

## Kobe Steel's Consolidated Financial Results for Fiscal 2023 (April 1, 2023–March 31, 2024)

May 9, 2024

Company name: Kobe Steel, Ltd.  
 Code number: 5406  
 Stock exchanges listed: Tokyo and Nagoya, Japan  
 Website: <https://www.kobelco.co.jp/english/>  
 Representative: Yoshihiko Katsukawa, President, CEO and Representative Director  
 Annual shareholders meeting: June 19, 2024  
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 Dividend payments begin: May 31, 2024  
 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 2023 (April 1, 2023–March 31, 2024)

#### (1) Consolidated operating results

(Percentage indicates year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2023	2,543,142	2.9	186,628	116.1	160,923	50.6	109,552	51.0
FY2022	2,472,508	18.7	86,365	(1.4)	106,837	14.6	72,566	20.8

Note: Comprehensive income FY2023: 179,374 million yen [49.0%]

FY2022: 120,351 million yen [13.7%]

	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	%	%	%
FY2023	277.38	—	11.1	5.6	7.3
FY2022	183.80	—	8.4	3.8	3.5

Reference: Equity in income of affiliates FY2023: (9,148) million yen

FY2022: 12,142 million yen

Note: Diluted profit per share for fiscal 2023 is not presented because there are no dilutive securities. Diluted profit per share for fiscal 2022 is not presented because there are no dilutive securities.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2023	2,919,774	1,127,346	36.2	2,675.13
FY2022	2,874,751	977,653	31.8	2,314.31

Reference: Equity capital FY2023: 1,056,562 million yen FY2022: 913,956 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
FY2023	205,284	(53,724)	(81,213)	278,728
FY2022	119,692	(97,267)	(85,564)	203,394

## 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	%	%
FY2022	-	15.00	-	25.00	40.00	15,843	21.8	1.8
FY2023	-	45.00	-	45.00	90.00	35,646	32.4	3.6
FY2024 Forecast	-	45.00	-	45.00	90.00		29.6	

Dividends for fiscal 2024 are undetermined.

## 3. Consolidated earnings forecast for fiscal 2024 (April 1, 2024–March 31, 2025)

(Percentage indicates year-on-year changes.)

	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	1,300,000	3.7	70,000	(24.0)	65,000	(29.0)	55,000	(31.5)	139.25
Full year	2,660,000	4.6	165,000	(11.6)	150,000	(6.8)	120,000	9.5	303.83

For more information, please refer to the Financial Results for Fiscal 2023 and Forecast for Fiscal 2024, announced today.

### Notes

(1) Changes in significant subsidiaries during the period

(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

- Changes in accounting policies due to other reasons: No

- Changes in accounting estimates: No

- Restatement: No

(3) Number of issued shares (common shares)

	FY2023	FY2022
Number of issued shares (including treasury shares)	396,345,963 shares	396,345,963 shares
Number of shares of treasury shares	1,389,177 shares	1,432,196 shares
Average number of shares	394,944,657 shares	394,792,373 shares

Reference: Summary of non-consolidated results and earnings forecast

### 1. Non-consolidated results for fiscal 2023 (April 1, 2023–March 31, 2024)

(Percentage indicates year-on-year changes.)

	Net sales		Ordinary profit		Profit		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Yen
FY2023	1,326,810	(5.5)	87,307	44.2	65,531	18.9	165.59
FY2022	1,403,979	14.2	60,538	11.1	55,125	21.4	139.35

### 2. Non-consolidated earnings forecast for fiscal 2024 (April 1, 2024–March 31, 2025)

(Percentage indicates year-on-year changes.)

	Net sales		Ordinary profit		Profit		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,450,000	9.3	110,000	26.0	110,000	67.9	277.96

#### **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.

## 1. Overview of Operating Results and Other Items

### Fiscal 2023 Consolidated Operating Results

During fiscal 2023, the Japanese economy continued to recover primarily driven by personal consumption and corporate production activities, although there were some signs of stagnation due to rising prices and weak global demand. In terms of overseas economies, while the US economy remained solid with strong employment and personal consumption, the European economy remained stagnant as a result of rising interest rates pushing the economy downward. In China, despite efforts to stimulate the economy through financial easing, domestic demand remained sluggish due to factors such as a slump in the real estate market, and the pace of economic recovery remained uncertain.

Under these circumstances, our Company has steadily implemented key measures aimed at establishing a stable earnings base as set forth in the Kobelco Group Medium-Term Management Plan (Fiscal 2021-2023), while continuing to work on strengthening our manufacturing capabilities and improving selling prices.

As a result, fiscal 2023 consolidated net sales increased by 70.6 billion yen year on year to 2,543.1 billion yen, and operating profit increased by 100.2 billion yen year on year to 186.6 billion yen, driven by positive factors such as an improvement in steel metal spreads due to a drop in coking coal prices and progress in selling price improvements, an increase in net sales in the machinery and engineering businesses, the start of operation of the Kobe Power Plant No. 4 unit and improved effect of time lags in fuel cost adjustments, and the effect of temporary gains from changes in electricity selling prices (differences between the benchmark selling price of coal and our purchase price), despite a decrease in sales volume in the steel & aluminum business and a decline in inventory valuation gains. Ordinary profit increased by 54.0 billion yen year on year to 160.9 billion yen due to the increase in operating profit despite negative factors such as a fall of compensation income related to the engine certification problem in North America in the construction machinery business, and the recording of equity method investment losses incurred as a result of the restructuring of the automotive aluminum panel business. Profit attributable to owners of parent increased 36.9 billion yen year on year to 109.5 billion yen, as a result of recording gains on the transfer of non-current assets in a subsidiary as extraordinary income, despite the recording of impairment losses on non-current assets in the advanced materials business and other segments as well as the recording of provision for expenses related to a joint venture agreement resulting from the restructuring of the automotive aluminum panel business as extraordinary loss.

Conditions in the business segments for fiscal 2023 follow below.

Note: Kobelco Research Institute, Inc., which was previously classified as Other Businesses, has been moved to the Machinery segment due to a change in the responsible business segment, effective in fiscal 2023. In the following year-on-year comparison, the relevant figures in Other Businesses in the corresponding year-earlier period are reclassified into the Machinery segment.

#### Steel & Aluminum

(Steel)

Sales volume of steel products decreased year on year due to decline in sales volume affected by the refurbishment of a steel plate finishing mill, despite an increase in demand in the automotive sector. Meanwhile, the selling prices were higher than the previous fiscal year due to progress in price improvements.

As a result, net sales decreased by 2.0% year on year to 891.6 billion yen. Ordinary profit decreased by 9.7 billion yen to 39.2 billion yen due to declines in sales volume and inventory valuation gains, despite the improvement in steel metal spreads along with a drop in coking coal prices and the progress in selling price improvements.

(Aluminum)

Sales volume of aluminum flat rolled products decreased year on year due to a significant decline in sales volume in the IT and semiconductor sectors, which were in the supply-demand adjustment phase, while sales volume remained at a similar level to the previous fiscal year in the automotive sector. The selling prices were higher the previous fiscal year due to the progress in price improvements.

As a result, net sales decreased by 2.2% year on year to 191.1 billion yen. Ordinary loss was 23.1 billion yen, a 16.0 billion yen decrease from the previous fiscal year, due to declines in sales volume and inventory valuation gains, as well as the recording of equity method investment losses resulting from the restructuring of the automotive aluminum panel business.

The results of the overall steel & aluminum business: Net sales decreased by 2.0% year on year to 1,082.7 billion yen, and ordinary profit decreased by 25.8 billion yen to 16.1 billion yen.

### **Advanced Materials**

Sales volume of advanced materials increased year on year in steel castings and forgings, which saw increased demand in the shipbuilding sector, as well as in suspensions and aluminum extrusions, which saw a recovery in demand in the automotive sector. On the other hand, sales volume of copper flat rolled products and aluminum castings and forgings decreased year on year due to a decline in demand in the IT and semiconductor sectors.

As a result, net sales increased by 7.3% year on year to 298.1 billion yen, and ordinary profit increased by 2.2 billion yen year on year to 3.2 billion yen due to an increase in sales volume and progress in selling price improvements, despite an increase in costs centered on fixed costs.

### **Welding**

Sales volume of welding materials decreased year on year due to slow recovery in demand in China and Southeast Asia, and a decline in demand in the Japanese automotive and construction machinery sectors in China, while domestic sales volume was at a similar level to the previous fiscal year. Selling prices were higher than the previous year due to progress in price improvements and other factors.

As a result, net sales increased by 5.8% year on year to 93.5 billion yen, and ordinary profit increased by 2.0 billion yen year on year to 4.9 billion yen due to progress in selling price improvements, despite a decrease in sales volume.

### **Machinery**

Orders in the machinery business segment increased by 2.9% year on year to 273.7 billion yen, due to strong demand mainly in the petrochemical and energy sectors, with an order backlog of 251.8 billion yen.

Net sales increased by 15.3% year on year to 234.5 billion yen due to progress in existing orders and an increase in service contracts, and ordinary profit increased by 13.8 billion yen year on year to 29.6 billion yen due to improved order profitability along with increasing orders.

### **Engineering**

Orders increased by 36.0% year by year to 2,143 billion yen driven by favorable factors such as orders for large-scale overseas projects in the DRI-related business and steady orders in the waste treatment-related business, with an order backlog of 4,336 billion yen.

Net sales increased by 17.5% year on year to 170.6 billion yen, and ordinary profit increased by 8.2 billion yen to 12.4 billion yen.

### **Construction Machinery**

Unit sales of hydraulic excavators fell short of the previous fiscal year due to a decline in China where demand was sluggish and in Europe that was affected by the engine certification problem, despite an increase in North America and other regions. Unit sales of crawler cranes increased year on year, due to an increase in sales primarily in North America as progress was made in resolving the engine certification problem, despite a decrease in Europe, which was affected by the engine certification problem and production and shipping delays.

As a result, net sales increased by 5.8% year on year to 404.0 billion yen, due to the progress in selling price improvements, despite a decline in unit sales. Ordinary profit decreased by 3.2 billion yen year on year to 9.1 billion yen, mainly due to a decline in compensation income related to the engine certification problem, despite improvements in selling prices and export profitability resulting from the weaker yen.

### **Electric Power**

Sales volume of electricity increased year on year due to the operation of the Kobe Power Plant No. 4 unit. The unit price of electricity sold decreased year on year due to fluctuations in thermal coal prices.

As a result, net sales decreased by 2.6% year on year to 315.9 billion yen, and ordinary profit increased by 61.2 billion yen year on year to 85.7 billion yen, due to the operation of the Kobe Power Plant No. 4 unit, the improved effect of time lags in fuel cost adjustments for the Kobe Power Plant No. 3 and 4 units, and the effect of temporary gains from changes in electricity selling prices for the Kobe Power Plant No. 1 to 4 units.

**Other Businesses**

Net sales were 10.8 billion yen, similar to the previous year, and ordinary profit was 48 billion yen, with no change year on year.

**Dividends for Fiscal 2023**

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, the target of dividend payout ratio, which was set at approximately 15 to 25% of consolidated profit attributable to owners of parent, will be approximately 30% of the consolidated profit attributable to owners of parent. According to this change, the year-end dividend for fiscal 2023 will be 45 yen per share (90 yen annually).

## **Outlook for Fiscal 2024**

The Japanese economy is expected to recover mildly, driven by increasing domestic demand, against the backdrop of strong corporate earnings and improved employment and income conditions. There is a growing expectation that a virtuous economic cycle will begin in the stock market and other areas. Although the outlook for the global economy remains uncertain due to concerns over the future of the Chinese economy and increasing geopolitical risks, particularly in the Middle East, it is assumed that growth will continue to be solid, centered on the United States.

In these circumstances, Kobe Steel anticipates fiscal 2024 net sales of approximately 2,660 billion yen, operating profit of approximately 165 billion yen, ordinary profit of approximately 150 billion yen, and profit attributable to owners of parent of approximately 120 billion yen, assuming an increase in sales volumes centered on the IT and semiconductor sectors in the aluminum rolled products and advanced materials businesses, completion of refurbishment of a steel plate finishing mill in the steel business, and gradual resolution of the engine certification problem in the construction machinery business, as well as improvements in margins and the pass-through of increased procurement costs and fixed costs to selling prices based on certain assumptions, while there are factors that could reduce profits, such as the decreasing effect of temporary changes in electricity selling prices in the electric power business and an increase in costs centered on fixed costs.

Regarding the outlook for fiscal 2024, the Company assumes the status of each segment as follows.

### **Steel & Aluminum**

(Steel)

Sales volume of steel products is expected to increase year on year as the refurbishment work of the steel plate finishing mill has been completed. As labor and logistics costs are expected to rise further, we will continue to implement cost pass-through during fiscal 2024 in an effort to improve the selling prices of steel products.

Net sales are expected to increase year on year. Ordinary profit is also expected to increase due to an increase in sales volume as the refurbishment work of the steel plate finishing mill has been completed, as well as the recording of inventory valuation gains, despite an increase in costs centered on fixed costs.

(Aluminum)

Sales volume of aluminum flat rolled products is expected to increase year on year, with a projected recovery in demand in the IT and semiconductor sectors, as well as expanded sales of materials for beverage can stock.

Net sales are expected to increase year on year. Ordinary loss is expected to be turned into profit with differences in equity method investment losses resulting from the restructuring of the automotive aluminum panel business, which was recorded in fiscal 2023, as we continue to steadily implement measures aimed at improving profitability, such as increasing sales volume and passing on rising costs to selling prices.

### **Advanced Materials**

Sales volume of advanced materials is expected to increase year on year, driven by the recovery in demand in the IT and semiconductor sectors and the expansion of sales in the automotive sector.

Net sales and ordinary profit are expected to increase due to the increase in sales volume and the pass-through of rising procurement costs to selling prices.

### **Welding**

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

While net sales are expected to increase due to the increase in sales volume, ordinary profit is expected to decrease due to an increase in costs centered on fixed costs.

### **Machinery**

Orders are expected to decline from fiscal 2023, which saw orders for large projects, but a high level of orders is still anticipated.

Net sales are expected to increase, but ordinary profit is expected to decrease due to an increase in costs centered on fixed costs.

## **Engineering**

Orders are expected to experience a decline from fiscal 2023, which saw orders for several large projects in the waste treatment-related business, despite orders for some overseas projects are anticipated in the DRI-related business.

Net sales are expected to increase with the differences in project progress in DRI-related and water treatment-related business, while ordinary profit is expected to decrease due to changes in project composition and other factors.

## **Construction Machinery**

Sales volume of hydraulic excavators and cranes is expected to increase year on year due to the gradual resolution of engine certification issues in Europe.

Net sales and ordinary profit are expected to increase due to the increase in sales volume and the pass-through of rising procurement costs to selling prices.

## **Electric Power**

Sales volume of electricity is expected to be similar to fiscal 2023. The unit price of electricity is expected to fall below fiscal 2023 based on the market assumption for thermal coal.

Net sales and ordinary profit are expected to decrease due to the reduced effect of temporary gains from time lags in fuel cost adjustments for the Kobe Power Plant No. 3 and 4 units recorded in fiscal 2023, and the diminished effect of temporary gains from changes in electricity selling prices for the Kobe Power Plant No. 1 to 4 units.

## Financial Condition

The total assets at the end of fiscal 2023 increased by 45.0 billion yen to 2,919.7 billion yen, compared to the end of fiscal 2022, due to an increase in cash and deposits in preparation for future funding needs and an increase in investment securities along with the rise in market value. Liabilities decreased by 104.6 billion yen to 1,792.4 billion yen, compared to the end of fiscal 2022, due to a decrease in notes payable and accounts payable resulting from the fall in raw material prices. Net assets increased by 149.6 billion yen to 1,127.3 billion yen, compared to the end of fiscal 2022, due to the recording of profit attributable to owners of parent and an increase in other securities valuation difference. As a result, the equity ratio at the end of fiscal 2023 was 36.2%, up 4.3 points from the end of fiscal 2022.

In addition, the cash flow from operating activities for fiscal 2023 was an income of 205.2 billion yen, while the cash flow from investing activities was an expenditure of 53.7 billion yen due to expenditures, including the acquisition of tangible fixed assets. As a result, the free cash flow was an income of 151.5 billion yen. The cash flow from financing activities was an expenditure of 81.2 billion yen due to the repayment of borrowings.

The balance of interest-bearing debt, including IPP project finance, at the end of fiscal 2023 decreased by 38.3 billion yen to 823.4 billion yen compared to the end of fiscal 2022.

Cash flow indicators are as follows:

	FY2019	FY2020	FY2021	FY2022	FY2023
Equity capital ratio	27.2%	27.5%	27.5%	31.8%	36.2%
Equity capital ratio at market price	5.0%	10.6%	8.6%	14.5%	27.9%
Ratio of cash flow to interest-bearing debt (years)	33.5	5.1	5.4	7.2	4.0
Interest coverage ratio (times)	3.0	16.6	12.5	9.0	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

Kobe Steel Group adopts the Japanese accounting standards. We are examining the differences between the International Financial Reporting Standards (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	FY2022	FY2023
	Ended March 31, 2023	Ended March 31, 2024
<b>Current Assets</b>		
Cash and deposits	203,520	278,844
Notes receivable - trade	24,535	29,485
Accounts receivable - trade	377,962	343,663
Contract assets	26,074	37,077
Merchandise and finished goods	242,752	273,677
Work in process	167,485	160,420
Raw materials and supplies	290,419	276,552
Other	88,039	70,183
Allowance for doubtful accounts	(4,802)	(4,165)
Total current assets	1,415,987	1,465,737
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	292,878	282,093
Machinery, equipment and vehicles, net	586,122	558,045
Tools, furniture and fixtures, net	15,054	15,055
Land	135,518	136,138
Construction in progress	36,462	43,080
Total property, plant and equipment	1,066,035	1,034,413
<b>Intangible assets</b>		
Software	22,772	25,273
Other	14,807	14,003
Total intangible assets	37,579	39,276
<b>Investments and other assets</b>		
Investment securities	204,627	245,023
Long-term loans receivable	3,005	3,223
Deferred tax assets	46,681	36,282
Retirement benefit asset	22,091	22,263
Other	99,030	94,905
Allowance for doubtful accounts	(20,287)	(21,351)
Total investments and other assets	355,148	380,346
Total non-current assets	1,458,764	1,454,036
<b>Total assets</b>	2,874,751	2,919,774

<b>LIABILITIES</b>	<b>FY2022</b> <b>Ended March 31, 2023</b>	<b>FY2023</b> <b>Ended March 31, 2024</b>
<b>Current liabilities</b>		
Notes and accounts payable - trade	605,709	477,198
Short-term borrowings	169,216	165,943
Current portion of bonds payable	900	—
Accounts payable - other	43,840	65,119
Income taxes payable	13,140	43,133
Contract liabilities	58,828	67,502
Provision for bonuses	23,529	26,544
Provision for product warranties	17,488	18,209
Provision for loss on construction contracts	8,775	5,994
Provision for dismantlement related expenses	—	1,989
Other	108,374	117,373
Total current liabilities	1,049,803	989,010
<b>Non-current liabilities</b>		
Bonds payable	45,000	115,000
Long-term borrowings	646,697	542,486
Lease liabilities	45,240	40,045
Deferred tax liabilities	6,555	3,674
Deferred tax liabilities for land revaluation	3,253	3,253
Retirement benefit liability	71,376	65,615
Provision for loss on joint venture agreement	—	9,245
Provision for dismantlement related expenses	1,459	—
Other	27,711	24,097
Total non-current liabilities	847,295	803,417
<b>Total liabilities</b>	1,897,098	1,792,427
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Share capital	250,930	250,930
Capital surplus	116,430	116,325
Retained earnings	472,757	548,951
Treasury shares	(1,879)	(1,847)
Total shareholders' equity	838,238	914,360
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	34,877	70,610
Deferred gains or losses on hedges	(7,082)	(6,911)
Revaluation reserve for land	(3,400)	4,707
Foreign currency translation adjustment	32,562	45,950
Remeasurements of defined benefit plans	18,760	27,845
Total accumulated other comprehensive income	75,717	142,202
<b>Non-controlling interests</b>	63,696	70,784
<b>Total net assets</b>	977,653	1,127,346
<b>Total liabilities and net assets</b>	2,874,751	2,919,774

## Consolidated Statements of Income

(In millions of yen)

	FY2022 Ended March 31, 2023	FY2023 Ended March 31, 2024
<b>Net sales</b>	2,472,508	2,543,142
<b>Cost of sales</b>	2,151,217	2,107,149
<b>Gross profit</b>	321,290	435,992
<b>Selling, general and administrative expenses</b>		
Transportation costs	63,395	63,447
Salaries and allowances	48,138	50,939
Research and development expenses	20,975	23,422
Other	102,416	111,554
Total selling, general and administrative expenses	234,925	249,364
<b>Operating profit</b>	86,365	186,628
<b>Non-operating income</b>		
Interest income	1,679	2,856
Dividend income	4,657	4,623
Seconded employees' reimbursement	3,148	2,963
Foreign exchange gains	6,368	5,220
Share of profit of entities accounted for using equity method	12,142	—
Other	30,850	14,874
Total non-operating income	58,847	30,538
<b>Non-operating expenses</b>		
Interest expenses	13,343	14,640
Seconded employees' salaries	9,595	9,151
Share of loss of entities accounted for using equity method	—	9,148
Dismantlement expenses	5,730	9,873
Other	9,705	13,430
Total non-operating expenses	38,375	56,243
<b>Ordinary profit</b>	106,837	160,923
<b>Extraordinary losses</b>		
Gain on sale of non-current assets	—	29,379
Total extraordinary losses	—	29,379
<b>Extraordinary losses</b>		
Impairment losses	4,438	18,783
Loss on liquidation of business	4,332	—
Provision for loss on joint venture agreement	—	9,245
Total extraordinary losses	8,770	28,029
<b>Profit before income taxes</b>	98,066	162,274
<b>Income taxes</b>		
Income taxes - current	25,024	54,791
Income taxes - deferred	(2,281)	(9,000)
Total income taxes	22,743	45,790
<b>Profit</b>	75,322	116,483
<b>Profit attributable to non-controlling interests</b>	2,756	6,931

**Profit attributable to owners of parent**

	<b>FY2022</b>	<b>FY2023</b>
	<b>Ended March 31, 2023</b>	<b>Ended March 31, 2024</b>
	72,566	109,552

## Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2022 Ended March 31, 2023	FY2023 Ended March 31, 2024
<b>Profit</b>	75,322	116,483
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	6,054	33,143
Deferred gains or losses on hedges	6,015	172
Revaluation reserve for land	—	2,538
Foreign currency translation adjustment	16,829	12,502
Remeasurements of defined benefit plans, net of tax	15,040	9,123
Share of other comprehensive income of entities accounted for using equity method	1,086	5,411
Total other comprehensive income	45,028	62,890
<b>Comprehensive Income</b>	120,351	179,374
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	116,094	170,428
Comprehensive income attributable to non-controlling interests	4,256	8,945

## Consolidated Statements of Changes in Net Assets

(In millions of yen)

FY2022 (April 1, 2022—March 31, 2023)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' 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
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated 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 Changes in Net Assets

(In millions of yen)

FY2023 (April 1, 2023 – March 31, 2024)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	250,930	116,430	472,757	(1,879)	838,238
Changes during period					
Dividends of surplus			(27,725)		(27,725)
Profit attributable to owners of parent			109,552		109,552
Purchase of treasury shares				(14)	(14)
Disposal of treasury shares			(0)	48	48
Change in ownership interest of parent due to transactions with non-controlling interests		(104)			(104)
Change of scope of consolidation and equity method			(4)		(4)
Change in treasury shares arising from change in equity in entities accounted for using equity method				(2)	(2)
Reversal of revaluation reserve for land			(5,628)		(5,628)
Net changes in items other than shareholders' equity					
Total changes during period	—	(104)	76,193	32	76,121
Balance at end of period	250,930	116,325	548,951	(1,847)	914,360



	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	34,877	(7,082)	(3,400)	32,562	18,760	75,717	63,696	977,653
Changes during period								
Dividends of surplus								(27,725)
Profit attributable to owners of parent								109,552
Purchase of treasury shares								(14)
Disposal of treasury shares								48
Change in ownership interest of parent due to transactions with non-controlling interests								(104)
Change of scope of consolidation and equity method								(4)
Change in treasury shares arising from change in equity in entities accounted for using equity method								(2)
Reversal of revaluation reserve for land								(5,628)
Net changes in items other than shareholders' equity	35,732	171	8,107	13,387	9,084	66,484	7,087	73,572
Total changes during period	35,732	171	8,107	13,387	9,084	66,484	7,087	149,693
Balance at end of period	70,610	(6,911)	4,707	45,950	27,845	142,202	70,784	1,127,346

## Consolidated Statements of Cash Flows

(In millions of yen)

	FY2022 Ended March 31, 2023	FY2023 Ended March 31, 2024
<b>Cash flows from operating activities</b>		
Profit before income taxes	98,066	162,274
Depreciation	112,505	119,084
Increase (decrease) in provision for loss on joint venture agreement	—	9,245
Increase (decrease) in retirement benefit liability	7,516	7,375
Interest and dividend income	(6,337)	(7,479)
Interest expenses	13,343	14,640
Loss (gain) on sale of investment securities	(2,971)	(2,940)
Share of loss (profit) of entities accounted for using equity method	(12,142)	9,148
Loss (gain) on sale of property, plant and equipment	(1,277)	(29,313)
Loss on retirement of property, plant and equipment	1,365	2,172
Impairment losses	4,438	18,783
Decrease (increase) in trade receivables	(48,190)	35,686
Net decrease (increase) in lease receivables and investments in leases	2,649	4,649
Decrease (increase) in inventories	(111,436)	1,116
Increase (decrease) in trade payables	46,146	(142,760)
Increase (decrease) in accrued consumption taxes	8,003	21,766
Decrease (increase) in accounts receivable-other	6,788	5,818
Increase (decrease) in accrued expenses	6,571	3,832
Increase (decrease) in deposits received	10,360	(8,111)
Other, net	8,584	2,635
Subtotal	143,984	227,622
Interest and dividends received	9,626	17,399
Interest paid	(13,314)	(14,617)
Income taxes paid	(20,603)	(25,120)
Net cash provided by (used in) operating activities	119,692	205,284
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(98,964)	(94,865)
Proceeds from sale of property, plant and equipment and intangible assets	5,184	34,964
Purchase of investment securities	(1,979)	(520)
Proceeds from sale of investment securities	4,395	4,249
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	187
Decrease (increase) in short-term loans receivable	(6,853)	28
Long-term loan advances	(898)	(799)
Proceeds from collection of long-term loans receivable	592	615
Other, net	(105)	2,415
Net cash provided by (used in) investing activities	(97,267)	(53,724)

	FY2021 Ended March 31, 2022	FY2022 Ended March 31, 2023
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	1,315	8,080
Proceeds from long-term borrowings	30,753	15,600
Repayments of long-term borrowings	(60,412)	(137,035)
Proceeds from issuance of bonds	—	70,000
Redemption of bonds	(25,150)	(900)
Repayments of finance lease liabilities	(15,963)	(8,948)
Dividends paid	(17,746)	(27,694)
Dividends paid to non-controlling interests	(1,341)	(1,288)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	112
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(102)	—
Purchase of interests in subsidiaries not resulting in change in scope of consolidation	(134)	(1,503)
Other, net	3,216	2,363
Net cash provided by (used in) financing activities	(85,564)	(81,213)
Effect of exchange rate change on cash and cash equivalents	5,756	4,846
Net increase (decrease) in cash and cash equivalents	(57,382)	75,192
Cash and cash equivalents at beginning of period	260,511	203,394
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	265	141
Cash and cash equivalents at end of period	203,394	278,728

## Notes

### Notes on premise of a going concern

None

### Change in presentation method

#### Consolidated Balance Sheets

Account items of "provision for loss on guarantees" and "provision for customer compensation expenses" under "current liabilities," which were separately stated in fiscal 2022, have been included in "other" beginning in fiscal 2023 due to its decreased financial importance. To reflect this change in presentation, the Company reclassified the consolidated financial statements for fiscal 2022.

As a result, 956 million yen stated in "provision for loss on guarantees," 288 million yen stated in "provision for customer compensation expenses" and 107,129 million yen stated in "other" under "current liabilities" in the consolidated balance sheets for fiscal 2022 have been reclassified into 108,374 million yen in "other."

Account item of "provision for environmental measures" under "non-current liabilities," which was separately stated in fiscal 2022, has been included in "other" beginning in fiscal 2023 due to its decreased financial importance. To reflect this change in presentation, the Company reclassified the consolidated financial statements for fiscal 2022.

As a result, 1,228 million yen stated in "provision for environmental measure" and 26,482 million yen stated in "other" under "non-current liabilities" in the consolidated balance sheets for fiscal 2022 have been reclassified into 27,711 million yen in "other."

#### Consolidated Statements of Income

Account item of "compensation income" under "non-operating income," which was separately stated in fiscal 2022, has been included in "other" beginning in fiscal 2023 due to its decreased financial importance. To reflect this change in presentation, the Company reclassified the consolidated financial statements for fiscal 2022.

As a result, 19,040 million yen stated in "compensation income" under "non-operating income" and 11,809 million yen in "other" under "non-operating income" in the consolidated statements of income for fiscal 2022 have been reclassified into 30,850 million yen in "other."

#### Consolidated Statements of Cash Flows

Account item of "increase (decrease) in liabilities related to paid supply transactions" under "cash flows from operating activities," which was separately stated in fiscal 2022, has been included in "other" beginning in fiscal 2023 due to its decreased financial significance. To reflect this change in presentation, the Company reclassified the consolidated financial statements for fiscal 2022.

As a result, 3,099 million yen stated in "increase (decrease) in liabilities related to paid supply transactions" and 5,484 million yen stated in "other, net" under "cash flows from operating activities" in the consolidated statements of cash flows for fiscal 2022 has been reclassified into 8,584 million yen in "other, net."

## Segment Information

(In millions of yen)

		FY2022 Ended March 31, 2023	FY2023 Ended March 31, 2024
Sales to outside customers:	Steel & Aluminum	1,065,757	1,045,675
	Advanced Materials	266,179	283,315
	Welding	87,318	92,691
	Machinery	192,430	222,694
	Engineering	143,739	168,732
	Construction Machinery	381,720	403,952
	Electric Power	324,369	315,950
	Other Businesses	9,347	8,910
	Adjustment	1,646	1,220
	Total	2,472,508	2,543,142
Intersegment sales:	Steel & Aluminum	39,409	37,047
	Advanced Materials	11,586	14,789
	Welding	1,111	838
	Machinery	11,033	11,821
	Engineering	1,485	1,911
	Construction Machinery	60	104
	Electric Power	—	—
	Other Businesses	1,618	1,894
	Adjustment	(66,304)	(68,406)
	Total	—	—
Total sales:	Steel & Aluminum	1,105,166	1,082,722
	Advanced Materials	277,765	298,105
	Welding	88,429	93,529
	Machinery	203,463	234,515
	Engineering	145,224	170,644
	Construction Machinery	381,781	404,056
	Electric Power	324,369	315,950
	Other Businesses	10,965	10,804
	Adjustment	(64,657)	(67,186)
	Total	2,472,508	2,543,142
Ordinary profit (loss):	Steel & Aluminum	41,969	16,151
	Advanced Materials	942	3,231
	Welding	2,837	4,906
	Machinery	15,772	29,629
	Engineering	4,198	12,433
	Construction Machinery	12,365	9,161
	Electric Power	24,560	85,760
	Other Businesses	4,895	4,812
	Adjustment	(704)	(5,163)
	Total	106,837	160,923