

Financial Results for the Cumulative Third Quarter of Fiscal 2023 and Forecast for the Full Fiscal Year

February 9, 2024
Kobe Steel, Ltd.

KOBELCO

1. Summary of Financial Results and Forecast
2. Financial Results for the Cumulative Third Quarter of Fiscal 2023
3. Forecast for Fiscal 2023
4. Reference Information

1. Summary of Financial Results and Forecast

Summary of Financial Results for the Cumulative Third Quarter 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 59.0 billion yen year on year to 133.9 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 62.2 billion yen year on year to 109.7 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)

- While we anticipate **a decline in sales volume in the materials businesses** due to weak demand in the construction and civil engineering sectors as well as due to the ongoing supply-demand adjustment phase in the IT and semiconductor sectors and **a decline in sales volume of construction machinery**, particularly in China and Europe, strong demand for **machinery is projected to drive an increase in orders**, surpassing the previous fiscal year's record high.
- **Ordinary profit** is expected to **increase by 5.0 billion yen from the previous forecast to around 150.0 billion yen (ROIC 6.7%)** due to an improvement in steel metal spreads, an increase in profit in the machinery business where demand is high, **increased effect of temporary gains from time lags in fuel cost adjustment in the electric power business**, and **effect of temporary gains from changes in electricity selling prices**, despite a **decline in sales volume** in the materials businesses and construction machinery business. Net income attributable to owners of parent is expected to be about 120.0 billion yen, unchanged from the previous forecast.

(Billions of yen)

	FY2022 Actual		FY2023 Forecast (Previous)	FY2023 Forecast (Current)		Change		
	Cumulative 3Q ①	Full Year ②		Cumulative 3Q ④	Full Year ⑤	Cumulative 3Q ④ - ①	Full Year ⑤ - ②	Full Year ⑤ - ③
Net Sales	1,784.6	2,472.5	2,570.0	1,873.7	2,560.0	89.0	87.5	(10.0)
Operating Profit (Loss)	53.8	86.3	165.0	138.2	165.0	84.4	78.7	-
Steel & Aluminum	41.0	41.9	25.5	26.6	25.5	(14.3)	(16.4)	-
Advanced Materials	(0.1)	0.9	2.0	0.6	2.0	0.7	1.1	-
Welding	1.5	2.8	4.0	3.3	4.0	1.7	1.2	-
Machinery	8.2 ^{*1}	15.7 ^{*1}	26.0	18.1	27.5	9.9	11.8	1.5
Engineering	2.6	4.1	8.0	11.6	8.0	9.0	3.9	-
Construction Machinery	10.7	12.3	11.0	9.5	7.5	(1.2)	(4.8)	(3.5)
Electric Power	6.4 ^{*1}	24.5 ^{*1}	70.0	63.5	80.0	57.1	55.5	10.0
Other Businesses	3.3	4.8	3.5	2.9	4.0	(0.4)	(0.8)	0.5
Adjustment	0.8	(0.7)	(5.0)	(2.6)	(8.5)	(3.5)	(7.8)	(3.5)
Ordinary Profit (Loss)	74.8	106.8	145.0	133.9	150.0	59.0	43.2	5.0
Excluding Inventory Valuation	44.3	82.8	141.5	133.4	144.5	89.0	61.7	3.0
Extraordinary Income (Losses)	(7.7)	(8.7)	27.7	27.8 ^{*2}	27.8	35.5	36.5	0.1
Profit (Loss) Attributable to Owners of Parent	47.5	72.5	120.0	109.7	120.0	62.2	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 are expected to **remain steady**.
 *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)			
		1H	3Q	4Q	Full Year	1H	3Q	4Q	Full Year
Change	(14%)	(10%)	(4%)	(10%)	(9%)	(7%)	(3%)	(8%)	(6%)

IT and semiconductors

- The disk materials and semiconductor manufacturing equipment sectors are still undergoing a supply-demand adjustment phase, resulting in **a decrease from the previous forecast**. (Demand has been recovering moderately since the second half of the fiscal year. Full recovery is expected in the next fiscal year or later.)
 *Affected units : Aluminum rolled products, aluminum castings and forgings, and copper rolled products

Shipbuilding

- Similar to the previous forecast** (While the amount of construction work on hand is high, labor shortages have been exacerbating.)
 *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 continue.)
 *Affected units : Titanium, and aluminum castings and forgings

Beverage cans

- Down from the previous forecast** due to higher market prices.
 *Affected units : Aluminum rolled products

Construction and civil engineering

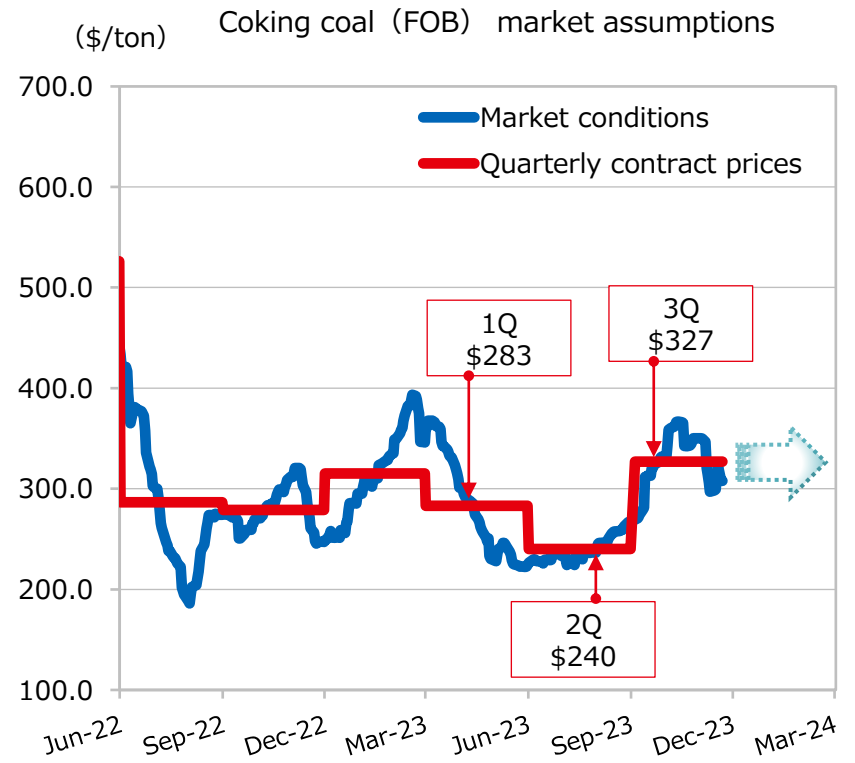
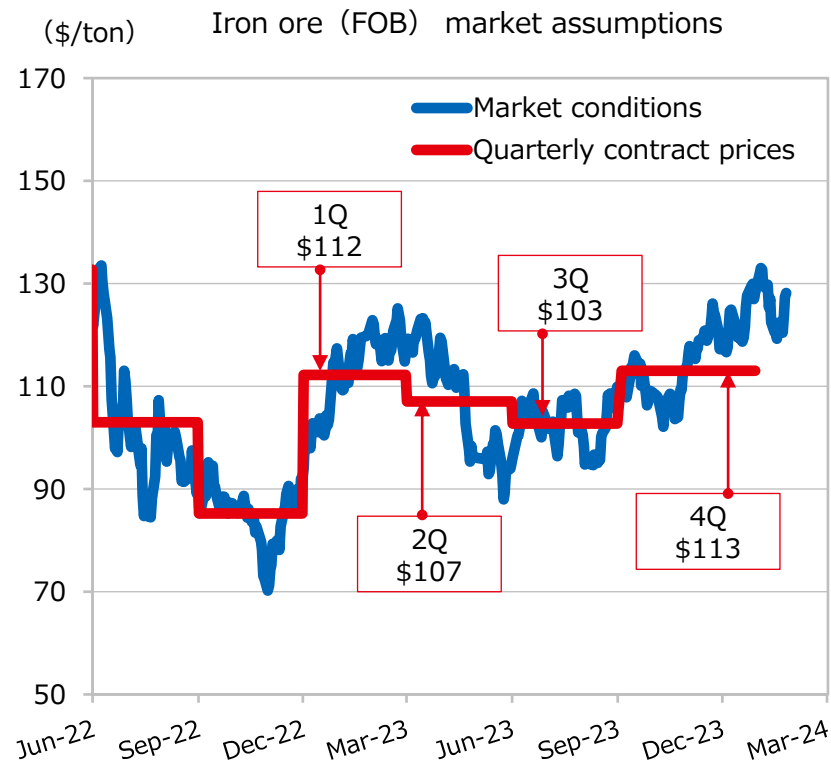
- Down from the previous forecast**, as the construction projects continue to be suspended/pushed back due to labor shortages and rising construction costs.
 *Affected units : Steel products and welding

Iron ore: The 4Q price has been settled at \$113.

Coking coal: The 3Q price has been settled at \$327. The 4Q price is assumed to be **similar to the 3Q price**.

Thermal coal: The upward trend of the market began to decline from a peak around \$160 in September. In December, the price was between \$130–150. The 4Q price is calculated based on current market conditions.

Raw material market conditions



2. Financial Results for the Cumulative Third Quarter of Fiscal 2023

Net sales of 1,873.7 billion yen (Up 89.0 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 133.9 billion yen (Up 59.0 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

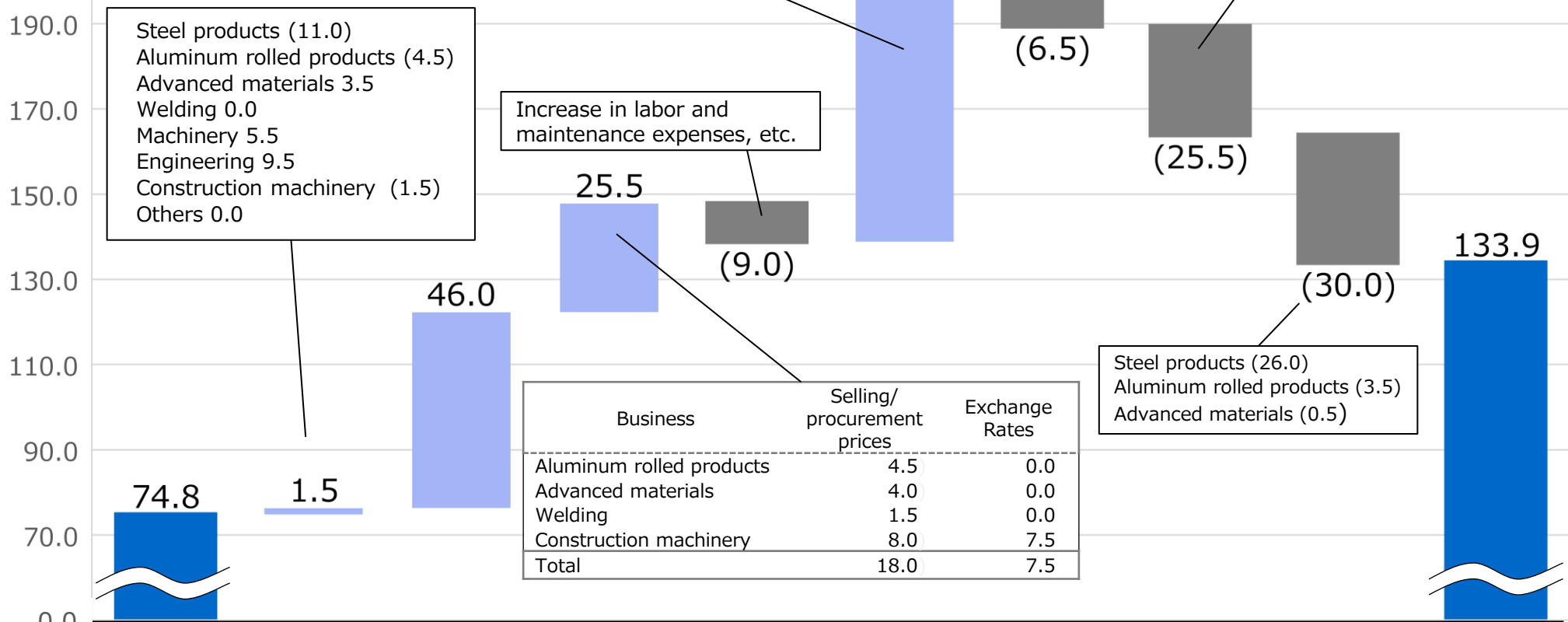
	FY2022 Cumulative 3Q ①	FY2023 Cumulative 3Q ②	(Billions of yen) Change ②-①
Net Sales	1,784.6	1,873.7	89.0
Operating Profit (Loss)	53.8	138.2	84.4
Ordinary Profit (Loss)	74.8	133.9	59.0
Excluding Inventory Valuation	44.3	133.4	89.0
Extraordinary Income (Losses)	(7.7)	27.8*	35.5
Profit (Loss) Attributable to Owners of Parent	47.5	109.7	62.2

* Gain on transfer of fixed assets in subsidiaries.

- Improved effect of time lags in fuel cost adjustments 29.0
- Difference resulting from temporary changes in electricity selling prices 20.0
- Operation of the Kobe Power Plant No.4 unit, etc. 8.1

- Decline in compensation income related to the engine certification problem
- Steel products: Deterioration in external sales of scrap
- Rising logistics costs, etc.

(Billions of yen)



- Steel products (11.0)
- Aluminum rolled products (4.5)
- Advanced materials 3.5
- Welding 0.0
- Machinery 5.5
- Engineering 9.5
- Construction machinery (1.5)
- Others 0.0

Increase in labor and maintenance expenses, etc.

Business	Selling/ procurement prices	Exchange Rates
Aluminum rolled products	4.5	0.0
Advanced materials	4.0	0.0
Welding	1.5	0.0
Construction machinery	8.0	7.5
Total	18.0	7.5

- Steel products (26.0)
- Aluminum rolled products (3.5)
- Advanced materials (0.5)

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

Net Sales

(Billions of yen)

	FY2022 Cumulative 3Q ①	FY2023 Cumulative 3Q ②	Change ②-①
Steel & Aluminum	826.5	812.8	(13.7)
Advanced Materials	203.7	218.4	14.6
Welding	64.7	70.1	5.4
Machinery	138.3 [*]	157.0	18.6
Engineering	98.5	117.8	19.2
Construction Machinery	280.4	304.4	23.9
Electric Power	213.1	233.9	20.7
Other Businesses	6.8 [*]	7.2	0.4
Adjustment	(47.9)	(48.2)	(0.3)
Total	1,784.6	1,873.7	89.0

Ordinary Profit (Loss)

(Billions of yen)

	FY2022 Cumulative 3Q ③	FY2023 Cumulative 3Q ④	Change ④-③
Steel & Aluminum	41.0	26.6	(14.3)
Advanced Materials	(0.1)	0.6	0.7
Welding	1.5	3.3	1.7
Machinery	8.2 [*]	18.1	9.9
Engineering	2.6	11.6	9.0
Construction Machinery	10.7	9.5	(1.2)
Electric Power	6.4	63.5	57.1
Other Businesses	3.3 [*]	2.9	(0.4)
Adjustment	0.8	(2.6)	(3.5)
Total	74.8	133.9	59.0

* 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.

(Billions of yen)

		FY2022 Cumulative 3Q ①	FY2023 Cumulative 3Q ②	Change ②-①
Steel products	Net Sales	678.9	669.1	(9.8)
	Ordinary Profit (Loss)	43.1	32.5	(10.5)
	Excluding Inventory Valuation	20.6	36.0	15.4
Aluminum rolled products	Net Sales	147.5	143.6	(3.9)
	Ordinary Profit (Loss)	(2.1)	(5.9)	(3.7)
	Excluding Inventory Valuation	(7.6)	(7.9)	(0.2)
Total	Net Sales	826.5	812.8	(13.7)
	Ordinary Profit (Loss)	41.0	26.6	(14.3)
	Excluding Inventory Valuation	13.0	28.1	15.1

Steel products

FY2022 3Q : Net sales of 678.9 billion yen →

FY2023 3Q : Net sales of 669.1 billion yen (Down 9.8 billion yen year on year)

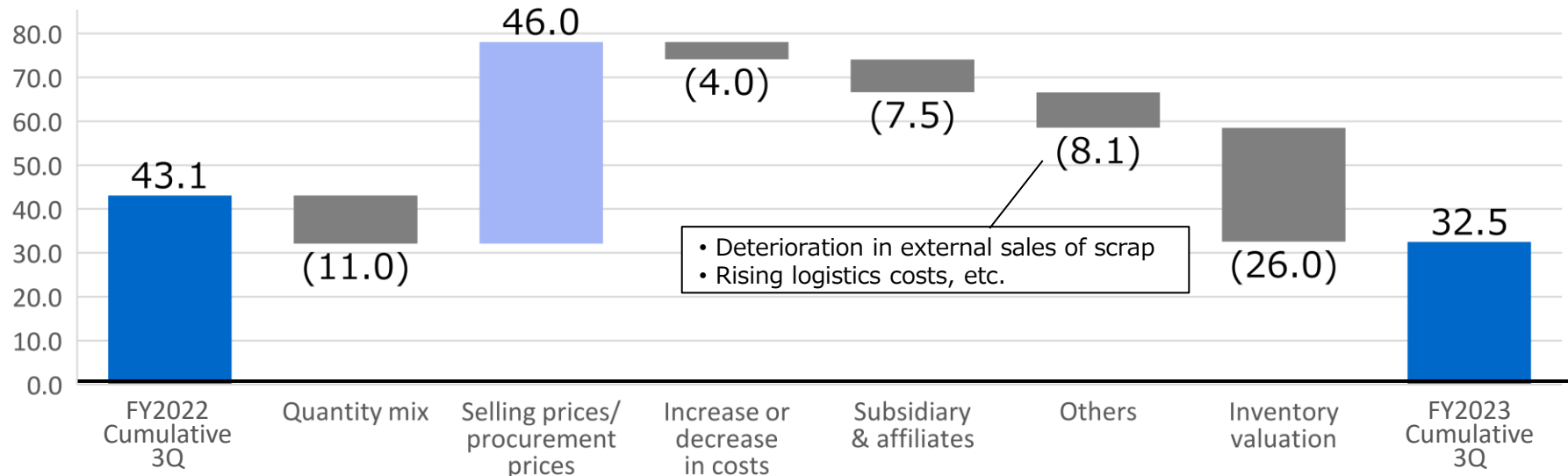
FY2022 3Q : Ordinary profit of 43.1 billion yen →

FY2023 3Q : Ordinary profit of 32.5 billion yen (Down 10.5 billion yen year on year)

- Crude steel production: 4.47 million tons (Down 0.21 million tons year on year)
- Sales volume: 3.59 million tons (Down 0.16 million tons year on year)
 - Despite an increase in sales volume in the automotive sector along with demand recovery, overall sales volume is expected to decline due to decreased demand in other sectors
- Selling price: 141,600 yen/ton (Up 2,500 yen/ton year on year)
- Factors affecting profit and loss
 - Decrease in sales volume (partly due to the refurbishment of a steel plate finishing rolling mill)
 - Improvement in 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

[Related data on P42-43](#)

(Billions of yen)



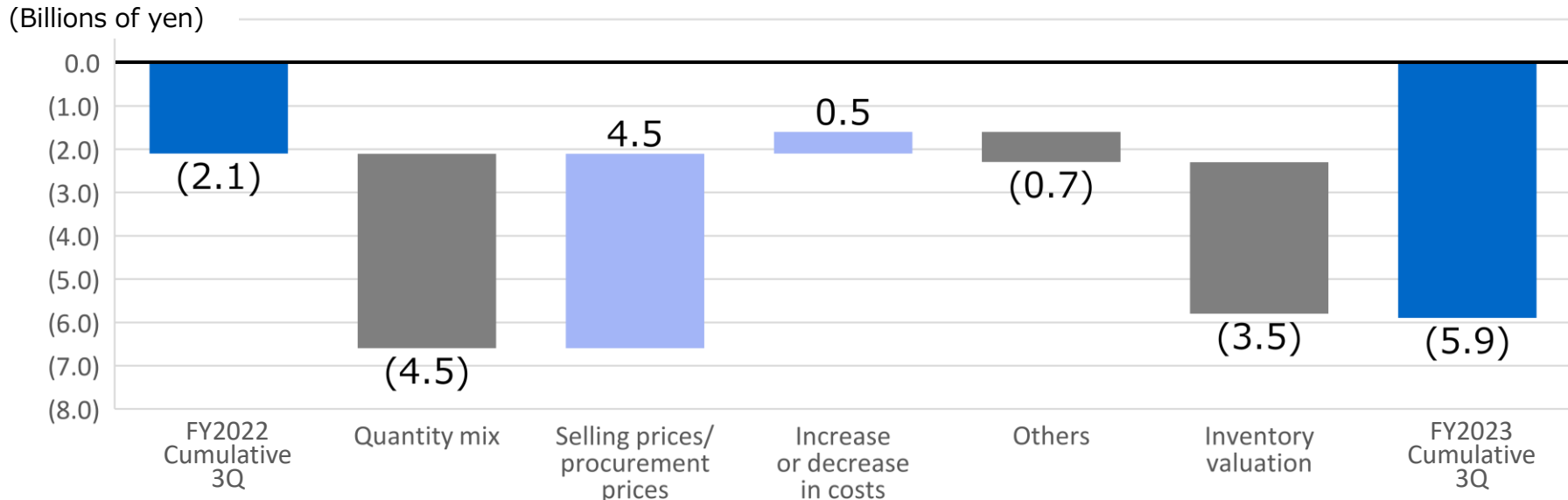
Inventory valuation includes the effect from the average method and the lower-of-cost-or-market method.

Aluminum rolled products

FY2022 3Q : Net sales of 147.5 billion yen →
FY2023 3Q : Net sales of 143.6 billion yen (Down 3.9 billion yen year on year)
FY2022 3Q : Ordinary loss of 2.1 billion yen →
FY2023 3Q : Ordinary loss of 5.9 billion yen (Down 3.7 billion yen year on year)

- Sales volume: 238,000 tons (Down 15,000 tons year on year)
 - Beverage cans : Decreased due to less demand for beverages can stock produced by our company
 - 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

Related data on P42-43



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

	FY2022 Cumulative 3Q ①	FY2023 Cumulative 3Q ②	(Billions of yen) Change ②-①
Net Sales	203.7	218.4	14.6
Ordinary Profit (Loss)	(0.1)	0.6	0.7
Excluding Inventory Valuation	(2.6)	(1.3)	1.2

Related data on P42-43

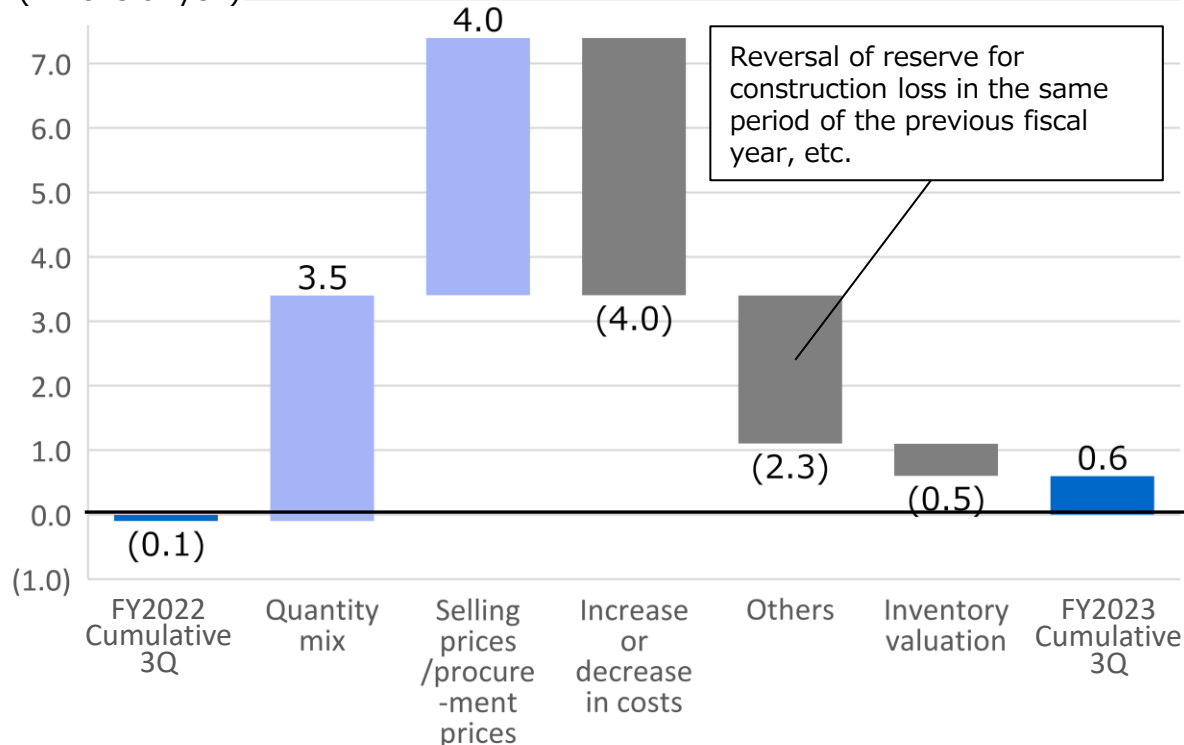
■ Sales volume

- Increased in steel castings and forgings due to strong demand in the shipbuilding sector
- Increase in aluminum extrusions and 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

(Billions of yen)



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

	FY2022 Cumulative 3Q ①	FY2023 Cumulative 3Q ②	(Billions of yen) Change ②-①
Net Sales	64.7	70.1	5.4
Ordinary Profit (Loss)	1.5	3.3	1.7

[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 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 Cumulative 3Q ① *	FY2023 Cumulative 3Q ②	Change ②-①
Net Sales	138.3	157.0	18.6
Ordinary Profit (Loss)	8.2	18.1	9.9
Orders	189.0	179.8	(9.2)

* 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

- Increase mainly 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 strong orders and service contracts in the previous year
- Improvement in order profitability due to solid demand

(Billions of yen)

	FY2022 Cumulative 3Q ①	FY2023 Cumulative 3Q ②	Change ②-①
Net Sales	98.5	117.8	19.2
Ordinary Profit (Loss)	2.6	11.6	9.0
Orders	105.2	143.5	38.2

■ 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 and waste treatment-related business.

	FY2022 Cumulative 3Q ①	FY2023 Cumulative 3Q ②	(Billions of yen) Change ②-①
Net Sales	280.4	304.4	23.9
Ordinary Profit (Loss)	10.7	9.5	(1.2)

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.

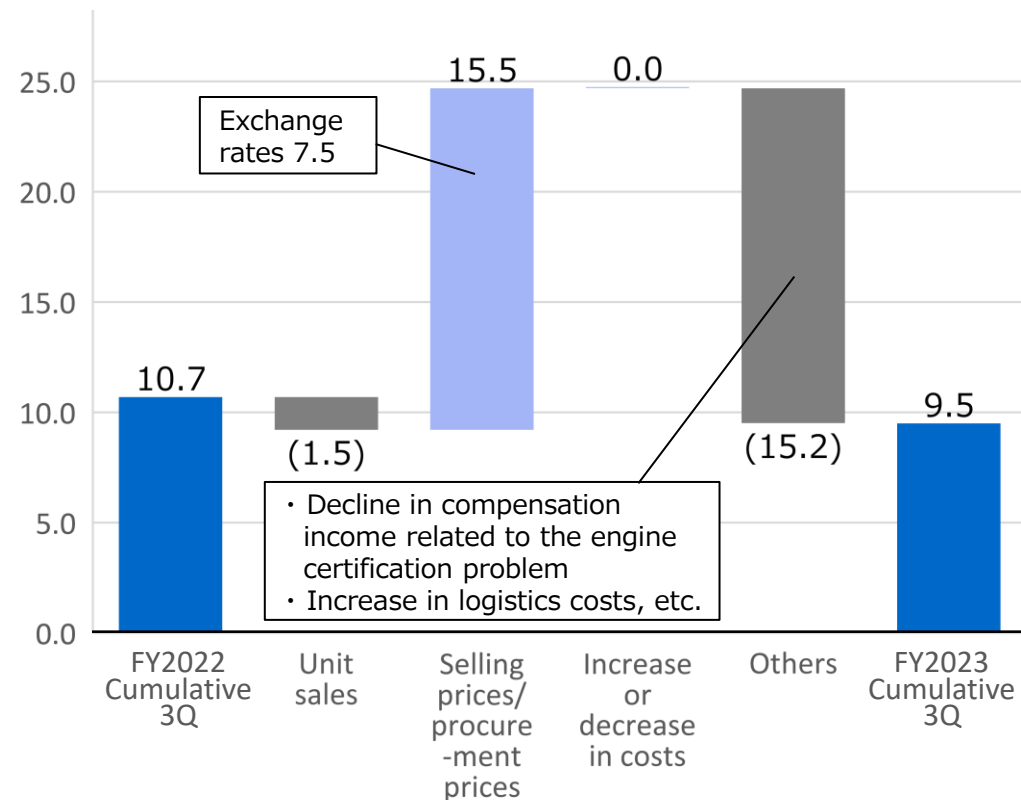
[Crawler crane] : Similar level year on year

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

■ 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)



(Billions of yen)

	FY2022 Cumulative 3Q ①	FY2023 Cumulative 3Q ②	Change ②-①
Net Sales	213.1	233.9	20.7
Ordinary Profit (Loss)	6.4	63.5	57.1

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

- Year-over-year decline due to fluctuations 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 (The cumulative third quarter results for fiscal 2022 and 2023 were affected by temporary losses and gains, respectively.)

3. Forecast for Fiscal 2023

FY2023 Forecast (Previous) : Net sales of 2,570.0 billion yen →

FY2023 Forecast (Current) : Net sales of 2,560.0 billion yen (Down 10.0 billion yen)

- Decrease in sales volume in the construction machinery business, etc.

FY2023 Forecast (Previous) : Ordinary profit of 145.0 billion yen →

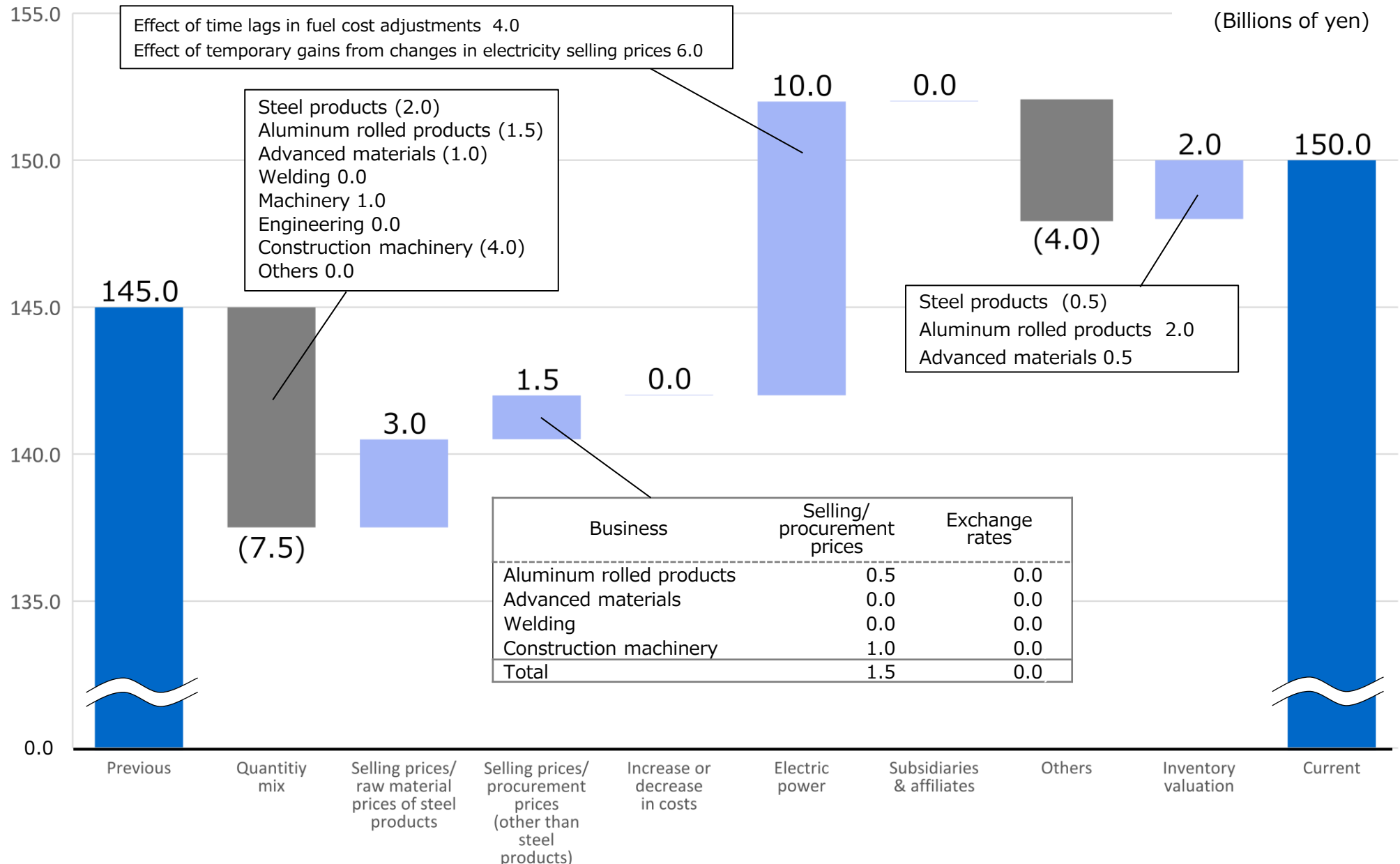
FY2023 Forecast (Current) : Ordinary profit of 150.0 billion yen (Up 5.0 billion yen)

- Decrease in sales volume in the materials businesses and the construction machinery business
- Improvement in steel metal spreads
- Increase in machine service projects and improvement in order profitability
- Effect of temporary gains from changes in electricity selling prices and effect of time lags in fuel cost adjustments
- Improvement in inventory valuation gains

(Billions of yen)

	FY2022 Actual			FY2023 Forecast (Previous)			FY2023 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	1,169.6	1,302.8	2,472.5	1,253.8	1,316.1	2,570.0	1,253.8	1,306.1	2,560.0	(10.0)
Operating Profit (Loss)	19.7	66.5	86.3	92.1	72.8	165.0	92.1	72.8	165.0	–
Ordinary Profit (Loss)	41.8	65.0	106.8	91.6	53.3	145.0	91.6	58.3	150.0	5.0
Excluding Inventory Valuation	19.3	63.5	82.8	96.1	45.3	141.5	96.1	48.3	144.5	3.0
Extraordinary Income (Losses)	(2.6)	(6.1)	(8.7)	27.7	–	27.7	27.7*	0.0	27.8	0.1
Profit (Loss) Attributable to Owners of Parent	28.0	44.5	72.5	80.3	39.6	120.0	80.3	39.6	120.0	–

* 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 Actual			FY2023 Forecast (Previous)			FY2023 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Steel & Aluminum	536.5	568.6	1,105.1	548.9	519.0	1,068.0	548.9	528.0	1,077.0	9.0
Advanced Materials	133.1	144.6	277.7	141.8	170.1	312.0	141.8	165.1	307.0	(5.0)
Welding	42.1	46.2	88.4	46.4	47.5	94.0	46.4	47.5	94.0	–
Machinery*	92.7	110.6	203.4	103.2	139.7	243.0	103.2	136.7	240.0	(3.0)
Engineering	61.1	84.0	145.2	75.1	96.8	172.0	75.1	94.8	170.0	(2.0)
Construction Machinery	183.7	197.9	381.7	192.6	227.3	420.0	192.6	218.3	411.0	(9.0)
Electric Power	147.5	176.8	324.3	172.7	133.2	306.0	172.7	138.2	311.0	5.0
Other* Businesses	4.2	6.6	10.9	4.5	5.4	10.0	4.5	5.4	10.0	–
Adjustment	(31.7)	(32.8)	(64.6)	(31.9)	(23.0)	(55.0)	(31.9)	(28.0)	(60.0)	(5.0)
Total	1,169.6	1,302.8	2,472.5	1,253.8	1,316.1	2,570.0	1,253.8	1,306.1	2,560.0	(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.

Ordinary Profit (Loss)

(Billions of yen)

	FY2022 Actual			FY2023 Forecast (Previous)			FY2023 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Steel & Aluminum	22.3	19.6	41.9	20.7	4.7	25.5	20.7	4.7	25.5	–
Advanced Materials	1.4	(0.5)	0.9	(0.0)	2.0	2.0	(0.0)	2.0	2.0	–
Welding	0.8	1.9	2.8	1.5	2.4	4.0	1.5	2.4	4.0	–
Machinery*	5.0	10.7	15.7	10.3	15.6	26.0	10.3	17.1	27.5	1.5
Engineering	0.9	3.2	4.1	6.2	1.7	8.0	6.2	1.7	8.0	–
Construction Machinery	10.0	2.3	12.3	5.0	5.9	11.0	5.0	2.4	7.5	(3.5)
Electric Power	(1.3)	25.9	24.5	47.4	22.5	70.0	47.4	32.5	80.0	10.0
Other* Businesses	2.4	2.4	4.8	1.7	1.7	3.5	1.7	2.2	4.0	0.5
Adjustment	0.1	(0.8)	(0.7)	(1.5)	(3.4)	(5.0)	(1.5)	(6.9)	(8.5)	(3.5)
Total	41.8	65.0	106.8	91.6	53.3	145.0	91.6	58.3	150.0	5.0

* 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.

(Billions of yen)

		FY2022 Actual			FY2023 Forecast (Previous)			FY2023 Forecast (Current)			Change
		1H	2H		1H	2H	①	1H	2H	②	②-①
Steel products	Net Sales	438.3	471.3	909.7	452.4	434.5	887.0	452.4	439.5	892.0	5.0
	Ordinary Profit (Loss)	21.0	27.9	49.0	25.9	8.5	34.5	25.9	8.0	34.0	(0.5)
	Excluding Inventory Valuation	6.0	27.4	33.5	32.4	0.0	32.5	32.4	0.0	32.5	–
Aluminum rolled products	Net Sales	98.1	97.2	195.4	96.5	84.4	181.0	96.5	88.4	185.0	4.0
	Ordinary Profit (Loss)	1.2	(8.3)	(7.0)	(5.1)	(3.8)	(9.0)	(5.1)	(3.3)	(8.5)	0.5
	Excluding Inventory Valuation	(4.2)	(8.3)	(12.5)	(6.1)	(2.3)	(8.5)	(6.1)	(3.8)	(10.0)	(1.5)
Total	Net Sales	536.5	568.6	1,105.1	548.9	519.0	1,068.0	548.9	528.0	1,077.0	9.0
	Ordinary Profit (Loss)	22.3	19.6	41.9	20.7	4.7	25.5	20.7	4.7	25.5	–
	Excluding Inventory Valuation	1.8	19.1	21.0	26.2	(2.2)	24.0	26.2	(3.7)	22.5	(1.5)

Steel Products

FY2023 Forecast (Previous) : Net sales of 887.0 billion yen →

FY2023 Forecast (Current) : Net sales of 892.0 billion yen (Up 5.0 billion yen)

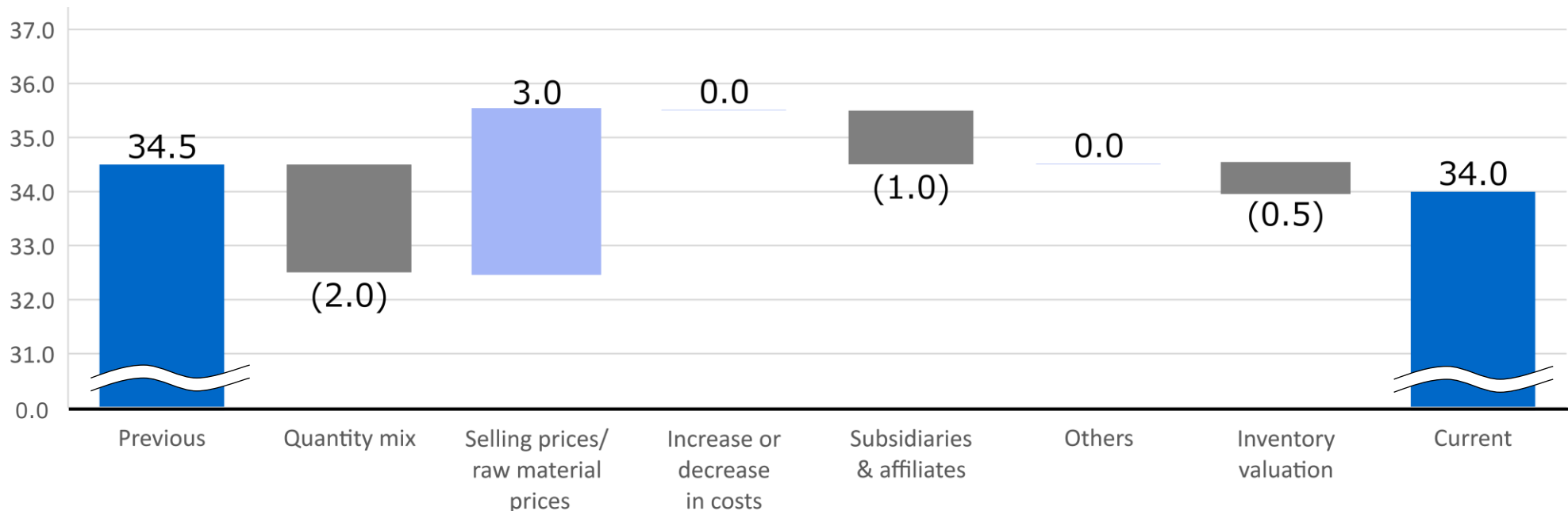
FY2023 Forecast (Previous) : Ordinary profit of 34.5 billion yen →

FY2023 Forecast (Current) : Ordinary profit of 34.0 billion yen (Down 0.5 billion yen)

- Crude steel production: Approx. 5.90 million tons (Down 0.05 million tons)
- Sales volume: Approx. 4.70 million tons (Down 0.05 million tons)
 - Sales volume is expected to decrease slightly due to a decline in demand outside the automotive sector where demand remains strong
- Factors affecting profit and loss
 - Decrease in sales volume
 - Improvement in metal spreads as price negotiations progress

[Related data on P42-43](#)

(Billions of yen)



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

Aluminum
rolled
products

FY2023 Forecast (Previous) : Net sales of 181.0 billion yen →

FY2023 Forecast (Current) : Net sales of 185.0 billion yen (Up 4.0 billion yen)

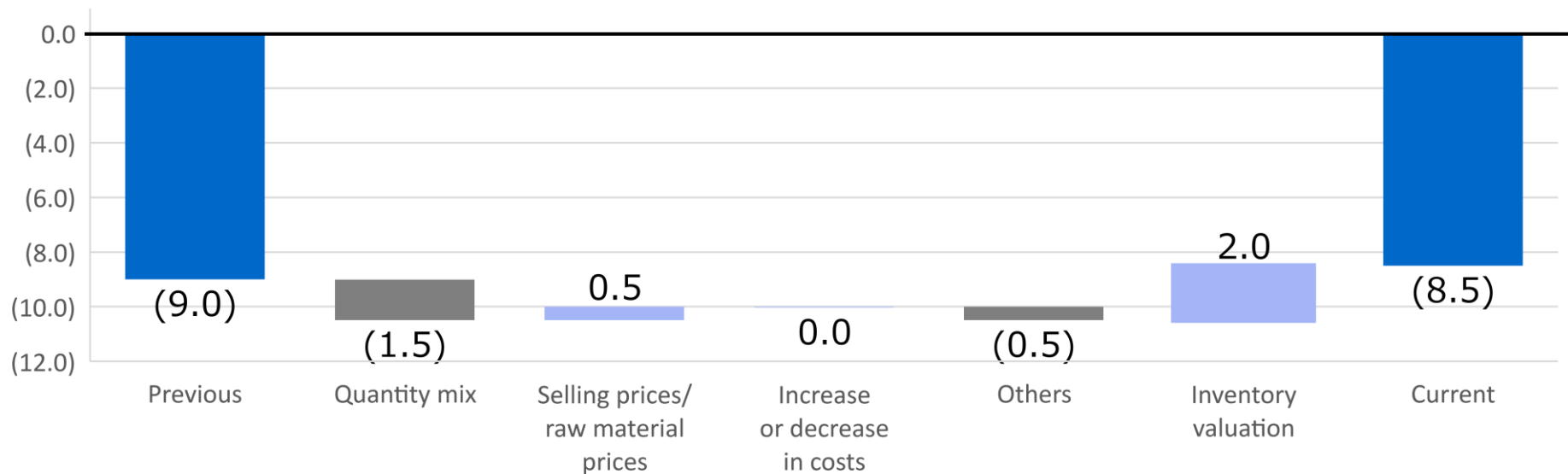
FY2023 Forecast (Previous) : Ordinary loss of 9.0 billion yen →

FY2023 Forecast (Current) : Ordinary loss of 8.5 billion yen (Up 0.5 billion yen)

- Sales volume: Approx. 320,000 tons (Down 20,000 tons)
 - For beverage can materials : Decrease due to a decline in demand
 - For automobiles : Similar to the previous forecast
 - For IT and semiconductors : Decrease as the supply-demand adjustment phase continues
- Factors affecting profit and loss
 - Decrease in sales volume
 - Improvement in inventory valuation gains partly due to rising aluminum ingot market prices

[Related data on P42-43](#)

(Billions of yen)



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 ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	133.1	144.6	277.7	141.8	170.1	312.0	141.8	165.1	307.0	(5.0)
Ordinary Profit (Loss)	1.4	(0.5)	0.9	(0.0)	2.0	2.0	(0.0)	2.0	2.0	–
Excluding Inventory Valuation	(0.5)	(1.5)	(2.1)	(1.0)	1.0	0.0	(1.0)	0.5	(0.5)	(0.5)

(Billions of yen)

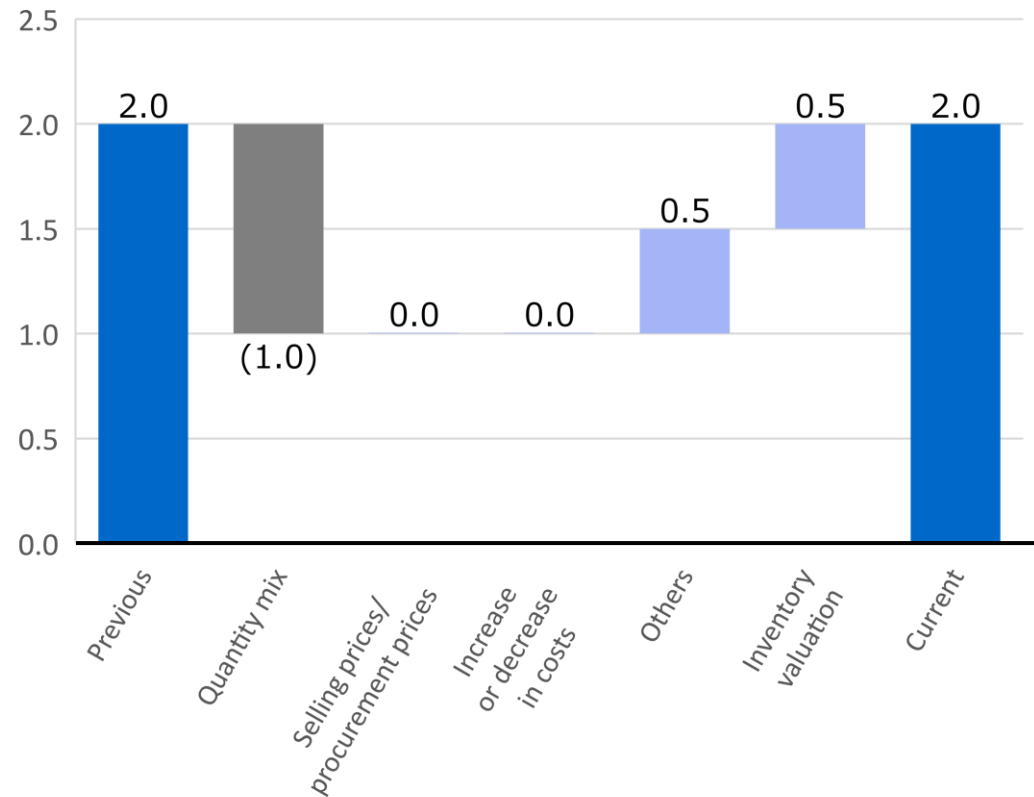
[Related data on P42-43](#)

■ 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 produced by our company
- Remain strong in steel castings and forgings

■ Factors affecting profit and loss

- Decrease in sales volume
- Improvement in inventory valuation gains



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 ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	42.1	46.2	88.4	46.4	47.5	94.0	46.4	47.5	94.0	–
Ordinary Profit (Loss)	0.8	1.9	2.8	1.5	2.4	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 ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	92.7	110.6	203.4	103.2	139.7	243.0	103.2	136.7	240.0	(3.0)
Ordinary Profit (Loss)	5.0	10.7	15.7	10.3	15.6	26.0	10.3	17.1	27.5	1.5
Orders	119.4	146.4	265.9	115.8	approx. 150.0	approx. 265.0	115.8	approx. 160.0	approx. 275.0	approx. 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 reach a record high due to strong orders primarily in the petrochemical and energy sectors and an increase in service contracts, surpassing the previous fiscal year's record high.

■ Factors affecting profit and loss

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

(Billions of yen)

	FY2022 Actual			FY2023 Forecast (Previous)			FY2023 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	61.1	84.0	145.2	75.1	96.8	172.0	75.1	94.8	170.0	(2.0)
Ordinary Profit (Loss)	0.9	3.2	4.1	6.2	1.7	8.0	6.2	1.7	8.0	–
Orders	77.2	80.2	157.5	122.4	approx. 85.0	approx. 205.0	122.4	approx. 65.0	approx. 185.0	approx. (20.0)

■ Orders

- Decrease compared to the previous forecast due to the change in the timing of large-scale overseas projects in the DRI-related business

■ Factors affecting profit and loss

- Similar to the previous forecast

(Billions of yen)

	FY2022 Actual			FY2023 Forecast (Previous)			FY2023 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	183.7	197.9	381.7	192.6	227.3	420.0	192.6	218.3	411.0	(9.0)
Ordinary Profit (Loss)	10.0	2.3	12.3	5.0	5.9	11.0	5.0	2.4	7.5	(3.5)

Related data on P42

■ Unit Sales

[Hydraulic excavator]

- Decrease in China due to weak demand
- Decrease in Europe due to lower demand and inventory adjustments

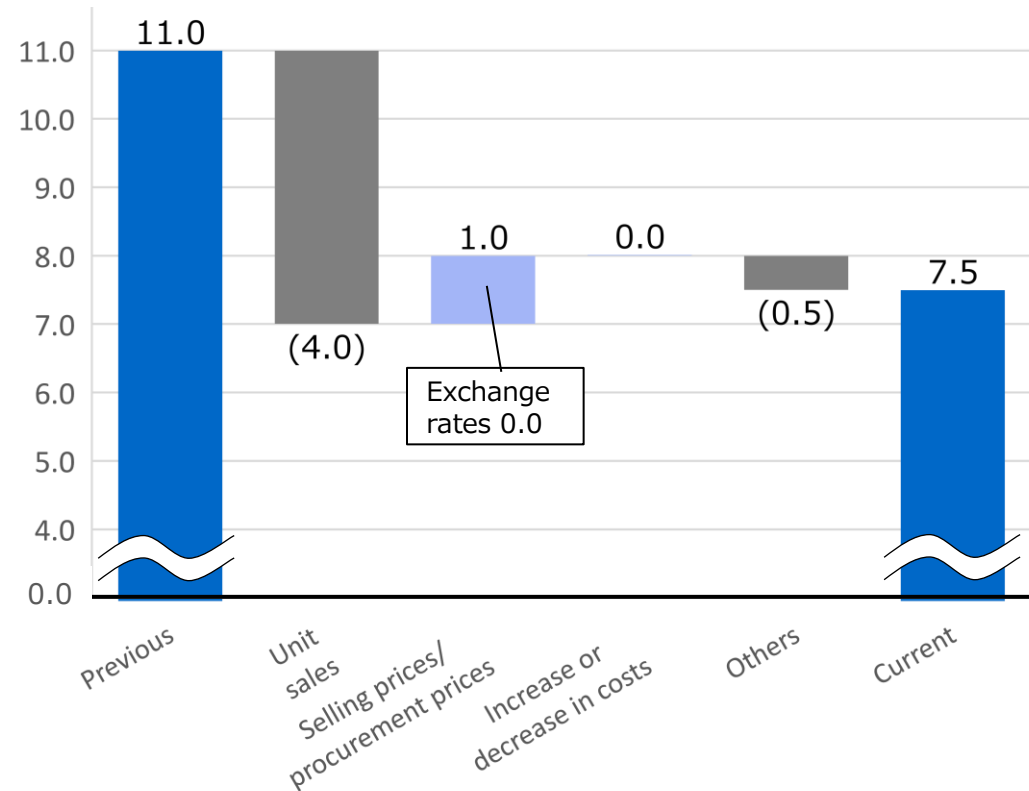
[Crawler Crane]

- Decrease mainly in Japan due to the change in the timing of shipments

■ Factors affecting profit and loss

- Decrease in unit sales

(Billions of yen)



(Billions of yen)

	FY2022 Actual			FY2023 Forecast (Previous)			FY2023 Forecast (Current)			Change ②-①
	1H	2H		1H	2H	①	1H	2H	②	
Net Sales	147.5	176.8	324.3	172.7	133.2	306.0	172.7	138.3	311.0	5.0
Ordinary Profit (Loss)	(1.3)	25.9	24.5	47.4	22.5	70.0	47.4	32.6	80.0	10.0

[Related data on P48](#)

■ Sales volume

- Similar to the previous forecast

■ Unit price

- Similar to the previous forecast

■ Factors affecting profit and loss

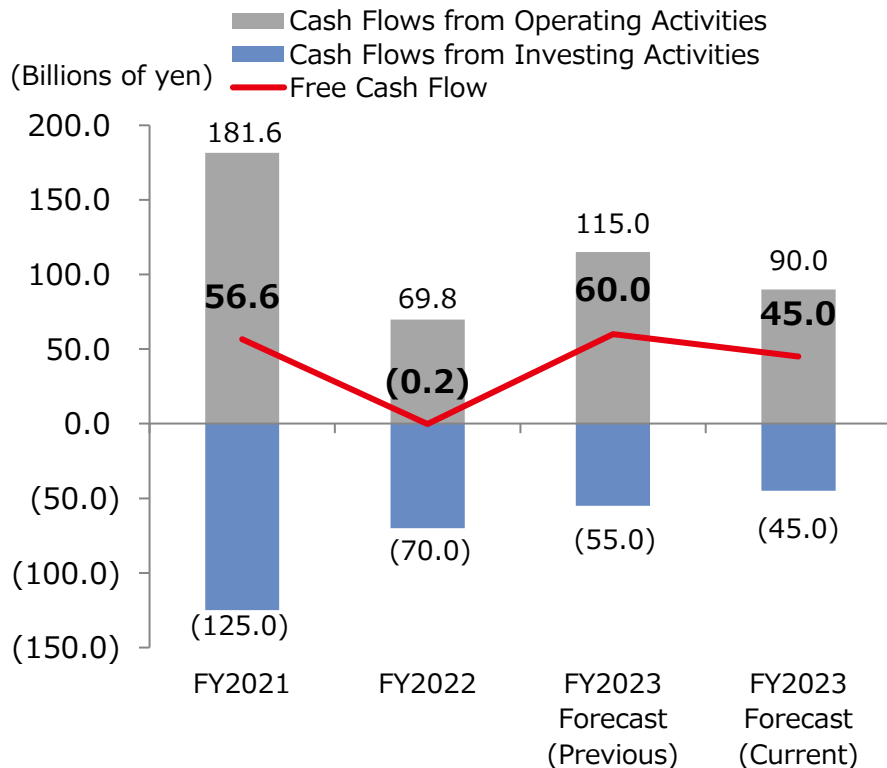
- Enhanced effect of temporary gains from time lags in fuel cost adjustments at the Kobe Power Plant No. 3 and 4 units
- Effect of temporary gains from changes in electricity selling prices at the Kobe Power Plant No. 1 to 4 units

- 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 approximately 30% of consolidated profit attributable to owners of parent from the current fiscal year.
- Under this policy, the year-end dividend for the current fiscal year will be 45 yen (annual total: 90 yen) per share, as announced on August 8.

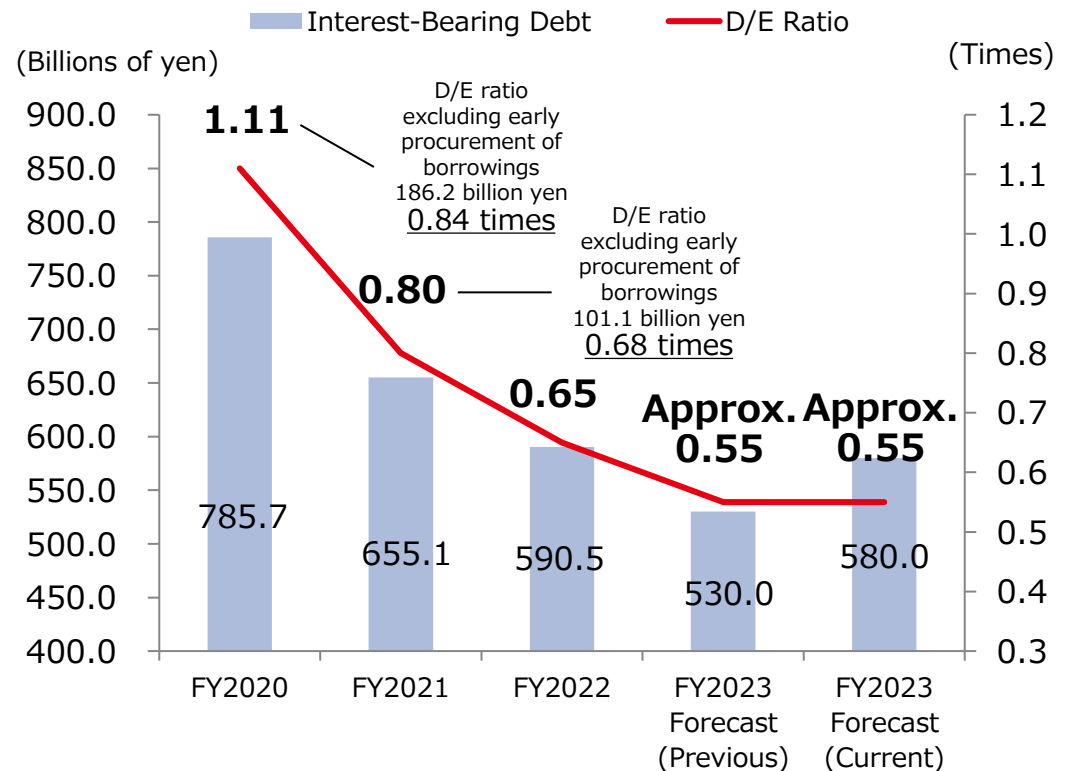
	FY2022			FY2023		
	Interim	Year-end		Interim	Year-end	
Dividends per share in yen	15	25	40	45	45	90
Dividend payout ratio			21.8%			29.6%

- Free cash flow for fiscal 2023 is expected to be around **45.0 billion yen**, down 15.0 billion yen from the previous forecast, mainly due to a deterioration in working capital caused by a decline in sales volume in the materials and construction machinery businesses. We will continue to strengthen progress management of invested capital through the establishment of critical KPIs in ROIC management and work to improve working capital, including the optimization of inventories.
- The D/E ratio is expected to remain at around **0.55 times**, that is less than “0.70 times” targeted in the Medium-Term Management Plan.

Free Cash Flow



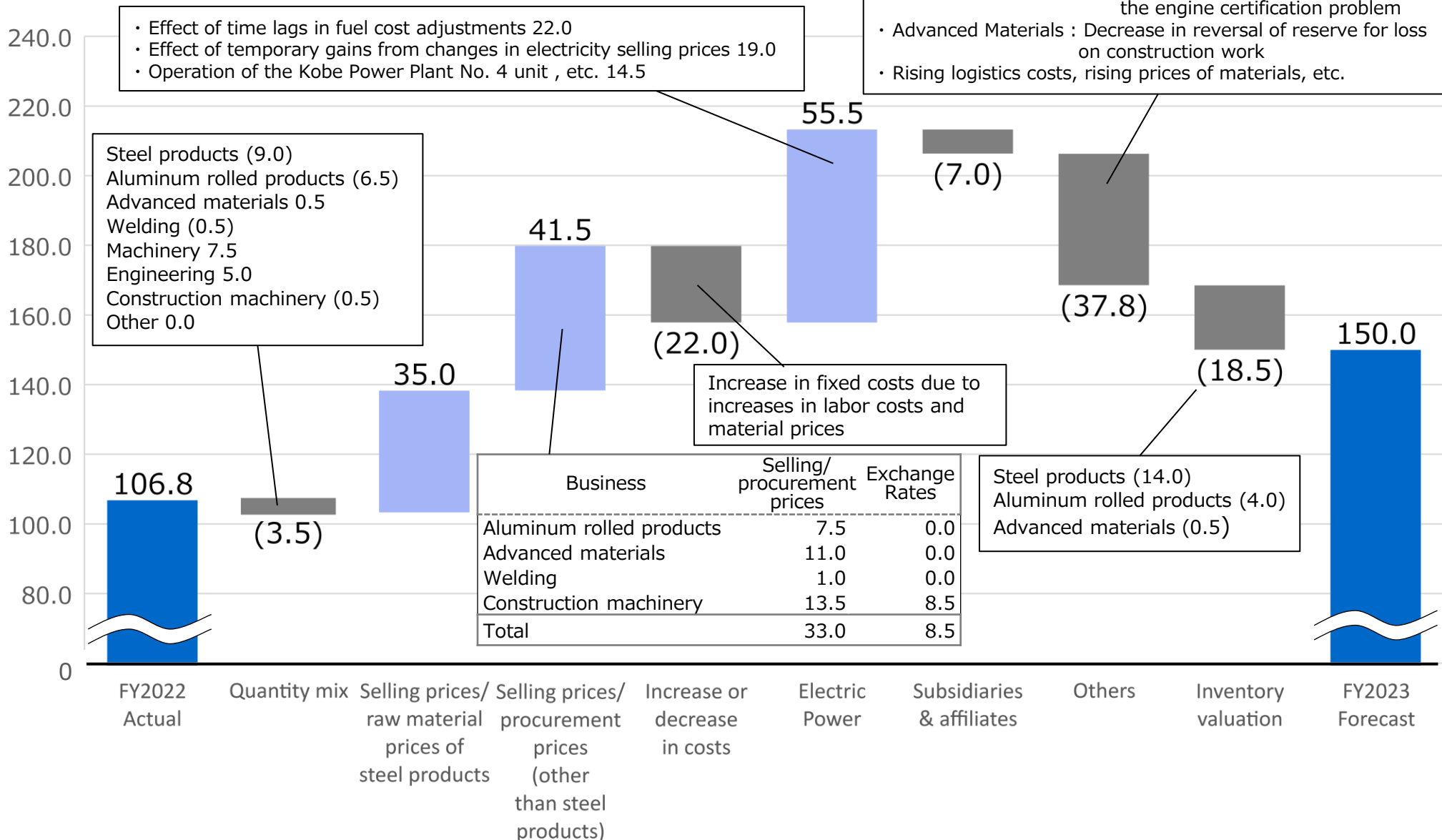
Interest-Bearing Debt & D/E Ratio



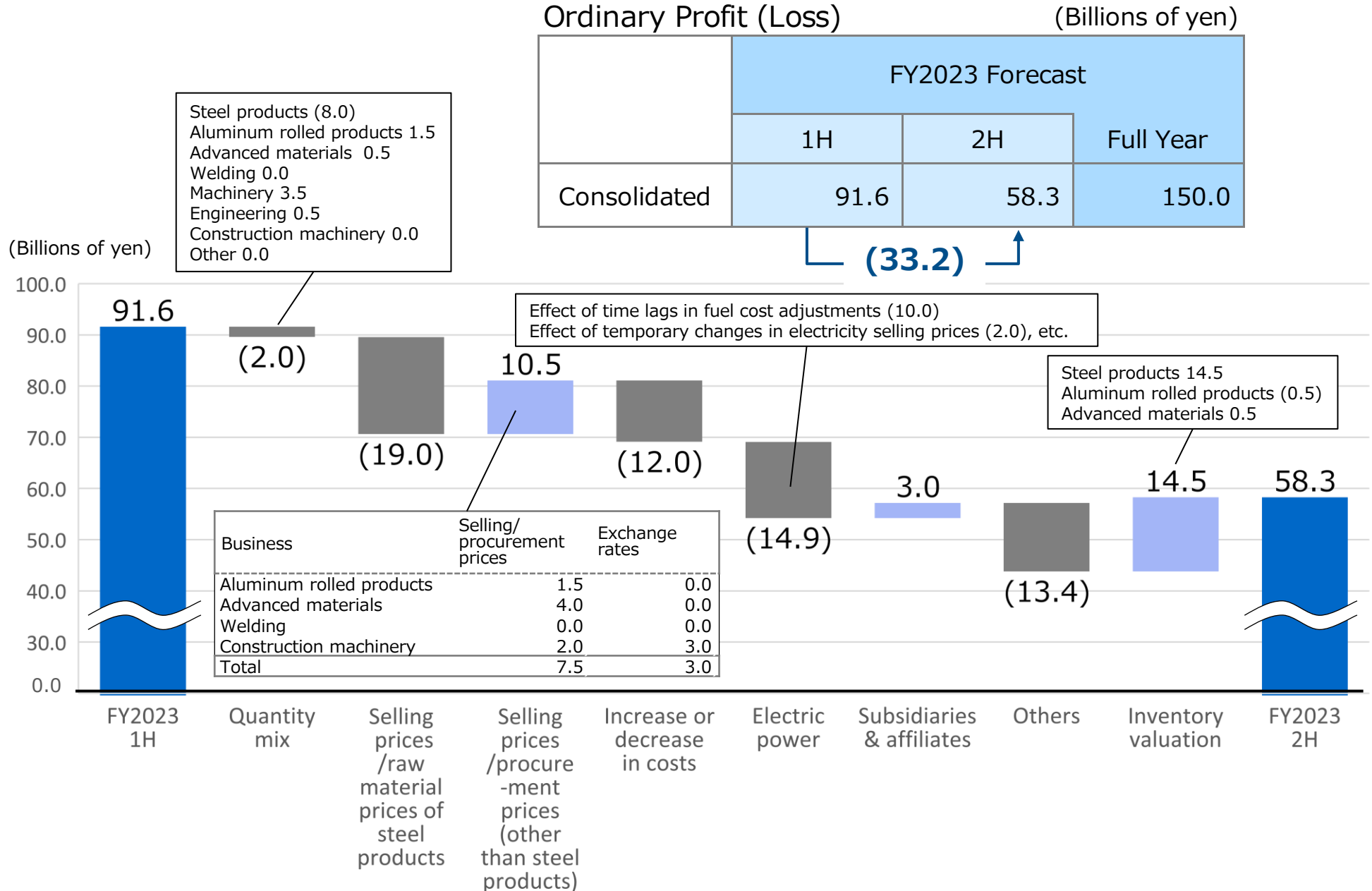
Note: Project finance is not included in free cash flow and D/E ratio.

4. Reference Information

(Billions of yen)



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



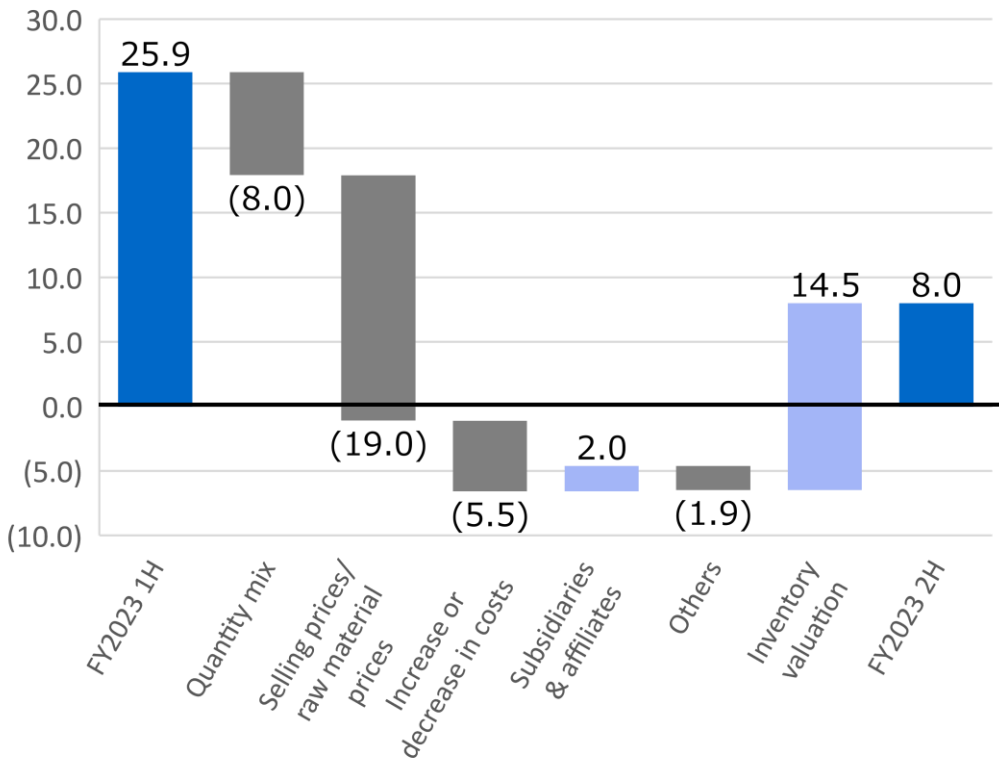
Inventory valuation includes the effect from the average method and the lower-of-cost-or-market method.

Ordinary Profit (Loss) (Billions of yen)

	FY2023 Forecast		
	1H	2H	Full Year
Steel products	25.9	8.0	34.0

(17.8)

(Billions of yen)

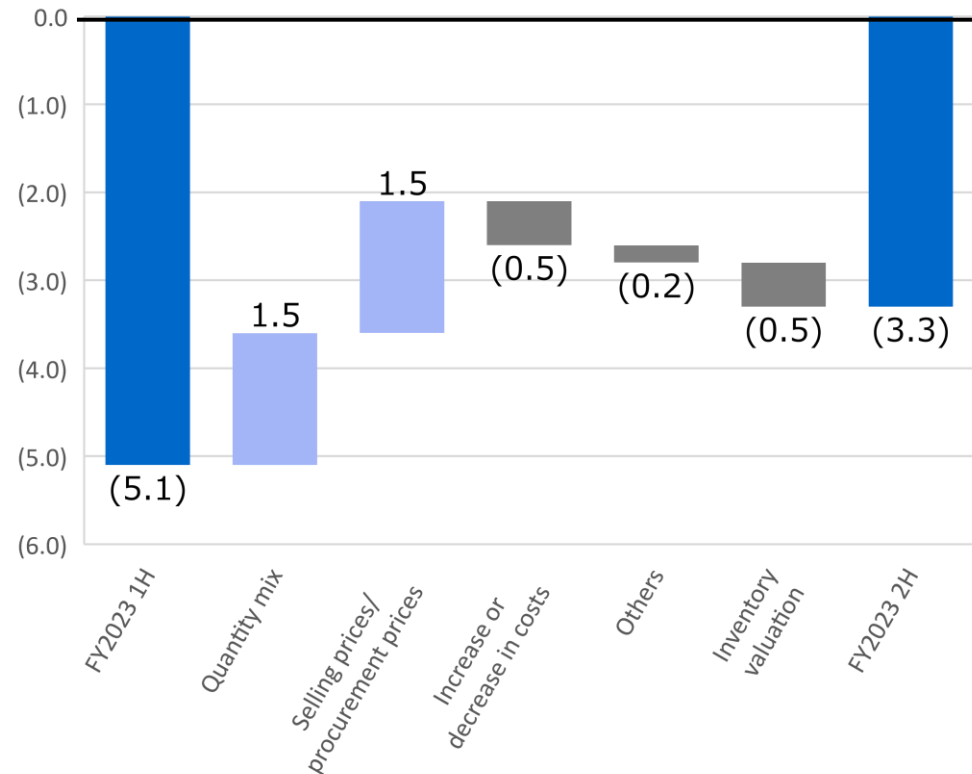


Ordinary Profit (Loss) (Billions of yen)

	FY2023 Forecast		
	1H	2H	Full Year
Aluminum rolled products	(5.1)	(3.3)	(8.5)

1.7

(Billions of yen)

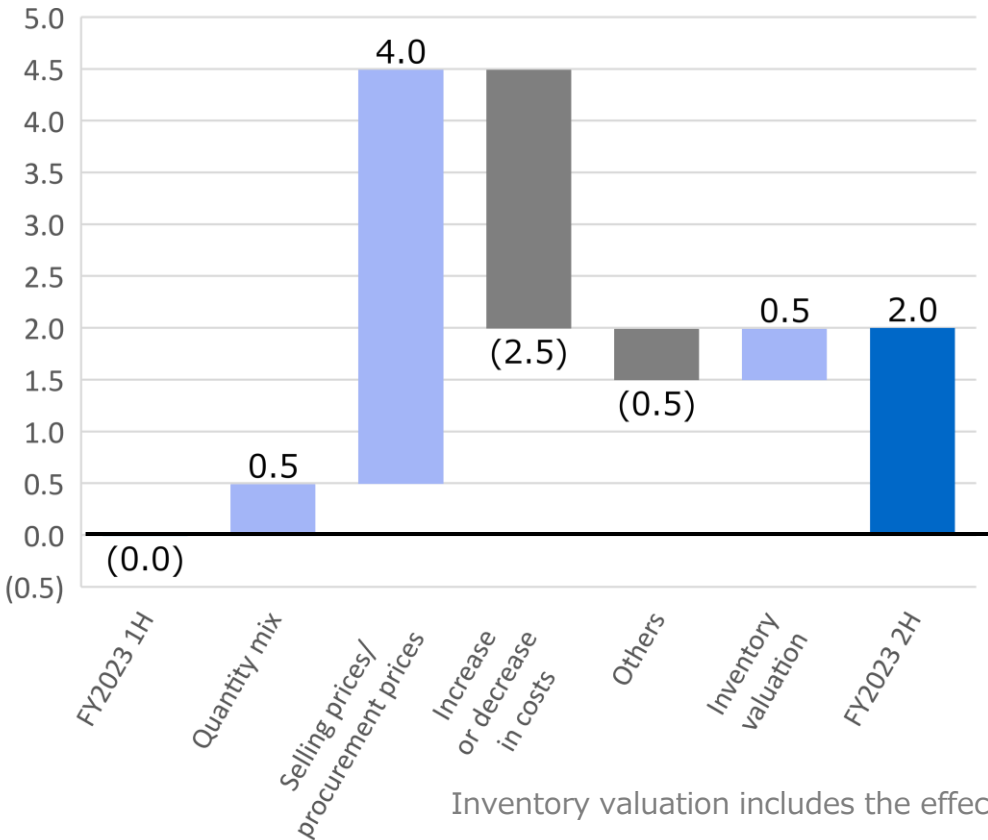


Inventory valuation includes the effect from the average method and the lower-of-cost-or-market method.

Ordinary Profit (Loss) (Billions of yen)

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

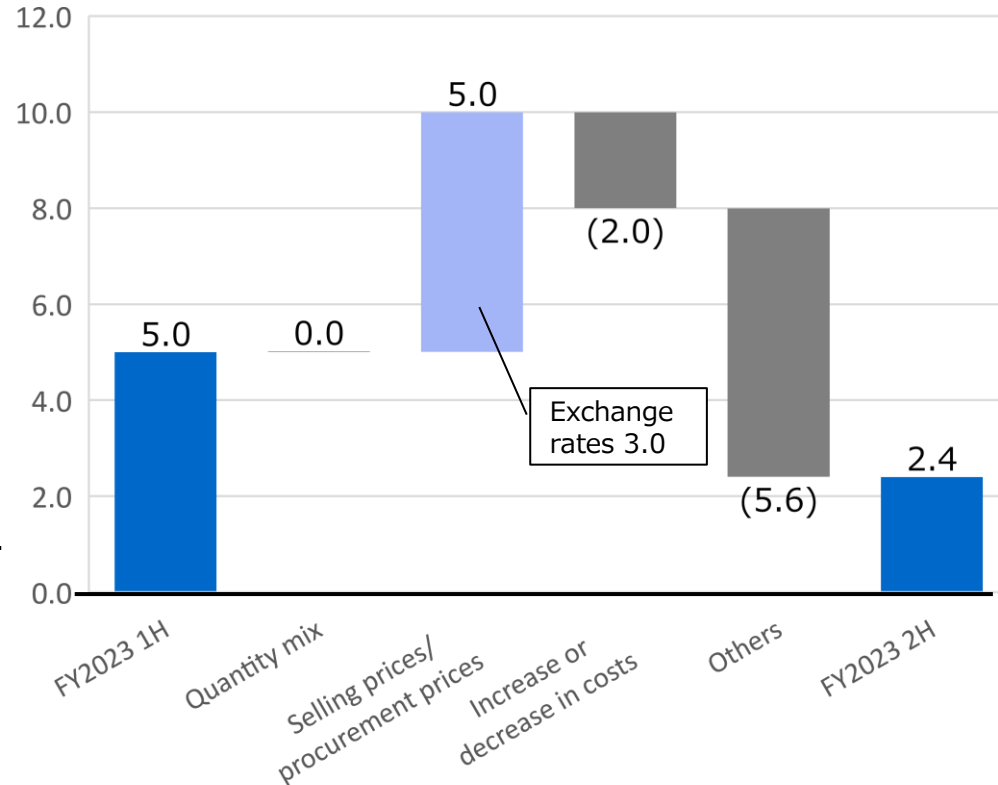
(Billions of yen)



Ordinary Profit (Loss) (Billions of yen)

	FY2023 Forecast		
	1H	2H	Full Year
Construction Machinery	5.0	2.4	7.5

(Billions of yen)



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

	FY2022 Actual				FY2023 Forecast Full Year	FY2023 Forecast (Current)			
	1H	Cumulative 3Q	2H	Full Year		1H	Cumulative 3Q	2H	Full Year
Crude steel production*1 (Millions of tons)	3.15	4.67	3.04	6.19	approx.5.95	3.09	4.47	approx.2.80	approx.5.90
Sales volume of steelproducts*2 (Millions of tons)	2.50	3.75	2.48	4.98	approx.4.75	2.47	3.59	approx.2.25	approx.4.70
(Domestic)	(1.92)	(2.90)	(1.93)	(3.85)	(approx.3.70)	(1.92)	(2.79)	(approx.1.75)	(approx.3.65)
(Exports)	(0.58)	(0.85)	(0.55)	(1.13)	(approx.1.05)	(0.54)	(0.80)	(approx.0.50)	(approx.1.05)
Average steel selling price (Thousands of yen/ton)	134.5	139.1	145.7	140.1		140.4	141.6		
Export ratio (value basis)	23.4%	22.6%	21.8%	22.6%		20.9%	21.8%		
Aluminum rolled products*3 (Thousands of tons)	170	254	167	337	approx. 340	161	238	approx.160	approx.320
(Domestic)	(119)	(174)	(113)	(232)	(approx.245)	(116)	(172)	(approx.115)	(approx.230)
(Exports)	(51)	(80)	(55)	(105)	(approx.95)	(45)	(67)	(approx.45)	(approx.90)
Aluminum extrusions*3 (Thousands of tons)	17	26	17	34	approx. 39	18	28	approx.20	approx.38
(Domestic)	(14)	(21)	(13)	(27)	(approx.30)	(13)	(21)	(approx.16)	(approx.29)
(Exports)	(4)	(6)	(4)	(8)	(approx.9)	(4)	(7)	(approx.4)	(approx.9)
Copper rolled products*2 (Thousands of tons)	27	41	27	54	approx.56	24	38	approx.29	approx.53
Welding materials*3 (Thousands of tons)	125	186	123	248	approx.245	122	179	approx.125	approx.245
(Domestic)	(52)	(79)	(54)	(105)	(approx.105)	(53)	(78)	(approx.55)	(approx.105)
(Exports)	(74)	(107)	(69)	(143)	(approx.140)	(69)	(101)	(approx.70)	(approx.140)
Hydraulic excavators*4 (Thousands of units)	11.9	18.2	12.7	24.6	approx.25.5	11.7	18.0	approx.13.0	approx.25.0
(Domestic)	(3.4)	(5.7)	(4.2)	(7.6)	(approx.8.5)	(3.4)	(5.9)	(approx.5.0)	(approx.8.5)
(Exports)	(8.5)	(12.5)	(8.5)	(17.0)	(approx.17.0)	(8.3)	(12.1)	(approx.8.0)	(approx.16.5)
Crawler cranes*3 (Units)	145	217	144	289	approx.330	132	221	approx.185	approx.320

*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			
		1H	Cumulative 3Q	2H	Full Year	1H	Cumulative 3Q	2H	Full Year
	Iron ore	5.0	0.5	(7.0)	(2.0)	2.5	2.0	1.0	3.5
	Coal	(3.0)	(3.0)	0.5	(2.5)	(2.0)	0.5	2.5	0.5
	Carry over	2.0	(2.5)	(6.5)	(4.5)	0.5	2.5	3.5	4.0

	Average method	16.5	25.5	1.5	18.0	(7.0)	(4.0)	8.0	1.0
	Lower-of-cost-or-market method	(1.5)	(3.0)	(1.0)	(2.5)	0.5	0.5	0.0	0.5
	Inventory valuation	15.0	22.5	0.5	15.5	(6.5)	(3.5)	8.0	1.5

Aluminum rolled products		FY2022 Actual				FY2023 Forecast			
		1H	Cumulative 3Q	2H	Full Year	1H	Cumulative 3Q	2H	Full Year
	Average method	5.5	5.5	1.0	6.5	0.5	1.5	0.5	1.0
	Lower-of-cost-or-market method	0.0	0.0	(1.0)	(1.0)	0.5	0.5	0.0	0.5
	Inventory valuation	5.5	5.5	0.0	5.5	1.0	2.0	0.5	1.5

Advanced Materials		FY2022 Actual				FY2023 Forecast			
		1H	Cumulative 3Q	2H	Full Year	1H	Cumulative 3Q	2H	Full Year
	Average method	2.5	3.0	0.5	3.0	1.0	2.0	1.5	2.5
	Lower-of-cost-or-market method	(0.5)	(0.5)	0.5	0.0	0.0	0.0	0.0	0.0
	Inventory valuation	2.0	2.5	1.0	3.0	1.0	2.0	1.5	2.5

(Billions of yen)

	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast (Previous)	FY2023 Forecast (Current)
Cash flows from operating activities	21.4	210.0	181.6	69.8	115.0	90.0
Cash flows from investing activities	(133.4)	(81.9)	(125.0)	(70.0)	(55.0)	(45.0)
Free cash flow (excluding project financing)	(112.0)	128.1	56.6	(0.2)	60.0	45.0
Free cash flow (including project financing)	(191.9)	52.9	7.2	22.4	110.0	100.0
Cash and deposits (excluding project financing)	134.9	301.8	243.2	145.4	110.0	150.0

	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast (Previous)	FY2023 Forecast (Current)
Capital investment (accrual basis)	239.8	185.0	108.1	97.3	120.0	115.0
Capital investment (payment basis)	245.3	173.2	156.4	98.9	100.0	95.0
Depreciation	105.3	100.8	105.1	112.5	120.0	120.0

	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast (Previous)	FY2023 Forecast (Current)
Profit (loss) per share	(187.55) yen	64.05 yen	160.23 yen	183.80 yen	303.83 yen	303.83 yen
Outside debt	906.6 billion yen	987.8 billion yen	908.4 billion yen	861.8 billion yen	775.0 billion yen	825.0 billion yen
Outside debt excluding debt from IPP project financing	784.4 billion yen	785.7 billion yen	655.1 billion yen	590.5 billion yen	530.0 billion yen	580.0 billion yen
D/E ratio *1	^{*2} 1.19 times	^{*3} 1.11 times	^{*4} 0.80 times	0.65 times	approx.0.55 times	approx.0.55 times
ROS *5	(0.4)%	0.9%	4.5%	4.3%	5.6%	5.9%
ROA *6	(0.3)%	0.6%	3.5%	3.8%	5.0%	5.1%
ROE *7	(9.7)%	3.4%	7.9%	8.4%	12.3%	11.8%
ROIC *8	0.9%	1.1%	4.7%	4.9%	6.9%	6.7%

*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/
Stockholders' equity

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

	FY2022 Actual				
	Cumulative			4Q	Full Year
	1H	3Q	3Q		
1 U.S. dollar to yen	135.3	139.9	136.9	133.4	136.0
1 Chinese yuan to yen	19.9	19.6	19.8	19.4	19.7
1 euro to yen	139.1	144.2	140.8	144.0	141.6

	FY2023 Forecast (Current)					FY2023 Forecast (Previous) Full Year
	Cumulative			4Q	Full Year	
	1H	3Q	3Q			
1 U.S. dollar to yen	142.6	146.1	143.8	145.0	144.1	143.8
1 Chinese yuan to yen	19.9	20.3	20.0	20.0	20.0	19.9
1 euro to yen	154.8	159.1	156.2	155.0	155.9	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: (0.1) billion yen. Inventory valuation, cost pass-through to selling price, etc.: 0.2 billion yen)

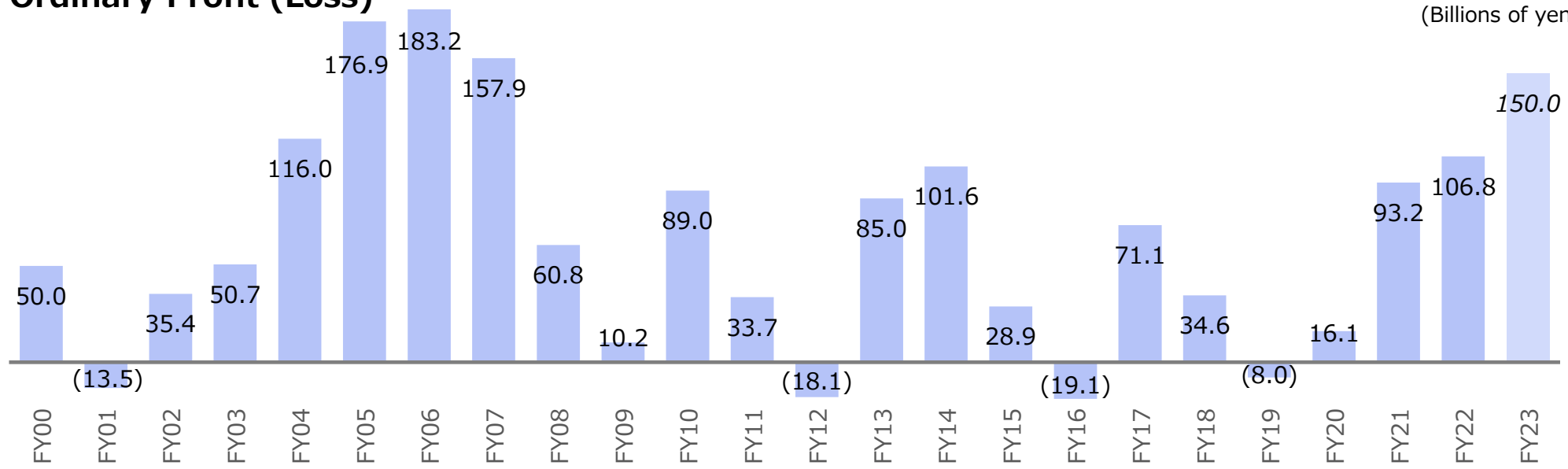
Construction machinery: approx. 0.0 billion yen

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

Construction machinery: approx. 0.1 billion yen

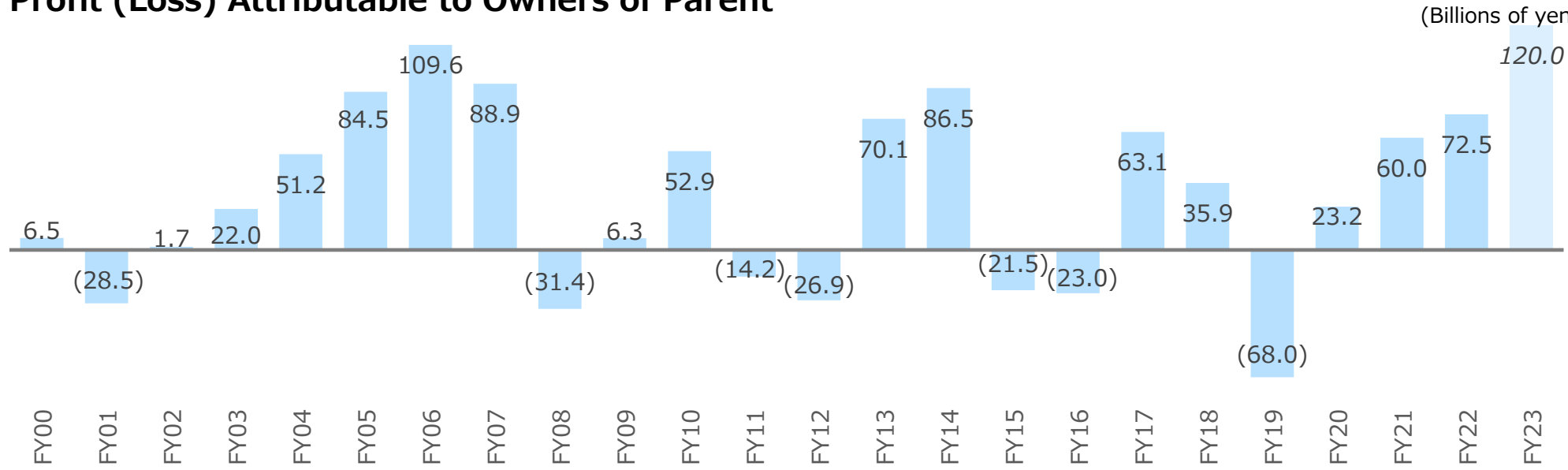
Ordinary Profit (Loss)

(Billions of yen)



Profit (Loss) Attributable to Owners of Parent

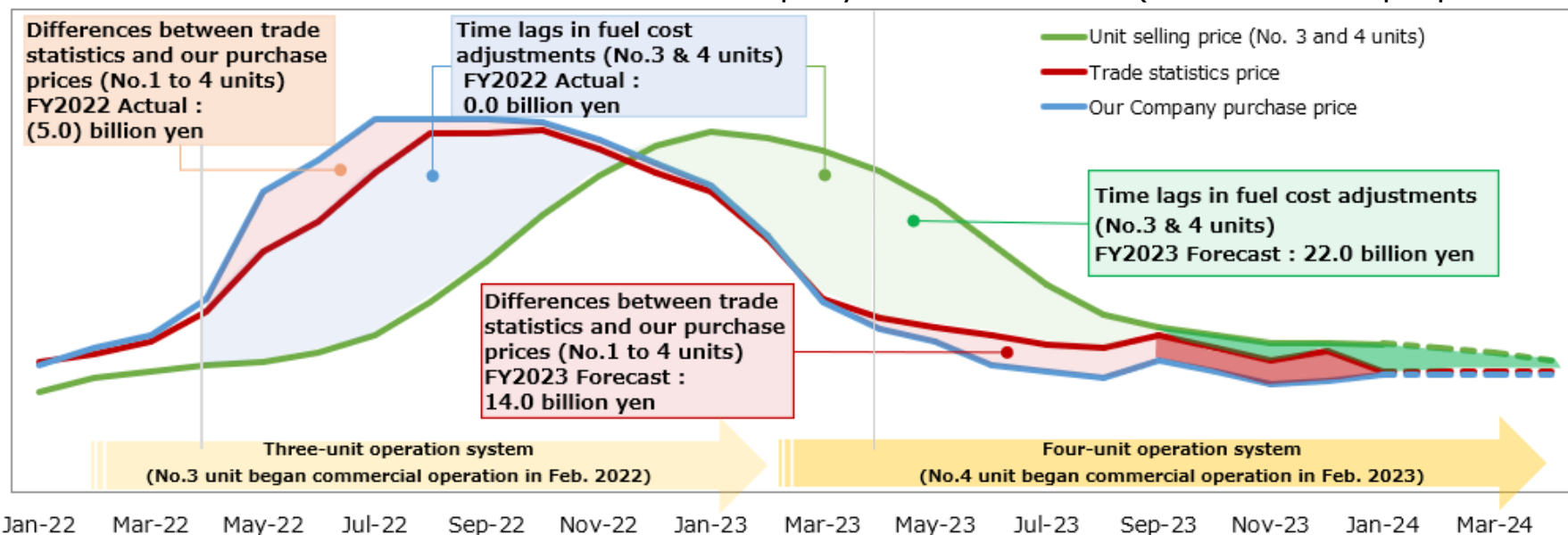
(Billions of yen)



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 ^①	Previous ^②	Current ^③	③-①	③-②
Time lags in fuel cost adjustments (No.3 & 4 units) <ul style="list-style-type: none"> Inevitably occur as coal prices rise and fall. (Refer to trade statistics 3–5 months ago.) Gains and losses in profits are offset in the long run. 	0.0 1H (10.0) 2H 10.0 Cumulative 3Q (12.0)	18.0 1H 16.0 2H 2.0	22.0 1H 16.0 2H 6.0 Cumulative 3Q 17.0	22.0 1H 26.0 2H (4.0) Cumulative 3Q 29.0	4.0 1H – 2H 4.0
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 <ul style="list-style-type: none"> 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. 	(5.0) 1H (5.0) 2H – Cumulative 3Q (6.0)	8.0 1H 8.0 2H –	14.0 1H 8.0 2H 6.0 Cumulative 3Q 14.0	19.0 1H 13.0 2H 6.0 Cumulative 3Q 20.0	6.0 1H – 2H 6.0

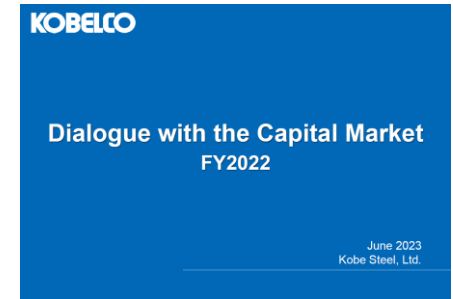
Trends in Coal Trade Statistics Prices and Our Company Purchase Prices (for illustrative purposes only)



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 Jun. 2021)



Awarded "A-" in the climate change category for the fourth consecutive year

◆ Awards for Excellence in Corporate Disclosure



2023 Award for Excellence in Corporate Disclosure

— Industries —



* THE INCLUSION OF KOBE STEEL, 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 KOBE STEEL, 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