

Kobe Steel's Consolidated Financial Results for the First Nine Months of Fiscal 2020 (April 1–December 31, 2020)

February 5, 2021

Company name: Kobe Steel, Ltd.
 Code number: 5406
 Stock exchanges listed: Tokyo and Nagoya, Japan
 Website: <https://www.kobelco.co.jp/english/>
 Representative: Mitsugu Yamaguchi, President, CEO and Representative Director
 Filing of quarterly report: February 5, 2021
 Dividend payments begin: ---
 Supplemental information available: Yes
 IR Briefing: Yes (in Japanese only)
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(Sums of less than 1 million yen have been omitted.)

1. Consolidated results for the first nine months of FY2020 (April 1–December 31, 2020)

(1) Consolidated operating results

(The percentage indicates the change from the corresponding period of the previous year)

	Net sales		Operating income		Ordinary income (loss)		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2020 3Q	1,211,082	(12.8)	2,436	(83.0)	(9,539)	—	3,814	(47.1)
FY2019 3Q	1,388,845	(4.1)	14,301	(62.6)	7,111	(73.9)	7,217	(84.0)

Note: Comprehensive income FY2020 3Q: 18,988 million yen [—%]

FY2019 3Q: (2,630) million yen [—%]

	Net income per share		Diluted net income per share	
	Yen		Yen	
FY2020 3Q	10.51		---	
FY2019 3Q	19.90		---	

(2) Consolidated financial position

	Total assets		Net assets		Equity capital ratio	
	Million yen		Million yen		%	
FY2020 3Q	2,540,340		734,504		26.5	
FY2019	2,411,191		716,369		27.2	

Reference: Equity capital FY2020 3Q: 673,290 million yen FY2019: 656,881 million yen

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Total
	Yen				
FY2019	---	0.00	---	0.00	0.00
FY2020	---	0.00	---	---	---
FY2020 Forecast	---	---	---	0.00	0.00

Revision to the dividend forecast for FY2020 from the previous announcement: Yes

For more information, please refer to the “Announcement on Revisions to Earnings Forecast and Dividend Forecast for Fiscal 2020, ending March 31, 2021” dated February 5, 2021.

3. Consolidated earnings forecast for FY2020 (April 1, 2020–March 31, 2021)

(The percentage indicates the change from the corresponding period of the previous year)

	Net sales		Operating income		Ordinary loss		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,690,000	(9.6)	10,000	1.4	(10,000)	---	0	---	0.00

Revision to the consolidated forecast for FY2020 from the previous announcement: Yes

For more information, please refer to the “Announcement on Revisions to Earnings Forecast and Dividend Forecast for Fiscal 2020, ending March 31, 2021” dated February 5, 2021.

Notes

- (1) Changes in the number of material subsidiaries in this fiscal year
(Changes in specified subsidiaries due to changes in scope of consolidation): No
- (2) Adoption of specific accounting procedures for preparing the quarterly consolidated financial statements: No
- (3) Changes in accounting policies, estimates and restatement on the preparation of consolidated financial statements
- Changes in accounting policies due to revised accounting standards: No
 - Other changes: No
 - Changes in accounting estimates: No
 - Restatement: No

(4) Number of issued shares (common stock)

Number of issued shares (including treasury stock)
Number of shares of treasury stock
Average number of shares (3Q)

	FY2020 3Q	FY2019
Number of issued shares (including treasury stock)	364,364,210 shares	364,364,210 shares
Number of shares of treasury stock	1,669,874 shares	1,666,949 shares
Average number of shares (3Q)	362,696,051 shares	362,569,339 shares

Explanation on the Appropriate Use of the Forecast and Other Special Items

The above forecast is based on currently available information as of today.

Actual results may differ considerably due to various changeable conditions in the future.

For preconditions on the forecast and other related factors, please refer to the IR briefing material, “Financial Results for the First Nine Months of Fiscal 2020 and Forecast for the Full Fiscal Year”.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2019	FY2020—9 months
	Ended Mar. 31, 2020	Ended Dec. 31, 2020
Current Assets		
Cash and deposits	146,044	256,447
Notes and accounts receivable	332,428	285,594
Securities	—	45,200
Merchandise and finished goods	184,414	174,238
Work-in-process	137,567	138,950
Raw materials and supplies	174,328	157,758
Other	94,918	78,776
Allowance for doubtful accounts	(3,225)	(3,026)
Total current assets	1,066,476	1,133,940
Fixed Assets		
Property, plant and equipment		
Buildings and structures	257,897	249,926
Machinery and equipment	464,296	446,378
Land	139,518	138,871
Other	154,262	228,284
Total property, plant and equipment	1,015,974	1,063,460
Intangible fixed assets	32,665	35,352
Investments and other assets		
Investments in securities	148,680	164,034
Other	185,765	164,252
Allowance for doubtful accounts	(38,370)	(20,698)
Total investment and other assets	296,074	307,587
Total fixed assets	1,344,714	1,406,400
Total assets	2,411,191	2,540,340

LIABILITIES	FY2019	FY2020—9 months
	Ended Mar. 31, 2020	Ended Dec. 31, 2020
Current liabilities		
Notes and accounts payable	395,946	349,342
Short-term borrowings	162,069	207,803
Current portion of bonds	30,215	10,572
Income and enterprise taxes payable	7,143	4,450
Provisions	57,072	41,779
Other	160,624	176,959
Total current liabilities	<u>813,071</u>	<u>790,908</u>
Long-term liabilities		
Bonds and notes	81,622	71,050
Long-term borrowings	632,732	734,883
Net defined benefit liability	94,518	93,093
Provisions	4,959	3,712
Lease obligations	18,418	60,777
Other	49,500	51,410
Total long-term liabilities	<u>881,751</u>	<u>1,014,928</u>
Total liabilities	<u>1,694,822</u>	<u>1,805,836</u>
NET ASSETS		
Stockholders' equity		
Common stock	250,930	250,930
Capital surplus	102,350	102,197
Retained earnings	345,660	349,472
Treasury stock, at cost	(2,261)	(2,261)
Total stockholders' equity	<u>696,678</u>	<u>700,338</u>
Accumulated other comprehensive income		
Unrealized gains or losses on securities, net of taxes	1,485	9,370
Unrealized gains or losses on hedging derivatives, net of taxes	(15,873)	(15,327)
Land revaluation differences, net of taxes	(2,995)	(3,406)
Foreign currency translation adjustments	(1,984)	(6,872)
Remeasurements of defined benefit plans, net of taxes	(20,430)	(10,812)
Total accumulated other comprehensive income	<u>(39,797)</u>	<u>(27,047)</u>
Non-controlling interests	<u>59,487</u>	<u>61,213</u>
Total net assets	<u>716,369</u>	<u>734,504</u>
Total liabilities and net assets	<u>2,411,191</u>	<u>2,540,340</u>

Consolidated Statements of Income

(In millions of yen)

	FY2019—9 months	FY2020—9 months
	Ended Dec. 31, 2019	Ended Dec. 31, 2020
Net sales	1,388,845	1,211,082
Cost of sales	1,209,866	1,068,021
Gross profit	178,978	143,060
Selling, general and administrative expenses	164,676	140,624
Operating income	14,301	2,436
Non-operating income		
Interest income	2,213	1,565
Dividend income	3,924	2,373
Reimbursement of seconded employees' salaries	2,935	2,494
Equity in income of equity method companies	5,622	—
Other	7,536	9,081
Total non-operating income	22,233	15,514
Non-operating expenses		
Interest expense	6,792	8,283
Seconded employees' salaries	7,598	6,428
Equity in loss of equity method companies	—	101
Other	15,032	12,677
Total non-operating expenses	29,424	27,490
Ordinary income (loss)	7,111	(9,539)
Extraordinary income		
Gain on sale of fixed assets	—	9,885
Gain on step acquisitions	—	3,259
Gain on sale of investment securities	7,465	2,909
Total extraordinary income	7,465	16,054
Extraordinary loss		
Loss on impairment	—	2,907
Total extraordinary loss	—	2,907
Income before income taxes and non-controlling interests	14,576	3,608
Income taxes		
Current	5,835	4,151
Deferred	1,292	(6,961)
Total income taxes	7,127	(2,809)
Income before non-controlling interests	7,449	6,418
Net income attributable to non-controlling interests	232	2,603
Net income attributable to owners of the parent	7,217	3,814

Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2019—9 months	FY2020—9 months
	Ended Dec. 31, 2019	Ended Dec. 31, 2020
Income before non-controlling interests	7,449	6,418
Other comprehensive income		
Unrealized gains or losses on securities, net of taxes	(4,527)	7,353
Unrealized gains or losses on hedging derivatives, net of taxes	(895)	1,483
Land revaluation differences, net of taxes	—	(792)
Foreign currency translation adjustments	(5,914)	(6,022)
Remeasurements of defined benefit plans, net of taxes	2,325	9,628
Share of other comprehensive gains and losses related to equity method companies	(1,067)	920
Total other comprehensive income	(10,079)	12,570
Comprehensive Income	(2,630)	18,988
Breakdown of total comprehensive income attributed to:		
Stockholders of the parent interests	(2,849)	16,564
Non-controlling interests	218	2,423

Notes

Notes on premise of a going concern:
None

Notes on significant changes in the amount of stockholders' equity:
None