

**Kobe Steel's Consolidated Financial Results**  
**for the First Nine Months of Fiscal 2021 (April 1-December 31, 2021)**

February 8, 2022

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 8, 2022  
Dividend payments begin: ---  
Supplemental information available: Yes  
IR Briefing: Yes (Japanese only)  
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(Sums of less than 1 million yen are omitted.)

**1. Consolidated results for the first nine months of FY2021 (April 1-December 31, 2021)**

**(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	%
FY2021 3Q	1,484,804	22.6	76,574	—	78,788	—	54,098	—
FY2020 3Q	1,211,082	(12.8)	2,436	(83.0)	(9,539)	—	3,814	(47.1)

Note: Comprehensive income FY2021 3Q: 78,685 million yen [314.4%]  
FY2020 3Q: 18,988 million yen [—%]

	Net income per share	Diluted net income per share
	Yen	Yen
FY2021 3Q	146.57	—
FY2020 3Q	10.51	—

**(2) Consolidated financial position**

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
FY2021 3Q	2,669,942	836,144	29.6
FY2020	2,582,873	769,375	27.5

Reference: Equity capital FY2021 3Q: 789,215 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	—	10.00	—	—	—
FY2021 Forecast	—	—	—	20.00	30.00

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

For more information, please refer to the “Announcement on Revisions to Dividend Forecast for Fiscal 2021, ending March 31, 2022” announced on February 8, 2022.

### 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
Full year	2,090,000	22.5	85,000	179.6	82,000	406.5	50,000	115.2	133.34

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

For more information, please refer to the IR briefing material, “Financial Results for the First Nine Months of Fiscal 2021 and Forecast for the Full Fiscal Year” announced on February 8, 2022.

#### 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)

	FY2021 3Q	FY2020
Number of issued shares (including treasury stock)	396,345,963 shares	364,364,210 shares
Number of shares of treasury stock	1,796,350 shares	1,670,210 shares
Average number of shares (3Q)	369,085,263 shares	362,696,051 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 Nine Months of Fiscal 2021 and Forecast for the Full Fiscal Year” .

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Balance Sheets

(In millions of yen)

<b>ASSETS</b>	<b>FY2020</b>	<b>FY2021—9 months</b>
	<b>Ended March 31, 2021</b>	<b>Ended December 31, 2021</b>
<b>Current Assets</b>		
Cash and deposits	262,345	190,746
Notes and accounts receivable	313,994	—
Notes and accounts receivable, and contract assets	—	402,465
Securities	55,199	—
Merchandise and finished goods	169,717	203,395
Work-in-process	122,114	141,923
Raw materials and supplies	158,442	202,551
Other	76,792	86,286
Allowance for doubtful accounts	(2,427)	(2,597)
Total current assets	<u>1,156,180</u>	<u>1,224,772</u>
<b>Fixed Assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	247,469	261,674
Machinery and equipment	441,128	456,555
Land	134,961	132,062
Other	255,059	241,703
Total property, plant and equipment	<u>1,078,619</u>	<u>1,091,996</u>
<b>Intangible fixed assets</b>	36,565	35,728
<b>Investments and other assets</b>		
Investments in securities	172,415	183,341
Other	157,547	151,379
Allowance for doubtful accounts	(18,454)	(17,275)
Total investment and other assets	<u>311,508</u>	<u>317,446</u>
 Total fixed assets	 <u>1,426,693</u>	 <u>1,445,170</u>
 <b>Total assets</b>	 <u>2,582,873</u>	 <u>2,669,942</u>

<b>LIABILITIES</b>	<b>FY2020</b> <b>Ended March 31, 2021</b>	<b>FY2021 —9 months</b> <b>Ended December 31, 2021</b>
<b>Current liabilities</b>		
Notes and accounts payable	382,751	491,925
Short-term borrowings	161,803	88,610
Current portion of bonds	20,572	35,150
Income and enterprise taxes payable	9,587	5,765
Provisions	55,321	40,912
Other	185,711	165,683
Total current liabilities	815,747	828,047
<b>Long-term liabilities</b>		
Bonds and notes	61,050	45,900
Long-term borrowings	744,382	765,758
Lease obligations	59,970	57,057
Net defined benefit liability	84,135	88,757
Provisions	3,419	3,263
Other	44,792	45,014
Total long-term liabilities	997,750	1,005,751
<b>Total liabilities</b>	1,813,498	1,833,798
<b>NET ASSETS</b>		
<b>Stockholders' equity</b>		
Common stock	250,930	250,930
Capital surplus	102,228	115,417
Retained earnings	368,892	412,054
Treasury stock	(2,261)	(2,268)
Total stockholders' equity	719,789	776,134
<b>Accumulated other comprehensive income</b>		
Unrealized gains or losses on securities, net of taxes	15,757	23,296
Unrealized gains or losses on hedging derivatives, net of taxes	(13,764)	(13,914)
Land revaluation differences, net of taxes	(3,406)	(3,406)
Foreign currency translation adjustments	(4,568)	7,703
Remeasurements of defined benefit plans, net of taxes	(3,444)	(597)
Total accumulated other comprehensive income	(9,427)	13,081
<b>Non-controlling interests</b>	59,013	46,928
<b>Total net assets</b>	769,375	836,144
<b>Total liabilities and net assets</b>	2,582,873	2,669,942

## Consolidated Statements of Income

(In millions of yen)

	FY2020 — 9 months Ended December 31, 2020	FY2021 — 9 months Ended December 31, 2021
<b>Net sales</b>	1,211,082	1,484,804
<b>Cost of sales</b>	1,068,021	1,250,332
<b>Gross profit</b>	143,060	234,472
<b>Selling, general and administrative expenses</b>	140,624	157,897
<b>Operating income</b>	2,436	76,574
<b>Non-operating income</b>		
Interest income	1,565	1,334
Dividend income	2,373	3,103
Reimbursement of seconded employees' salaries	2,494	2,647
Equity in income of equity method companies	—	10,014
Other	9,081	11,373
Total non-operating income	15,514	28,473
<b>Non-operating expenses</b>		
Interest expense	8,283	9,702
Seconded employees' salaries	6,428	6,939
Equity in loss of equity method companies	101	—
Other	12,677	9,618
Total non-operating expenses	27,490	26,259
<b>Ordinary income (loss)</b>	(9,539)	78,788
<b>Extraordinary income</b>		
Gain on sale of fixed assets	9,885	—
Gain on step acquisitions	3,259	—
Gain on sale of investment securities	2,909	—
Total extraordinary income	16,054	—
<b>Extraordinary loss</b>		
Loss on impairment	2,907	—
Total extraordinary loss	2,907	—
<b>Income before income taxes and non-controlling interests</b>	3,608	78,788
<b>Income Taxes</b>		
Current	4,151	11,751
Deferred	(6,961)	10,492
Total income taxes	(2,809)	22,243
<b>Income before non-controlling interests</b>	6,418	56,544
<b>Net income attributable to non-controlling interests</b>	2,603	2,446
<b>Net income attributable to owners of the parent</b>	3,814	54,098

## Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2020—9 months Ended December 31, 2020	FY2021—9 months Ended December 31, 2021
<b>Income (loss) before non-controlling interests</b>	6,418	56,544
<b>Other comprehensive income</b>		
Unrealized gains or losses on securities, net of taxes	7,353	7,320
Unrealized gains or losses on hedging derivatives, net of taxes	1,483	(654)
Land revaluation differences, net of taxes	(792)	—
Foreign currency translation adjustments	(6,022)	12,096
Remeasurements of defined benefit plans, net of taxes	9,628	2,755
Share of other comprehensive gains and losses related to equity method companies	920	622
Total other comprehensive income	12,570	22,140
<b>Comprehensive Income</b>	<b>18,988</b>	<b>78,685</b>
Breakdown of total comprehensive income attributed to:		
Stockholders of the parent interests	16,564	76,607
Non-controlling interests	2,423	2,077

### Notes

Notes on the going concern assumption: None

Notes on substantial changes in the amount of stockholders' equity: The balance of capital surplus at the end of the current third quarter increased by 13,188 million yen from the end of the previous fiscal year. The main reason for the change in capital surplus was the share exchange implemented on November 1, 2021, by which Kobelco Eco-Solutions Co., Ltd. became a Kobe Steel's wholly owned subsidiary.

## **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 statements of income for the current consolidated cumulative third quarter.

With the adoption of the Accounting Standard for Revenue Recognition and other related guidelines, the Company has introduced a new account item of "notes and accounts receivable, and contract assets" in the list of current assets of the consolidated balance sheets since 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.

### **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, hereinafter referred to as the Fair Value Accounting Standards) 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 the 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 impact on the quarterly consolidated financial statements.