was affected by temporary losses, while ordinary profit in the same period of fiscal 2023 affected by temporary gains.)

### 3. Forecast for Fiscal 2023

[FY2023 Forecast \(Previous\) : Net sales of 2,590.0 billion yen →](#)

[FY2023 Forecast \(Current\) : Net sales of 2,570.0 billion yen \(Down 20.0 billion yen\)](#)

- Sales decreased due to a decrease in sales volume in the materials business and construction machinery.

[FY2023 Forecast \(Previous\) : Ordinary profit of 145.0 billion yen →](#)

[FY2023 Forecast \(Current\) : Ordinary profit of 145.0 billion yen \(with no change\)](#)

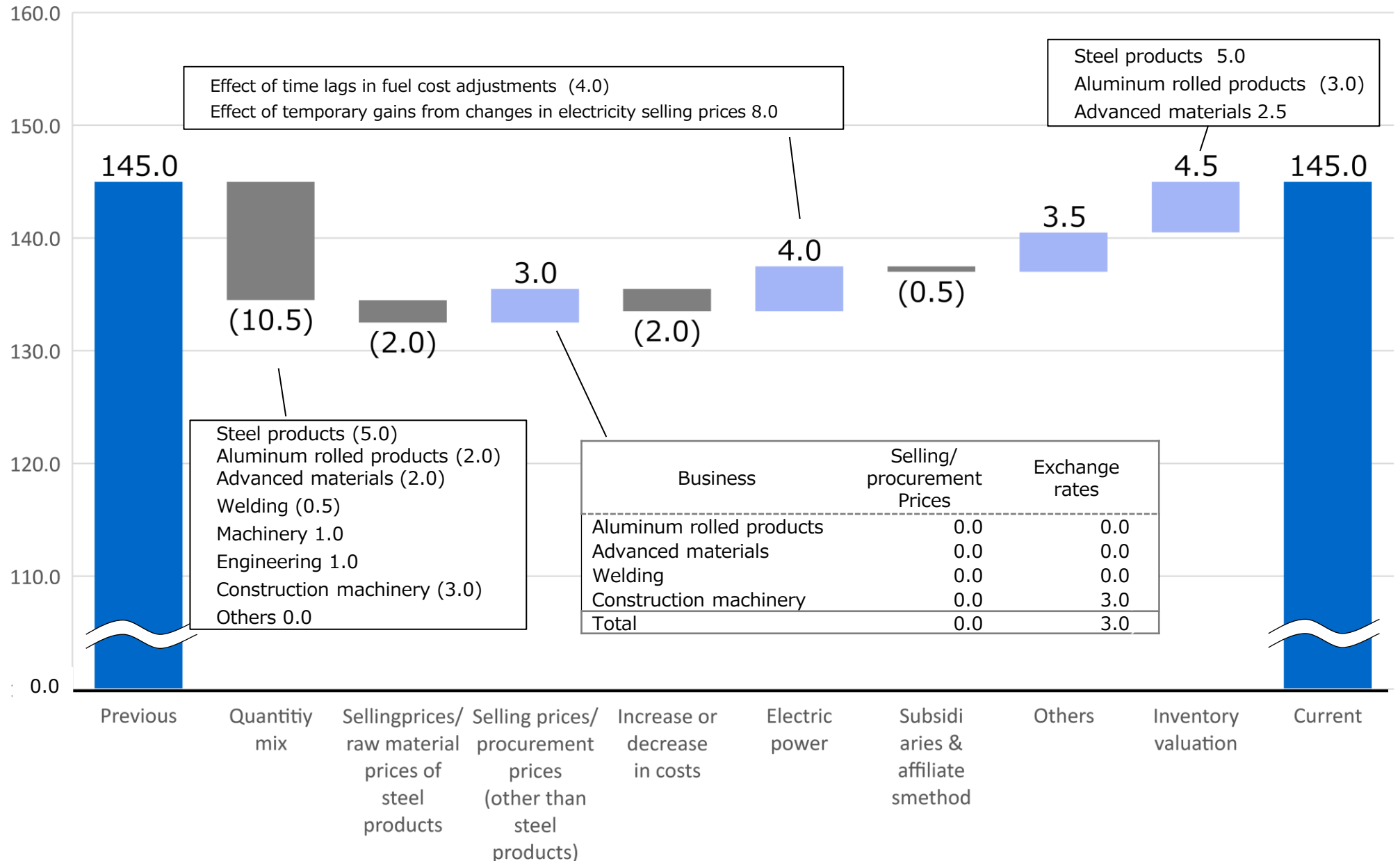
- Decrease in sales volume in the materials businesses and the construction machinery business
- Increase in service contracts and improvement in order profitability in the machinery business
- Improvement in export profitability due to yen's depreciation in the construction machinery business
- Effect of temporary gains from changes in electricity selling prices
- Improvement of inventory valuation

(Billions of yen)

|  | FY2022 Actual |         |         | FY2023 Forecast (Previous) |         |         | FY2023 Forecast (Current) |         |         | Change<br>②-① |
|--|---------------|---------|---------|----------------------------|---------|---------|---------------------------|---------|---------|---------------|
|  | 1H            | 2H      |         | 1H                         | 2H      | ①       | 1H                        | 2H      | ②       |               |
| Net Sales                                      | 1,169.6       | 1,302.8 | 2,472.5 | 1,270.0                    | 1,320.0 | 2,590.0 | 1,253.8                   | 1,316.1 | 2,570.0 | (20.0)        |
| Operating Profit (Loss)                        | 19.7          | 66.5    | 86.3    | 80.0                       | 85.0    | 165.0   | 92.1                      | 72.8    | 165.0   | –             |
| Ordinary Profit (Loss)                         | 41.8          | 65.0    | 106.8   | 70.0                       | 75.0    | 145.0   | 91.6                      | 53.3    | 145.0   | –             |
| Excluding Inventory Valuation                  | 19.3          | 63.5    | 82.8    | 71.0                       | 75.0    | 146.0   | 96.1                      | 45.3    | 141.5   | (4.5)         |
| Extraordinary Income (Losses)                  | (2.6)         | (6.1)   | (8.7)   | 27.0                       | –       | 27.0    | 27.7*                     | –       | 27.7    | 0.7           |
| Profit (Loss) Attributable to Owners of Parent | 28.0          | 44.5    | 72.5    | 65.0                       | 55.0    | 120.0   | 80.3                      | 39.6    | 120.0   | –             |

\* Gain on transfer of fixed assets in subsidiaries.

(Billions of yen)



Effect of time lags in fuel cost adjustments (4.0)  
 Effect of temporary gains from changes in electricity selling prices 8.0

Steel products 5.0  
 Aluminum rolled products (3.0)  
 Advanced materials 2.5

Steel products (5.0)  
 Aluminum rolled products (2.0)  
 Advanced materials (2.0)  
 Welding (0.5)  
 Machinery 1.0  
 Engineering 1.0  
 Construction machinery (3.0)  
 Others 0.0

| Business                 | Selling/procurement Prices | Exchange rates |
|--------------------------|----------------------------|----------------|
| Aluminum rolled products | 0.0                        | 0.0            |
| Advanced materials       | 0.0                        | 0.0            |
| Welding                  | 0.0                        | 0.0            |
| Construction machinery   | 0.0                        | 3.0            |
| Total                    | 0.0                        | 3.0            |

Previous    Quantity mix    Selling prices/ raw material prices of steel products    Selling prices/ procurement prices (other than steel products)    Increase or decrease in costs    Electric power    Subsidiaries & affiliate method    Others    Inventory valuation    Current

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

(Billions of yen)

|                        | FY2022 Actual  |                |                | FY2023 Forecast (Previous) |                |                | FY2023 Forecast (Current) |                |                | Change<br>②-① |
|------------------------|----------------|----------------|----------------|----------------------------|----------------|----------------|---------------------------|----------------|----------------|---------------|
|                        | 1H             | 2H             |                | 1H                         | 2H             | ①              | 1H                        | 2H             | ②              |               |
| Steel & Aluminum       | 536.5          | 568.6          | 1,105.1        | 545.0                      | 545.0          | 1,090.0        | 548.9                     | 519.0          | 1,068.0        | (22.0)        |
| Advanced Materials     | 133.1          | 144.6          | 277.7          | 149.0                      | 170.0          | 319.0          | 141.8                     | 170.1          | 312.0          | (7.0)         |
| Welding                | 42.1           | 46.2           | 88.4           | 45.0                       | 48.0           | 93.0           | 46.4                      | 47.5           | 94.0           | 1.0           |
| Machinery*             | 92.7           | 110.6          | 203.4          | 107.0                      | 135.0          | 242.0          | 103.2                     | 139.7          | 243.0          | 1.0           |
| Engineering            | 61.1           | 84.0           | 145.2          | 78.0                       | 92.0           | 170.0          | 75.1                      | 96.8           | 172.0          | 2.0           |
| Construction Machinery | 183.7          | 197.9          | 381.7          | 205.0                      | 230.0          | 435.0          | 192.6                     | 227.3          | 420.0          | (15.0)        |
| Electric Power         | 147.5          | 176.8          | 324.3          | 161.0                      | 124.0          | 285.0          | 172.7                     | 133.2          | 306.0          | 21.0          |
| Other *<br>Businesses  | 4.2            | 6.6            | 10.9           | 5.0                        | 7.0            | 12.0           | 4.5                       | 5.4            | 10.0           | (2.0)         |
| Adjustment             | (31.7)         | (32.8)         | (64.6)         | (25.0)                     | (31.0)         | (56.0)         | (31.9)                    | (23.0)         | (55.0)         | 1.0           |
| <b>Total</b>           | <b>1,169.6</b> | <b>1,302.8</b> | <b>2,472.5</b> | <b>1,270.0</b>             | <b>1,320.0</b> | <b>2,590.0</b> | <b>1,253.8</b>            | <b>1,316.1</b> | <b>2,570.0</b> | <b>(20.0)</b> |

\* Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other segment, has come under the Machinery segment. According to this change, the results for fiscal 2022 have been recalculated.



(Billions of yen)

|                        | FY2022 Actual |             |              | FY2023 Forecast (Previous) |             |              | FY2023 Forecast (Current) |             |              | Change   |
|------------------------|---------------|-------------|--------------|----------------------------|-------------|--------------|---------------------------|-------------|--------------|----------|
|                        | 1H            | 2H          |              | 1H                         | 2H          | ①            | 1H                        | 2H          | ②            | ②-①      |
| Steel & Aluminum       | 22.3          | 19.6        | 41.9         | 11.0                       | 22.0        | 33.0         | 20.7                      | 4.7         | 25.5         | (7.5)    |
| Advanced Materials     | 1.4           | (0.5)       | 0.9          | (0.5)                      | 4.0         | 3.5          | (0.0)                     | 2.0         | 2.0          | (1.5)    |
| Welding                | 0.8           | 1.9         | 2.8          | 1.5                        | 2.5         | 4.0          | 1.5                       | 2.4         | 4.0          | –        |
| Machinery *            | 5.0           | 10.7        | 15.7         | 8.0                        | 14.0        | 22.0         | 10.3                      | 15.6        | 26.0         | 4.0      |
| Engineering            | 0.9           | 3.2         | 4.1          | 5.0                        | 3.0         | 8.0          | 6.2                       | 1.7         | 8.0          | –        |
| Construction Machinery | 10.0          | 2.3         | 12.3         | 3.0                        | 10.0        | 13.0         | 5.0                       | 5.9         | 11.0         | (2.0)    |
| Electric Power         | (1.3)         | 25.9        | 24.5         | 41.0                       | 25.0        | 66.0         | 47.4                      | 22.5        | 70.0         | 4.0      |
| Other *<br>Businesses  | 2.4           | 2.4         | 4.8          | 2.0                        | 2.5         | 4.5          | 1.7                       | 1.7         | 3.5          | (1.0)    |
| Adjustment             | 0.1           | (0.8)       | (0.7)        | (1.0)                      | (8.0)       | (9.0)        | (1.5)                     | (3.4)       | (5.0)        | 4.0      |
| <b>Total</b>           | <b>41.8</b>   | <b>65.0</b> | <b>106.8</b> | <b>70.0</b>                | <b>75.0</b> | <b>145.0</b> | <b>91.6</b>               | <b>53.3</b> | <b>145.0</b> | <b>–</b> |

\* Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other segment, has come under the Machinery segment. According to this change, the results for fiscal 2022 have been recalculated.

(Billions of yen)

|                          |                               | FY2022 Actual |       |         | FY2023 Forecast (Previous) |       |         | FY2023 Forecast (Current) |       |         | Change<br>②-① |
|--------------------------|-------------------------------|---------------|-------|---------|----------------------------|-------|---------|---------------------------|-------|---------|---------------|
|                          |                               | 1H            | 2H    |         | 1H                         | 2H    | ①       | 1H                        | 2H    | ②       |               |
| Steel products           | Net Sales                     | 438.3         | 471.3 | 909.7   | 455.0                      | 445.0 | 900.0   | 452.4                     | 434.5 | 887.0   | (13.0)        |
|                          | Ordinary Profit (Loss)        | 21.0          | 27.9  | 49.0    | 16.0                       | 20.0  | 36.0    | 25.9                      | 8.5   | 34.5    | (1.5)         |
|                          | Excluding Inventory Valuation | 6.0           | 27.4  | 33.5    | 18.5                       | 20.5  | 39.0    | 32.4                      | 0.0   | 32.5    | (6.5)         |
| Aluminum rolled products | Net Sales                     | 98.1          | 97.2  | 195.4   | 90.0                       | 100.0 | 190.0   | 96.5                      | 84.4  | 181.0   | (9.0)         |
|                          | Ordinary Profit (Loss)        | 1.2           | (8.3) | (7.0)   | (5.0)                      | 2.0   | (3.0)   | (5.1)                     | (3.8) | (9.0)   | (6.0)         |
|                          | Excluding Inventory Valuation | (4.2)         | (8.3) | (12.5)  | (6.0)                      | 0.5   | (5.5)   | (6.1)                     | (2.3) | (8.5)   | (3.0)         |
| Total                    | Net Sales                     | 536.5         | 568.6 | 1,105.1 | 545.0                      | 545.0 | 1,090.0 | 548.9                     | 519.0 | 1,068.0 | (22.0)        |
|                          | Ordinary Profit (Loss)        | 22.3          | 19.6  | 41.9    | 11.0                       | 22.0  | 33.0    | 20.7                      | 4.7   | 25.5    | (7.5)         |
|                          | Excluding Inventory Valuation | 1.8           | 19.1  | 21.0    | 12.5                       | 21.0  | 33.5    | 26.2                      | (2.2) | 24.0    | (9.5)         |

## Steel Products

FY2023 Forecast (Previous) : Net sales of 900.0 billion yen →

FY2023 Forecast (Current) : Net sales of 887.0 billion yen (Down 13.0 billion yen)

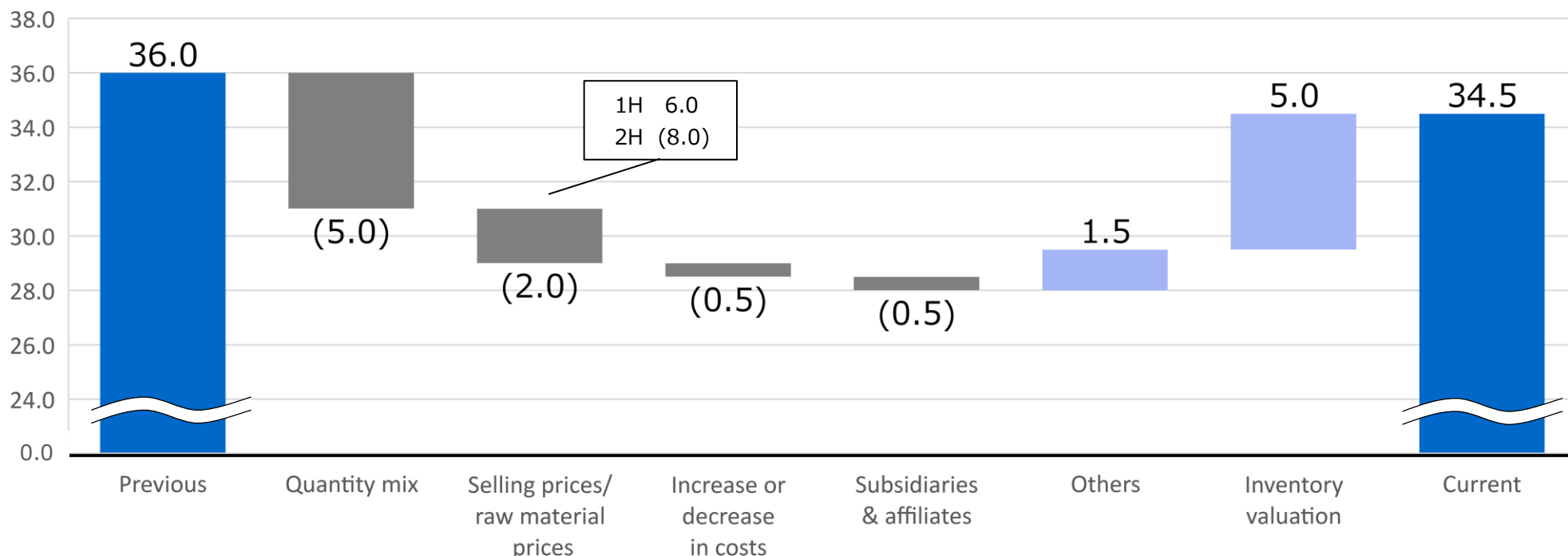
FY2023 Forecast (Previous) : Ordinary profit of 36.0 billion yen →

FY2023 Forecast (Current) : Ordinary profit of 34.5 billion yen (Down 1.5 billion yen)

- Crude steel production: Approx. 5.95 million tons (Down 0.15 million tons)
- Sales volume: Approx. 4.75 million tons (Down 0.15 million tons)
  - Sales volume is expected to decrease due to a decline in demand outside the automotive sector where demand remains strong.
- Factors affecting profit and loss
  - Decrease in sales volume
  - Improvement of inventory valuation

(Billions of yen)

[Related data on P42-43](#)



Aluminum  
rolled  
products

[FY2023 Forecast \(Previous\) : Net sales of 190.0 billion yen →](#)

[FY2023 Forecast \(Current\) : Net sales of 181.0 billion yen \(Down 9.0 billion yen\)](#)

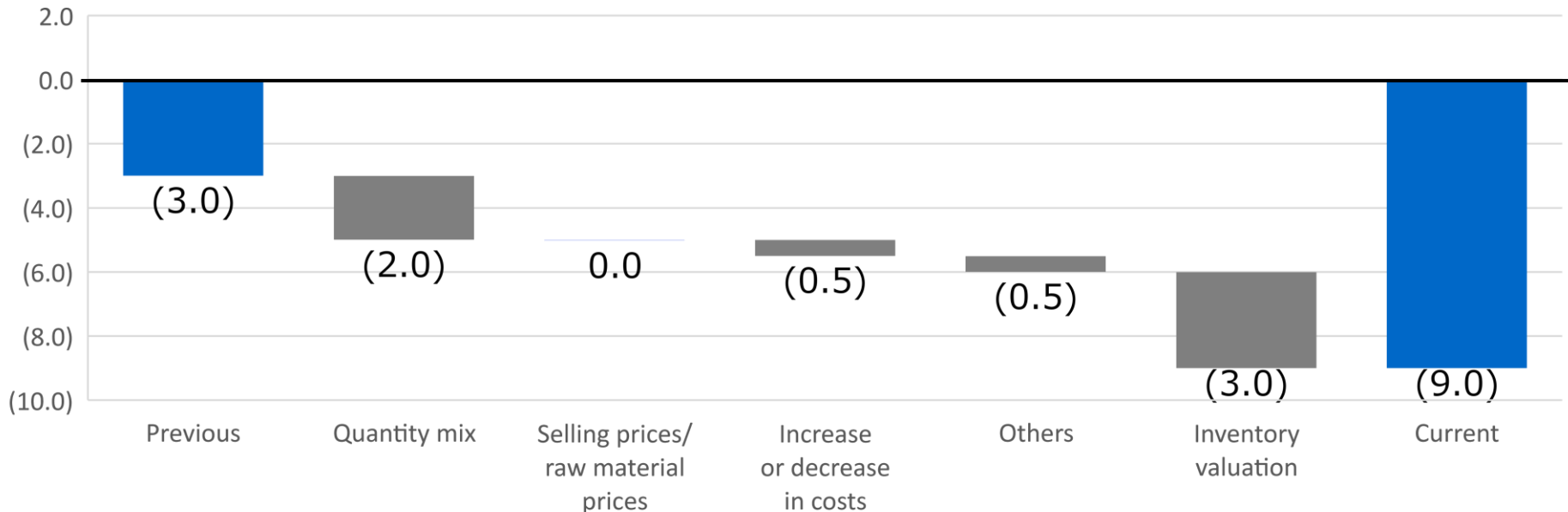
[FY2023 Forecast \(Previous\) : Ordinary loss of 3.0 billion yen →](#)

[FY2023 Forecast \(Current\) : Ordinary loss of 9.0 billion yen \(Down 6.0 billion yen\)](#)

- Sales volume: Approx. 340,000 tons (Down 10,000 tons)
  - For beverage can materials : Decrease due to lower demand for products for which our company has already received orders
  - For automobiles : Similar to the previous forecast
  - For IT and semiconductors : While sales volume of materials for disc materials is expected to remain at a similar level to the previous forecast, that of steel plates is expected to decrease as the supply-demand adjustment phase continues.
- Factors affecting profit and loss
  - Decrease in sales volume
  - Deterioration of inventory valuation along with a decline in the aluminum ingot market price

(Billions of yen)

[Related data on P42-43](#)



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

(Billions of yen)

|                               | FY2022 Actual |       |       | FY2023 Forecast (Previous) |       |       | FY2023 Forecast (Current) |       |       | Change<br>②-① |
|-------------------------------|---------------|-------|-------|----------------------------|-------|-------|---------------------------|-------|-------|---------------|
|                               | 1H            | 2H    |       | 1H                         | 2H    | ①     | 1H                        | 2H    | ②     |               |
| Net Sales                     | 133.1         | 144.6 | 277.7 | 149.0                      | 170.0 | 319.0 | 141.8                     | 170.1 | 312.0 | (7.0)         |
| Ordinary Profit (Loss)        | 1.4           | (0.5) | 0.9   | (0.5)                      | 4.0   | 3.5   | (0.0)                     | 2.0   | 2.0   | (1.5)         |
| Excluding Inventory Valuation | (0.5)         | (1.5) | (2.1) | (1.0)                      | 5.0   | 4.0   | (1.0)                     | 1.0   | 0.0   | (4.0)         |

(Billions of yen)

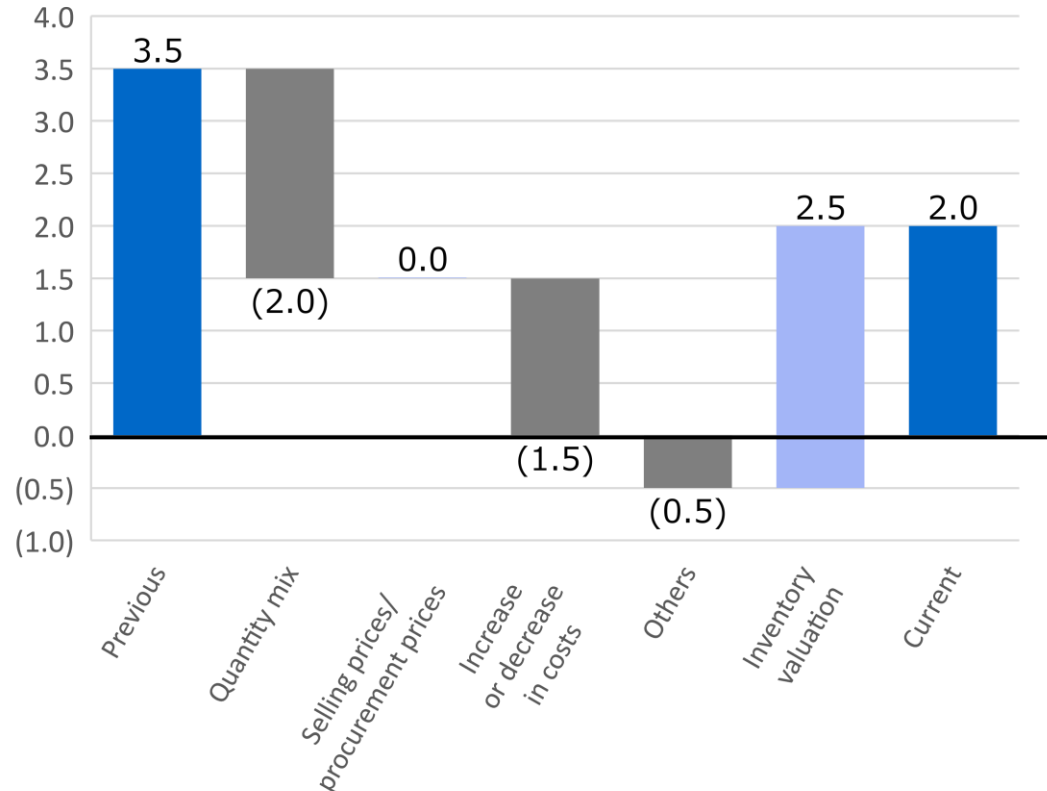
**Related data on P42-43**

■ Sales volume

- Decrease in copper rolled products, aluminum castings and forgings due to sluggish demand recovery in the IT and semiconductor sectors
- Decrease in aluminum extrusions due to lower demand for automotive materials for which our company has already received orders
- Remain strong in steel castings and forgings and titanium

■ Factors affecting profit and loss

- Decrease in sales volume
- Temporary cost increases due to production problems
- Improvement in inventory valuation along with a rise in the copper ingot market price



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

(Billions of yen)

|                        | FY2022 Actual |      |      | FY2023 Forecast (Previous) |      |      | FY2023 Forecast (Current) |      |      | Change<br>②-① |
|------------------------|---------------|------|------|----------------------------|------|------|---------------------------|------|------|---------------|
|                        | 1H            | 2H   |      | 1H                         | 2H   | ①    | 1H                        | 2H   | ②    |               |
| Net Sales              | 42.1          | 46.2 | 88.4 | 45.0                       | 48.0 | 93.0 | 46.4                      | 47.5 | 94.0 | 1.0           |
| Ordinary Profit (Loss) | 0.8           | 1.9  | 2.8  | 1.5                        | 2.5  | 4.0  | 1.5                       | 2.4  | 4.0  | –             |

[Related data on P42](#)

■ Sales volume

Domestic/overseas : Similar to the previous forecast

■ Factors affecting profit and loss

- Similar to the previous forecast

(Billions of yen)

|                        | FY2022 Actual * |       |       | FY2023 Forecast (Previous) |                  |                  | FY2023 Forecast (Current) |                  |                  | Change          |
|------------------------|-----------------|-------|-------|----------------------------|------------------|------------------|---------------------------|------------------|------------------|-----------------|
|                        | 1H              | 2H    |       | 1H                         | 2H               | ①                | 1H                        | 2H               | ②                | ②-①             |
| Net Sales              | 92.7            | 110.6 | 203.4 | 107.0                      | 135.0            | 242.0            | 103.2                     | 139.7            | 243.0            | 1.0             |
| Ordinary Profit (Loss) | 5.0             | 10.7  | 15.7  | 8.0                        | 14.0             | 22.0             | 10.3                      | 15.6             | 26.0             | 4.0             |
| Orders                 | 119.4           | 146.4 | 265.9 | approx<br>130.0            | approx.<br>125.0 | approx.<br>255.0 | 115.8                     | approx.<br>150.0 | approx.<br>265.0 | approx.<br>10.0 |

\* Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other segment, has come under the Machinery segment. According to this change, the results for fiscal 2022 have been recalculated.

■ Orders

- Expected to remain at a similar level to fiscal 2022 that saw record high orders due to solid orders mainly in the petrochemical and energy sectors

■ Factors affecting profit and loss

- Increase in service contracts
- Improvement in order profitability due to strong demand

(Billions of yen)

|                        | FY2022 Actual |      |       | FY2023 Forecast (Previous) |                 |                  | FY2023 Forecast (Current) |                 |                  | Change<br>②-①   |
|------------------------|---------------|------|-------|----------------------------|-----------------|------------------|---------------------------|-----------------|------------------|-----------------|
|                        | 1H            | 2H   |       | 1H                         | 2H              | ①                | 1H                        | 2H              | ②                |                 |
| Net Sales              | 61.1          | 84.0 | 145.2 | 78.0                       | 92.0            | 170.0            | 75.1                      | 96.8            | 172.0            | 2.0             |
| Ordinary Profit (Loss) | 0.9           | 3.2  | 4.1   | 5.0                        | 3.0             | 8.0              | 6.2                       | 1.7             | 8.0              | –               |
| Orders                 | 77.2          | 80.2 | 157.5 | approx.<br>110.0           | approx.<br>80.0 | approx.<br>190.0 | 122.4                     | approx.<br>85.0 | approx.<br>205.0 | approx.<br>15.0 |

**■ Orders**

- Increase from the previous forecast due to solid orders in the water treatment business and waste treatment-related business

**■ Factors affecting profit and loss**

- Similar to the previous forecast



(Billions of yen)

|                        | FY2022 Actual |       |       | FY2023 Forecast (Previous) |       |       | FY2023 Forecast (Current) |       |       | Change<br>②-① |
|------------------------|---------------|-------|-------|----------------------------|-------|-------|---------------------------|-------|-------|---------------|
|                        | 1H            | 2H    |       | 1H                         | 2H    | ①     | 1H                        | 2H    | ②     |               |
| Net Sales              | 183.7         | 197.9 | 381.7 | 205.0                      | 230.0 | 435.0 | 192.6                     | 227.3 | 420.0 | (15.0)        |
| Ordinary Profit (Loss) | 10.0          | 2.3   | 12.3  | 3.0                        | 10.0  | 13.0  | 5.0                       | 5.9   | 11.0  | (2.0)         |

[Related data on P42](#)

■ Unit Sales

Hydraulic excavator

- Domestic: Similar to the previous forecast
- China and Southeast Asia: Decrease due to weak demand
- Europe: Decrease from the previous forecast due to lower demand associated with inflation and monetary tightening, as well as delays in resuming sales in the UK due to the engine certification problem.

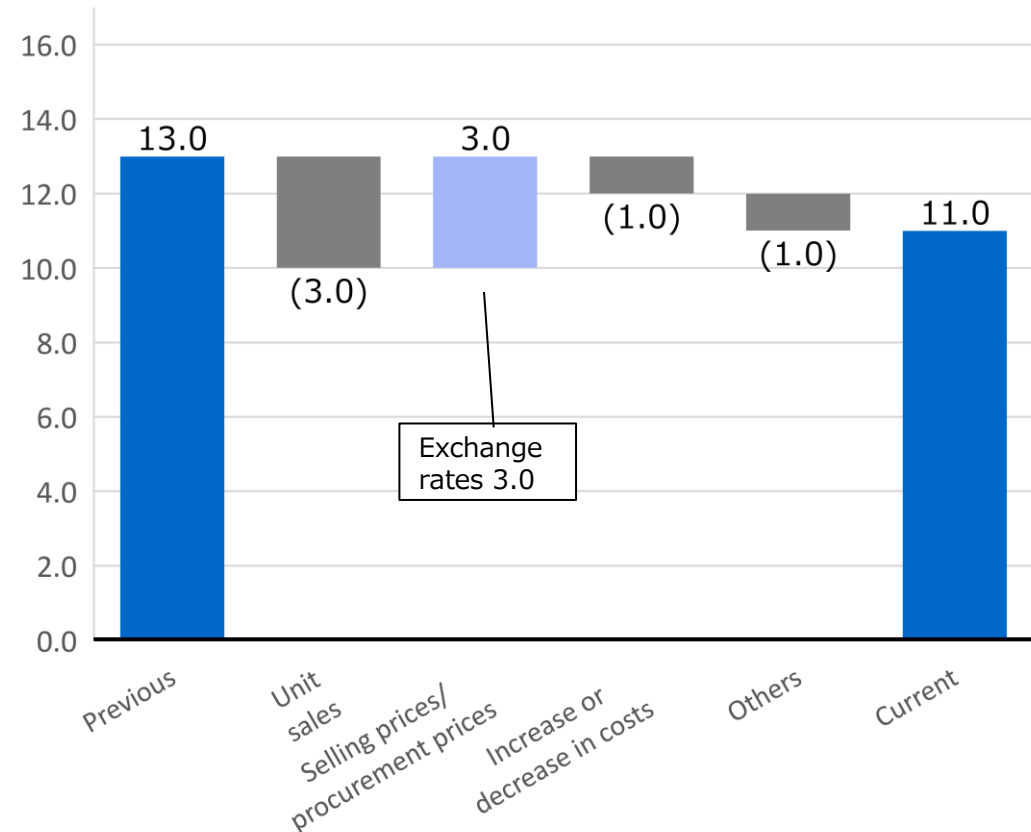
Crawler Crane

- Decrease from the previous forecast

■ Factors affecting profit and loss

- Decrease in unit sales
- Improvement in export profitability due to yen's depreciation

(Billions of yen)



(Billions of yen)

|                        | FY2022 Actual |       |       | FY2023 Forecast (Previous) |       |       | FY2023 Forecast (Current) |       |       | Change<br>②-① |
|------------------------|---------------|-------|-------|----------------------------|-------|-------|---------------------------|-------|-------|---------------|
|                        | 1H            | 2H    |       | 1H                         | 2H    | ①     | 1H                        | 2H    | ②     |               |
| Net Sales              | 147.5         | 176.8 | 324.3 | 161.0                      | 124.0 | 285.0 | 172.7                     | 133.2 | 306.0 | 21.0          |
| Ordinary Profit (Loss) | (1.3)         | 25.9  | 24.5  | 41.0                       | 25.0  | 66.0  | 47.4                      | 22.5  | 70.0  | 4.0           |

■ Sales volume

- Similar to the previous forecast

■ Unit price

- Increase from the previous forecast due to fluctuations in thermal coal prices

■ Factors affecting profit and loss

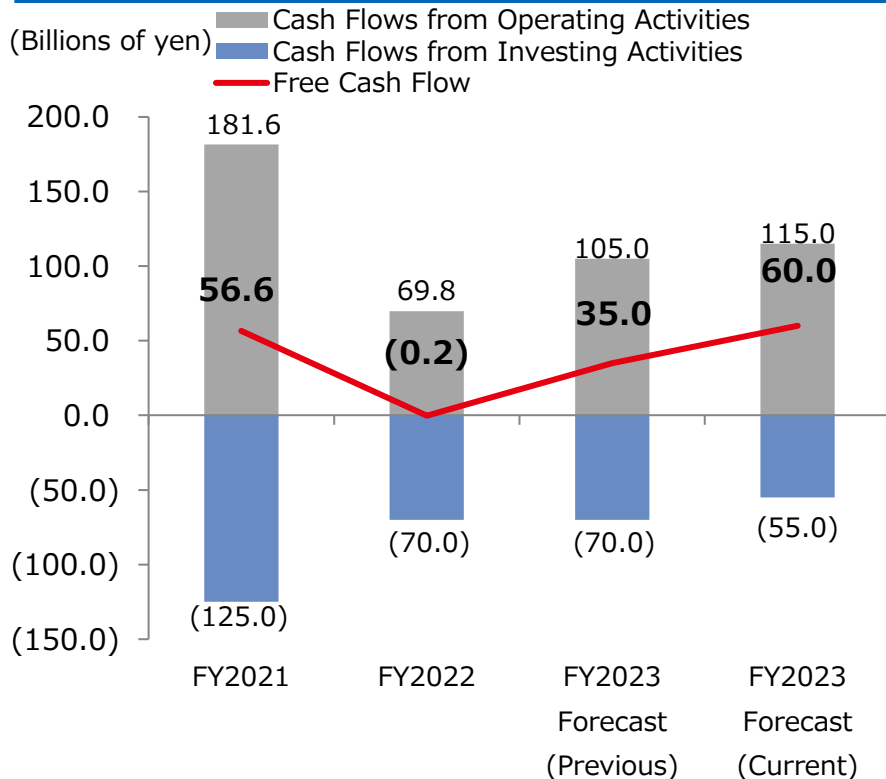
- Reduced effect of temporary gains from time lags in fuel cost adjustments at the Kobe Power Plant No. 3 and 4 units
- Effect of temporary gains from changes in electricity selling prices at the Kobe Power Plant No. 1 to 4 units

- 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.
- As announced on August 8, the target dividend payout ratio has been changed to 30% of consolidated profit attributable to owners of parent from the current fiscal year.
- Under this policy, the Board of Directors resolved today to pay an interim dividend of 45 yen per share in accordance with the decision as announced on August 8. There has been no change in the year-end dividend forecast since the announcement on August 8.

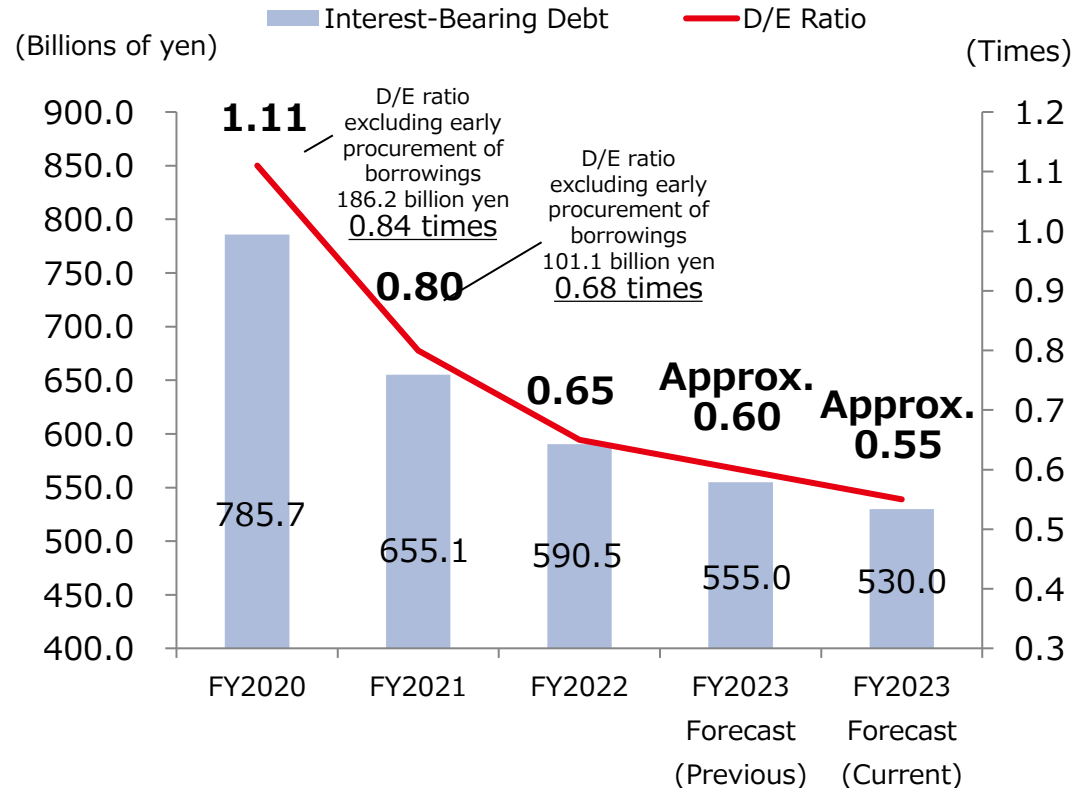
|                            | FY2022  |          |       | FY2023  |          |       |
|----------------------------|---------|----------|-------|---------|----------|-------|
|                            | Interim | Year-end |       | Interim | Year-end |       |
| Dividends per share in yen | 15      | 25       | 40    | 45      | 45       | 90    |
| Dividend payout ratio      |         |          | 21.8% |         |          | 29.6% |

- Free cash flow is expected to be around **60.0 billion yen**, an increase of 25.0 billion yen from the previous forecast, mainly due to an improvement of working capital by **strengthening management of invested capital** through the establishment of key KPIs in ROIC management and the careful selection of capital investment.
- The D/E ratio is expected to remain at around **0.55 times**, or less than the 0.70 times target in the Medium-Term Management Plan.

## Free Cash Flow



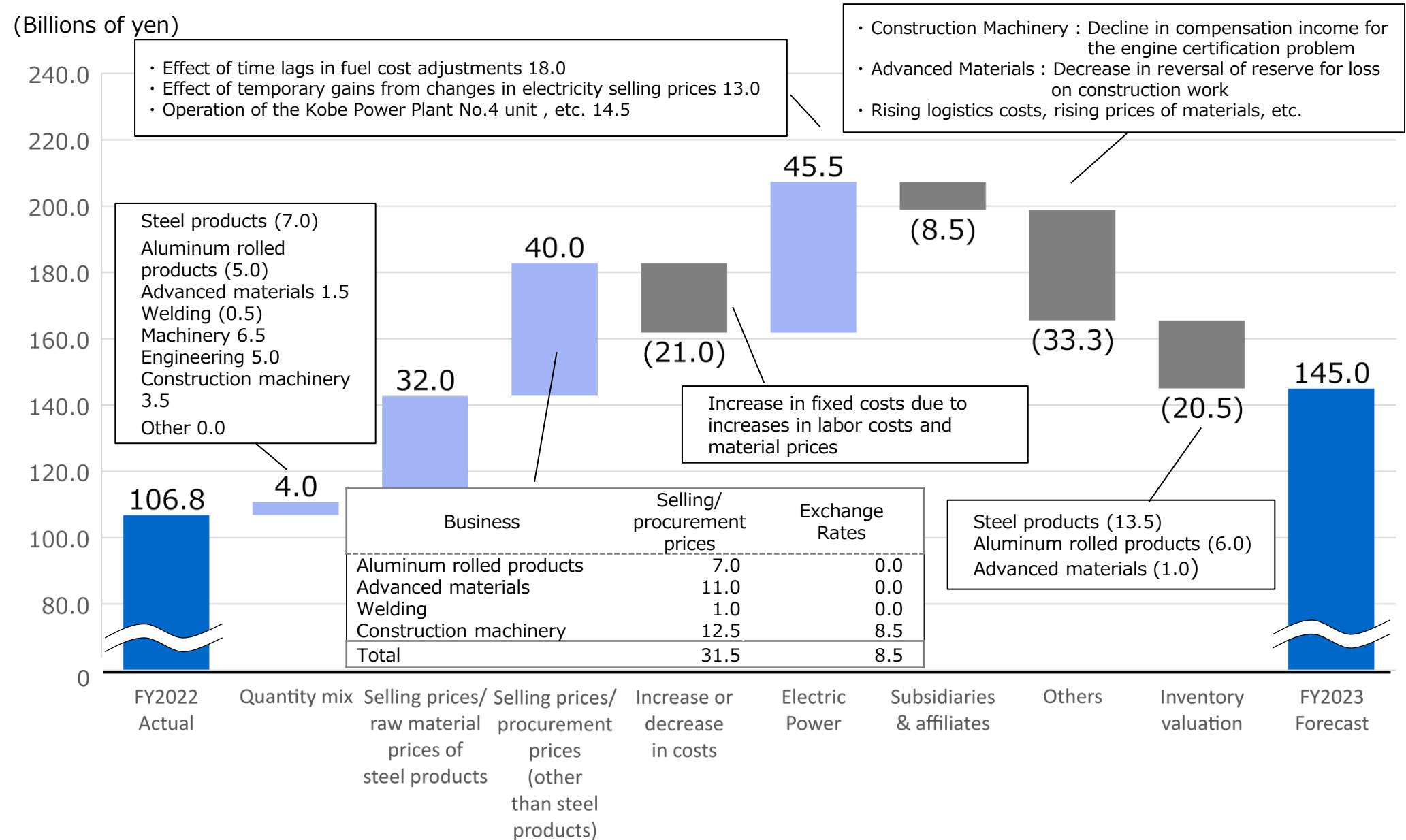
## Interest-Bearing Debt & D/E Ratio



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

## 4. Reference Information

## Breakdown of Differences from the Fiscal 2022 Actual



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

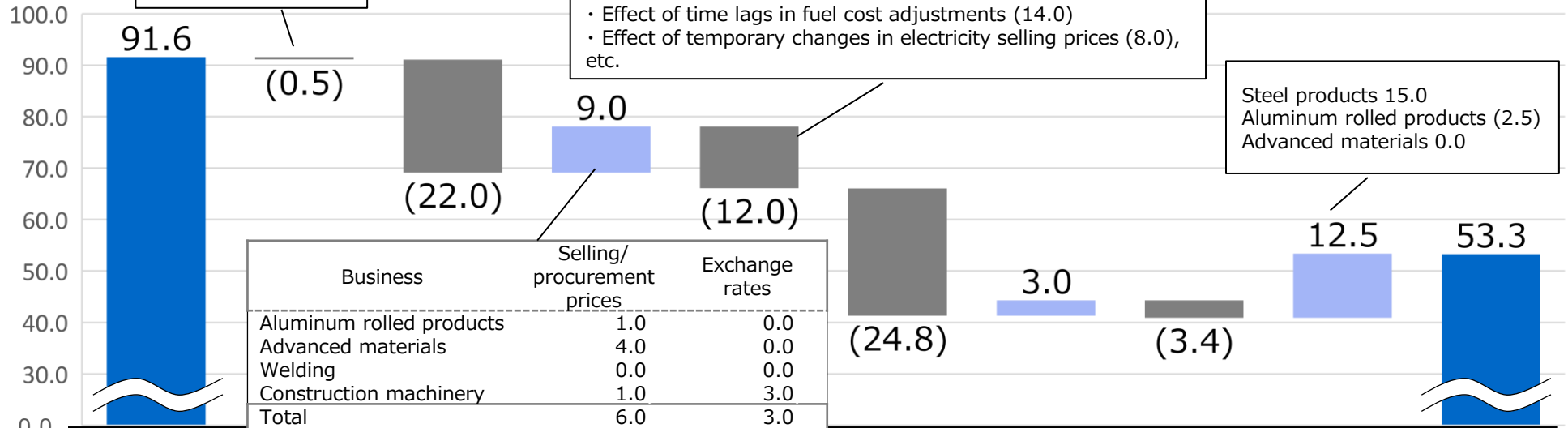
## Ordinary Profit (Loss) (Billions of yen)

|              |                 |      |           |
|--------------|-----------------|------|-----------|
|              | FY2023 Forecast |      |           |
|              | 1H              | 2H   | Full Year |
| Consolidated | 91.6            | 53.3 | 145.0     |

- Steel products (6.0)
- Aluminum rolled products 3.0
- Advanced materials 1.5
- Welding 0.0
- Machinery 2.5
- Engineering 0.5
- Construction machinery (2.0)
- Other 0.0

(38.2)

(Billions of yen)



- Effect of time lags in fuel cost adjustments (14.0)
- Effect of temporary changes in electricity selling prices (8.0), etc.

- Steel products 15.0
- Aluminum rolled products (2.5)
- Advanced materials 0.0

FY2023 1H

Quantity mix

Selling prices /raw material prices of steel products

Selling prices /procurement prices (other than steel products)

Increase or decrease in costs

Electric power

Subsidiaries & affiliates

Others

Inventory valuation

FY2023 2H

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

Ordinary Profit (Loss) (Billions of yen)

|                | FY2023 Forecast |     |           |
|----------------|-----------------|-----|-----------|
|                | 1H              | 2H  | Full Year |
| Steel products | 25.9            | 8.5 | 34.5      |

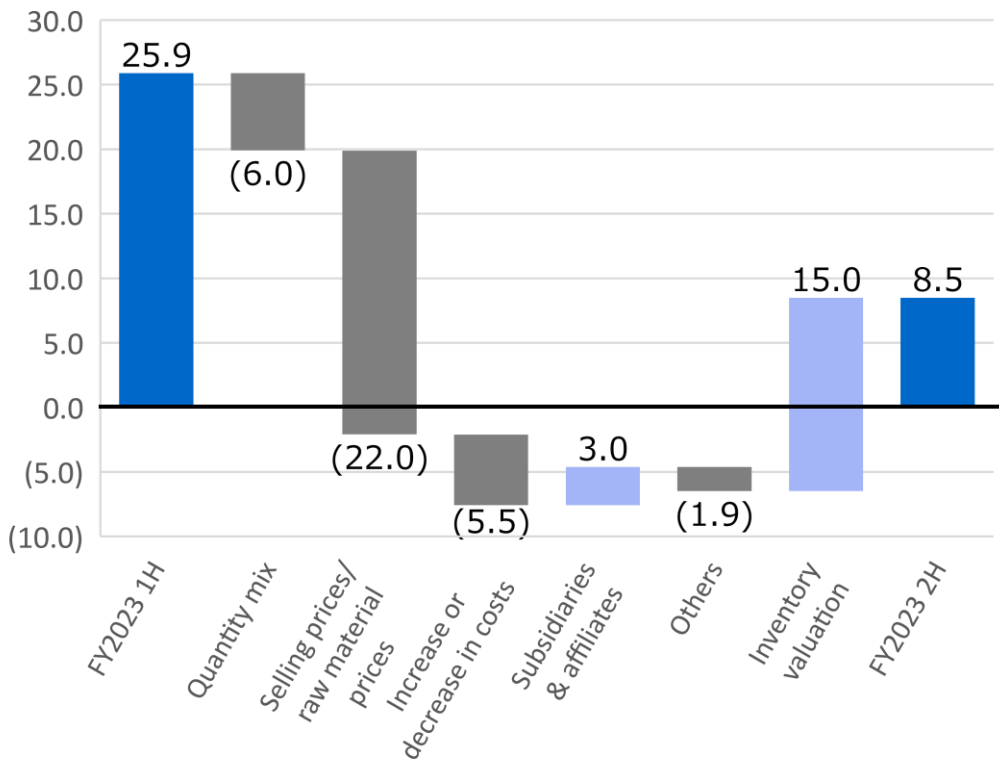
(17.4)

Ordinary Profit (Loss) (Billions of yen)

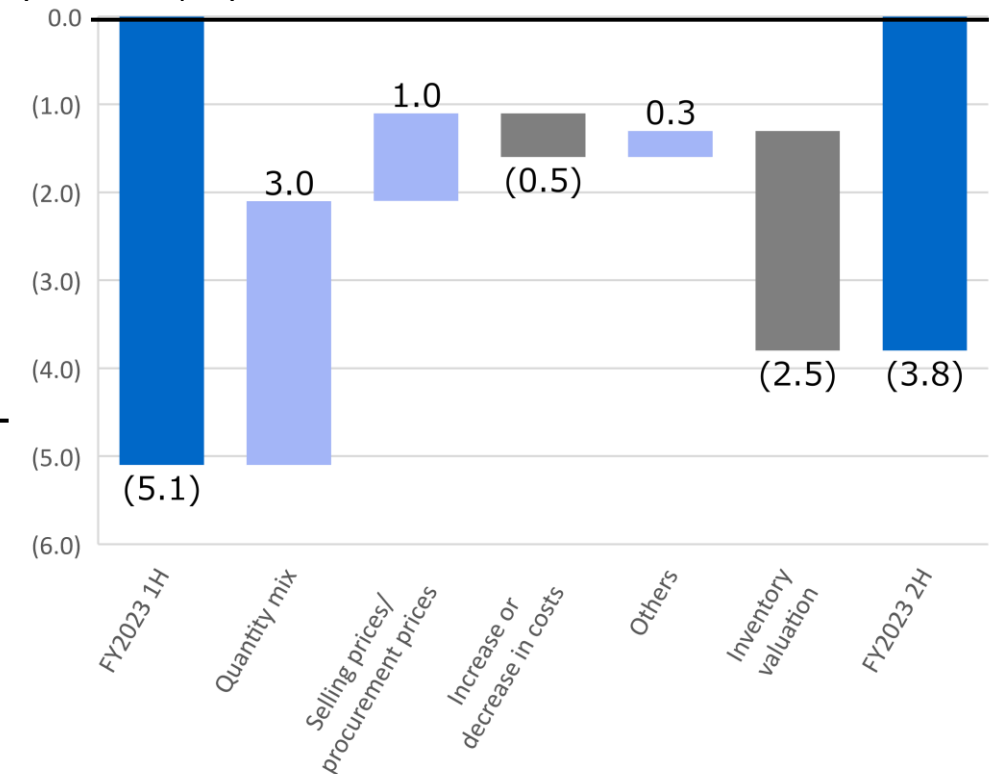
|                          | FY2023 Forecast |       |           |
|--------------------------|-----------------|-------|-----------|
|                          | 1H              | 2H    | Full Year |
| Aluminum rolled products | (5.1)           | (3.8) | (9.0)     |

1.3

(Billions of yen)



(Billions of yen)



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



Ordinary Profit (Loss) (Billions of yen)

|                    | FY2023 Forecast |     |           |
|--------------------|-----------------|-----|-----------|
|                    | 1H              | 2H  | Full Year |
| Advanced materials | (0.0)           | 2.0 | 2.0       |

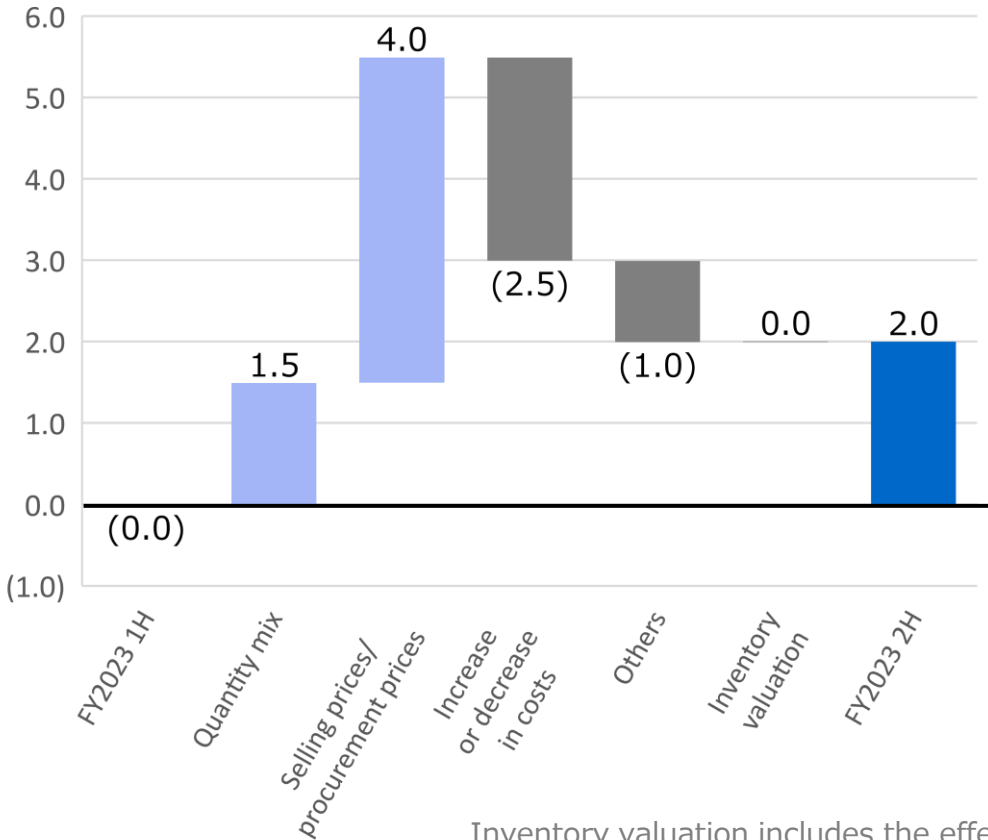
2.0

Ordinary Profit (Loss) (Billions of yen)

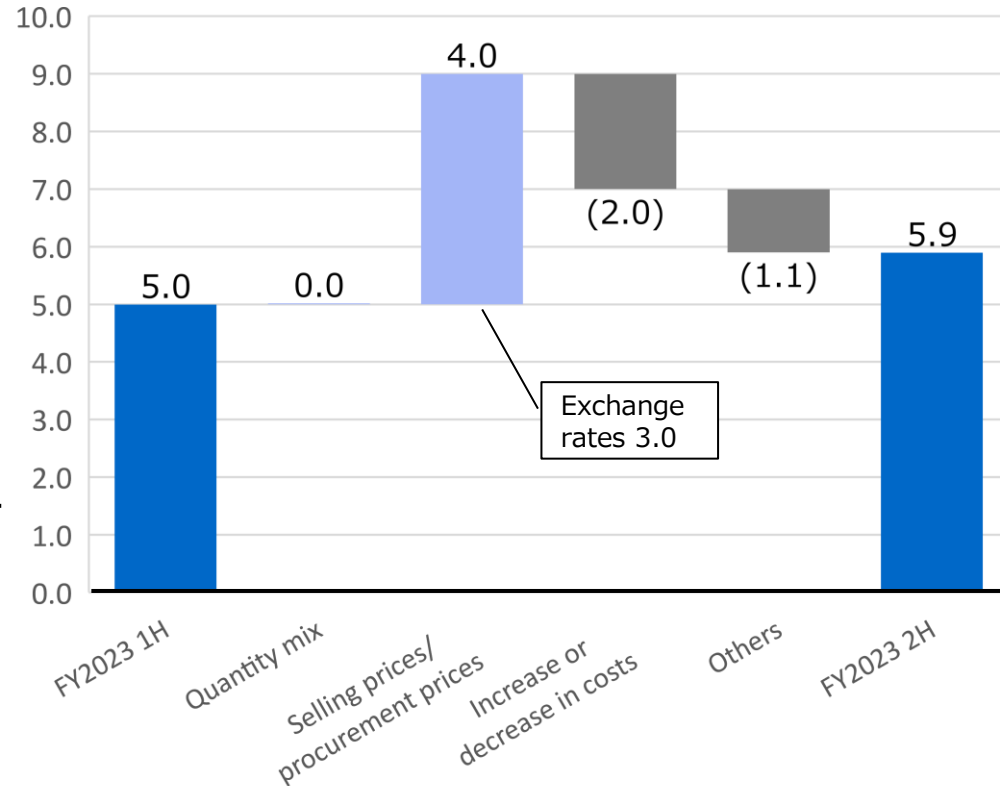
|                        | FY2023 Forecast |     |           |
|------------------------|-----------------|-----|-----------|
|                        | 1H              | 2H  | Full Year |
| Construction machinery | 5.0             | 5.9 | 11.0      |

0.9

(Billions of yen)



(Billions of yen)



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

|                                  |                        | FY2022 Actual |        |           | FY2023 Forecast (Previous) |               | FY2023 Forecast (Current) |               |               |
|----------------------------------|------------------------|---------------|--------|-----------|----------------------------|---------------|---------------------------|---------------|---------------|
|                                  |                        | 1H            | 2H     | Full Year | 1H                         | Full Year     | 1H                        | 2H            | Full Year     |
| Crude steel production*1         | (Millions of tons)     | 3.15          | 3.04   | 6.19      | approx.3.10                | approx. 6.10  | 3.09                      | approx. 2.85  | approx. 5.95  |
| Sales volume of steel products*2 | (Millions of tons)     | 2.50          | 2.48   | 4.98      | approx.2.40                | approx. 4.90  | 2.47                      | approx. 2.30  | approx. 4.75  |
| (Domestic)                       |                        | (1.92)        | (1.93) | (3.85)    | (approx.1.85)              | (approx.3.70) | (1.92)                    | (approx.1.80) | (approx.3.70) |
| (Exports)                        |                        | (0.58)        | (0.55) | (1.13)    | (approx.0.55)              | (approx.1.20) | (0.54)                    | (approx.0.50) | (approx.1.05) |
| Average steel selling price      | (Thousands of yen/ton) | 134.5         | 145.7  | 140.1     |                            |               | 140.4                     |               |               |
| Export ratio (value basis)       |                        | 23.4%         | 21.8%  | 22.6%     |                            |               | 20.9%                     |               |               |
| Aluminum rolled products*3       | (Thousands of tons)    | 170           | 167    | 337       | approx.170                 | approx.350    | 161                       | approx. 180   | approx. 340   |
| (Domestic)                       |                        | (119)         | (113)  | (232)     | (approx.125)               | (approx.255)  | (116)                     | (approx.130)  | (approx.245)  |
| (Overseas)                       |                        | (51)          | (55)   | (105)     | (approx.45)                | (approx.95)   | (45)                      | (approx.50)   | (approx.95)   |
| Aluminum extrusions*3            | (Thousands of tons)    | 17            | 17     | 34        | approx.18                  | approx.41     | 18                        | approx. 22    | approx. 39    |
| (Domestic)                       |                        | (14)          | (13)   | (27)      | (approx.14)                | (approx.31)   | (13)                      | (approx.17)   | (approx.30)   |
| (Overseas)                       |                        | (4)           | (4)    | (8)       | (approx.4)                 | (approx.10)   | (4)                       | (approx.5)    | (approx.9)    |
| Copper rolled products*2         | (Thousands of tons)    | 27            | 27     | 54        | approx.26                  | approx.58     | 24                        | approx. 32    | approx. 56    |
| Welding materials*3              | (Thousands of tons)    | 125           | 123    | 248       | approx.120                 | approx.245    | 122                       | approx. 125   | approx. 245   |
| (Domestic)                       |                        | (52)          | (54)   | (105)     | (approx.50)                | (approx.105)  | (53)                      | (approx.55)   | (approx.105)  |
| (Overseas)                       |                        | (74)          | (69)   | (143)     | (approx.70)                | (approx.140)  | (69)                      | (approx.70)   | (approx.140)  |
| Hydraulic excavators*4           | (Thousands of units)   | 11.9          | 12.7   | 24.6      | approx.12.5                | approx.27.0   | 11.7                      | approx. 14.0  | approx. 25.5  |
| (Domestic)                       |                        | (3.4)         | (4.2)  | (7.6)     | (approx.3.8)               | (approx.8.5)  | (3.4)                     | (approx.5.0)  | (approx.8.5)  |
| (Overseas)                       |                        | (8.5)         | (8.5)  | (17.0)    | (approx.8.7)               | (approx.18.5) | (8.3)                     | (approx.9.0)  | (approx.17.0) |
| Crawler cranes*3                 | (Units)                | 145           | 144    | 289       | approx.150                 | approx.340    | 132                       | approx. 200   | approx. 330   |

\*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 |                   | FY2022 Actual |              |            |              | FY2023 Forecast |              |            |            |            |
|----------------|-------------------|---------------|--------------|------------|--------------|-----------------|--------------|------------|------------|------------|
|                |                   | 1Q            | 2Q           | 1H         | Full Year    | 1Q              | 2Q           | 1H         | 2H         | Full Year  |
|                | Iron ore          | 3.0           | 2.0          | 5.0        | (2.0)        | 3.5             | (1.0)        | 2.5        | 0.5        | 3.0        |
|                | Coal              | 3.5           | (6.5)        | (3.0)      | (2.5)        | (1.0)           | (1.0)        | (2.0)      | 1.5        | (0.5)      |
|                | <b>Carry over</b> | <b>6.5</b>    | <b>(4.5)</b> | <b>2.0</b> | <b>(4.5)</b> | <b>2.5</b>      | <b>(2.0)</b> | <b>0.5</b> | <b>2.0</b> | <b>2.5</b> |

|  |                                |             |              |             |             |              |              |              |            |            |
|--|--------------------------------|-------------|--------------|-------------|-------------|--------------|--------------|--------------|------------|------------|
|  | Average method                 | 18.0        | (1.5)        | 16.5        | 18.0        | (4.0)        | (3.0)        | (7.0)        | 7.5        | 0.5        |
|  | Lower-of-cost-or-market method | (2.0)       | 0.5          | (1.5)       | (2.5)       | 0.5          | 0.0          | 0.5          | 1.0        | 1.5        |
|  | <b>Inventory valuation</b>     | <b>16.0</b> | <b>(1.0)</b> | <b>15.0</b> | <b>15.5</b> | <b>(3.5)</b> | <b>(3.0)</b> | <b>(6.5)</b> | <b>8.5</b> | <b>2.0</b> |

| Aluminum rolled products |                                | FY2022 Actual |            |            |            | FY2023 Forecast |              |            |              |              |
|--------------------------|--------------------------------|---------------|------------|------------|------------|-----------------|--------------|------------|--------------|--------------|
|                          |                                | 1Q            | 2Q         | 1H         | Full Year  | 1Q              | 2Q           | 1H         | 2H           | Full Year    |
|                          | Average method                 | 4.0           | 1.5        | 5.5        | 6.5        | 1.5             | (1.0)        | 0.5        | (1.5)        | (1.0)        |
|                          | Lower-of-cost-or-market method | 0.0           | 0.0        | 0.0        | (1.0)      | 0.0             | 0.5          | 0.5        | 0.0          | 0.5          |
|                          | <b>Inventory valuation</b>     | <b>4.0</b>    | <b>1.5</b> | <b>5.5</b> | <b>5.5</b> | <b>1.5</b>      | <b>(0.5)</b> | <b>1.0</b> | <b>(1.5)</b> | <b>(0.5)</b> |

| Advanced materials |                                | FY2022 Actual |            |            |            | FY2023 Forecast |            |            |            |            |
|--------------------|--------------------------------|---------------|------------|------------|------------|-----------------|------------|------------|------------|------------|
|                    |                                | 1Q            | 2Q         | 1H         | Full Year  | 1Q              | 2Q         | 1H         | 2H         | Full Year  |
|                    | Average method                 | 2.5           | 0.0        | 2.5        | 3.0        | 1.0             | 0.0        | 1.0        | 0.5        | 1.5        |
|                    | Lower-of-cost-or-market method | (0.5)         | 0.0        | (0.5)      | 0.0        | 0.0             | 0.0        | 0.0        | 0.5        | 0.5        |
|                    | <b>Inventory valuation</b>     | <b>2.0</b>    | <b>0.0</b> | <b>2.0</b> | <b>3.0</b> | <b>1.0</b>      | <b>0.0</b> | <b>1.0</b> | <b>1.0</b> | <b>2.0</b> |

(Billions of yen)

|  | FY2019<br>Actual | FY2020<br>Actual | FY2021<br>Actual | FY2022<br>Actual | FY2023<br>Forecast<br>(Previous) | FY2023<br>Forecast<br>(Current) |
|--|------------------|------------------|------------------|------------------|----------------------------------|---------------------------------|
| Cash flows from operating activities               | 21.4             | 210.0            | 181.6            | 69.8             | 105.0                            | 115.0                           |
| Cash flows from investing activities               | (133.4)          | (81.9)           | (125.0)          | (70.0)           | (70.0)                           | (55.0)                          |
| Free cash flow<br>(excluding project financing)    | (112.0)          | 128.1            | 56.6             | (0.2)            | 35.0                             | 60.0                            |
| Free cash flow<br>(including project financing)    | (191.9)          | 52.9             | 7.2              | 22.4             | 85.0                             | 110.0                           |
| Cash and deposits<br>(excluding project financing) | 134.9            | 301.8            | 243.2            | 145.4            | 110.0                            | 110.0                           |

|                                    | FY2019<br>Actual | FY2020<br>Actual | FY2021<br>Actual | FY2022<br>Actual | FY2023<br>Forecast<br>(Previous) | FY2023<br>Forecast<br>(Current) |
|------------------------------------|------------------|------------------|------------------|------------------|----------------------------------|---------------------------------|
| Capital investment (accrual basis) | 239.8            | 185.0            | 108.1            | 97.3             | 135.0                            | 120.0                           |
| Capital investment (payment basis) | 245.3            | 173.2            | 156.4            | 98.9             | 110.0                            | 100.0                           |
| Depreciation                       | 105.3            | 100.8            | 105.1            | 112.5            | 120.0                            | 120.0                           |

|   | FY2019 Actual            | FY2020 Actual            | FY2021 Actual            | FY2022 Actual     | FY2023 Forecast<br>(Previous) | FY2023 Forecast<br>(Current) |
|---|--------------------------|--------------------------|--------------------------|-------------------|-------------------------------|------------------------------|
| Profit (loss) per share                                   | (187.55) yen             | 64.05 yen                | 160.23 yen               | 183.80 yen        | 303.86 yen                    | 303.83 yen                   |
| Outside debt  | 906.6 billion yen        | 987.8 billion yen        | 908.4 billion yen        | 861.8 billion yen | 800.0 billion yen             | 775.0 billion yen            |
| Outside debt excluding debt<br>from IPP project financing | 784.4 billion yen        | 785.7 billion yen        | 655.1 billion yen        | 590.5 billion yen | 555.0 billion yen             | 530.0 billion yen            |
| D/E ratio <sup>*1</sup>                                   | 1.19 times <sup>*2</sup> | 1.11 times <sup>*3</sup> | 0.80 times <sup>*4</sup> | 0.65 times        | approx. 0.60 times            | approx. 0.55 times           |
| ROS <sup>*5</sup>   | (0.4)%                   | 0.9%                     | 4.5%                     | 4.3%              | 5.6%                          | 5.6%                         |
| ROA <sup>*6</sup>   | (0.3)%                   | 0.6%                     | 3.5%                     | 3.8%              | 5.0%                          | 5.0%                         |
| ROE <sup>*7</sup>   | (9.7)%                   | 3.4%                     | 7.9%                     | 8.4%              | 12.5%                         | 12.3%                        |
| ROIC <sup>*8</sup>  | 0.9%                     | 1.1%                     | 4.7%                     | 4.9%              | 6.7%                          | 6.9%                         |

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

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

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

\*4: Includes early procurement of borrowings for fiscal 2021 (101.1 billion yen)  
D/E ratio 0.68 times (excluding early procurement of borrowings)

\*5: ROS: Ordinary Profit (Loss) / Net Sales

\*6: ROA: Ordinary Profit (Loss) / Total assets

\*7: ROE: Profit (Loss) Attributable to Owners of Parent  
the Parent / Stockholders' equity

\*8: ROIC: After-tax operating income / invested capital

|                       | FY2022 Actual |       |           | FY2023 Forecast (Previous) |       |           | FY2023 Forecast (Current) |       |           |
|-----------------------|---------------|-------|-----------|----------------------------|-------|-----------|---------------------------|-------|-----------|
|                       | 1H            | 2H    | Full Year | 1H                         | 2H    | Full Year | 1H                        | 2H    | Full Year |
| 1 U.S. dollar to yen  | 135.3         | 136.7 | 136.0     | 135.8                      | 135.0 | 135.4     | 142.6                     | 145.0 | 143.8     |
| 1 Chinese yuan to yen | 19.9          | 19.5  | 19.7      | 19.8                       | 20.0  | 19.9      | 19.9                      | 20.0  | 19.9      |
| 1 euro to yen         | 139.1         | 144.1 | 141.6     | 148.0                      | 148.0 | 148.0     | 154.8                     | 155.0 | 154.9     |

### Analysis of exchange rate sensitivity

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

Steel products: approx. (0.1) billion yen

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

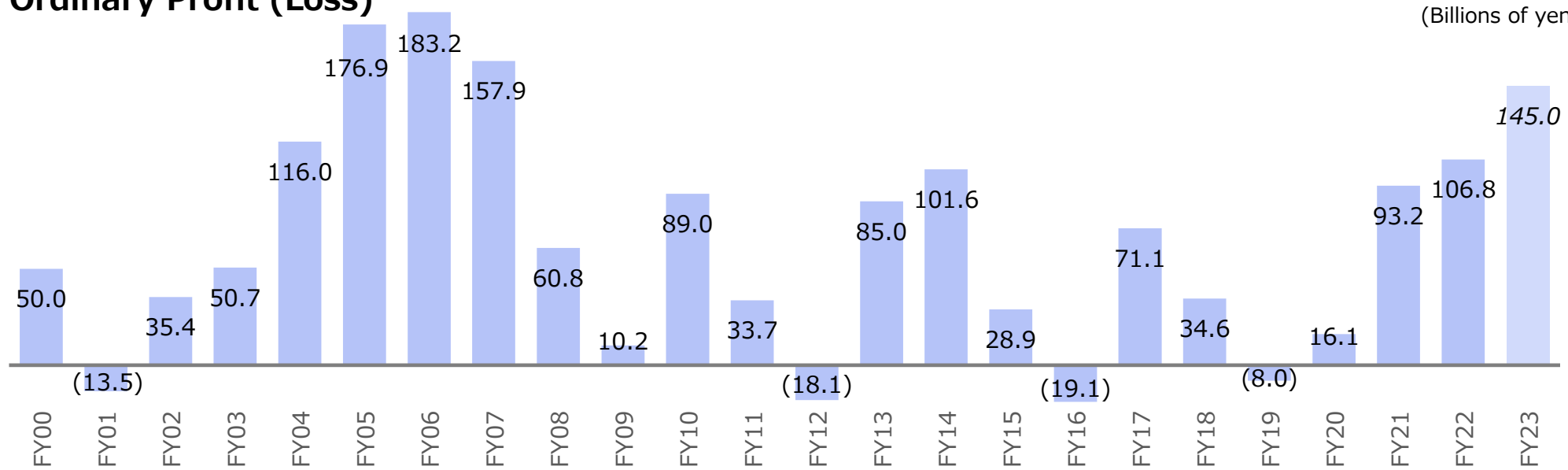
Construction machinery: approx. 0.2 billion yen

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

Construction machinery: approx. 0.2 billion yen

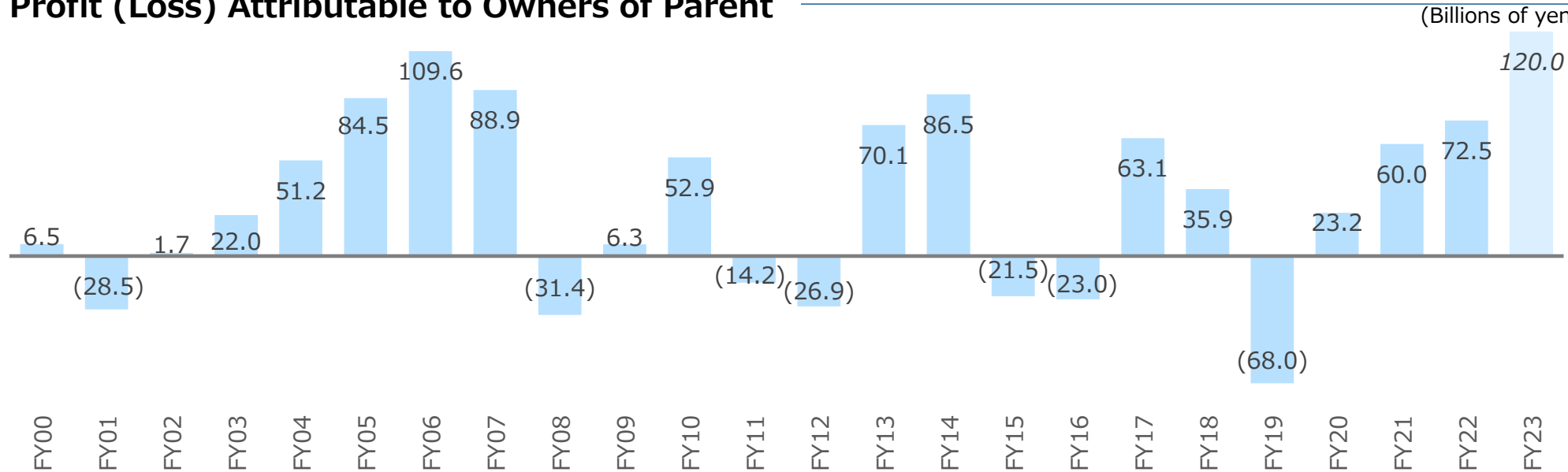
## Ordinary Profit (Loss)

(Billions of yen)



## Profit (Loss) Attributable to Owners of Parent

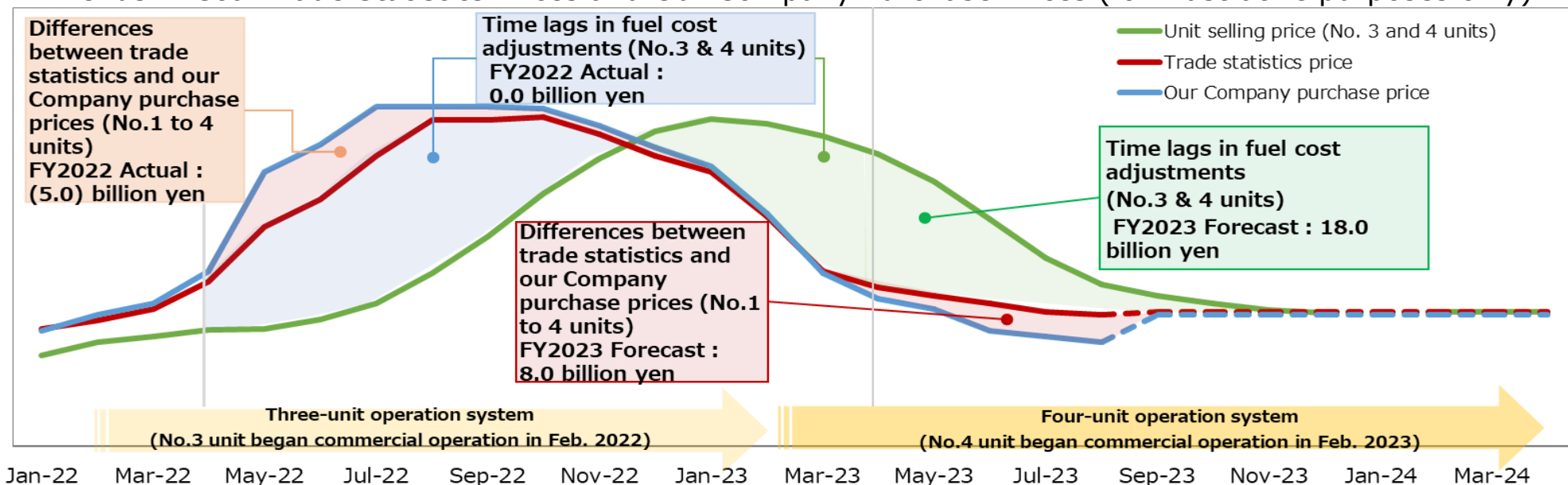
(Billions of yen)



Our Company's coal-fired power subsidiaries receive **the electricity rate**, equivalent to the fuel cost, which 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.** (Billions of yen)

| Main factors that affect profit and loss  | FY2022                             | FY2023                           |                                  | Full year                          | Full year                            |
|---|------------------------------------|----------------------------------|----------------------------------|------------------------------------|--------------------------------------|
|   | Actual <sup>①</sup>                | Previous <sup>②</sup>            | Current <sup>③</sup>             | ③-①                                | ③-②                                  |
| <b>Time lags in fuel cost adjustments (No.3 &amp; 4 units)</b> <ul style="list-style-type: none"> <li>• Inevitably occur as coal prices rise and fall (Refer to trade statistics 3–5 months ago.)</li> <li>• Gains and losses in profits are offset in the long run</li> </ul>  | <b>0.0</b><br>1H (10.0)<br>2H 10.0 | <b>22.0</b><br>1H 19.0<br>2H 3.0 | <b>18.0</b><br>1H 16.0<br>2H 2.0 | <b>18.0</b><br>1H 26.0<br>2H (8.0) | <b>(4.0)</b><br>1H (3.0)<br>2H (1.0) |
| <b>Effect from temporary gains/losses from changes in electricity selling prices (No.1 to 4 units)—Differences between trade statistics and our Company purchase prices</b> <ul style="list-style-type: none"> <li>• Although our basic policy is to purchase coal based on a contract with no future price differences anticipated, irregularities may occur due to external factors.</li> </ul> | <b>(5.0)</b><br>1H (5.0)<br>2H –   | <b>0.0</b><br>1H –<br>2H –       | <b>8.0</b><br>1H 8.0<br>2H –     | <b>13.0</b><br>1H 13.0<br>2H –     | <b>8.0</b><br>1H 8.0<br>2H –         |

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

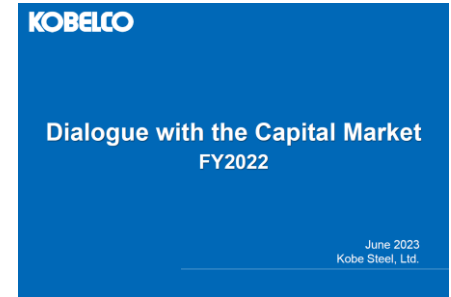




## Dialogue with the Capital Market

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

[capital\\_markets\\_22\\_e.pdf \(kobelco.co.jp\)](https://www.kobelco.co.jp/capital_markets_22_e.pdf)



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

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



FTSE4Good

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



FTSE Blossom Japan Sector Relative Index

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



FTSE Blossom Japan

- ◆ **MSCI JAPAN ESG SELECT LEADERS INDEX\***  
(From Jun. 2022)

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

- ◆ **MSCI JAPAN EMPOWERING WOMEN INDEX (WIN) \***  
(From Dec. 2022)

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

- ◆ **CDP**  
(From Dec. 2020)



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

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|                                       |   |
|---------------------------------------|---|
| <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><b>We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.</b></p>  |
| <h2>KOBELCO's Mission</h2>            | <p>Our mission and the social significance of the KOBELCO Group that we must fulfill</p> <p><b>Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies.</b></p>  |
| <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"> <li><b>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.</b></li> <li><b>2. We value, and support the growth of, each employee on an individual basis, while creating a cooperative and harmonious environment.</b></li> <li><b>3. Through continuous and innovative changes, we create new values for the society of which we are a member.</b></li> </ol>             |
| <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"> <li><b>1. Uphold the Highest Sense of Ethics and Professionalism</b></li> <li><b>2. Contribute to the Society by Providing Superior Products and Services</b> <a href="#">Quality Charter</a></li> <li><b>3. Establish a Comfortable but Challenging Work Environment</b></li> <li><b>4. Live in Harmony with the Local Community</b></li> <li><b>5. Contribute to a Sustainable Environment</b></li> <li><b>6. Respect Each Stakeholder</b></li> </ol> |

# 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