

# Kobe Steel's Consolidated Financial Results for Fiscal 2020 (April 1, 2020–March 31, 2021)

May 11, 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  
 Annual shareholders meeting: June 23, 2021  
 Securities report submission: June 23, 2021  
 Dividend payments begin: June 24, 2021  
 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 FY2020 (April 1, 2020–March 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 (loss) attributable to owners of the parent |   |
|--------|-------------|-------|------------------|--------|------------------------|---|--|---|
|        | Million yen | %     | Million yen      | %      | Million yen            | % | Million yen  | % |
| FY2020 | 1,705,566   | (8.8) | 30,398           | 208.2  | 16,188                 | — | 23,234   | — |
| FY2019 | 1,869,835   | (5.2) | 9,863            | (79.6) | (8,079)                | — | (68,008)   | — |

Note: Comprehensive income FY2020: 53,968 million yen [—%]  
 FY2019: (81,950) million yen [—%]

|        | Net income (loss) per share | Diluted net income per share | Ratio of net income to equity (ROE) | Ratio of ordinary income to total assets (ROA) | Ratio of operating income to net sales (ROS) |
|--------|-----------------------------|------------------------------|-------------------------------------|--|--|
|        | Yen                         | Yen                          | %                                   | %  | %  |
| FY2020 | 64.05                       | —                            | 3.4                                 | 0.6  | 1.8  |
| FY2019 | (187.55)                    | —                            | (9.7)                               | (0.3)  | 0.5  |

Reference: Equity in income of affiliates FY2020: 666 million yen  
 FY2019: 5,959 million yen

### (2) Consolidated financial position

|        | Total assets | Net assets  | Equity capital ratio | Net assets per share |
|--------|--------------|-------------|----------------------|----------------------|
|        | Million yen  | Million yen | %                    | Yen                  |
| FY2020 | 2,582,873    | 769,375     | 27.5                 | 1,958.57             |
| FY2019 | 2,411,191    | 716,369     | 27.2                 | 1,811.10             |

Reference: Equity capital FY2020: 710,362 million yen FY2019: 656,881 million yen

### (3) Consolidated cash flow

|        | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of year |
|--------|--------------------------------------|--------------------------------------|--------------------------------------|--|
|        | Million yen                          | Million yen                          | Million yen                          | Million yen                              |
| FY2020 | 194,798                              | (141,853)                            | 118,444                              | 317,310                                  |
| FY2019 | 27,040                               | (218,986)                            | 140,589                              | 145,658                                  |

## 2. Dividends

|                 | Annual dividends |      |     |       |       | Total amount of dividends | Dividend payout ratio (consolidated) | Dividends on net assets (consolidated) |
|-----------------|------------------|------|-----|-------|-------|---------------------------|--------------------------------------|--|
|                 | 1Q               | 2Q   | 3Q  | 4Q    | Total |                           |                                      |  |
|                 | Yen              | Yen  | Yen | Yen   | Yen   | Million yen               | %                                    | %                                      |
| FY2019          | —                | 0.00 | —   | 0.00  | 0.00  | 0                         | 0                                    | 0.0                                    |
| FY2020          | —                | 0.00 | —   | 10.00 | 10.00 | 3,641                     | 15.6                                 | 0.5                                    |
| FY2021 Forecast | —                | —    | —   | —     | —     |                           | —                                    |  |

Dividends for fiscal 2021 are undetermined.

## 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 | 910,000     | 17.2 | 20,000           | —    | 15,000          | —     | 10,000  | —   | 27.57                |
| Full year  | 1,870,000   | 9.6  | 55,000           | 80.9 | 45,000          | 178.0 | 25,000  | 7.6 | 68.92                |

For more information, please refer to the “Announcement on Earnings Forecast” dated May 11, 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) 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
- (3) Number of issued shares (common stock)

|  | FY2020             | FY2019             |
|--|--------------------|--------------------|
| Number of issued shares (including treasury stock) | 364,364,210 shares | 364,364,210 shares |
| Number of shares of treasury stock                 | 1,670,210 shares   | 1,666,949 shares   |
| Average number of shares                           | 362,695,414 shares | 362,601,426 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.

The basis for dividend payments is continuous and stable distribution. Factors taken into overall consideration are the company’s financial condition, business performance, future capital requirements and other issues. As the outlook for many of these factors is unclear at this point, Kobe Steel is unable to make a dividend forecast for the fiscal year ending March 2022. When it becomes possible to make a forecast, Kobe Steel will promptly make an announcement.

## 1. Overview of Operating Results and Other Items

### Fiscal 2020 Consolidated Operating Results

During fiscal 2020, the Japanese economy saw a significant downturn due to the novel coronavirus (COVID-19) pandemic. Although the economy is on a recovery trend as we work to promote economic activities while preventing the spread of infection, the future is still uncertain with signs of a resurgence of cases. As for overseas economies, China resumed economic activities in the middle of February 2020, and investment in infrastructure and real estate development remained firm. The economies of regions other than China also showed signs of gradual recovery from considerable decline.

In this economic environment, the Kobe Steel Group saw a significant decrease in sales, particularly in the automotive, aircraft, and construction sectors. To secure earnings, the Group has made utmost efforts by taking emergency profit improvement measures including reducing fixed costs and by working to improve earnings mainly in the materials businesses.

As a result, consolidated net sales in fiscal 2020 decreased by 164.2 billion yen year on year to 1,705.5 billion yen. Operating income increased by 20.5 billion yen year on year to 30.3 billion yen due to efforts to reduce costs, including emergency profit improvement measures centered on the Steel & Aluminum, Advanced Materials, and Construction Machinery segments, as well as due to the start of operations of Moka Power Plant and an increase in demand for electricity supply in winter in the Electric Power segment, despite a significant decrease in sales volume due to the impact of COVID-19. Ordinary income improved by 24.2 billion yen year on year to 16.1 billion yen.

Extraordinary income amounted to 2.5 billion yen due to gains on sales of fixed assets and others despite the recording of impairment losses. Net income attributable to owners of parent improved by 91.2 billion yen year on year to 23.2 billion yen.

Conditions in the business segments for fiscal 2020 follow below.

#### Steel & Aluminum

(Steel)

The sales volume of steel products decreased year on year as demand fell mainly for automobiles. Sales prices decreased year on year due to factors such as lower prices of main raw materials and sluggish export prices.

As a result, consolidated segment sales for fiscal 2020 decreased by 13.3% year on year to 563.8 billion yen. Ordinary loss worsened by 14.5 billion yen year on year to 23.3 billion yen due to lower sales volume despite the implementation of emergency profit improvement measures such as reducing fixed costs.

(Aluminum)

The sales volume of aluminum flat rolled products increased year on year due to steady sales for beverage can stock as well as due to an increase in disk materials and aluminum plates for IT and semiconductors despite a decrease in demand for automobiles.

As a result, consolidated segment sales for fiscal 2020 amounted to 132.4 billion yen, similar to the previous fiscal year. Ordinary income improved by 8.3 billion yen year on year to 0.6 billion yen due to sales expansion for beverage can stock and cost reductions.

Overall sales of steel and aluminum decreased by 10.8% year on year to 696.3 billion yen. Ordinary loss worsened by 6.1 billion yen year on year to 22.6 billion yen.

## **Advanced Materials**

The sales volume of advanced materials decreased year on year mainly in suspensions, aluminum extrusions, copper rolled products, steel powder largely due to a decrease in demand for automobiles. The sales volume of titanium for aircraft and general industries and steel castings and forgings for shipbuilding also declined from the previous fiscal year.

As a result, consolidated segment sales for fiscal 2020 decreased by 19.9% year on year to 238.1 billion yen. Ordinary income (loss) improved by 13.1 billion yen year on year to a loss of 12.1 billion yen due to a decrease in depreciation associated with the impairment of fixed assets in the previous fiscal year and the effect of cost reductions.

## **Welding**

The sales volume of welding materials decreased year on year due to a decrease in demand for automobiles and construction machinery in Japan. Overseas, sales were lower than the previous consolidated fiscal year due to a decrease in demand for automobiles in Southeast Asia and other regions and sluggish demand for shipbuilding.

As a result, consolidated segment sales for fiscal 2020 decreased by 16.4% year on year to 70 billion yen, and ordinary income decreased by 1.1 billion yen year on year to 1.7 billion yen.

## **Machinery**

Orders decreased by 25.7% year on year to 112.6 billion yen due to a decrease in both industrial machinery and compressors associated with the reduction and deferral of capital investment due to the impact of the COVID-19 pandemic. The backlog of orders at the end of fiscal 2020 amounted to 118 billion yen.

Consolidated segment sales for fiscal 2020 increased by 5.7% year on year to 175.3 billion yen mainly due to strong orders for compressors for LNG carriers and petrochemicals in fiscal 2019, which were recorded in fiscal 2020. Ordinary income increased by 1.8 billion yen year on year to 11.4 billion, partly due to the effect of cost reductions.

## **Engineering**

Orders decreased by 15.7% year on year to 113.4 billion yen from the previous fiscal year that saw an increase in orders for large-scale projects related to water treatment and waste treatment. The backlog of orders at the end of the current fiscal year amounted to 282.1 billion yen.

Consolidated segment sales for fiscal 2020 decreased by 3.8% year on year to 136.1 billion yen owing to delays in construction of overseas projects due to the impact of the COVID-19 pandemic. Ordinary income decreased by 1.3 billion yen year on year to 4.4 billion yen.

\*For the long-term operation and maintenance in the water treatment and waste treatment business of Kobelco Eco Solutions Co., Ltd., orders were previously counted at the time of sales. However, since FY2020, a new counting method has been adopted and orders are counted at the time of acceptance of a contract. As a result, orders received in the previous fiscal year were recalculated and compared on a contract basis.

## **Construction Machinery**

The unit sales of hydraulic excavators in Japan increased year on year due to a drop in sales in the previous fiscal year that suffered parts supply disruptions affected by Typhoon Hagibis. In China, unit sales increased due to an increase in demand boosted by the Chinese government's economic policy promoting investment in infrastructure. On the other hand, in Europe and Southeast Asia, unit sales decreased due to the impact of the COVID-19 pandemic, and overseas unit sales fell below the previous consolidated fiscal year. As a result, overall sales volume was similar to the previous fiscal year.

The unit sales of crawler cranes in Japan and overseas fell below that of the previous consolidated fiscal year due to the impact of the COVID-19 pandemic.

As a result, consolidated segment sales for fiscal 2020 decreased by 7.7% year on year to 333.1 billion yen. Ordinary income increased by 5.2 billion yen year on year to 12.7 billion yen due to cost reductions and other factors.

## **Electric Power**

The amount of electricity sold increased year on year due to the start of operations of Moka Power Plant with No. 1 unit started in October 2019 and No. 2 unit in March 2020, as well as an increase in power transmission associated with a demand rise in power supply in winter.

As a result, consolidated segment sales for fiscal 2020 increased by 6.3% year on year to 80.4 billion yen. Ordinary income increased by 11.7 billion yen year on year to 20.6 billion yen, mainly due to the start of operations of Moka Power Plant and a demand rise in power supply in winter.

## **Other Businesses**

Consolidated segment sales for fiscal 2020 decreased by 17.4% year on year to 27.8 billion yen, and ordinary income increased by 0.8 billion yen year on year to 4.2 billion yen, mainly due to reductions in fixed expenses at Kobelco Research Institute, Inc.

## **Dividends for Fiscal 2020**

Kobe Steel determines dividends taking its financial condition, business performance, future capital needs and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle. Based on this policy, Kobe Steel has decided to pay a year-end dividend of 10 yen per share for fiscal 2020.

## **Outlook for Fiscal 2021**

The Japanese economy is seeing an upturn in its economic activities while industries continue to take measures to prevent the spread of COVID-19. In some manufacturing industries, business confidence has recovered to the level before the pandemic.

As for overseas economies, the impact of the pandemic on economic activities is expected to gradually diminish owing to large-scale measures being implemented by governments in fiscal, monetary, and employment policies.

On the other hand, there are still concerns both in Japan and overseas about a resurgence of COVID-19 cases, and uncertainty in demand trends is growing as some automakers are forced to reduce production due to the global semiconductor shortage.

Under these circumstances, Kobe Steel anticipates consolidated net sales of approximately 1,870 billion yen, operating income of approximately 55 billion yen, ordinary income of approximately 45 billion yen, and net income attributable to owners of parent of approximately 25 billion yen for fiscal 2021.

For the outlook for fiscal 2021, the Company assumes the status of each segment as follows.

## **Steel & Aluminum**

(Steel)

The sales volume of steel products is expected to exceed the current consolidated fiscal year due to recovery in demand mainly for automobiles. As for the sales price of steel products, we will steadily pass on the increase in raw material prices to the sales price.

Based on the above, consolidated segment sales for fiscal 2021 are expected to increase year on year. Ordinary income is expected to improve year on year due to an increase in sales volume and inventory valuation factors.

(Aluminum)

The sales volume of aluminum flat rolled products is expected to exceed the current consolidated fiscal year due to steady demand for beverage can stock and IT/semiconductor materials, as well as due to prompt response to meet rising demand for automotive panel materials.

Based on the above, consolidated segment sales for fiscal 2021 are expected to increase year on year. Ordinary income is expected to increase year on year due to an increase in sales volume and inventory valuation factors, despite an increase in depreciation due to the start of operation of automotive panel material manufacturing facilities.

## **Advanced Materials**

The sales volume of advanced materials is expected to exceed the current consolidated fiscal year, mainly for suspensions, aluminum extrusions, copper rolled products and steel powder owing to a recovery in demand for automobiles and semiconductors, despite continued sluggish demand for shipbuilding and aircraft.

Based on the above, consolidated segment sales for fiscal 2021 are expected to increase year on year. Ordinary income is expected to improve year on year due to an increase in sales volume.

## **Welding**

The sales volume of welding materials is expected to exceed the current consolidated fiscal year due to a recovery in demand, mainly for automobiles, both in Japan and overseas, despite continued weakness in demand for shipbuilding. The sales of welding systems are expected to decline due to continued weak demand for steel frames and construction machinery.

Based on the above, consolidated segment sales for fiscal 2021 are expected to remain at the same level as the current consolidated fiscal year. Ordinary income is expected to decrease year on year due to a decrease in the sales of welding systems.

## **Machinery**

Orders in the next fiscal year are expected to exceed the current consolidated fiscal year due to a recovery in demand in the automotive, electrical and semiconductor fields.

Due to a decrease in orders for industrial machinery and compressors in the current consolidated fiscal year, consolidated segment sales are expected to decrease year on year. Ordinary income is also expected to decrease year on year.

## **Engineering**

Orders in the next fiscal year are expected to exceed the current consolidated fiscal year due to orders received for new overseas projects in the direct reduced iron business and other factors.

Consolidated segment sales are expected to increase year on year due to new orders for overseas projects in the direct reduced iron business and other factors. Ordinary income is expected to remain at the same level as the current consolidated fiscal year due to differences in the composition of projects.

### **Construction Machinery**

The unit sales of hydraulic excavators are expected to exceed the current consolidated fiscal year mainly in China, Europe, Southeast Asia, India and other overseas regions due to recovery from the impact of the COVID-19 pandemic.

The unit sales of crawler cranes are expected to exceed the current consolidated fiscal year, as demand is expected to recover mainly in Southeast Asia.

Based on the above, while consolidated segment sales for the next fiscal year are expected to increase year on year, ordinary income is expected to decrease year on year due to an increase in development expenses and other expenses accompanying a recovery in economic activities and declining profitability in China amid intensifying competition.

### **Electric Power**

While consolidated segment sales for the next fiscal year are expected to remain at the same level as the current consolidated fiscal year, ordinary income is expected to decrease year on year due to a decrease in the number of operating days at Moka Power Plant due to statutory inspections and a decline in demand from the current fiscal year that saw a temporary demand rise because of the shortage of power supply.

### **Other Businesses**

While consolidated segment sales for the next fiscal year are expected to be at the same level as the current consolidated fiscal year, operating income is expected to decrease year on year due to an increase in expenses accompanying a recovery in economic activities, development expenses, and others.

## Financial Condition

Total assets at the end of the current consolidated fiscal year increased by 171.6 billion yen from the end of the previous consolidated fiscal year to 2,582.8 billion yen, mainly due to an increase in tangible fixed assets accompanying the construction of Kobelco Power Kobe's No. 2 Unit. Liabilities increased by 118.6 billion yen from the end of the previous fiscal year to 1,813.4 billion yen mainly due to an increase in long-term borrowings resulting from the funding for the construction of new power plants. Net assets increased by 53 billion yen from the end of the previous fiscal year to 769.3 billion yen mainly due to the recording of net income attributable to owners of the parent. As a result, the equity capital ratio at the end of the current consolidated fiscal year was 27.5%, up 0.3 points from the end of the previous consolidated fiscal year.

Net cash provided by operating activities for the current consolidated fiscal year was 194.7 billion yen, while net cash provided by investing activities was (141.8) billion yen mainly due to the spending of 173.2 billion yen in acquisition of fixed assets such as new power plants. As a result, free cash flow was 52.9 billion yen. Net cash provided by financing activities was 118.4 billion yen mainly due to the financing by long-term borrowings for the construction of new power plants.

At the end of the current consolidated fiscal year, the interest-bearing debt balance, which includes IPP project finance, increased by 81.1 billion yen, compared with the end of the previous fiscal year, to 987.8 billion yen.

Cash flow indicators are as follows:

### Consolidated cash flow Indicators

|   | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|---|--------|--------|--------|--------|--------|
| Equity capital ratio                                | 29.2%  | 31.6%  | 31.0%  | 27.2%  | 27.5%  |
| Equity capital ratio at market price                | 16.0%  | 16.5%  | 12.7%  | 5.0%   | 10.6%  |
| Ratio of cash flow to interest-bearing debt (years) | 5.6    | 3.9    | 11.3   | 33.5   | 5.1    |
| Interest coverage ratio (times)                     | 11.3   | 14.9   | 7.5    | 3.0    | 16.6   |

#### Notes:

- Each indicator was calculated from the consolidated financial figures.
- Equity capital ratio = Stockholders' equity / total assets
- Equity capital ratio at market price = Market capitalization / total assets  
(Market capitalization was calculated by multiplying the share price at term-end by the number of outstanding shares at term-end.)
- Ratio of cash flow to interest-bearing debt = outside debt / cash flows from operating activities
- Interest coverage ratio = Cash flows from operating activities / interest payments

## 2. Basic Approach to the Selection of Accounting Standards

Although the Kobe Steel Group has decided to apply Japanese accounting standards for the time being, it is considering the adoption of International Financial Reporting Standards (IFRS), including evaluating the differences between the IFRS and the Japanese accounting standards and studying the impact of the adoption of IFRS on the Kobe Steel Group.



## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Balance Sheets

(In millions of yen)

| ASSETS                               | FY2019              | FY2020                |
|--------------------------------------|---------------------|-----------------------|
|                                      | Ended Mar. 31, 2020 | Ended March. 31, 2021 |
| <b>Current Assets</b>                |                     |                       |
| Cash and deposits                    | 146,044             | 262,345               |
| Notes and accounts receivable        | 332,428             | 313,994               |
| Securities                           | —                   | 55,199                |
| Merchandise and finished goods       | 184,414             | 169,717               |
| Work-in-process                      | 137,567             | 122,114               |
| Raw materials and supplies           | 174,328             | 158,442               |
| Other                                | 94,918              | 76,792                |
| Allowance for doubtful accounts      | (3,225)             | (2,427)               |
| Total current assets                 | 1,066,476           | 1,156,180             |
| <b>Fixed Assets</b>                  |                     |                       |
| <b>Property, plant and equipment</b> |                     |                       |
| Buildings and structures             | 257,897             | 247,469               |
| Machinery and equipment              | 464,296             | 441,128               |
| Tools, equipment and fixtures        | 14,288              | 14,935                |
| Land                                 | 139,518             | 134,961               |
| Construction in progress             | 139,973             | 240,123               |
| Total property, plant and equipment  | 1,015,974           | 1,078,619             |
| <b>Intangible fixed assets</b>       |                     |                       |
| Software                             | 18,611              | 19,538                |
| Other                                | 14,054              | 17,026                |
| Total intangible fixed assets        | 32,665              | 36,565                |
| <b>Investments and other assets</b>  |                     |                       |
| Investments in securities            | 148,680             | 172,415               |
| Long-term loans receivable           | 4,348               | 3,658                 |
| Deferred tax assets                  | 72,534              | 69,262                |
| Net defined benefit asset            | 18,427              | 19,456                |
| Other                                | 90,456              | 65,169                |
| Allowance for doubtful accounts      | (38,370)            | (18,454)              |
| Total investment and other assets    | 296,074             | 311,508               |
| Total fixed assets                   | 1,344,714           | 1,426,693             |
| <b>Total assets</b>                  | 2,411,191           | 2,582,873             |

| <b>LIABILITIES</b>  | <b>FY2019</b>              | <b>FY2020</b>                |
|---|----------------------------|------------------------------|
|   | <b>Ended Mar. 31, 2020</b> | <b>Ended March. 31, 2021</b> |
| <b>Current liabilities</b>                                      |                            |                              |
| Notes and accounts payable                                      | 395,946                    | 382,751                      |
| Short-term borrowings   | 162,069                    | 161,803                      |
| Current portion of bonds  | 30,215                     | 20,572                       |
| Accounts payable - other  | 54,661                     | 85,023                       |
| Income and enterprise taxes payable                             | 7,143                      | 9,587                        |
| Provision for bonuses   | 19,424                     | 18,655                       |
| Provision for product warranties                                | 15,279                     | 15,780                       |
| Provision for loss on construction contracts                    | 16,952                     | 18,562                       |
| Provision for loss on guarantees                                | 1,046                      | 924                          |
| Provision for dismantlement related expenses                    | 2,314                      | —                            |
| Provision for customer compensation expenses                    | 2,054                      | 1,397                        |
| Other   | 105,962                    | 100,688                      |
| Total current liabilities                                       | 813,071                    | 815,747                      |
| <b>Long-term liabilities</b>                                    |                            |                              |
| Bonds and notes   | 81,622                     | 61,050                       |
| Long-term borrowings  | 632,732                    | 744,382                      |
| Lease obligations   | 18,418                     | 59,970                       |
| Deferred tax liabilities  | 10,165                     | 6,638                        |
| Deferred tax liabilities on land revaluation                    | 2,458                      | 3,251                        |
| Net defined benefit liability                                   | 94,518                     | 84,135                       |
| Provision for environmental measures                            | 3,000                      | 1,799                        |
| Provision for dismantlement related expenses                    | 1,959                      | 1,620                        |
| Other   | 36,876                     | 34,901                       |
| Total long-term liabilities                                     | 881,751                    | 997,750                      |
| <b>Total liabilities</b>  | <b>1,694,822</b>           | <b>1,813,498</b>             |
| <b>NET ASSETS</b>   |                            |                              |
| <b>Stockholders' equity</b>                                     |                            |                              |
| Common stock  | 250,930                    | 250,930                      |
| Capital surplus   | 102,350                    | 102,228                      |
| Retained earnings   | 345,660                    | 368,892                      |
| Treasury stock  | (2,261)                    | (2,261)                      |
| Total stockholders' equity                                      | 696,678                    | 719,789                      |
| <b>Accumulated other comprehensive income</b>                   |                            |                              |
| Unrealized gains or losses on securities, net of taxes          | 1,485                      | 15,757                       |
| Unrealized gains or losses on hedging derivatives, net of taxes | (15,873)                   | (13,764)                     |
| Land revaluation differences, net of taxes                      | (2,995)                    | (3,406)                      |
| Foreign currency translation adjustments                        | (1,984)                    | (4,568)                      |
| Remeasurements of defined benefit plans, net of taxes           | (20,430)                   | (3,444)                      |
| Total accumulated other comprehensive income                    | (39,797)                   | (9,427)                      |
| <b>Non-controlling interests</b>                                | <b>59,487</b>              | <b>59,013</b>                |
| <b>Total net assets</b>   | <b>716,369</b>             | <b>769,375</b>               |
| <b>Total liabilities and net assets</b>                         | <b>2,411,191</b>           | <b>2,582,873</b>             |

## Consolidated Statements of Income

(In millions of yen)

|  | FY2019                | FY2020                |
|--|-----------------------|-----------------------|
|  | Ended March. 31, 2020 | Ended March. 31, 2021 |
| <b>Net sales</b>   | 1,869,835             | 1,705,566             |
| <b>Cost of sales</b>   | 1,638,738             | 1,482,378             |
| <b>Gross profit</b>  | 231,097               | 223,188               |
| <b>Selling, general and administrative expenses</b>                    |                       |                       |
| Haulage expenses   | 54,813                | 45,955                |
| Salaries and allowances  | 46,358                | 43,792                |
| Research and development expenses                                      | 18,765                | 17,028                |
| Other  | 101,297               | 86,013                |
| Total selling, general and administrative expenses                     | 221,233               | 192,789               |
| <b>Operating income</b>  | 9,863                 | 30,398                |
| <b>Non-operating income</b>  |                       |                       |
| Interest income  | 3,201                 | 2,197                 |
| Dividend income  | 4,116                 | 2,692                 |
| Reimbursement of seconded employees' salaries                          | 3,794                 | 3,277                 |
| Equity in income of equity method companies                            | 5,959                 | 666                   |
| Subsidies for employment adjustment                                    | —                     | 3,425                 |
| Other  | 11,911                | 12,747                |
| Total non-operating income   | 28,983                | 25,006                |
| <b>Non-operating expenses</b>  |                       |                       |
| Interest expense   | 9,186                 | 11,526                |
| Seconded employees' salaries   | 10,328                | 8,680                 |
| Dismantlement expenses   | 5,650                 | 4,603                 |
| Other  | 21,761                | 14,406                |
| Total non-operating expenses   | 46,927                | 39,216                |
| Ordinary income (loss)   | (8,079)               | 16,188                |
| <b>Extraordinary income</b>  |                       |                       |
| Gain on sale of fixed assets   | —                     | 9,900                 |
| Gain on step acquisitions  | —                     | 3,259                 |
| Gain on sale of investment securities                                  | 7,586                 | 2,909                 |
| Total extraordinary income   | 7,586                 | 16,069                |
| <b>Extraordinary loss</b>  |                       |                       |
| Loss on impairment   | 49,981                | 13,509                |
| Loss on valuation of investment securities                             | 15,089                | —                     |
| Total extraordinary loss   | 65,071                | 13,509                |
| <b>Income (loss) before income taxes and non-controlling interests</b> | (65,565)              | 18,748                |
| <b>Income taxes</b>  |                       |                       |
| Current  | 10,267                | 9,585                 |
| Deferred   | (7,504)               | (13,490)              |
| Total income taxes   | 2,762                 | (3,904)               |
| <b>Income (loss) before non-controlling interests</b>                  | (68,327)              | 22,653                |
| <b>Net loss attributable to non-controlling interests</b>              | (319)                 | (580)                 |
| <b>Net income (loss) attributable to owners of the parent</b>          | (68,008)              | 23,234                |

## Consolidated Statements of Comprehensive Income

(In millions of yen)

|  | <b>FY2019</b>                | <b>FY2020</b>                |
|--|------------------------------|------------------------------|
|  | <b>Ended March. 31, 2020</b> | <b>Ended March. 31, 2021</b> |
| <b>Income (loss) before non-controlling interests</b>                            | (68,327)                     | 22,653                       |
| <b>Other comprehensive income</b>  |                              |                              |
| Unrealized gains or losses on securities, net of taxes                           | (5,348)                      | 13,261                       |
| Unrealized gains or losses on hedging derivatives, net of taxes                  | (2,543)                      | 3,233                        |
| Land revaluation differences, net of taxes                                       | 792                          | (792)                        |
| Foreign currency translation adjustments   | (2,069)                      | (4,463)                      |
| Remeasurements of defined benefit plans, net of taxes                            | (1,817)                      | 17,438                       |
| Share of other comprehensive gains and losses related to equity method companies | (2,635)                      | 2,636                        |
| Total other comprehensive income   | (13,622)                     | 31,314                       |
| <b>Comprehensive Income</b>  | (81,950)                     | 53,968                       |
| Breakdown of total comprehensive income attributed to:                           |                              |                              |
| Stockholders of the parent interests   | (81,594)                     | 53,605                       |
| Non-controlling interests  | (355)                        | 363                          |

## Consolidated Statements of Changes in Net Assets

(In millions of yen)

FY2019 (April 1, 2019 – March 31, 2020)

|  | Stockholders' equity |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity |
| Balance at the beginning of fiscal year  | 250,930              | 102,218         | 415,320           | (2,614)        | 765,855                    |
| Amount of change   |                      |                 |                   |                |                            |
| Dividends of surplus   |                      |                 | (3,641)           |                | (3,641)                    |
| Net income (loss) attributable to owners of the parent   |                      |                 | (68,008)          |                | (68,008)                   |
| Purchase of treasury shares  |                      |                 |                   | (4)            | (4)                        |
| Disposal of treasury stock   |                      |                 | (1)               | 357            | 356                        |
| Changes in stockholders interest due to transaction with non-controlling interests                                   |                      | 131             |                   |                | 131                        |
| Change of scope of consolidation and equity method   |                      |                 | 1,990             |                | 1,990                      |
| Change in treasury shares arising from change in equity in entities accounted for using equity method-treasury stock |                      |                 |                   |                |                            |
| Net changes other than stockholders' equity  |                      |                 |                   |                |                            |
| Total changes  | —                    | 131             | (69,660)          | 352            | (69,176)                   |
| Balance at the end of fiscal year  | 250,930              | 102,350         | 345,660           | (2,261)        | 696,678                    |

|  | Accumulated other comprehensive income                 |   |  |  |   |                                  | Non-controlling interests | Total net assets |
|--|--|---|--|--|---|----------------------------------|---------------------------|------------------|
|  | Unrealized gains or losses on securities, net of taxes | Unrealized gains or losses on hedging derivatives, net of taxes | Land revaluation differences, net of taxes | Foreign currency translation adjustments | Remeasurements of defined benefit plans, net of taxes | Total other comprehensive income |                           |                  |
| Balance at the beginning of fiscal year  | 7,105  | (14,030)  | (3,406)                                    | 2,705                                    | (18,652)  | (26,278)                         | 63,736                    | 803,312          |
| Amount of change   |  |   |  |  |   |                                  |                           |                  |
| Dividends of surplus   |  |   |  |  |   |                                  |                           | (3,641)          |
| Net income (loss) attributable to owners of the parent   |  |   |  |  |   |                                  |                           | (68,008)         |
| Purchase of treasury stock   |  |   |  |  |   |                                  |                           | (4)              |
| Disposal of treasury stock   |  |   |  |  |   |                                  |                           | 356              |
| Changes in stockholders interest due to transaction with non-controlling interests                                   |  |   |  |  |   |                                  |                           | 131              |
| Change of scope of consolidation and equity method   |  |   |  |  |   |                                  |                           | 1,990            |
| Change in treasury shares arising from change in equity in entities accounted for using equity method-treasury stock |  |   |  |  |   |                                  |                           |                  |
| Net changes other than stockholders' equity  | (5,620)  | (1,842)   | 411  | (4,689)                                  | (1,778)   | (13,519)                         | (4,248)                   | (17,767)         |
| Total changes  | (5,620)  | (1,842)   | 411  | (4,689)                                  | (1,778)   | (13,519)                         | (4,248)                   | (86,943)         |
| Balance at the end of fiscal year  | 1,485  | (15,873)  | (2,995)                                    | (1,984)                                  | (20,430)  | (39,797)                         | 59,487                    | 716,369          |

## Consolidated Statements of Changes in Net Assets

(In millions of yen)

FY2020 (April 1, 2020 – March 31, 2021)

|  | Stockholders' equity |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity |
| Balance at the beginning of fiscal year  | 250,930              | 102,350         | 345,660           | (2,261)        | 696,678                    |
| Amount of change   |                      |                 |                   |                |                            |
| Dividends of surplus   |                      |                 |                   |                |                            |
| Net income (loss) attributable to owners of the parent   |                      |                 | 23,234            |                | 23,234                     |
| Purchase of treasury shares  |                      |                 |                   | (2)            | (2)                        |
| Disposal of treasury stock   |                      |                 | (1)               | 1              | 0                          |
| Changes in stockholders interest due to transaction with non-controlling interests                                   |                      | (121)           |                   |                | (121)                      |
| Change of scope of consolidation and equity method   |                      |                 | (1)               |                | (1)                        |
| Change in treasury shares arising from change in equity in entities accounted for using equity method-treasury stock |                      |                 |                   | 2              | 2                          |
| Net changes other than stockholders' equity  |                      |                 |                   |                |                            |
| Total changes  | —                    | (121)           | 23,231            | 0              | 23,111                     |
| Balance at the end of fiscal year  | 250,930              | 102,228         | 368,892           | (2,261)        | 719,789                    |

|  | Accumulated other comprehensive income                 |   |  |  |   |                                  | Non-controlling interests | Total net assets |
|--|--|---|--|--|---|----------------------------------|---------------------------|------------------|
|  | Unrealized gains or losses on securities, net of taxes | Unrealized gains or losses on hedging derivatives, net of taxes | Land revaluation differences, net of taxes | Foreign currency translation adjustments | Remeasurements of defined benefit plans, net of taxes | Total other comprehensive income |                           |                  |
| Balance at the beginning of fiscal year  | 1,485  | (15,873)  | (2,995)                                    | (1,984)                                  | (20,430)  | (39,797)                         | 59,487                    | 716,369          |
| Amount of change   |  |   |  |  |   |                                  |                           |                  |
| Dividends of surplus   |  |   |  |  |   |                                  |                           |                  |
| Net income (loss) attributable to owners of the parent   |  |   |  |  |   |                                  |                           | 23,234           |
| Purchase of treasury stock   |  |   |  |  |   |                                  |                           | (2)              |
| Disposal of treasury stock   |  |   |  |  |   |                                  |                           | 0                |
| Changes in stockholders interest due to transaction with non-controlling interests                                   |  |   |  |  |   |                                  |                           | (121)            |
| Change of scope of consolidation and equity method   |  |   |  |  |   |                                  |                           | (1)              |
| Change in treasury shares arising from change in equity in entities accounted for using equity method-treasury stock |  |   |  |  |   |                                  |                           | 2                |
| Net changes other than stockholders' equity  | 14,272   | 2,108   | (411)                                      | (2,584)                                  | 16,985  | 30,370                           | (474)                     | 29,895           |
| Total changes  | 14,272   | 2,108   | (411)                                      | (2,584)                                  | 16,985  | 30,370                           | (474)                     | 53,006           |
| Balance at the end of fiscal year  | 15,757   | (13,764)  | (3,406)                                    | (4,568)                                  | (3,444)   | (9,427)                          | 59,013                    | 769,375          |

## Consolidated Statements of Cash Flows

(In millions of yen)

|  | FY2019<br>Ended Mar. 31, 2020 | FY2020<br>Ended March. 31, 2021 |
|--|-------------------------------|---------------------------------|
| <b>Cash flows from operating activities</b>  |                               |                                 |
| Income (loss) before income taxes  | (65,565)                      | 18,748                          |
| Depreciation   | 105,346                       | 100,856                         |
| Increase (decrease) in allowance for doubtful accounts   | (5,253)                       | (20,696)                        |
| Increase (decrease) in liabilities for retirement benefits                                     | 13,164                        | 18,231                          |
| Interest and dividend income   | (7,317)                       | (4,889)                         |
| Interest expense   | 9,186                         | 11,526                          |
| Loss (income) on sale of securities  | (8,726)                       | (4,451)                         |
| Equity in loss (income) of equity method companies   | (5,959)                       | (666)                           |
| Loss (income) on sale of plant and equipment   | (41)                          | (9,900)                         |
| Loss on disposal of plant and equipment  | 1,727                         | 1,391                           |
| Loss (income) on step acquisitions   | —                             | (3,259)                         |
| Loss on impairment   | 49,981                        | 13,509                          |
| Loss on write-down of investments in securities  | 15,120                        | —                               |
| Decrease (increase) in trade receivables from customers  | 26,530                        | 39,484                          |
| Net decrease (increase) in lease receivables and investment assets                             | 1,669                         | 5,688                           |
| Decrease (increase) in inventories   | (25,328)                      | 40,929                          |
| Increase (decrease) in trade payables to customers   | (59,360)                      | (12,582)                        |
| Increase (decrease) in accrued consumption taxes   | (4,005)                       | 14,633                          |
| Other  | (4,805)                       | 100                             |
| Subtotal   | 36,363                        | 208,654                         |
| Cash received for interest and dividends   | 11,089                        | 6,805                           |
| Cash paid for interest   | (9,105)                       | (11,700)                        |
| Cash paid for income taxes   | (11,307)                      | (8,960)                         |
| Net cash provided by operating activities  | 27,040                        | 194,798                         |
| <b>Cash flows from investing activities</b>  |                               |                                 |
| Purchase of property, plant and equipment and other assets                                     | (245,386)                     | (173,221)                       |
| Proceeds from sale of property, plant and equipment and other assets                           | 2,616                         | 13,361                          |
| Purchase of investments in securities  | (1,190)                       | (1,286)                         |
| Proceeds from sale of investments in securities  | 24,435                        | 5,264                           |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation               | (618)                         | (668)                           |
| Proceeds from sale of investment in subsidiaries resulting in change in scope of consolidation | —                             | 13,719                          |
| Decrease (increase) in short-term loans receivable   | (0)                           | (912)                           |
| Payments for long-term loans receivable  | (149)                         | (219)                           |
| Proceeds from collection of long-term loans receivable   | 805                           | 940                             |
| Other  | 499                           | 1,171                           |
| Net cash provided by investing activities  | (218,986)                     | (141,853)                       |

|  | <b>FY2019</b>              | <b>FY2020</b>                |
|--|----------------------------|------------------------------|
|  | <b>Ended Mar. 31, 2020</b> | <b>Ended March. 31, 2021</b> |
| <b>Cash flows from financing activities</b>  |                            |                              |
| Decrease (increase) in short-term loans receivable   | 36,967                     | (25,332)                     |
| Proceeds from issuance of long-term borrowings   | 197,707                    | 202,587                      |
| Repayment of long-term borrowings  | (63,555)                   | (71,344)                     |
| Repayment of bonds   | (22,215)                   | (30,215)                     |
| Proceeds from sale and leaseback transactions  | 7,301                      | 51,844                       |
| Repayment of finance lease obligations   | (8,206)                    | (8,492)                      |
| Payment of dividends   | (3,730)                    | (52)                         |
| Payment of dividends to non-controlling interests  | (2,650)                    | (776)                        |
| Other  | (1,029)                    | 227                          |
| Net cash provided by (used in) financial activities  | <u>140,589</u>             | <u>118,444</u>               |
| Effect of exchange rate changes on cash and cash equivalents                                   | (932)                      | 150                          |
| Increase (decrease) in cash and cash equivalents   | <u>(52,290)</u>            | <u>171,540</u>               |
| Cash and cash equivalents at the beginning of fiscal year                                      | 197,216                    | 145,658                      |
| Increase (decrease) in cash and cash equivalents resulting in change in scope of consolidation | 731                        | 8                            |
| Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries   | —                          | 102                          |
| Cash and cash equivalents at the end of fiscal year  | <u>145,658</u>             | <u>317,310</u>               |



## Notes

### Notes on premise of a going concern

None

### Changes in presentation method

#### Consolidated Statement of Balance Sheet

In the previous consolidated fiscal year, "Lease obligations" which was included in "Other" under "Long-term Liabilities", are stated independently from this fiscal year, as they have become significant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated balance sheets for the previous fiscal year, the amount of 55,294 million yen, which was stated in "Other" under "Long-term Liabilities", has been reclassified as 18,418 million yen for "Lease obligations", and as 36,876 million yen for "Other".

#### Consolidated Statements of Cash Flows

In the previous consolidated fiscal year, "Increase (decrease) in provision for loss on construction contracts", "Increase (decrease) in provision for dismantlement related", "Increase (decrease) in provision for customer compensation", "Increase (decrease) in provision for environmental measures", "Increase (decrease) in accrued expenses", and "Increase (decrease) in accounts receivable" which was independently stated under "Cash flows from operating activities", is included in "Other" from this fiscal year, as it has become insignificant in terms of amount.

In the previous consolidated fiscal year, "Increase (decrease) in accrued consumption taxes" which was included in "Other" under "Cash flows from operating activities", are stated independently from this fiscal year, as they have become significant in terms of amount.

To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated statements of cash flows for the previous fiscal year, the amount of 6,523 million yen, which was recorded in "Increase (decrease) in provision for loss on construction contracts", (680) million yen which was recorded in "Increase (decrease) in provision for dismantlement related", (1,307) million yen which was recorded in "Increase (decrease) in provision for customer compensation", 861 million yen which was recorded in "Increase (decrease) in provision for environmental measures", 2,581 million yen which was recorded in "Increase (decrease) in accounts receivable", (7,778) million yen which was recorded in "Increase (decrease) in accrued expenses", and (9,011) million yen which was recorded in "Others" under "Cash flows from operating activities", has been reclassified as (4,005) million yen for "Increase (decrease) in accrued consumption taxes", , and as (4,805) million yen in "Other".

## Segment Information

(In millions of yen)

|                             |                        | FY2019                | FY2020                |
|-----------------------------|------------------------|-----------------------|-----------------------|
|                             |                        | Ended March. 31, 2020 | Ended March. 31, 2021 |
| Sales to outside customers: | Steel & Aluminum       | 740,922               | 667,145               |
|                             | Advanced Material      | 286,486               | 229,843               |
|                             | Welding                | 82,641                | 69,238                |
|                             | Machinery              | 156,936               | 170,402               |
|                             | Engineering            | 137,804               | 132,533               |
|                             | Construction Machinery | 360,796               | 333,127               |
|                             | Electric Power         | 75,678                | 80,440                |
|                             | Other Businesses       | 25,536                | 21,508                |
|                             | Adjustment             | 3,032                 | 1,326                 |
|                             | Total                  | 1,869,835             | 1,705,566             |
| Intersegment sales:         | Steel & Aluminum       | 39,313                | 29,176                |
|                             | Advanced Material      | 10,641                | 8,285                 |
|                             | Welding                | 1,128                 | 778                   |
|                             | Machinery              | 9,003                 | 4,915                 |
|                             | Engineering            | 3,732                 | 3,605                 |
|                             | Construction Machinery | 73                    | 52                    |
|                             | Electric Power         | —                     | —                     |
|                             | Other Businesses       | 8,133                 | 6,305                 |
|                             | Adjustment             | (72,026)              | (53,118)              |
|                             | Total                  | —                     | —                     |
| Total sales:                | Steel & Aluminum       | 780,235               | 696,321               |
|                             | Advanced Material      | 297,128               | 238,129               |
|                             | Welding                | 83,770                | 70,017                |
|                             | Machinery              | 165,940               | 175,318               |
|                             | Engineering            | 141,536               | 136,138               |
|                             | Construction Machinery | 360,869               | 333,179               |
|                             | Electric Power         | 75,678                | 80,440                |
|                             | Other Businesses       | 33,670                | 27,813                |
|                             | Adjustment             | (68,993)              | (51,791)              |
|                             | Total                  | 1,869,835             | 1,705,566             |
| Ordinary income (loss):     | Steel & Aluminum       | (16,509)              | (22,656)              |
|                             | Advanced Material      | (25,287)              | (12,185)              |
|                             | Welding                | 2,924                 | 1,771                 |
|                             | Machinery              | 9,628                 | 11,464                |
|                             | Engineering            | 5,763                 | 4,443                 |
|                             | Construction Machinery | 7,530                 | 12,772                |
|                             | Electric Power         | 8,954                 | 20,662                |
|                             | Other Businesses       | 3,332                 | 4,230                 |
|                             | Adjustment             | (4,416)               | (4,314)               |
|                             | Total                  | (8,079)               | 16,188                |