

Kobe Steel's Consolidated Financial Results for the First Quarter of Fiscal 2020 (April 1 – June 30, 2020)

August 6, 2020

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 6, 2020
 Dividend payments begin: ---
 Supplemental information available: Yes
 IR Briefing: Yes (in Japanese only)
 Contact: Corporate Communications Department
 Tel. +81 (0)3 5739-6010

(Sums of less than 1 million yen have been omitted.)

1. Consolidated results for the First Quarter of FY2020 (April 1–June 30, 2020)

(1) Consolidated operating results

(% of change from the corresponding period of the previous year)

	Net sales		Operating income (loss)		Ordinary loss		Net loss attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2020 1Q	374,150	(19.4)	(19,885)	—	(23,023)	—	(13,167)	—
FY2019 1Q	464,458	(2.9)	2,743	(80.2)	(519)	—	(1,155)	—

Note: Comprehensive income FY2020 1Q: (15,617) million yen [—%]
 FY2019 1Q: (4,186) million yen [—%]

	Net loss per share	Diluted net income per share
	Yen	Yen
FY2020 1Q	(36.30)	---
FY2019 1Q	(3.18)	---

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
FY2020 1Q	2,382,121	699,850	26.9
FY2019	2,411,191	716,369	27.2

Reference: Equity capital FY2020 1Q: 640,007 million yen FY2019: 656,881 million yen

2. Dividends

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

Revision to dividend forecast in FY2020 1Q: Yes
 The dividend for the end of fiscal 2020 is undetermined.

For more information, please refer to “Announcement on Revisions to Earnings Forecast and Dividend Forecast for Fiscal 2020, ending March 31, 2021” dated August 6, 2020.

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

(% of change from the corresponding period of the previous year)

	Net sales		Operating loss		Ordinary loss		Net loss attributable to owners of the parent		Net loss per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1H	770,000	(18.5)	(50,000)	---	(60,000)	---	(35,000)	---	(96.49)
Full year	1,640,000	(12.3)	(35,000)	---	(60,000)	---	(35,000)	---	(96.49)

Revision to consolidated forecast in FY2020 1Q: Yes

For more information, please refer to “Announcement on Revisions to Earnings Forecast and Dividend Forecast for Fiscal 2020, ending March 31, 2021” dated August 6, 2020.

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)

	FY2020 1Q	FY2019
Number of issued shares (including treasury stock)	364,364,210 shares	364,364,210 shares
Number of shares of treasury stock	1,667,187 shares	1,666,949 shares
Average number of shares (1Q)	362,697,185 shares	362,307,252 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 First Quarter of Fiscal 2020 and Forecast for the Full Fiscal Year”.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2019	FY2020 1Q
	Ended Mar. 31, 2020	Ended Jun. 30, 2020
Current Assets		
Cash and deposits	146,044	176,631
Notes and accounts receivable	332,428	286,243
Merchandise and finished goods	184,414	184,149
Work-in-process	137,567	137,819
Raw materials and supplies	174,328	162,175
Other	94,918	81,441
Allowance for doubtful accounts	(3,225)	(3,121)
Total current assets	1,066,476	1,025,339
Fixed Assets		
Property, plant and equipment		
Buildings and structures	257,897	254,653
Machinery and equipment	464,296	456,151
Land	139,518	138,944
Other	154,262	179,579
Total property, plant and equipment	1,015,974	1,029,327
Intangible fixed assets	32,665	35,161
Investments and other assets		
Investments in securities	148,680	149,105
Other	185,765	164,132
Allowance for doubtful accounts	(38,370)	(20,945)
Total investment and other assets	296,074	292,292
Total fixed assets	1,344,714	1,356,781
Total assets	2,411,191	2,382,121

LIABILITIES	FY2019	FY2020 1Q
	Ended Mar. 31, 2020	Ended Jun. 30, 2020
Current liabilities		
Notes and accounts payable	395,946	334,171
Short-term borrowings	162,069	203,584
Current portion of bonds	30,215	20,215
Income and enterprise taxes payable	7,143	4,948
Provisions	57,072	43,802
Other	160,624	165,172
Total current liabilities	<u>813,071</u>	<u>771,894</u>
Long-term liabilities		
Bonds and notes	81,622	81,515
Long-term borrowings	632,732	659,049
Net defined benefit liability	94,518	98,013
Provisions	4,959	4,707
Other	67,918	67,091
Total long-term liabilities	<u>881,751</u>	<u>910,376</u>
Total liabilities	<u>1,694,822</u>	<u>1,682,270</u>
NET ASSETS		
Stockholders' equity		
Common stock	250,930	250,930
Capital surplus	102,350	102,350
Retained earnings	345,660	332,490
Treasury stock, at cost	(2,261)	(2,261)
Total stockholders' equity	<u>696,678</u>	<u>683,509</u>
Accumulated other comprehensive income		
Unrealized gains or losses on securities, net of taxes	1,485	3,194
Unrealized gains or losses on hedging derivatives, net of taxes	(15,873)	(14,915)
Land revaluation differences, net of taxes	(2,995)	(3,406)
Foreign currency translation adjustments	(1,984)	(8,927)
Remeasurements of defined benefit plans, net of taxes	(20,430)	(19,447)
Total accumulated other comprehensive income	<u>(39,797)</u>	<u>(43,502)</u>
Non-controlling interests	<u>59,487</u>	<u>59,843</u>
Total net assets	<u>716,369</u>	<u>699,850</u>
Total liabilities and net assets	<u>2,411,191</u>	<u>2,382,121</u>

Consolidated Statements of Income

(In millions of yen)

	FY2019 1Q	FY2020 1Q
	Ended Jun. 30, 2019	Ended Jun. 30, 2020
Net sales	464,458	374,150
Cost of sales	406,926	347,581
Gross profit	57,531	26,569
Selling, general and administrative expenses	54,788	46,454
Operating income (loss)	2,743	(19,885)
Non-operating income		
Interest income	594	551
Dividend income	2,732	1,335
Reimbursement of seconded employees' salaries	980	871
Equity in income of equity method companies	2,399	116
Other	1,883	3,218
Total non-operating income	8,590	6,094
Non-operating expenses		
Interest expense	2,237	2,476
Seconded employees' salaries	2,560	2,139
Other	7,054	4,616
Total non-operating expenses	11,852	9,232
Ordinary loss	(519)	(23,023)
Extraordinary income		
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
Loss before income taxes and non-controlling interests	(519)	(6,926)
Income taxes		
Current	2,552	944
Deferred	(1,874)	3,456
Total income taxes	677	4,400
Loss before non-controlling interests	(1,196)	(11,326)
Net income (loss) attributable to non-controlling interests	(41)	1,840
Net loss attributable to owners of the parent	(1,155)	(13,167)

Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2019 1Q	FY2020 1Q
	Ended Jun. 30, 2019	Ended Jun. 30, 2020
Loss before non-controlling interests	(1,196)	(11,326)
Other comprehensive income		
Unrealized gains or losses on securities, net of taxes	(2,297)	1,595
Unrealized gains or losses on hedging derivatives, net of taxes	(1,593)	1,649
Land revaluation differences, net of taxes	-	(792)
Foreign currency translation adjustments	863	(6,519)
Remeasurements of defined benefit plans, net of taxes	784	1,003
Share of other comprehensive gains and losses related to equity method companies	(746)	(1,226)
Total other comprehensive income	(2,989)	(4,290)
Comprehensive Income	(4,186)	(15,617)
Breakdown of total comprehensive income attributed to:		
Stockholders of the parent interests	(4,062)	(16,871)
Non-controlling interests	(123)	1,253

Notes

Notes on premise of a going concern:

None

Notes on significant changes in the amount of stockholders' equity:

None