

## Kobe Steel's Consolidated Financial Results for the First Quarter of Fiscal 2021 (April 1–June 30, 2021)

August 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: August 5, 2021  
 Dividend payments begin: —  
 Supplemental information available: Yes  
 IR Briefing: Yes (Japanese only)  
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(Sums of less than 1 million yen have been omitted.)

### 1. Consolidated results for the first quarter of FY2021 (April 1–June 30, 2021)

#### (1) Consolidated operating results

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

	Net sales		Operating Income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2021 1Q	463,243	23.8	24,822	—	23,990	—	18,919	—
FY2020 1Q	374,150	(19.4)	(19,885)	—	(23,023)	—	(13,167)	—

Note: Comprehensive income FY2021 1Q: 35,877 million yen [—%]  
 FY2020 1Q: (15,617) million yen [—%]

	Net income (loss) per share	Diluted net income per share
	Yen	Yen
FY2021 1Q	52.16	—
FY2020 1Q	(36.30)	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
FY2021 1Q	2,626,021	796,827	28.1
FY2020	2,582,873	769,375	27.5

Reference: Equity capital FY2021 1Q: 737,200 million yen FY2020: 710,362 million yen

### 2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	—	0.00	—	10.00	10.00
FY2021	—				
FY2021 Forecast		10.00	—	—	—

Revision to the dividend forecast for FY2021 from the previous announcement: Yes  
 The dividend for the end of fiscal 2021 is undetermined.

For more information, please refer to the “Announcement on Revisions to Earnings Forecast and Dividend Forecast for Fiscal 2021, ending March 31, 2022” announced on August 5, 2021.

### 3. Consolidated earnings forecast for FY2021 (April 1, 2021–March 31, 2022)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First-half	990,000	27.5	35,000	—	32,000	—	20,000	—	55.13
Full year	2,030,000	19.0	80,000	163.2	70,000	332.4	40,000	72.2	110.27

Revision to the consolidated forecast for FY2021 from the previous announcement: Yes

For more information, please refer to the “Announcement on Revisions to Earnings Forecast and Dividend Forecast for Fiscal 2021, ending March 31, 2022” announced on August 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: Yes
  - 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 (1Q)

	FY2021 1Q	FY2020
Number of issued shares (including treasury stock)	364,364,210 shares	364,364,210 shares
Number of shares of treasury stock	1,647,485 shares	1,670,210 shares
Average number of shares (1Q)	362,711,558 shares	362,697,185 shares

#### **Explanation on the Appropriate Use of the Forecast and Other Special Notes**

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 Quarter of Fiscal 2021 and Forecast for the Full Fiscal Year”.

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2020	FY2021 1Q
	Ended March 31, 2021	Ended June 30, 2021
<b>Current Assets</b>		
Cash and deposits	262,345	275,482
Notes and accounts receivable	313,994	—
Notes and accounts receivable, and contract assets	—	290,408
Securities	55,199	55,199
Merchandise and finished goods	169,717	182,159
Work-in-process	122,114	131,045
Raw materials and supplies	158,442	179,899
Other	76,792	82,133
Allowance for doubtful accounts	(2,427)	(2,516)
Total current assets	1,156,180	1,193,812
<b>Fixed Assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	247,469	256,469
Machinery and equipment	441,128	447,957
Land	134,961	135,362
Other	255,059	239,941
Total property, plant and equipment	1,078,619	1,079,730
<b>Intangible fixed assets</b>	36,565	36,297
<b>Investments and other assets</b>		
Investments in securities	172,415	175,733
Other	157,547	159,775
Allowance for doubtful accounts	(18,454)	(19,328)
Total investment and other assets	311,508	316,180
Total fixed assets	1,426,693	1,432,208
<b>Total assets</b>	2,582,873	2,626,021

**LIABILITIES**

	<b>FY2020</b>	<b>FY2021 1Q</b>
	<b>Ended March 31, 2021</b>	<b>Ended June 30, 2021</b>
<b>Current liabilities</b>		
Notes and accounts payable	382,751	427,727
Short-term borrowings	161,803	135,007
Current portion of bonds	20,572	45,540
Income and enterprise taxes payable	9,587	3,964
Provisions	55,321	44,030
Other	185,711	177,208
Total current liabilities	<u>815,747</u>	<u>833,478</u>
<b>Long-term liabilities</b>		
Bonds and notes	61,050	45,975
Long-term borrowings	744,382	754,616
Lease obligations	59,970	59,216
Net defined benefit liability	84,135	86,314
Provisions	3,419	3,426
Other	44,792	46,166
Total long-term liabilities	<u>997,750</u>	<u>995,715</u>
<b>Total liabilities</b>	<u>1,813,498</u>	<u>1,829,193</u>
<b>NET ASSETS</b>		
<b>Stockholders' equity</b>		
Common stock	250,930	250,930
Capital surplus	102,228	102,228
Retained earnings	368,892	380,517
Treasury stock	(2,261)	(2,264)
Total stockholders' equity	<u>719,789</u>	<u>731,412</u>
<b>Accumulated other comprehensive income</b>		
Unrealized gains or losses on securities, net of taxes	15,757	20,797
Unrealized gains or losses on hedging derivatives, net of taxes	(13,764)	(15,829)
Land revaluation differences, net of taxes	(3,406)	(3,406)
Foreign currency translation adjustments	(4,568)	6,336
Remeasurements of defined benefit plans, net of taxes	(3,444)	(2,110)
Total accumulated other comprehensive income	<u>(9,427)</u>	<u>5,788</u>
<b>Non-controlling interests</b>	<u>59,013</u>	<u>59,626</u>
<b>Total net assets</b>	<u>769,375</u>	<u>796,827</u>
<b>Total liabilities and net assets</b>	<u>2,582,873</u>	<u>2,626,021</u>

## Consolidated Statements of Income

(In millions of yen)

	<b>FY2020 1Q</b>	<b>FY2021 1Q</b>
	<b>Ended June 30, 2020</b>	<b>Ended June 30, 2021</b>
<b>Net sales</b>	374,150	463,243
<b>Cost of sales</b>	347,581	386,009
<b>Gross profit</b>	26,569	77,234
<b>Selling, general and administrative expenses</b>	46,454	52,411
<b>Operating income (loss)</b>	(19,885)	24,822
<b>Non-operating income</b>		
Interest income	551	450
Dividend income	1,335	1,281
Reimbursement of seconded employees' salaries	871	900
Equity in income of equity method companies	116	2,725
Other	3,218	3,200
Total non-operating income	6,094	8,557
<b>Non-operating expenses</b>		
Interest expense	2,476	3,223
Seconded employees' salaries	2,139	2,265
Other	4,616	3,901
Total non-operating expenses	9,232	9,390
<b>Ordinary income (loss)</b>	(23,023)	23,990
<b>Extraordinary income</b>		
Gain on sale of fixed assets	9,731	—
Gain on step acquisitions	3,259	—
Gain on sale of investment securities	3,106	—
Total extraordinary income	16,097	—
<b>Income (loss) before income taxes and non-controlling interests</b>	(6,926)	23,990
Current	944	2,840
Deferred	3,456	1,056
Total income taxes	4,400	3,897
<b>Income (loss) before non-controlling interests</b>	(11,326)	20,093
<b>Net income attributable to non-controlling interests</b>	1,840	1,173
<b>Net income (loss) attributable to owners of the parent</b>	(13,167)	18,919

## Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2020 1Q	FY2021 1Q
	Ended June 30, 2020	Ended June 30, 2021
<b>Income (loss) before non-controlling interests</b>	(11,326)	20,093
<b>Other comprehensive income</b>		
Unrealized gains or losses on securities, net of taxes	1,595	5,101
Unrealized gains or losses on hedging derivatives, net of taxes	1,649	(2,468)
Land revaluation differences, net of taxes	(792)	—
Foreign currency translation adjustments	(6,519)	10,965
Remeasurements of defined benefit plans, net of taxes	1,003	1,517
Share of other comprehensive gains and losses related to equity method companies	(1,226)	668
Total other comprehensive income	(4,290)	15,784
<b>Comprehensive Income</b>	(15,617)	35,877
Breakdown of total comprehensive income attributed to:		
Stockholders of the parent interests	(16,871)	34,137
Non-controlling interests	1,253	1,740

### Notes

Notes on the going concern assumption: None

Notes on substantial changes in the amount of shareholders' equity: None

## **Changes in the accounting policy**

### **Adoption of the Accounting Standard for Revenue Recognition and other related guidelines**

Kobe Steel has adopted the Accounting Standard for Revenue Recognition issued by the Accounting Standards Board of Japan (ASBJ Statement No. 29, March 31, 2020) and other related guidelines from the beginning of the first quarter of the current consolidated fiscal year. Based on this, the Company will recognize revenue when the control of the promised goods or services has been transferred to customers, at the amount expected to be received in exchange for those goods or services. Accordingly, the Company will reflect the amounts of discounts, rebates and the like, which were previously deducted from net sales when the amount was fixed, in the transaction price at the time of revenue recognition.

In adopting the Accounting Standard for Revenue Recognition and other related guidelines, the Company relies on the transitional procedures provided in the proviso of Article 84 of the Accounting Standard for Revenue Recognition. The new accounting method has been applied to the balance from the beginning of the current consolidated fiscal year with retrospective cumulative effects, which could have arisen from the application of the new accounting method in the periods prior to the beginning of the current first quarter, being added to or subtracted from the balance of retained earnings at the beginning of the first quarter of the current consolidated fiscal year.

On the other hand, the new accounting method was not applied retrospectively to contracts in which almost all of the revenue amounts were recognized in accordance with the previous procedures before the beginning of the first quarter of the current consolidated fiscal year pursuant to the provision of Article 86 of the Accounting Standard for Revenue Recognition. In addition, pursuant to the method set forth in Item (1) of the supplementary provision of Article 86 of the Accounting Standard for Revenue Recognition, the contractual changes that were made prior to the beginning of the first quarter of the current consolidated fiscal year have been accounted with cumulative effects being added to or subtracted from the balance of retained earnings at the beginning of the first quarter of the current consolidated fiscal year in accordance with the terms and conditions after all contractual changes have been made.

As a result, the balance of retained earnings at the beginning of the current fiscal year decreased by 631 million yen. This has only a slight impact on the quarterly consolidated statements of income.

With the adoption of the Accounting Standard for Revenue Recognition and other related guidelines, the Company will introduce a new account item of "notes and accounts receivable, and contract assets" in the list of current assets of the consolidated balance sheets from the current first quarter, in place of "notes and accounts receivable" which was formerly applied to the previous consolidated fiscal years. The Company has not reclassified its financial statements for the previous consolidated fiscal year with the new account item in accordance with the transitional procedures stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition. In addition, in accordance with the transitional procedures set forth in Article 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the breakdown of revenue arising from contracts with customers in the previous first quarter consolidated period is not presented.

### **Adoption of the Accounting Standard for Fair Value Measurement and other related guidelines**

The Company has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other related guidelines from the beginning of the first quarter of the current consolidated fiscal year.

The Company will use new accounting methods stipulated in Fair Value Accounting Standards and other related guidelines in accordance with the transitional procedures specified in Article 19 of the Fair Value Accounting Standards and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

This has no effect on the quarterly consolidated financial statements.