

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

November 5, 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: November 5, 2020  
 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 Half of FY2020 (April 1–September 30, 2020)

### (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 loss attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2020 1H	776,406	(17.8)	(27,142)	—	(35,259)	—	(15,209)	—
FY2019 1H	944,464	(1.4)	7,443	(67.8)	1,493	(84.0)	(6,281)	—

Note: Comprehensive income FY2020 1H: (15,151) million yen [—%]  
 FY2019 1H: (13,255) million yen [—%]

	Net loss per share	Diluted net income per share
	Yen	Yen
FY2020 1H	(41.93)	---
FY2019 1H	(17.32)	---

### (2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
FY2020 1H	2,363,833	700,352	27.1
FY2019	2,411,191	716,369	27.2

Reference: Equity capital FY2020 1H: 640,087 million yen FY2019: 656,881 million yen

## 2. Dividends

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

Revision to the dividend forecast for the first half of FY2020 from the previous announcement: No  
 The dividend for the end of fiscal 2020 is undetermined.

### 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 loss		Ordinary loss		Net loss attributable to owners of the parent		Net loss per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,650,000	(11.8)	(15,000)	---	(35,000)	---	(15,000)	---	(41.35)

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

For more information, please refer to the “Announcement on the Difference between the Forecast and Actual Results for the First Half of Fiscal 2020 and Revision to Earnings Forecast for Fiscal 2020, ending March 31, 2021” dated November 5, 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)

Number of issued shares (including treasury stock)  
Number of shares of treasury stock  
Average number of shares (1H)

	FY2020 1H	FY2019
Number of issued shares (including treasury stock)	364,364,210 shares	364,364,210 shares
Number of shares of treasury stock	1,668,434 shares	1,666,949 shares
Average number of shares (1H)	362,696,662 shares	362,504,207 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 Half of Fiscal 2020 and Forecast for the Full Fiscal Year”.

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2019	FY2020 1H
	Ended Mar. 31, 2020	Ended Sep. 30, 2020
<b>Current Assets</b>		
Cash and deposits	146,044	174,293
Notes and accounts receivable	332,428	269,104
Merchandise and finished goods	184,414	182,853
Work-in-process	137,567	129,602
Raw materials and supplies	174,328	154,415
Other	94,918	72,173
Allowance for doubtful accounts	(3,225)	(2,958)
Total current assets	1,066,476	979,484
<b>Fixed Assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	257,897	251,987
Machinery and equipment	464,296	450,858
Land	139,518	138,961
Other	154,262	202,300
Total property, plant and equipment	1,015,974	1,044,107
<b>Intangible fixed assets</b>	32,665	35,690
<b>Investments and other assets</b>		
Investments in securities	148,680	151,519
Other	185,765	173,751
Allowance for doubtful accounts	(38,370)	(20,719)
Total investment and other assets	296,074	304,551
Total fixed assets	1,344,714	1,384,349
<b>Total assets</b>	2,411,191	2,363,833

<b>LIABILITIES</b>	<b>FY2019</b>	<b>FY2020 1H</b>
	<b>Ended Mar. 31, 2020</b>	<b>Ended Sep. 30, 2020</b>
<b>Current liabilities</b>		
Notes and accounts payable	395,946	317,708
Short-term borrowings	162,069	184,541
Current portion of bonds	30,215	10,215
Income and enterprise taxes payable	7,143	6,361
Provisions	57,072	54,442
Other	160,624	160,955
Total current liabilities	<u>813,071</u>	<u>734,224</u>
<b>Long-term liabilities</b>		
Bonds and notes	81,622	81,515
Long-term borrowings	632,732	676,552
Net defined benefit liability	94,518	98,716
Provisions	4,959	4,165
Other	67,918	68,307
Total long-term liabilities	<u>881,751</u>	<u>929,256</u>
<b>Total liabilities</b>	<u>1,694,822</u>	<u>1,663,481</u>
<b>NET ASSETS</b>		
<b>Stockholders' equity</b>		
Common stock	250,930	250,930
Capital surplus	102,350	102,197
Retained earnings	345,660	330,448
Treasury stock, at cost	(2,261)	(2,261)
Total stockholders' equity	<u>696,678</u>	<u>681,314</u>
<b>Accumulated other comprehensive income</b>		
Unrealized gains or losses on securities, net of taxes	1,485	4,103
Unrealized gains or losses on hedging derivatives, net of taxes	(15,873)	(15,295)
Land revaluation differences, net of taxes	(2,995)	(3,406)
Foreign currency translation adjustments	(1,984)	(8,002)
Remeasurements of defined benefit plans, net of taxes	(20,430)	(18,626)
Total accumulated other comprehensive income	<u>(39,797)</u>	<u>(41,227)</u>
<b>Non-controlling interests</b>	<u>59,487</u>	<u>60,265</u>
<b>Total net assets</b>	<u>716,369</u>	<u>700,352</u>
<b>Total liabilities and net assets</b>	<u>2,411,191</u>	<u>2,363,833</u>

## Consolidated Statements of Income

(In millions of yen)

	FY2019 1H Ended Sep. 30, 2019	FY2020 1H Ended Sep. 30, 2020
<b>Net sales</b>	944,464	776,406
<b>Cost of sales</b>	826,321	710,762
<b>Gross profit</b>	118,143	65,644
<b>Selling, general and administrative expenses</b>	110,700	92,787
<b>Operating income (loss)</b>	7,443	(27,142)
<b>Non-operating income</b>		
Interest income	1,610	1,087
Dividend income	2,862	1,649
Reimbursement of seconded employees' salaries	1,878	1,640
Equity in income of equity method companies	4,660	—
Other	4,680	6,164
Total non-operating income	15,691	10,541
<b>Non-operating expenses</b>		
Interest expense	4,531	5,253
Seconded employees' salaries	5,074	4,314
Foreign exchange loss	—	1,533
Other	12,036	7,557
Total non-operating expenses	21,641	18,658
<b>Ordinary income (loss)</b>	1,493	(35,259)
<b>Extraordinary income</b>		
Gain on sale of fixed assets	—	9,816
Gain on step acquisitions	—	3,259
Gain on sale of investment securities	6,740	3,106
Total extraordinary income	6,740	16,183
<b>Extraordinary loss</b>		
Loss on impairment	—	2,539
Loss on valuation of investment securities	10,864	—
Total extraordinary loss	10,864	2,539
<b>Loss before income taxes and non-controlling interests</b>	(2,630)	(21,616)
<b>Income taxes</b>		
Current	4,812	2,233
Deferred	(1,300)	(10,097)
Total income taxes	3,511	(7,863)
<b>Loss before non-controlling interests</b>	(6,142)	(13,752)
<b>Net income attributable to non-controlling interests</b>	138	1,457
<b>Net loss attributable to owners of the parent</b>	(6,281)	(15,209)

## Consolidated Statements of Comprehensive Income

(In millions of yen)

	<b>FY2019 1H</b>	<b>FY2020 1H</b>
	<b>Ended Sep. 30, 2019</b>	<b>Ended Sep. 30, 2020</b>
<b>Loss before non-controlling interests</b>	(6,142)	(13,752)
<b>Other comprehensive income</b>		
Unrealized gains or losses on securities, net of taxes	57	2,529
Unrealized gains or losses on hedging derivatives, net of taxes	(1,935)	1,387
Land revaluation differences, net of taxes	—	(792)
Foreign currency translation adjustments	(3,994)	(5,619)
Remeasurements of defined benefit plans, net of taxes	1,554	1,819
Share of other comprehensive gains and losses related to equity method companies	(2,795)	(724)
Total other comprehensive income	(7,112)	(1,399)
<b>Comprehensive Income</b>	<b>(13,255)</b>	<b>(15,151)</b>
Breakdown of total comprehensive income attributed to:		
Stockholders of the parent interests	(13,030)	(16,638)
Non-controlling interests	(224)	1,486

### Notes

Notes on premise of a going concern:

None

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

None