

Kobe Steel's Consolidated Financial Results for Fiscal 2022 (April 1, 2022–March 31, 2023)

May 11, 2023

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 21, 2023
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 Supplemental information available: Yes
 IR Briefing: Yes (available only in Japanese)
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(Sums of less than 1 million yen are omitted.)

1. Consolidated results for fiscal 2022 (April 1, 2022–March 31, 2023)

(1) Consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2022	2,472,508	18.7	86,365	(1.4)	106,837	14.6	72,566	20.8
FY2021	2,082,582	22.1	87,622	188.2	93,233	475.9	60,083	158.6

Note: Comprehensive income FY2022: 120,351 million yen [13.7%]

FY2021: 105,879 million yen [96.2%]

	Profit per share	Diluted profit 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	%	%	%
FY2022	183.80	—	8.4	3.8	3.5
FY2021	160.23	—	7.9	3.5	4.2

Reference: Equity in income of affiliates FY2022: 12,142 million yen

FY2021: 14,126 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2022	2,874,751	977,653	31.8	2,314.31
FY2021	2,728,745	872,346	29.9	2,066.48

Reference: Equity capital FY2022: 913,956 million yen FY2021: 815,326 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 period
	Million yen	Million yen	Million yen	Million yen
FY2022	119,692	(97,267)	(85,564)	203,394
FY2021	168,809	(161,510)	(69,143)	260,511

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	%	%
FY2021	-	10.00	-	30.00	40.00	15,523	25.0	2.0
FY2022	-	15.00	-	25.00	40.00	15,843	21.8	1.8
FY2023 Forecast	-	-	-	-	-		-	

Dividends for fiscal 2023 are undetermined.

3. Consolidated earnings forecast for fiscal 2023 (April 1, 2023-March 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	1,320,000	12.9	55,000	178.2	45,000	7.6	40,000	42.8	101.28
Full year	2,680,000	8.4	150,000	73.7	130,000	21.7	100,000	37.8	253.21

For more information, please refer to the Financial Results for Fiscal 2022 and Forecast for Fiscal 2023, announced today.

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)

	FY2022	FY2021
Number of issued shares (including treasury shares)	396,345,963 shares	396,345,963 shares
Number of shares of treasury shares	1,432,196 shares	1,798,236 shares
Average number of shares	394,792,373 shares	374,961,348 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.

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 2024. When it becomes possible to make a forecast, Kobe Steel will promptly make an announcement.

1. Overview of Operating Results and Other Items

Fiscal 2022 Consolidated Operating Results

During fiscal 2022, the Japanese economy saw progress in normalization of economic activity and continued a recovery trend, mainly in consumer spending and corporate activities, despite price increases due to the sharp rise in raw material and energy prices and the weaker yen. In overseas economies, the pace of recovery slowed as economic activity was restrained due to inflation and monetary tightening in the United States and Europe. In China, a full-fledged recovery has yet to come due to the restrictions on activities under the zero-COVID policy. In addition, semiconductor shortages and supply chain disruptions delayed the recovery of automobile production, which made the business environment surrounding the Company continue to be challenging.

Under these circumstances, the Company has steadily implemented key measures aimed at "establishing a stable earnings base," as set out in the Kobelco Group Medium-Term Management Plan (Fiscal 2021 -2023), while continuing to strengthen its manufacturing capabilities and improve selling prices.

As a result, the Company's consolidated financial results for fiscal 2022 are as follows: Net sales increased by 389.9 billion yen year on year to 2,472.5 billion yen; operating profit decreased by 1.2 billion yen year on year to 86.3 billion yen due to a decline in sales volume in the raw materials businesses and construction machinery business, cost increases centered on fixed costs, and a decrease in inventory valuation gains despite a significant improvement in steel and metal spreads, ordinary profit increased by 13.6 billion yen year on year to 106.8 billion yen, due to an increase in compensation income related to the engine certification problem. Extraordinary losses amounted to a loss of 8.7 billion yen, mainly due to a loss on liquidation of a construction machinery business in China and an impairment loss on fixed assets, and profit attributable to owners of parent increased by 12.4 billion yen year on year to 72.5 billion yen.

Conditions in the business segments for fiscal 2022 follow below.

Steel & Aluminum

(Steel)

Sales volume of steel products declined year on year due in part to lower demand for automobiles. Selling prices were higher than the previous fiscal year due to factors such as an increase in the steel market prices and the resolution of the gap between rising raw material prices and selling prices.

As a result, net sales increased by 21.1% year on year to 909.7 billion yen. Ordinary profit increased by 14.4 billion yen year on year to 49 billion yen due to significant improvement in selling prices, despite negative factors such as a decrease in sales volume, cost increases centered on fixed costs, and a decrease in inventory valuation gains.

(Aluminum)

Sales volume of aluminum flat rolled products declined year on year due to sluggish demand for beverage can materials. Selling prices were higher than the previous fiscal year due in part to higher ingot prices being passed on to selling prices.

As a result, net sales increased by 19.3% to 195.4 billion yen. Ordinary profit decreased by 9.9 billion yen year on year to a loss of 7 billion yen, mainly due to a decline in sales volume and a delay in passing on higher procurement costs to selling prices.

Overall, net sales of steel & aluminum increased by 20.8% to 1,105.1 billion yen, and ordinary profit increased by 4.4 billion yen to 41.9 billion yen.

Advanced Materials

Sales volume of advanced materials increased year on year in steel casting and forgings, which captured demand for shipbuilding, and in titanium, which saw a recovery in demand in the general industrial sector. On the other hand, sales volume of aluminum extrusions, copper flat rolled products and steel powder declined year on year due to lower demand for automobiles.

As a result, net sales decreased by 16.7% year on year to 277.7 billion yen, due in part to the transfer of the copper tube business in the previous fiscal year, and ordinary profit decreased by 4.2 billion yen year on year to 0.9 billion yen, due in part to cost increases centered on fixed costs, and a decrease in inventory valuation gains in the copper tube business.

Welding

Sales volume of welding materials declined year on year due to lower demand in Southeast Asia. Selling prices were higher than the previous fiscal year, mainly due to higher procurement costs being passed on to selling prices.

As a result, net sales increased by 15.0% to 88.4 billion yen and ordinary profit increased by 0.0 billion yen to 2.8 billion yen.

Machinery

Orders increased by 20.7% year on year to 249.3 billion yen, with a backlog of 214.7 billion yen, mainly due to strong performance in the petrochemical and energy sectors.

Net sales increased by 12.0% year on year to 186.9 billion yen, and ordinary profit increased by 1.7 billion yen year on year to 14.3 billion yen, mainly due to an increase in net sales and improvements in profitability of orders, driven by strong demand.

Engineering

Orders decreased by 24.4% to 157.5 billion yen, compared to fiscal 2021 that saw an increase in orders with several large projects in the DRI-related business and waste treatment-related business, resulting in an order backlog of 371.1 billion yen.

Net sales increased by 7.0% year on year to 145.2 billion yen, while ordinary profit decreased by 3.5 billion yen from the previous fiscal year to 4.1 billion yen, mainly due to changes in the project composition, particularly in the DRI-related business.

Construction Machinery

Unit sales of hydraulic excavators declined year on year due to a decline in demand in China, faced with flagging infrastructure investment, as well as in Japan, Europe and North America, affected by shortages of procured parts. Unit sales of crawler cranes declined year on year due to a decline in North America, affected by the engine certification problem. Selling prices were higher than the previous fiscal year due to the increase in procurement costs being passed on to selling prices and the weaker yen against the US dollar and the euro.

As a result, net sales increased by 2.7% year on year to 381.7 billion yen, and ordinary profit increased by 0.2 billion yen year on year to 12.3 billion yen due to an improvement in export profitability along with the weaker yen and an increase in compensation income for the engine certification problem, despite negative factors such as a decline in unit sales and a delay in passing on higher procurement costs to selling prices.

Electric Power

Electricity sales increased year on year due to the operation of the Kobe Power Plant No. 3 unit (which began operation in February 2022) and No. 4 unit (which began operation in February 2023). The unit price of electric power increased year on year due to the increase in thermal coal market prices.

As a result, net sales increased by 195.2% year on year to 324.3 billion yen, and ordinary profit increased by 11.3 billion yen year on year to 24.5 billion yen, mainly due to the operation of the Kobe Power Plant No. 3 and No. 4 units.

Other Businesses

Net sales decreased by 4.5% year on year to 27.5 billion yen, and ordinary profit decreased by 0.7 billion yen year on year to 6.3 billion yen.

Dividends for Fiscal 2022

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 25 yen per share for fiscal 2022 (a total of 40 yen for the full fiscal year 2022).

Outlook for Fiscal 2023

The Japanese economy is expected to continue its upward trend, driven by growing domestic demand, against the backdrop of the resumption of normal economic activity. Meanwhile, the outlook for the global economy remains uncertain due in part to concerns about financial system instability as the pace of economic growth slows due to high prices and monetary tightening despite the expected resumption of economic activity in China.

Under these circumstances, Kobe Steel anticipates consolidated net sales of approximately 2,680 billion yen, operating profit of approximately 150 billion yen, ordinary profit of approximately 130 billion yen, and profit attributable to owners of parent of approximately 100 billion yen for fiscal 2023. This forecast is based on certain assumptions of demand trends and raw material market conditions, such as improvements in steel metal spreads, higher selling prices and improved margins for aluminum rolled products, advanced materials, welding and construction machinery, reflecting higher procurement costs of raw materials, etc. In addition, the forecast also factors in steady progress in the implementation of the priority measures to establish a stable earnings base as set forth in the Kobelco Group Medium-Term Management Plan (Fiscal 2021-2023).

Under the Medium-Term Management Plan, we aim to achieve a return on invested capital (ROIC) of 5% or higher as a fiscal 2023 target. We anticipate ROIC to be approximately 6.0% in the current forecast for fiscal 2023.

Regarding the outlook for fiscal 2023, the Company assumes the status of each segment as follows.

Steel & Aluminum

(Steel)

Sales volume of steel products is expected to decline slightly year on year due in part to equipment upgrades in downstream processes, although demand is expected to partially recover in the automotive sector. The selling prices of steel products are expected to improve throughout fiscal 2023 as a result of the Company's efforts for price improvement implemented in fiscal 2022.

While net sales are expected to increase, ordinary profit is expected to decline due to cost increases centered on fixed costs and deteriorating performance of US affiliates, a decrease in inventory valuation gains in fiscal 2023, despite the expected improvement in steel metal spreads.

(Aluminum)

Sales volume of aluminum flat rolled products is expected to increase year on year due to the recovery and expansion of demand for beverage can materials and growing demand and sales expansion of overseas panel materials for automobiles.

Net sales are expected to increase due to an increase in sales volume and progress in passing on higher procurement costs to selling prices, and ordinary profit is expected to improve year on year.

Advanced Materials

Sales volume of advanced materials is expected to increase year on year, mainly in suspensions, aluminum extrusions, copper flat rolled products and steel powder due to a partial recovery in demand in the automotive sector and the start of mass production of existing orders for automobiles.

Net sales and ordinary profit are expected to increase due to an increase in sales volume and progress in passing on higher procurement costs to selling prices.

Welding

Sales volume of welding materials is expected to increase year on year due to demand recovery in Southeast Asia.

Net sales and ordinary profit are expected to increase due to an increase in sales volume and progress in passing on higher procurement costs to selling prices.

Machinery

Orders are expected to remain at a high level, although a decrease is expected compared to fiscal 2022 that saw an increase in orders with large-scale projects in the petrochemicals and energy sectors.

Net sales and ordinary profit are expected to increase due to changes in the project composition and improvements in profitability of orders, driven by strong demand.

Engineering

Orders are expected to increase year on year due to the expected receipt of orders for multiple projects in the DRI-related business.

Net sales and ordinary profit are expected to increase year on year due to changes in the project composition centered on the DRI-related business.

Construction Machinery

Sales of hydraulic excavators and cranes are expected to increase year on year due to progress in addressing the engine certification problem and mitigating the impact of shortages of procured parts.

While net sales are expected to increase, ordinary profit is expected to decrease due to a decline in compensation income related to the engine certification problem in fiscal 2022, despite the expected increase in unit sales and progress in passing on higher procurement costs to selling prices.

Electric Power

Electricity sales is expected to increase year on year due to the operation of the Kobe Power Plant No. 4 unit, which began operation in fiscal 2022. The unit price of electricity is expected to be lower than fiscal 2022 based on the assumption of thermal coal market prices.

While net sales are expected to decline, ordinary profit is expected to increase due to the operation of the Kobe Power Plant No. 4 unit and the diminished impact of time lags in fuel cost adjustments.

Financial Condition

Total assets at the end of fiscal 2022 amounted to 2,874.7 billion yen, an increase of 146.0 billion yen from the end of the previous fiscal year, due to an increase in inventories associated with a rise in raw material prices, etc. Liabilities increased by 40.6 billion yen from the end of the previous fiscal year to 1,897.0 billion yen, mainly due to an increase in notes and accounts payable due to a rise in raw material prices. Net assets increased by 105.3 billion yen from the end of the previous fiscal year to 977.6 billion yen, mainly due to the recording of profit attributable to owners of parent. As a result, the equity ratio at the end of fiscal 2022 was 31.8%, an increase of 1.9 points from the end of the previous fiscal year.

In fiscal 2022, net cash used in operating activities resulted in an income of 119.6 billion yen, while net cash used in investing activities resulted in a loss of 97.2 billion yen, partly due to expenditures for acquisition of property, plant and equipment. As a result, free cash flow resulted in an income of 22.4 billion yen. Net cash used in financing activities resulted in a loss of 85.5 billion yen due to the repayment of borrowings.

The balance of interest-bearing debt including IPP project finance at the end of the current consolidated fiscal year decreased by 46.6 billion yen from the end of the previous consolidated fiscal year to 861.8 billion yen.

Cash flow indicators are as follows:

	FY2018	FY2019	FY2020	FY2021	FY2022
Equity capital ratio	31.0%	27.2%	27.5%	29.9%	31.8%
Equity capital ratio at market price	12.7%	5.0%	10.6%	8.6%	14.5%
Ratio of cash flow to interest-bearing debt (years)	11.3	33.5	5.1	5.4	7.2
Interest coverage ratio (times)	7.5	3.0	16.6	12.5	9.0

Notes:

1. Each indicator is calculated from the consolidated financial figures.
2. Each indicator is calculated by the following formula:
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 the end of term by the number of outstanding shares at the end of term.)
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 adopt the Japanese accounting standards for the time being, the Company is considering the adoption of International Financial Reporting Standards (IFRS), through examining the differences between the IFRS and the Japanese accounting standards and studying the impact of the adoption of IFRS on the Group.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2021 Ended March 31, 2022	FY2022 Ended March 31, 2023
Current Assets		
Cash and deposits	243,502	203,520
Notes receivable - trade	31,129	24,535
Accounts receivable - trade	296,969	377,962
Contract assets	29,874	26,074
Securities	17,200	—
Merchandise and finished goods	209,417	242,752
Work in process	138,664	167,485
Raw materials and supplies	225,053	290,419
Other	99,760	88,039
Allowance for doubtful accounts	(4,256)	(4,802)
Total current assets	1,287,314	1,415,987
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	292,487	292,878
Machinery, equipment and vehicles, net	528,904	586,122
Tools, furniture and fixtures, net	14,191	15,054
Land	131,896	135,518
Construction in progress	92,718	36,462
Total property, plant and equipment	1,060,197	1,066,035
Intangible assets		
Software	20,358	22,772
Other	15,966	14,807
Total intangible assets	36,324	37,579
Investments and other assets		
Investment securities	194,381	204,627
Long-term loans receivable	3,147	3,005
Deferred tax assets	57,068	46,681
Retirement benefit asset	19,536	22,091
Other	90,181	99,030
Allowance for doubtful accounts	(19,408)	(20,287)
Total investments and other assets	344,908	355,148
Total non-current assets	1,441,430	1,458,764
Total assets	2,728,745	2,874,751

LIABILITIES	FY2021 Ended March 31, 2022	FY2022 Ended March 31, 2023
Current liabilities		
Notes and accounts payable - trade	539,267	605,709
Short-term borrowings	87,265	169,216
Current portion of bonds payable	25,150	900
Accounts payable - other	34,055	43,840
Income taxes payable	8,318	13,140
Contract liabilities	45,218	58,828
Provision for bonuses	22,878	23,529
Provision for product warranties	14,390	17,488
Provision for loss on construction contracts	14,730	8,775
Provision for loss on guarantees	448	956
Provision for customer compensation expenses	343	288
Other	92,871	107,129
Total current liabilities	884,939	1,049,803
Non-current liabilities		
Bonds payable	45,900	45,000
Long-term borrowings	750,126	646,697
Lease liabilities	51,427	45,240
Deferred tax liabilities	8,158	6,555
Deferred tax liabilities for land revaluation	3,253	3,253
Retirement benefit liability	79,978	71,376
Provision for environmental measures	1,634	1,228
Provision for dismantlement related expenses	1,416	1,459
Other	29,563	26,482
Total non-current liabilities	971,459	847,295
Total liabilities	1,856,399	1,897,098
NET ASSETS		
Shareholders' equity		
Share capital	250,930	250,930
Capital surplus	116,434	116,430
Retained earnings	418,033	472,757
Treasury shares	(2,261)	(1,879)
Total shareholders' equity	783,136	838,238
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,987	34,877
Deferred gains or losses on hedges	(13,141)	(7,082)
Revaluation reserve for land	(3,400)	(3,400)
Foreign currency translation adjustment	16,054	32,562
Remeasurements of defined benefit plans	3,689	18,760
Total accumulated other comprehensive income	32,189	75,717
Non-controlling interests	57,019	63,696
Total net assets	872,346	977,653
Total liabilities and net assets	2,728,745	2,874,751

Consolidated Statements of Income

(In millions of yen)

	FY201 Ended March 31, 2022	FY2022 Ended March 31, 2023
Net sales	2,082,582	2,472,508
Cost of sales	1,774,778	2,151,217
Gross profit	307,803	321,290
Selling, general and administrative expenses		
Transportation costs	56,161	63,395
Salaries and allowances	45,563	48,138
Research and development expenses	19,754	20,975
Other	98,701	102,416
Total selling, general and administrative expenses	220,181	234,925
Operating profit	87,622	86,365
Non-operating income		
Interest income	2,270	1,679
Dividend income	3,258	4,657
Seconded employees' reimbursement	3,416	3,148
Foreign exchange gains	1,466	6,368
Share of profit of entities accounted for using equity method	14,126	12,142
Compensation income	8,670	19,040
Other	11,248	11,809
Total non-operating income	44,457	58,847
Non-operating expenses		
Interest expenses	13,236	13,343
Seconded employees' salaries	9,496	9,595
Dismantlement expenses	3,347	5,730
Other	12,766	9,705
Total non-operating expenses	38,846	38,375
Ordinary profit	93,233	106,837
Extraordinary losses		
Impairment losses	—	4,438
Loss on liquidation of business	—	4,332
Loss on sale of investment securities	9,220	—
Total extraordinary losses	9,220	8,770
Profit before income taxes	84,013	98,066
Income taxes		
Income taxes - current	16,083	25,024
Income taxes - deferred	4,239	(2,281)
Total income taxes	20,323	22,743
Profit	63,689	75,322
Profit attributable to non-controlling interests	3,606	2,756
Profit attributable to owners of parent	60,083	72,566

Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2021 Ended March 31, 2022	FY2022 Ended March 31, 2023
Profit	63,689	75,322
Other comprehensive income		
Valuation difference on available-for-sale securities	13,211	6,054
Deferred gains or losses on hedges	(28)	6,015
Revaluation reserve for land	5	—
Foreign currency translation adjustment	19,335	16,829
Remeasurements of defined benefit plans, net of tax	7,170	15,040
Share of other comprehensive income of entities accounted for using equity method	2,493	1,086
Total other comprehensive income	42,189	45,028
Comprehensive Income	105,879	120,351
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	101,700	116,094
Comprehensive income attributable to non-controlling interests	4,178	4,256

Consolidated Statements of Changes in Net Assets

(In millions of yen)

FY2021 (April 1, 2021 – March 31, 2022)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at beginning of period	250,930	102,228	368,892	(2,261)	719,789
Cumulative effects of changes in accounting policies			(631)		(631)
Restated balance	250,930	102,228	368,260	(2,261)	719,158
Changes during period					
Dividends of surplus			(7,282)		(7,282)
Profit attributable to owners of parent			60,083		60,083
Increase by share exchanges		21,907			21,907
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares			(1)	12	10
Change in ownership interest of parent due to transactions with non-controlling interests		(7,701)			(7,701)
Change of scope of consolidation and equity method			(3,021)		(3,021)
Changes in treasury stock due to changes in scope of application of equity method				34	34
Change in shares of parent owned by entities accounted for using equity method				(41)	(41)
Reversal of revaluation reserve for land			(5)		(5)
Net changes in items other than shareholders' equity					
Total changes during period	—	14,205	49,773	(0)	63,978
Balance at end of period	250,930	116,434	418,033	(2,261)	783,136

	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 beginning of period	15,757	(13,764)	(3,406)	(4,568)	(3,444)	(9,427)	59,013	769,375
Cumulative effects of changes in accounting policies								(631)
Restated balance	15,757	(13,764)	(3,406)	(4,568)	(3,444)	(9,427)	59,013	768,744
Changes during period								
Dividends of surplus								(7,282)
Profit attributable to owners of parent								60,083
Increase by share exchanges								21,907
Purchase of treasury shares								(6)
Disposal of treasury shares								10
Change in ownership interest of parent due to transactions with non-controlling interests								(7,701)
Change of scope of consolidation and equity method								(3,021)
Changes in treasury stock due to changes in scope of application of equity method								34
Change in shares of parent owned by entities accounted for using equity method								(41)
Reversal of revaluation reserve for land								(5)
Net changes in items other than shareholders' equity	13,230	623	5	20,623	7,134	41,617	(1,993)	39,623
Total changes during period	13,230	623	5	20,623	7,134	41,617	(1,993)	103,601
Balance at end of period	28,987	(13,141)	(3,400)	16,054	3,689	32,189	57,019	872,346

Consolidated Statements of Changes in Net Assets

(In millions of yen)

FY2022 (April 1, 2022—March 31, 2023)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at beginning of period	250,930	116,434	418,033	(2,261)	783,136
Changes during period					
Dividends of surplus			(17,823)		(17,823)
Profit attributable to owners of parent			72,566		72,566
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares			(1)	323	321
Change in ownership interest of parent due to transactions with non-controlling interests		47			47
Change of scope of consolidation and equity method			(16)		(16)
Change in shares of parent owned by entities accounted for using equity method		(51)		65	13
Net changes in items other than shareholders' equity					
Total changes during period	—	(4)	54,723	382	55,102
Balance at end of period	250,930	116,430	472,757	(1,879)	838,238

	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 beginning of period	28,987	(13,141)	(3,400)	16,054	3,689	32,189	57,019	872,346
Changes during period								
Dividends of surplus								(17,823)
Profit attributable to owners of parent								72,566
Purchase of treasury shares								(5)
Disposal of treasury shares								321
Change in ownership interest of parent due to transactions with non-controlling interests								47
Change of scope of consolidation and equity method								(16)
Change in shares of parent owned by entities accounted for using equity method								13
Net changes in items other than shareholders' equity	5,889	6,058	—	16,508	15,071	43,527	6,676	50,204
Total changes during period	5,889	6,058	—	16,508	15,071	43,527	6,676	105,307
Balance at end of period	34,877	(7,082)	(3,400)	32,562	18,760	75,717	63,696	977,653

Consolidated Statements of Cash Flows

(In millions of yen)

	FY2021 Ended March 31, 2022	FY2022 Ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	84,013	98,066
Depreciation	105,147	112,505
Increase (decrease) in retirement benefit liability	7,904	7,516
Interest and dividend income	(5,529)	(6,337)
Interest expenses	13,236	13,343
Loss (gain) on sale of investment securities	9,220	(2,971)
Share of loss (profit) of entities accounted for using equity method	(14,126)	(12,142)
Loss (gain) on sale of property, plant and equipment	(545)	(1,277)
Loss on retirement of property, plant and equipment	1,452	1,365
Impairment losses	—	4,438
Decrease (increase) in trade receivables	(52,781)	(48,190)
Net decrease (increase) in lease receivables and investments in leases	6,960	2,649
Decrease (increase) in inventories	(136,976)	(111,436)
Increase (decrease) in trade payables	173,309	46,146
Increase (decrease) in accrued consumption taxes	(15,200)	8,003
Decrease (increase) in accounts receivable-other	(17,668)	6,788
Increase (decrease) in accrued expenses	7,413	6,571
Increase (decrease) in deposits received	(4,875)	10,360
Increase (decrease) in liabilities related to paid supply transactions	12,047	3,099
Other, net	15,351	5,484
Subtotal	188,355	143,984
Interest and dividends received	8,107	9,626
Interest paid	(13,462)	(13,314)
Income taxes paid	(14,191)	(20,603)
Net cash provided by (used in) operating activities	168,809	119,692
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(156,447)	(98,964)
Proceeds from sale of property, plant and equipment and intangible assets	1,581	5,184
Purchase of investment securities	(5,975)	(1,979)
Proceeds from sale of investment securities	2,385	4,395
Purchase of interests in subsidiaries resulting in change in scope of consolidation	—	(38)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	1,399
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(4,007)	—
Decrease (increase) in short-term loans receivable	4	(6,853)
Long-term loan advances	(85)	(898)
Proceeds from collection of long-term loans receivable	815	592
Other, net	218	(105)
Net cash provided by (used in) investing activities	(161,510)	(97,267)

	FY2021	FY2022
	Ended March 31, 2022	Ended March 31, 2023
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(44,424)	1,315
Proceeds from long-term borrowings	78,179	30,753
Repayments of long-term borrowings	(91,173)	(60,412)
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(20,572)	(25,150)
Repayments of finance lease liabilities	(10,205)	(15,963)
Dividends paid	(7,248)	(17,746)
Dividends paid to non-controlling interests	(1,330)	(1,341)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	14	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(74)	(102)
Purchase of interests in subsidiaries not resulting in change in scope of consolidation	—	(134)
Proceeds from share issuance to non-controlling shareholders	13,700	—
Other, net	3,991	3,216
Net cash provided by (used in) financing activities	(69,143)	(85,564)
Effect of exchange rate change on cash and cash equivalents	5,191	5,756
Net increase (decrease) in cash and cash equivalents	(56,653)	(57,382)
Cash and cash equivalents at beginning of period	317,310	260,511
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(145)	265
Cash and cash equivalents at end of period	260,511	203,394

Notes

Notes on premise of a going concern

None

Change in presentation method

Consolidated Statements of Income

The classification of "foreign exchange gains" which was included in "other" under "non-operating income" in fiscal 2021, has been changed and presented as a separate account item from fiscal 2022 due to its increased financial importance. To reflect this change in presentation, the Company reclassified the consolidated financial statements for fiscal 2021.

As a result, 12,714 million yen stated in "other" under "non-operating income" in the consolidated statements of income for fiscal 2021 have been reclassified into 1,466 million yen in "foreign exchange gains" and 11,248 million yen in "other."

The classification of "dismantlement expenses" which was included in "other" under "non-operating expenses" in fiscal 2021, has been changed and presented as a separate account item from fiscal 2022 due to its increased financial importance. To reflect this change in presentation, the Company reclassified the consolidated financial statements for fiscal 2021.

As a result, 16,113 million yen stated in "other" under "non-operating expenses" in the consolidated statements of income for fiscal 2021 have been reclassified into 3,347 million yen in "dismantlement expenses" and 12,766 million yen in "other."

Consolidated Statements of Cash Flows

"Increase (decrease) in deposits received" which were included in "other" under "cash flows from operating activities" in fiscal 2021, have been separately presented from fiscal 2022 due to their increased financial importance. To reflect these changes in presentation, the Company reclassified the consolidated financial statements for fiscal 2021.

As a result, 10,475 million yen stated in "other" in the consolidated cash flow statements for fiscal 2021 have been reclassified into (4,875) million yen in "increase (decrease) in deposits received" and 15,351 million yen in "other."

Segment Information

(In millions of yen)

		FY2021 Ended March 31, 2022	FY2022 Ended March 31, 2023
Sales to outside customers:	Steel & Aluminum	881,052	1,065,757
	Advanced Materials	324,349	266,179
	Welding	76,222	87,318
	Machinery	161,828	181,592
	Engineering	134,319	143,739
	Construction Machinery	371,548	381,720
	Electric Power	109,866	324,369
	Other Businesses	21,933	20,184
	Adjustment	1,460	1,646
	Total	2,082,582	2,472,508
Intersegment sales:	Steel & Aluminum	33,856	39,409
	Advanced Materials	8,912	11,586
	Welding	702	1,111
	Machinery	5,018	5,323
	Engineering	1,341	1,485
	Construction Machinery	82	60
	Electric Power	—	—
	Other Businesses	6,878	7,328
	Adjustment	(56,791)	(66,304)
	Total	—	—
Total sales:	Steel & Aluminum	914,909	1,105,166
	Advanced Materials	333,261	277,765
	Welding	76,924	88,429
	Machinery	166,847	186,915
	Engineering	135,661	145,224
	Construction Machinery	371,631	381,781
	Electric Power	109,866	324,369
	Other Businesses	28,812	27,513
	Adjustment	(55,331)	(64,657)
	Total	2,082,582	2,472,508
Ordinary profit (loss):	Steel & Aluminum	37,536	41,969
	Advanced Materials	5,149	942
	Welding	2,781	2,837
	Machinery	12,564	14,335
	Engineering	7,755	4,198
	Construction Machinery	12,085	12,365
	Electric Power	13,259	24,560
	Other Businesses	7,046	6,332
	Adjustment	(4,944)	(704)
	Total	93,233	106,837