Consolidated 10-Year Summary
Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Change 2023/2022	2023
	Millions of yen											Thousands of U.S. dollars (Note 1)
For the year:												
Net sales	¥ 1,824,699	¥ 1,886,895	¥ 1,822,806	¥ 1,695,864	¥ 1,881,158	¥ 1,971,870	¥ 1,869,836	¥ 1,705,566	¥ 2,082,583	¥ **2,472,509**	**18.7** %	$ **18,516,504**
Cost of sales	1,537,250	1,581,528	1,548,384	1,465,577	1,595,230	1,704,972	1,638,738	1,482,378	1,774,779	**2,151,218**	**21.2**	**16,110,372**
Operating profit	114,548	119,460	68,446	9,749	88,914	48,283	9,864	30,399	87,623	**86,365**	**(1.4)**	**646,787**
Ordinary profit (loss)	85,044	101,688	28,928	(19,104)	71,149	34,629	(8,080)	16,188	93,234	**106,837**	**14.6**	**800,099**
Profit (loss) attributable to owners of the parent	70,192	86,550	(21,556)	(23,045)	63,188	35,940	(68,008)	23,234	60,084	**72,566**	**20.8**	**543,445**
Cash flows from operating activities	194,294	153,078	97,933	141,716	190,833	67,137	27,040	194,799	168,809	**119,692**	**(29.1)**	**896,373**
Cash flows from investing activities	(62,105)	(73,674)	(104,619)	(137,834)	(161,598)	(28,603)	(218,987)	(141,853)	(161,510)	**(97,268)**	**-**	**(728,434)**
Cash flows from financing activities	(138,502)	(156,027)	93,883	16,546	(66,599)	(9,562)	140,589	118,444	(69,144)	**(85,564)**	**-**	**(640,787)**
Capital expenditures	101,403	103,522	109,941	160,297	128,654	133,472	239,817	185,092	108,140	**97,303**	**(10.0)**	**728,698**
Depreciation	82,936	89,882	94,812	96,281	102,032	102,590	105,347	100,857	105,147	**112,505**	**7.0**	**842,545**
Research and development expenses	28,494	29,920	29,843	30,102	32,015	34,495	35,891	31,008	33,245	**36,702**	**10.4**	**274,863**
At year end:												
Total assets (Note 3)	2,288,637	2,300,242	2,261,135	2,310,436	2,352,115	2,384,973	2,411,192	2,582,874	2,728,745	**2,874,752**	**5.4**	**21,528,882**
Net assets	734,679	851,785	745,493	729,405	790,985	803,313	716,369	769,375	872,346	**977,653**	**12.1**	**7,321,599**
Outside debt	748,138	650,992	776,073	789,633	726,014	724,222	784,478	785,761	655,155	**590,527**	**(9.9)**	**4,422,428**
Outside debt, including project financing	787,246	677,448	789,494	796,928	738,866	760,365	906,639	987,809	908,442	**861,814**	**(5.1)**	**6,454,087**
Per share data:												
Net income (loss) (yen/U.S. dollars) (Note 2)	¥ 22.63	¥ 23.81	¥ (59.35)	¥ (63.54)	¥ 174.43	¥ 99.20	¥ (187.55)	¥ 64.05	¥ 160.23	¥ **183.80**	**14.7**	$ **1.38**
Net assets (yen/U.S. dollars) (Note 2)	184.11	213.70	1,903.80	1,860.37	2,049.95	2,041.29	1,811.10	1,958.57	2,066.48	**2,314.31**	**12.0**	**17.33**
Cash dividends (yen/U.S. dollars) (Note 2)	4.00	4.00	2.00	-	30.00	20.00	-	10.00	40.00	**40.00**	**-**	**0.30**

											Points
Ratios:											
Operating profit ratio (%)	6.3	6.3	3.8	0.6	4.7	2.4	0.5	1.8	4.2	**3.5**	**(0.7)**
Ordinary profit ratio (%)	4.7	5.4	1.6	(1.1)	3.8	1.8	(0.4)	0.9	4.5	**4.3**	**(0.2)**
ROA (%) (Note 3)	3.8	4.4	1.3	(0.8)	3.1	1.5	(0.3)	0.6	3.5	**3.9**	**0.4**
ROE (%)	11.9	12.0	(2.9)	(3.4)	8.9	4.8	(9.7)	3.4	7.9	**8.4**	**0.5**
Equity ratio (%)	29.2	33.8	30.6	29.2	31.6	31.0	27.2	27.5	29.9	**31.8**	**1.9**
Debt/equity ratio (times)	1.1	0.9	1.1	1.2	1.0	1.0	1.2	1.1	0.8	**0.7**	**(0.1)**
Dividend payout ratio (%)	17.7	16.8	-	-	17.2	20.2	-	15.6	25.0	**21.8**	**(3.2)**
Number of shares issued (in thousands)	3,643,642	3,643,642	3,643,642	364,364	364,364	364,364	364,364	364,364	396,346	**396,346**	**-**
Number of employees	36,019	36,420	36,338	36,951	37,436	39,341	40,831	40,517	38,106	**38,488**	**382**

Notes:

1. For convenience only, U.S. dollar amounts in this report have been translated from Japanese yen amounts at the rate of ¥133.53 to US$1.00, the rate of exchange prevailing on March 31, 2023.
2. Kobe Steel, Ltd. carried out a share consolidation at a ratio of 10 shares to 1 share effective on October 1, 2016. Therefore, per share data takes into account this share consolidation.
3. The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective April 1, 2018."Total assets " and "ROA" figures for 2018 are after retrospective application of the concerned accounting standard.

Consolidated Balance Sheets

Kobe Steel, Ltd. and Consolidated Subsidiaries

At March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2023**	2022	**2023**
Current assets:			
Cash and deposits (Note 24)	¥ **203,521**	¥ 243,502	$ **1,524,157**
Notes, accounts receivable and contract assets:			
Notes receivable - trade	**23,659**	29,587	**177,181**
Accounts receivable - trade	**320,936**	269,901	**2,403,475**
Unconsolidated subsidiaries and associates	**65,378**	50,201	**489,615**
Contract assets (Note 21)	**25,700**	29,874	**192,469**
Other	**43,424**	44,866	**325,200**
Allowance for doubtful accounts	**(4,802)**	(4,256)	**(35,963)**
	474,295	420,173	**3,551,977**
Securities (Note 24)	**-**	17,200	**-**
Merchandise and finished goods	**242,752**	209,417	**1,817,960**
Work in process (Note 8)	**167,486**	138,665	**1,254,295**
Raw materials and supplies	**290,420**	225,053	**2,174,937**
Other	**37,514**	33,304	**280,938**
Total current assets	**1,415,988**	1,287,314	**10,604,264**
Non-current assets:			
Property, plant and equipment (Note 7):			
Land (Note 9)	**135,518**	131,896	**1,014,889**
Buildings and structures	**836,151**	814,969	**6,261,894**
Machinery, equipment and vehicles	**2,718,665**	2,590,466	**20,359,961**
Construction in progress	**36,462**	92,718	**273,062**
	3,726,796	3,630,049	**27,909,806**
Accumulated depreciation	**(2,660,760)**	(2,569,851)	**(19,926,312)**
Total property, plant and equipment	**1,066,036**	1,060,198	**7,983,494**
Intangible assets	**37,579**	36,325	**281,430**
Investments and other assets:			
Investment securities (Note 5)	**111,204**	102,114	**832,805**
Investments in and advances to unconsolidated subsidiaries and associates	**147,499**	135,746	**1,104,617**
Long-term loans receivable	**2,689**	3,109	**20,140**
Deferred tax assets (Note 20)	**46,681**	57,069	**349,595**
Retirement benefit asset (Note 26)	**22,092**	19,536	**165,444**
Other	**45,271**	46,742	**339,024**
Allowance for doubtful accounts	**(20,287)**	(19,408)	**(151,931)**
Total investments and other assets	**355,149**	344,908	**2,659,694**
Total non-current assets	**1,458,764**	1,441,431	**10,924,618**
Total assets	¥ **2,874,752**	¥ 2,728,745	$ **21,528,882**

LIABILITIES AND NET ASSETS	Millions of yen 2023	2022	Thousands of U.S. dollars (Note 1) 2023
Current liabilities:			
Short-term borrowings (Note 7)	¥ **32,738**	¥ 30,313	$ **245,176**
Current portion of long-term borrowings (Note 7)	**137,378**	82,103	**1,028,818**
Trade	**530,235**	465,205	**3,970,905**
Construction	**21,390**	19,031	**160,186**
Unconsolidated subsidiaries and associates	**77,968**	76,456	**583,895**
Other	**20,719**	13,353	**155,166**
	650,312	574,045	**4,870,152**
Contract liabilities (Note 21)	**58,828**	45,219	**440,562**
Income taxes payable	**13,141**	8,318	**98,410**
Provision for loss on construction contracts (Note 8)	**8,775**	14,730	**65,717**
Provision for customer compensation expenses	**288**	344	**2,159**
Other	**148,344**	129,867	**1,110,933**
Total current liabilities	**1,049,804**	884,939	**7,861,927**
Non-current liabilities:			
Long-term borrowings (Note 7)	**691,698**	796,026	**5,180,093**
Lease liabilities	**45,241**	51,427	**338,806**
Retirement benefit liability (Note 26)	**71,376**	79,979	**534,534**
Provision for dismantlement related expenses	**1,459**	1,417	**10,930**
Deferred tax liabilities (Note 20)	**9,809**	11,413	**73,462**
Other	**27,712**	31,198	**207,531**
Total non-current liabilities	**847,295**	971,460	**6,345,356**
Contingent liabilities (Notes 11 and 12)			
Total liabilities	¥ **1,897,099**	¥ 1,856,399	$ **14,207,283**
Net assets:			
Stockholders' equity:			
Share capital (Notes 13 and 23)	**250,930**	250,930	**1,879,203**
Authorized — 600,000,000 shares			
Issued — 396,345,963 shares			
Capital surplus (Note 13)	**116,430**	116,435	**871,940**
Retained earnings (Note 13)	**472,758**	418,034	**3,540,462**
Treasury shares (Note 23)	**(1,879)**	(2,262)	**(14,074)**
1,432,196 shares in 2023 and 1,798,236 shares in 2022			
	838,239	783,137	**6,277,531**
Accumulated other comprehensive income (Note 23):			
Valuation difference on available-for-sale securities	**34,877**	28,988	**261,195**
Deferred gains or losses on hedges	**(7,082)**	(13,141)	**(53,041)**
Revaluation reserve for land (Note 9)	**(3,401)**	(3,401)	**(25,466)**
Foreign currency translation adjustment	**32,563**	16,055	**243,860**
Remeasurements of defined benefit plans	**18,761**	3,689	**140,500**
	75,718	32,190	**567,048**
Non-controlling interests	**63,696**	57,019	**477,020**
Total net assets	**977,653**	872,346	**7,321,599**
Total liabilities and net assets	¥ **2,874,752**	¥ 2,728,745	$ **21,528,882**

See accompanying notes.

Consolidated Statements of Income
Kobe Steel, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Net sales (Notes 14 and 21)	¥ **2,472,509**	¥ 2,082,583	$ **18,516,504**
Cost of sales (Note 15)	**(2,151,218)**	(1,774,779)	**(16,110,372)**
Gross profit	**321,291**	307,804	**2,406,132**
Selling, general and administrative expenses (Note 17)	**(234,926)**	(220,181)	**(1,759,345)**
Operating profit	**86,365**	87,623	**646,787**
Non-operating income (expenses):			
Interest and dividend income	**6,337**	5,529	**47,458**
Interest expenses	**(13,344)**	(13,237)	**(99,932)**
Seconded employees' salaries, net of reimbursement	**(6,447)**	(6,079)	**(48,278)**
Foreign exchange gains	**6,368**	1,466	**47,692**
Share of profit of entities accounted for using equity method	**12,143**	14,126	**90,938**
Compensation income	**19,041**	8,671	**142,596**
Other, net (Note 5)	**(3,626)**	(4,865)	**(27,162)**
	20,472	5,611	**153,312**
Ordinary profit	**106,837**	93,234	**800,099**
Extraordinary income (losses):			
Impairment losses (Note 19)	**(4,438)**	-	**(33,238)**
Loss on liquidation of business (Note 18)	**(4,332)**	-	**(32,446)**
Loss on sale of investment securities	**-**	(9,220)	**-**
	(8,770)	(9,220)	**(65,684)**
Profit before income taxes	**98,067**	84,014	**734,415**
Income taxes (Note 20):			
Income taxes - current	**25,025**	16,084	**187,411**
Income taxes - deferred	**(2,281)**	4,240	**(17,086)**
	22,744	20,324	**170,325**
Profit	**75,323**	63,690	**564,090**
Profit attributable to non-controlling interests	**2,757**	3,606	**20,645**
Profit attributable to owners of parent	¥ **72,566**	¥ 60,084	$ **543,445**

	Yen		U.S. dollars (Note 1)
Per share	**2023**	2022	**2023**
Profit	¥ **183.80**	¥ 160.23	$ **1.38**
Cash dividends applicable to the year	**40.00**	40.00	**0.30**

See accompanying notes.

Consolidated Statements of Comprehensive Income
Kobe Steel, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Profit	¥ **75,323**	¥ 63,690	$ **564,090**
Other comprehensive income:			
Valuation difference on available-for-sale securities	**6,054**	13,212	**45,341**
Deferred gains or losses on hedges	**6,016**	(28)	**45,053**
Revaluation reserve for land	**-**	5	**-**
Foreign currency translation adjustment	**16,830**	19,335	**126,039**
Remeasurements of defined benefit plans, net of tax	**15,041**	7,171	**112,640**
Share of other comprehensive income of entities accounted for using equity method	**1,087**	2,494	**8,140**
Total other comprehensive income (Note 22)	**45,028**	42,189	**337,213**
Comprehensive income	¥ **120,351**	¥ 105,879	$ **901,303**
Comprehensive income attributable to:			
Owners of parent	¥ **116,094**	¥ 101,701	$ **869,423**
Non-controlling interests	**4,257**	4,178	**31,880**

See accompanying notes.

Consolidated Statements of Changes in Net Assets
Kobe Steel, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2022

	Thousands	Millions of yen										
	Number of common shares	Share capital (Notes 13 and 23)	Capital surplus (Note 13)	Retained earnings (Note 13)	Treasury shares (Note 23)	Valuation difference on available-for-sale securities (Note 23)	Deferred gains or losses on hedges (Note 23)	Revaluation reserve for land (Notes 9 and 23)	Foreign currency translation adjustment (Note 23)	Remeasurements of defined benefit plans (Note 23)	Non-controlling interests	Total
Balance at April 1, 2021	364,364	¥ 250,930	¥ 102,229	¥ 368,892	¥ (2,261)	¥ 15,757	¥ (13,765)	¥ (3,406)	¥ (4,569)	¥ (3,445)	¥ 59,013	¥ 769,375
Cumulative effects of changes in accounting policies				**(631)**								**(631)**
Balance at April 1, 2021 (Restated balance)	**364,364**	¥ **250,930**	¥ **102,229**	¥ **368,261**	¥ **(2,261)**	¥ **15,757**	¥ **(13,765)**	¥ **(3,406)**	¥ **(4,569)**	¥ **(3,445)**	¥ **59,013**	¥ **768,744**
Dividends of surplus				(7,283)								(7,283)
Profit attributable to owners of parent				60,084								60,084
Increase by share exchanges	31,982		21,908									21,908
Purchase of treasury shares					(6)							(6)
Disposal of treasury shares				(1)	12							11
Change in ownership interest of parent due to transactions with non-controlling interests			(7,702)									(7,702)
Change of scope of consolidation and equity method				(3,022)								(3,022)
Change in treasury stock due to change in scope 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						13,231	624	5	20,624	7,134	(1,994)	39,624
Total changes during period	31,982	-	14,206	49,773	(1)	13,231	624	5	20,624	7,134	(1,994)	103,602
Balance at April 1, 2022	396,346	¥ 250,930	¥ 116,435	¥ 418,034	¥ (2,262)	¥ 28,988	¥ (13,141)	¥ (3,401)	¥ 16,055	¥ 3,689	¥ 57,019	¥ 872,346
Dividends of surplus				**(17,824)**								**(17,824)**
Profit attributable to owners of parent				**72,566**								**72,566**
Purchase of treasury shares					**(6)**							**(6)**
Disposal of treasury shares				**(2)**	**324**							**322**
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			**(52)**		**65**							**13**
Net changes in items other than shareholders' equity						**5,889**	**6,059**	**-**	**16,508**	**15,072**	**6,677**	**50,205**
Total changes during period		**-**	**(5)**	**54,724**	**383**	**5,889**	**6,059**	**-**	**16,508**	**15,072**	**6,677**	**105,307**
Balance at March 31, 2023	**396,346**	¥ **250,930**	¥ **116,430**	¥ **472,758**	¥ **(1,879)**	¥ **34,877**	¥ **(7,082)**	¥ **(3,401)**	¥ **32,563**	¥ **18,761**	¥ **63,696**	¥ **977,653**

	Thousands	Thousands of U.S. dollars (Note 1)										
	Number of common shares	Share capital (Notes 13 and 23)	Capital surplus (Note 13)	Retained earnings (Note 13)	Treasury shares (Note 23)	Valuation difference on available-for-sale securities (Note 23)	Deferred gains or losses on hedges (Note 23)	Revaluation reserve for land (Notes 9 and 23)	Foreign currency translation adjustment (Note 23)	Remeasurements of defined benefit plans (Note 23)	Non-controlling interests	Total
Balance at April 1, 2022	396,346	$ 1,879,203	$ 871,973	$ 3,130,637	$ (16,940)	$ 217,089	$ (98,412)	$ (25,466)	$ 120,231	$ 27,628	$ 427,016	$ 6,532,959
Dividends of surplus				**(133,482)**								**(133,482)**
Profit attributable to owners of parent				**543,445**								**543,445**
Purchase of treasury shares					**(42)**							**(42)**
Disposal of treasury shares				**(15)**	**2,420**							**2,405**
Change in ownership interest of parent due to transactions with non-controlling interests			**354**									**354**
Change of scope of consolidation and equity method				**(123)**								**(123)**
Change in shares of parent owned by entities accounted for using equity method			**(387)**		**488**							**101**
Net changes in items other than shareholders' equity						**44,106**	**45,371**	**-**	**123,629**	**112,872**	**50,004**	**375,982**
Total changes during period		**-**	**(33)**	**409,825**	**2,866**	**44,106**	**45,371**	**-**	**123,629**	**112,872**	**50,004**	**788,640**
Balance at March 31, 2023	**396,346**	$ **1,879,203**	$ **871,940**	$ **3,540,462**	$ **(14,074)**	$ **261,195**	$ **(53,041)**	$ **(25,466)**	$ **243,860**	$ **140,500**	$ **477,020**	$ **7,321,599**

See accompanying notes.

Consolidated Statements of Cash Flows
Kobe Steel, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Cash flows from operating activities:			
Profit before income taxes	¥ **98,067**	¥ 84,014	$ **734,415**
Depreciation	**112,505**	105,147	**842,545**
Increase (decrease) in retirement benefit liability	**7,517**	7,904	**56,291**
Interest and dividend income	**(6,337)**	(5,529)	**(47,458)**
Interest expenses	**13,344**	13,237	**99,932**
Loss (gain) on sale of investment securities	**(2,972)**	9,220	**(22,254)**
Share of loss (profit) of entities accounted for using equity method	**(12,143)**	(14,126)	**(90,938)**
Loss (gain) on sale of property, plant and equipment	**(1,278)**	(545)	**(9,569)**
Loss on retirement of property, plant and equipment	**1,366**	1,453	**10,226**
Impairment losses	**4,438**	-	**33,238**
Decrease (increase) in trade receivables	**(48,190)**	(52,782)	**(360,894)**
Net decrease (increase) in lease receivables and investments in leases	**2,650**	6,961	**19,844**
Decrease (increase) in inventories	**(111,437)**	(136,976)	**(834,545)**
Increase (decrease) in trade payables	**46,147**	173,310	**345,591**
Increase (decrease) in accrued consumption taxes	**8,004**	(15,201)	**59,940**
Decrease (increase) in accounts receivable-other	**6,788**	(17,669)	**50,836**
Increase (decrease) in accrued expenses	**6,572**	7,414	**49,215**
Increase (decrease) in deposits received	**10,361**	(4,876)	**77,592**
Increase (decrease) in liabilities related to paid supply transactions	**3,099**	12,048	**23,211**
Other, net	**5,484**	15,351	**41,075**
Subtotal	**143,985**	188,355	**1,078,293**
Interest and dividends received	**9,626**	8,108	**72,092**
Interest paid	**(13,315)**	(13,462)	**(99,712)**
Income taxes paid	**(20,604)**	(14,192)	**(154,300)**
Net cash provided by (used in) operating activities	**119,692**	168,809	**896,373**
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets	**(98,965)**	(156,448)	**(741,142)**
Proceeds from sale of property, plant and equipment and intangible assets	**5,184**	1,581	**38,824**
Purchase of investment securities	**(1,979)**	(5,975)	**(14,824)**
Proceeds from sale of investment securities	**4,396**	2,386	**32,921**
Purchase of interests in subsidiaries resulting in change in scope of consolidation	**(39)**	-	**(292)**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	**1,399**	-	**10,480**
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation (Note 24)	**-**	(4,007)	**-**
Decrease (increase) in short-term loans receivable	**(6,853)**	4	**(51,323)**
Long-term loan advances	**(898)**	(85)	**(6,727)**
Proceeds from collection of long-term loans receivable	**593**	815	**4,439**
Other, net	**(106)**	219	**(790)**
Net cash provided by (used in) investing activities	**(97,268)**	(161,510)	**(728,434)**
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	**1,316**	(44,425)	**9,855**
Proceeds from long-term borrowings	**30,754**	78,180	**230,314**
Repayments of long-term borrowings	**(60,412)**	(91,174)	**(452,424)**
Proceeds from issuance of bonds	**-**	10,000	**-**
Redemption of bonds	**(25,150)**	(20,573)	**(188,347)**
Repayments of finance lease liabilities	**(15,963)**	(10,205)	**(119,548)**
Dividends paid	**(17,747)**	(7,249)	**(132,905)**
Dividends paid to non-controlling interests	**(1,342)**	(1,330)	**(10,049)**
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	**-**	15	**-**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	**(102)**	(75)	**(764)**
Purchase of interests in subsidiaries not resulting in change in scope of consolidation	**(134)**	-	**(1,004)**
Proceeds from share issuance to non-controlling shareholders	**-**	13,700	**-**
Other, net	**3,216**	3,992	**24,085**
Net cash provided by (used in) financing activities	**(85,564)**	(69,144)	**(640,787)**
Effect of exchange rate change on cash and cash equivalents	**5,757**	5,192	**43,113**
Net increase (decrease) in cash and cash equivalents	**(57,383)**	(56,653)	**(429,735)**
Cash and cash equivalents at beginning of period	**260,512**	317,311	**1,950,959**
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	**265**	(146)	**1,986**
Cash and cash equivalents at end of period (Note 24)	**¥ 203,394**	¥ 260,512	**$ 1,523,210**

See accompanying notes.

Notes to Consolidated Financial Statements
Kobe Steel, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2022

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Kobe Steel, Ltd. ("the Company") and its consolidated subsidiaries ("the Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain significant respects from accounting principles generally accepted in other countries, including accounting principles generally accepted in the United States, or U.S. GAAP, and International Financial Reporting Standards, or IFRS.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective country of domicile, with necessary adjustments to be in accordance with Japanese GAAP.

The accompanying consolidated financial statements have been restructured and translated into English with certain expanded disclosure from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2023, which was ¥133.53 to U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries, the management of which is controlled by the Company. For the year ended March 31, 2023, the accounts of 171 (169 in 2022) subsidiaries have been included in the consolidated financial statements. Intercompany transactions and accounts have been eliminated.

76 (74 in 2022) consolidated subsidiaries are consolidated using a fiscal period ending December 31, which differs from that of the Company. Any material transactions or events occurring during the January 1 to March 31 period are adjusted for in these consolidated financial statements.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated using the fair value at the time the Company acquired the control of the respective subsidiary.

Investments in unconsolidated subsidiaries and affiliates over which the Company has significant influence, except for insignificant companies, are accounted for by the equity method. For the year ended March 31, 2023, 35 (37 in 2022) affiliates were accounted for by the equity method.

The difference between the cost of an investment in a subsidiary and the equity in the net assets of the subsidiary at the date of acquisition, if considered significant, is amortized over the estimated number of years when the amortization period can be determined or over five years when it cannot. When the difference is small, it is recognized as expense when incurred.

When the Company's share of the net losses of an affiliate exceeds the adjusted cost of the investment, the Company discontinues applying the equity method and the investment is reduced to zero. Losses in excess of the amounts due from the investee are recorded in other payables when the losses are expected to be shared by the Company.

(2) Securities

The Group has no trading securities. Equity securities issued by subsidiaries and associated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as accumulated other comprehensive income in net assets.

Realized gains and losses on the sale of such securities are computed using moving average cost based on the carrying value.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving average cost.

If the market value of equity securities issued by unconsolidated subsidiaries and associated companies or available-for-sale securities declines significantly, the securities are stated at fair market value, and the difference between the fair market value and the carrying amount is recognized as a loss in the period of the decline.

If the fair market value of equity securities issued by unconsolidated subsidiaries and associated companies not accounted for by the equity method is not readily available, the securities are written down to net asset value with a corresponding charge in the statement of operations in the event net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(3) Allowance for Doubtful Accounts

To provide for potential losses on doubtful accounts, allowance is made at an amount based on the actual bad debt ratio in the past for normal accounts, and estimated uncollectible amounts based on specific collectability assessments for certain individual receivables, such as those with a possibility of default.

(4) Provision for Loss on Construction Contracts

To provide for future losses on construction contracts, mainly for steel castings and forgings in the Advanced Materials Business, Machinery Business and Engineering Business, provision is made based on an estimated loss on construction contracts outstanding at the end of the year ended March 31, 2023.

(5) Provision for Environmental Measures

For the cost of PCB waste treatment required by "Law Concerning Special Measure against Promotion of Proper Treatment of Polychlorinated Biphenyl (PCB) Waste" and others, provision is made at an estimated amount at the end of the year ended March 31, 2023.

(6) Provision for Customer Compensation Expenses

For expenses related to the response to a response to the misconduct that through data falsification and/or fabrication of inspection results, products that did not meet, among others, public standards or customer specifications were shipped or provided to customers as if they had met these requirements, including compensation for product exchanges and investigations carried out by customers, etc., provision is made at an estimated amount at the end of the year ended March 31, 2023.

(7) Provision for Dismantlement Related Expenses

For expenses expected to arise from dismantlement of equipment in relation to construction of the power station at Kobe Wire Rod & Bar Plant, provision is made at an estimated amount at the end of the year ended March 31, 2023.

(8) Inventories

Cost basis, determined by the average method for inventories in the Steel & Aluminum Business, Advanced Materials Business (except for cast forged steel products), Welding Business and Electric Power Business, and by the specific identification method for cast forged steel products in the Advanced Materials Business and inventories in the Machinery Business, Engineering Business and Construction Machinery Business (the book value on the balance sheets may be written down to market value due to decline in the profitability).

(9) Depreciation and amortization method of significant depreciable assets

Depreciation of tangible and amortization of intangible assets are provided principally by the straight-line method.

The useful life of these assets is determined mainly by schedules in Japanese tax laws. Intangible assets include software for internal use, which is amortized over the estimated useful life of five years.

Depreciation of leased assets under finance leases that do not transfer ownership of the leased assets is provided by the straight-line method with the lease term as the useful life.

(10) Income Taxes

The Group applies deferred tax accounting to recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes.

Deferred taxes related to temporary differences between financial accounting and tax reporting are also recognized by the asset-liability method.

(11) Employees' Severance and Retirement Benefits

In determining retirement benefit obligations, the benefit formula basis is adopted as the attribution method of the projected retirement benefit obligations up to the current consolidated fiscal year.

Prior service costs are charged to income mainly using the straight-line method mainly 22 years based on the average remaining service period of the employees.

Actuarial differences are charged to income from the period following the period in which it arises mainly using the straight-line method based on the average remaining service period of the employees. The average remaining service period of the employees are mainly 21 years for those accrued in 2023, mainly 22 years for those accrued in 2022 and 2021, mainly 18 years for those accrued in 2020, mainly 20 years for those accrued in 2019, 2018 and 2017, mainly 19 years for those accrued in 2016, mainly 18 years for those accrued in 2015, mainly 17 years for those accrued in 2014 and 2013, mainly 16 years for those accrued in 2012 and 2011, mainly 15 years for those accrued in 2010.

Unrecognized prior service costs and unrecognized actuarial differences, net of applicable taxes, are stated in “Remeasurements of defined benefit plans” in accumulated other comprehensive income under net assets.

(12) Basis for translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates as of the consolidated balance sheet date, except for those hedged by foreign currency exchange contracts, with the resulting gains and losses recognized in income.

Assets and liabilities of consolidated foreign subsidiaries are translated into Japanese yen at the spot exchange rates as of the balance sheet date and revenues and expenses are translated into Japanese yen at average rates for the period, with the resulting gains and losses included in “Foreign currency translation adjustments” under net assets and “Non-controlling interests”.

(13) Basis for recognition of revenue and expenses

The Group applies the following five steps with respect to recognition of revenue.

Step 1: Identify a contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when or as the performance obligations are satisfied

In relation to recognition of revenue from contracts with customers, the nature of the principal performance obligations for major businesses of the Group and the typical timing of the satisfaction of those performance obligations (i.e., the typical timing of revenue recognition) are as follows.

Revenues from the materials business (steel and aluminum, advanced materials, and welding) are primarily from product sales; revenues from the machinery business (machinery, engineering, and construction machinery) are primarily from product sales, construction contracts, and provision of services; and revenues from the electric power business are primarily from the supply of electric power.

(a) Performance obligations satisfied at a point in time

For sales of products, in principle, revenue is recognized at the time of delivery of the product since control of the product is transferred to the customer and the performance obligation is satisfied at that time. However, if the period from the time of shipment to the time when control of the product is transferred to the customer is a normal period of time, control of the product is deemed to be transferred to the customer at the time of shipment, and revenue is recognized at the time of shipment. For the provision of services, the performance obligation is satisfied when the services are provided, and revenue is recognized at that time. For supply of electric power, the performance obligation is satisfied when the electric power is supplied, and the Company recognizes revenue based on the amount of electric power supplied to the customer, as measured by meter readings taken on the contractually specified measurement dates.

(b) Performance obligations satisfied over a certain period of time

For construction contracts, the Company primarily estimates the progress toward the satisfaction of performance obligations to be provided to the customer and recognizes revenue based on such progress. Since the accrual of cost is an appropriate measure of the degree of progress of construction, the degree of progress is calculated as the ratio of the cumulative actual cost incurred to the estimated total cost. The consideration for a transaction is received primarily in stages during the contract period, separately from the satisfaction of performance obligations, and the remaining amount is received after a specified period of time has elapsed following the satisfaction of the performance obligations. For the provision of services, revenue is recognized based on a percentage of the total amount of services transferred.

Revenue is measured at the amount of consideration promised in the contract with the customer, less discounts, rebates, etc. If the consideration promised in the contract with the customer includes variable consideration such as a discount, the Company includes an estimate of the variable consideration in the transaction price only to the extent that it is highly unlikely that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration for the transaction is generally received within approximately one year of the satisfaction of the performance obligation and does not include a significant financial component.

(14) Derivatives

The Company and its domestic consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instrument was used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers recognition of gain or loss resulting from changes in the fair value of a derivative financial instrument until the related loss or gain on the corresponding hedged item is recognized ("deferred hedge" method).

Deferred gains and losses on these derivative instruments are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income in net assets.

If foreign currency exchange contracts are used as hedges and meet certain hedging criteria, the hedged items are stated at the forward exchange rates ("assigning" method). Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed ("exceptional" method).

(15) Method for amortization of goodwill

Goodwill is amortized using the straight-line method (or immediately charged to income if immaterial) over the practically estimated effective periods where estimable during the period in which it arises, or otherwise, over five years.

(16) Application of group tax sharing system

Group tax sharing system is applied.

(17) Cash and Cash Equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(18) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported results of operations or retained earnings.

(19) Significant accounting estimates

(a) Impairment of long-lived assets

Regarding long-lived assets, if the Group determines that there is an impairment indicator, such as recurring operating losses, the Group estimates the future recoverability and assesses whether or not an impairment loss should be recognized. If the undiscounted future cash flows that are expected to be generated from the asset groups is below the carrying amounts of the long-lived assets, the Group recognizes an impairment loss.

The Group recorded impairment loss of ¥4,438 million ($33,238 thousand) for the year ended March 31, 2023, and the breakdown is as per the description in Note 19 Impairment Loss.

The total carrying amount of long-lived assets was ¥1,103,615 million ($8,264,924 thousand), which consisted of ¥1,066,036 million ($7,983,494 thousand) for property, plant and equipment and ¥37,579 million ($281,430 thousand) for intangible assets, at March 31, 2023 and ¥1,096,523 million, which consisted of ¥1,060,198 million for property, plant and equipment and ¥36,325 million for intangible assets, at March 31, 2022. there were multiple asset groups for which the Group did not recognize an impairment loss despite there being an impairment indicator. The main asset groups to which this applies were as follows.

< Construction Machinery Business >

The Group judged that there was an indication of impairment for long-lived assets used in the businesses of Kobelco Construction Machinery Co., Ltd., a subsidiary of the Company in the Construction Machinery Business, as a result of continuous operating losses caused by increasingly fierce competition overseas, higher procurement costs for steel, production cutbacks due to parts supply shortages, and other factors. In future business plans, the Group has incorporated key assumptions, including an improvement in sales prices and an increase in units sold based on higher demand in sales areas owing to increased construction investment and expansion of the market share. The undiscounted future cash flows estimated based on business plans formulated under these assumptions exceeded the book value of the long-lived assets of ¥61,127 million ($457,775 thousand), which consist of ¥54,358 million ($407,081 thousand) for property, plant and equipment and ¥6,769 million ($50,694 thousand) for intangible assets, at March 31, 2023 and ¥58,302 million, which consist of ¥54,165 million for property, plant and equipment and ¥4,137 million for intangible assets, at March 31, 2022. Therefore, the Group did not recognize an impairment loss. If there are significant changes to the assumptions for these estimates, such as a large divergence between the assumptions set when the estimates were made and the actual results, and future cash flows underperform as a result, the Group may recognize an impairment loss in the following consolidated fiscal year.

(b) Deferred tax assets

The Group recorded ¥46,681 million ($349,595 thousand) at March 31, 2023 and ¥57,069 million at March 31, 2022 in “Deferred tax assets” under “Investments and other assets” in “non-current assets” on the consolidated balance sheets to the extent that deductible temporary differences and tax losses carryforwards were expected to reduce future taxable income*. The Group has estimated taxable income over a certain future period based on the Medium-Term Management Plan, budget, and other business plans that management has judged to be appropriate, and has made judgments about when specific deductible temporary differences are expected to be reversed. As such, the Group has judged that the possibility of recovery is high for deferred tax assets pertaining to the deductible temporary differences expected to be reversed within a certain period, etc. In addition, the Group has incorporated key assumptions, including forecasts of demand and sales prices in the main businesses, when formulating business plans.

If projections of future taxable income fluctuate significantly as a result of the impact on the Group’s demand field caused by stagnant supply chains and the prolonged global shortage of semiconductors, and by delays in resolving the gap between prices for raw and other materials and energy and sales prices, or other factors, and the recoverability of deferred tax assets fluctuates significantly as a result, there may be a material impact on the recorded amount of deferred tax assets in the next consolidated fiscal year.

*The amount before offsetting with deferred tax liabilities was ¥87,177 million ($652,867 thousand) at March 31, 2023 and ¥89,363 million at

March 31, 2022. Of these amounts, ¥56,804 million ($425,407 thousand) at March 31, 2023 was held by the Company and some of its domestic consolidated subsidiaries that adopt a group tax sharing system, and ¥58,769 million at March 31, 2022 was held by the Company and some of its domestic subsidiaries that adopt a consolidated taxation system.

3. Leases

Operating Leases

Future minimum lease payments as lessee under operating leases at March 31, 2023 and 2022 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2023		2022		**2023**	
Due within one year	¥	**4,039**	¥	4,366	$	**30,248**
Due after one year		**29,074**		29,641		**217,735**
	¥	**33,113**	¥	34,007	$	**247,983**

Future minimum lease fees receivable as lessor under operating leases at March 31, 2023 and 2022 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2023		2022		**2023**	
Due within one year	¥	**32**	¥	65	$	**243**
Due after one year		**227**		235		**1,703**
	¥	**259**	¥	300	$	**1,946**

4. Financial Instruments

Policies for Using Financial Instruments

The Group raises long-term funds mainly by bank loans and bonds based on its capital budget. For short-term capital needs, the Group raises funds mainly by bank loans and commercial paper in relation to its projected income and working capital. The Group invests temporary excess cash in secure financial assets. The Group enters into derivative contracts to hedge the risks discussed below and does not enter into derivative transactions for trading or speculative purposes.

Financial Instruments, Exposure to Risk and Policies and Processes for Managing Risk

Notes and accounts receivable are exposed to the credit risks of customers. In order to manage these risks, the Group regularly monitors whether due dates are properly met for each customer and evaluates the credit standing of major customers based on credit management policies. Accounts receivable denominated in foreign currencies are exposed to the risk of changes in foreign currency exchange rates. In order to hedge these risks, the Group utilizes forward currency exchange contracts.

Investments in securities consist principally of the listed shares of customers and are exposed to the risk of change in quoted market prices. Quoted market prices for securities are regularly monitored and reported to the Board of Directors, and management evaluates the effectiveness of holding the securities taking into consideration the customer relationship.

Notes and accounts payable and borrowings are exposed to liquidity risk. The Group makes adequate financial plans to manage the risk. Floating rate long-term borrowings are exposed to the additional risk of change in interest rates. In order to manage the risk, the Group enters into interest rate swap agreements. Furthermore, accounts payable denominated in foreign currencies are exposed to the risk of changes in foreign currency exchange rates. The Group uses forward currency exchange contracts, non-deliverable forward contracts and currency option contracts to manage the risk of currency fluctuation.

Derivative transactions comprise forward currency exchange contracts, non-deliverable forward contracts, currency option contracts, currency swaps, interest rate swap agreements and commodity forward contracts to hedge the risk of movement in the market value of Steel & Aluminum and Advanced Materials. The Group is also exposed to credit risk in the event of nonperformance by the counterparties to its derivative instruments. However, the Group does not expect any counterparties to fail to meet their obligations because of the high credit rating of the counterparties. The Group has established policies and controls to manage both market and credit risk, including using only highly rated banks and trading companies as counterparties, hedging exposed positions, limiting transaction types and amounts and reporting to management.

Supplemental Information on Fair Values

Fair values of financial instruments include values estimated by using reasonable methods of valuation as well as values based on quoted market prices. Estimates resulting from these methods are subjective in nature and involve uncertainties and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. In addition, the contracted amounts of the derivative transactions presented in Note 6 do not reflect the exposure to market risk or credit risk of the derivative instruments themselves.

Fair Value of Financial Instruments

The carrying amounts of the financial instruments included in the consolidated balance sheets and their fair values at March 31, 2023 and 2022 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2023			2022			2023
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Difference
Investments in securities:							
Shares of subsidiaries and associates	¥ 6,249	¥ 6,839	¥ 590	¥ 5,688	¥ 4,441	¥ (1,247)	$ 4,416
Available-for-sale securities	97,804	97,804	-	90,248	90,248	-	-
Short-term borrowings and current portion of long-term borrowings	(169,216)	(173,419)	(4,203)	(87,266)	(91,656)	(4,390)	(31,473)
Current portion of bonds payable	(900)	(894)	6	(25,150)	(25,170)	(20)	47
Bonds payable	(45,000)	(45,345)	(345)	(45,900)	(46,459)	(559)	(2,580)
Long-term borrowings	(646,698)	(643,793)	2,905	(750,126)	(755,575)	(5,449)	21,756
Lease liabilities	(45,241)	(44,366)	875	(51,427)	(50,515)	912	6,549
Derivative transactions:							
Hedge accounting not applied	(1,467)	(1,467)	-	(2,578)	(2,578)	-	-
Hedge accounting applied	(9,975)	(9,975)	-	(18,281)	(18,281)	-	-

Notes:

1. ”Cash and deposits” is omitted as it is cash and the carrying amounts approximate fair values because of the short maturities of deposits.
2. ”Notes - trade,” ” Accounts receivable - trade,” ”Securities” and ”Notes and accounts payable - trade” are omitted as the carrying amounts approximate fair values because of the short maturities of these instruments.
3. Liabilities are presented with parentheses ( ).
4. Assets and liabilities arising from derivative transactions are presented after offsetting and with parentheses ( ) if the offset results in a liability.
5. Financial instruments without fair values at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Non-listed equity securities	¥ **100,574**	¥ 98,445	$ **753,194**

The aggregate annual maturities of financial assets at March 31, 2023 and 2022 were as follows:

Cash and deposits

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Due within 1 year	¥ **203,521**	¥ 243,502	$ **1,524,157**
Due after 1 year through 5 years	**-**	-	**-**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **203,521**	¥ 243,502	$ **1,524,157**

Notes receivable - trade

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Due within 1 year	¥ **23,632**	¥ 29,544	$ **176,982**
Due after 1 year through 5 years	**27**	43	**199**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **23,659**	¥ 29,587	$ **177,181**

Accounts receivable - trade

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Due within 1 year	¥ **316,648**	¥ 265,113	$ **2,371,365**
Due after 1 year through 5 years	**4,288**	4,788	**32,110**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **320,936**	¥ 269,901	$ **2,403,475**

Available-for-sale securities
(Negotiable certificates of deposit)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Due within 1 year	¥ **-**	¥ 17,200	$ **-**
Due after 1 year through 5 years	**-**	-	**-**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **-**	¥ 17,200	$ **-**

The aggregate annual maturities of financial liabilities at March 31, 2023 and 2022 were as follows:

Bonds payable

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2023		2022		**2023**
Due within 1 year	¥	**900**	¥	25,150	**$**	**6,740**
Due after 1 year through 2 years		**-**		900		**-**
Due after 2 years through 3 years		**35,000**		-		**262,113**
Due after 3 years through 4 years		**10,000**		35,000		**74,890**
Due after 4 years through 5 years		**-**		10,000		**-**
Due after 5 years		**-**		-		**-**
	¥	**45,900**	¥	71,050	**$**	**343,743**

Long-term borrowings

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2023		2022		**2023**
Due within 1 year	¥	**136,478**	¥	56,953	**$**	**1,022,078**
Due after 1 year through 2 years		**123,214**		132,169		**922,743**
Due after 2 years through 3 years		**133,397**		118,095		**999,007**
Due after 3 years through 4 years		**105,099**		127,849		**787,079**
Due after 4 years through 5 years		**61,994**		102,331		**464,269**
Due after 5 years		**222,994**		269,682		**1,669,992**
	¥	**783,176**	¥	807,079	**$**	**5,865,168**

Lease liabilities

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2023		2022		**2023**
Due within 1 year	¥	**10,208**	¥	13,975	**$**	**76,451**
Due after 1 year through 2 years		**10,003**		9,449		**74,913**
Due after 2 years through 3 years		**29,066**		8,961		**217,672**
Due after 3 years through 4 years		**2,411**		28,614		**18,056**
Due after 4 years through 5 years		**1,659**		2,141		**12,427**
Due after 5 years		**2,102**		2,262		**15,738**
	¥	**55,449**	¥	65,402	**$**	**415,257**

Other interest bearing debt

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2023		2022		**2023**
Due within 1 year	¥	**119,033**	¥	46,159	**$**	**891,432**
Due after 1 year through 2 years		**301**		331		**2,255**
Due after 2 years through 3 years		**215**		244		**1,609**
Due after 3 years through 4 years		**137**		154		**1,028**
Due after 4 years through 5 years		**61**		75		**457**
Due after 5 years		**-**		28		**-**
	¥	**119,747**	¥	46,991	**$**	**896,781**

Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

Financial instruments measured at fair value in the consolidated balance sheets at March 31, 2023 and 2022 were as follows:

Investments in securities:

Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Level 1	¥ **97,804**	¥ 90,248	$ **732,452**
Level 2	**-**	-	**-**
Level 3	**-**	-	**-**
	¥ **97,804**	¥ 90,248	$ **732,452**

Derivative transactions:

Hedge accounting not applied

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Level 1	¥ **-**	¥ -	$ **-**
Level 2	**(1,467)**	(2,578)	**(10,983)**
Level 3	**-**	-	**-**
	¥ **(1,467)**	¥ (2,578)	$ **(10,983)**

Derivative transactions:

Hedge accounting applied

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Level 1	¥ **-**	¥ -	$ **-**
Level 2	**(9,975)**	(18,281)	**(74,702)**
Level 3	**-**	-	**-**
	¥ **(9,975)**	¥ (18,281)	$ **(74,702)**

Financial instruments other than those measured at fair value in the consolidated balance sheets at March 31, 2023 and 2022 were as follows:

Investments in securities:

Shares of subsidiaries and associates

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Level 1	¥ **6,839**	¥ 4,441	$ **51,216**
Level 2	**-**	-	**-**
Level 3	**-**	-	**-**
	¥ **6,839**	¥ 4,441	$ **51,216**

Short-term borrowings and current portion of long-term borrowings

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Level 1	¥ **-**	¥ -	$ **-**
Level 2	**(173,419)**	(91,656)	**(1,298,726)**
Level 3	**-**	-	**-**
	¥ **(173,419)**	¥ (91,656)	$ **(1,298,726)**

Current portion of bonds payable

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Level 1	¥ **-**	¥ -	$ **-**
Level 2	**(894)**	(25,170)	**(6,693)**
Level 3	**-**	-	**-**
	¥ **(894)**	¥ (25,170)	$ **(6,693)**

Bonds payable

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Level 1	¥ **-**	¥ -	$ **-**
Level 2	**(45,345)**	(46,459)	**(339,583)**
Level 3	**-**	-	**-**
	¥ **(45,345)**	¥ (46,459)	$ **(339,583)**

Long-term borrowings

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Level 1	¥ **-**	¥ -	$ **-**
Level 2	**(643,793)**	(755,575)	**(4,821,335)**
Level 3	**-**	-	**-**
	¥ **(643,793)**	¥ (755,575)	$ **(4,821,335)**

Lease liabilities (long-term liabilities)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Level 1	¥ **-**	¥ -	$ **-**
Level 2	**(44,366)**	(50,515)	**(332,257)**
Level 3	**-**	-	**-**
	¥ **(44,366)**	¥ (50,515)	$ **(332,257)**

Note: A description of the valuation technique and inputs used in the fair value measurements

Investments in securities

Listed shares are valued using market prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Short-term borrowings, long-term borrowings, and lease liabilities (long term liabilities)

The fair values of short-term borrowings, long-term borrowings, and lease liabilities are determined based on the present value by discounting the sum of the principal and interest by the assumed rate which would be applied if a similar new borrowings or lease transaction were entered into. The fair values of floating rate long-term borrowings hedged by interest rate swaps that qualify for hedge accounting and meet specific matching criteria for an exceptional method are calculated by discounting the sum of the principal and interest, including the differential paid or received under the swap agreements, by the reasonably estimated rate which would be applied if similar new borrowings were entered into. They are all classified as Level 2.

Bonds and notes due within one year and bonds and notes

The fair values of bonds and notes due within one year and bonds and notes are determined based on market prices (reference statistical prices and yields) etc., and are classified as Level 2.

Derivative transactions

For foreign currency exchange contracts, the fair values are determined based on the discounted present value method using observable inputs, including forward foreign exchange rates. For interest rate swaps and currency swaps, the fair values are determined based on quotes obtained from counterparty financial institutions with which contracts calculated primarily by the discounted present value method using observable inputs, including interest rates and foreign exchange rates, have been entered into. For commodity forward contracts, the fair values are determined based on the discounted present value method using observable inputs, including commodity futures prices, and classified as Level 2.

5. Securities

The following tables summarize available-for-sale securities at March 31, 2023 and 2022.

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2023			2022			**2023**
	Carrying amount	**Acquisition cost**	**Difference**	Carrying amount	Acquisition cost	Difference	**Difference**
Available-for-sale securities							
Securities with available carrying amount exceeding acquisition cost:							
Equity securities	¥ **96,159**	¥ **48,427**	¥ **47,732**	¥ 88,449	¥ 49,518	¥ 38,931	$ **357,462**
Subtotal	**96,159**	**48,427**	**47,732**	88,449	49,518	38,931	**357,462**
Securities with available carrying amount not exceeding acquisition cost:							
Equity securities	**1,645**	**2,325**	**(680)**	1,799	2,528	(729)	**(5,093)**
Subtotal	**1,645**	**2,325**	**(680)**	1,799	2,528	(729)	**(5,093)**
	¥ **97,804**	¥ **50,752**	¥ **47,052**	¥ 90,248	¥ 52,046	¥ 38,202	$ **352,369**

Unlisted stocks and others (¥13,400 million ($100,353 thousand) for the year ended March 31, 2023 and ¥11,866 million for the year ended March 31, 2022) are not included in the above table because they do not have market prices.

Sales of available-for-sale securities for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Sales	¥ **4,461**	¥ 468	$ **33,412**
Gains on sales	**3,062**	220	**22,931**
Losses on sales	**(60)**	(11)	**(450)**

6. Derivative Transactions

Derivative transactions for which hedge accounting is not applied

Forward currency exchange contracts outstanding at March 31, 2023 and 2022 were as follows:

	Millions of yen								Thousands of U.S. dollars (Note 1)
	2023				2022				2023
	Contracted amount	Over one year	Fair value	Recognized gain (loss)	Contracted amount	Over one year	Fair value	Recognized gain (loss)	Fair value
Foreign currency exchange contracts									
To sell foreign currencies:									
U.S. dollars	¥ 44,407	¥ 3,905	¥ 149	¥ 149	¥ 15,857	¥ 5,857	¥ (1,090)	¥ (1,090)	$ 1,116
Others	55,460	2,696	(252)	(252)	24,320	-	(1,256)	(1,256)	(1,885)
To buy foreign currencies:						-	-	-	-
U.S. dollars	17,507	-	(863)	(863)	12,979	-	82	82	(6,466)
Others	25,644	-	(501)	(501)	12,981	-	(314)	(314)	(3,750)
				¥ (1,467)				¥ (2,578)	$ (10,985)

Commodity forward contracts outstanding at March 31, 2023 and 2022 were as follows:

	Millions of yen								Thousands of U.S. dollars (Note 1)
	2023				2022				2023
	Contracted amount	Over one year	Fair value	Recognized gain (loss)	Contracted amount	Over one year	Fair value	Recognized gain (loss)	Fair value
Commodity forward contracts									
To sell commodities	¥ -	¥ -	¥ -	¥ -	¥ 10	¥ -	¥ (1)	¥ (1)	$ -
To buy commodities	3	-	0	0	¥ 9	-	1	1	1

Derivative transactions for which hedge accounting is applied

Forward currency exchange contracts and currency options outstanding at March 31, 2023 and 2022 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2023			2022			2023
	Contracted amount	Over one year	Fair value	Contracted amount	Over one year	Fair value	Fair value
Hedges for which the "deferred hedge" method is applied							
Foreign currency exchange contracts							
To sell foreign currencies:							
U.S. dollars	¥ 49,429	¥ 17,613	¥ (9)	¥ 29,056	¥ 9,549	¥ (2,250)	$ (70)
Others	20,733	4,711	(451)	22,729	2,754	(1,769)	(3,379)
To buy foreign currencies:							
U.S. dollars	7,294	2,231	42	3,200	279	263	311
Others	11,220	603	428	8,291	256	216	3,207
Foreign currency options							
To sell foreign currency options:							
Call							
U.S. dollars	-	-	-	-	-	-	-
	[-]			[-]			
To buy foreign currency options:							
Put							
U.S. dollars	-	-	-	-	-	-	-
	[-]			[-]			
Hedges for which the "assigning" method is applied							
Foreign currency exchange contracts							
To sell foreign currencies:							
U.S. dollars	¥ 9,814	¥ 459	¥ -	¥ 26,973	¥ 269	¥ -	$ -
Others	9,518	1,083	-	29,672	733	-	-
To buy foreign currencies:							
U.S. dollars	1,695	164	-	1,193	-	-	-
Others	1,112	66	-	15,445	-	-	-

Notes:

1. Hedges for which the "assigning" method is applied

For certain accounts receivable and accounts payable denominated in foreign currencies for which foreign currency exchange contracts are used to hedge foreign currency fluctuations, the fair values are included in the fair values of the hedged accounts receivable and accounts payable.

2. Option premiums are presented below the contracted amount with brackets [ ].

Foreign currency options are zero cost options in which option premiums are not paid or received.

Interest rate swap agreements outstanding at March 31, 2023 and 2022 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2023			2022			2023
	Contracted amount	Over one year	Fair value	Contracted amount	Over one year	Fair value	Fair value
Hedges for which the "deferred hedge" method is applied							
Interest rate swap agreements							
To receive floating and pay fixed rates	¥ 297,460	¥ 291,350	¥ (10,031)	¥ 261,130	¥ 254,200	¥ (14,486)	$ (75,124)
Hedges for which the "exceptional" method is applied							
Interest rate swap agreements							
To receive floating and pay fixed rates	¥ 48,120	¥ 48,120	¥ -	¥ 48,480	¥ 48,480	¥ -	$ -

Notes:

1. Hedges for which the "exceptional" method is applied

For certain long-term borrowings for which interest rate swap agreements are used to hedge the variable risk to interest, the fair values are included in the fair values of the long-term borrowings.

Commodity forward contracts outstanding at March 31, 2023 and 2022 were as follows:

	Millions of yen											Thousands of U.S. dollars (Note 1)	
	2023						2022						**2023**
	Contracted amount						Contracted amount						
			Over one year		**Fair value**				Over one year		Fair value		**Fair value**
Hedges for which the "deferred hedge" method is applied													
Commodity forward contracts													
To sell commodities	¥	**4,193**	¥	**-**	¥	**131**	¥	3,319	¥	-	¥	(542)	$ **978**
To buy commodities		**2,062**		**20**		**(84)**		2,871		143		287	**(626)**

7. Short-Term Borrowings and Long-Term Borrowings

Short-term borrowings at March 31, 2023 and 2022 consisted of the following:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2023		2022		**2023**
Bank loans (average rate: 2.28% in 2023 and 1.90% in 2022)	¥	**32,738**	¥	30,313	$	**245,176**

Long-term borrowings at March 31, 2023 and 2022 consisted of the following:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2023		2022		**2023**
0.04% to 1.23% yen bonds, due 2022	¥	**-**	¥	25,150	$	**-**
0.04% to 0.92% yen bonds, due 2023 through 2026		**45,900**		45,900		**343,743**
Loans, principally from banks and insurance companies, due 2023 through 2036		**783,176**		807,079		**5,865,168**
		829,076		878,129		**6,208,911**
Less current portion		**137,378**		82,103		**1,028,818**
	¥	**691,698**	¥	796,026	$	**5,180,093**

The aggregate annual maturities of long-term borrowings at March 31, 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
		2023		**2023**
Due within 1 year	¥	**137,378**	$	**1,028,818**
Due after 1 year through 2 years		**123,214**		**922,743**
Due after 2 years through 3 years		**168,397**		**1,261,120**
Due after 3 years through 4 years		**115,099**		**861,968**
Due after 4 years through 5 years		**61,994**		**464,269**
Due after 5 years		**222,994**		**1,669,993**
	¥	**829,076**	$	**6,208,911**

At March 31, 2023 and 2022, assets pledged as collateral for short-term borrowings and long-term borrowings were as follows:

	Millions of yen								Thousands of U.S. dollars (Note 1)			
	2023				2022				**2023**			
Assets pledged as collateral:												
Property, plant and equipment, net of accumulated depreciation	¥	**258,043**	¥	**[255,203]**	¥	248,772	¥	[244,280]	$	**1,932,469**	$	**[1,911,202]**
Cash and deposits		**58,741**		**[57,956]**		20,044		[19,122]		**439,911**		**[434,027]**
Other assets		**53,183**		**[35,853]**		29,950		[14,654]		**398,284**		**[268,505]**
	¥	**369,967**	¥	**[349,012]**	¥	298,766	¥	[278,056]	$	**2,770,664**	$	**[2,613,734]**
Secured short-term borrowings and long-term borrowings:	¥	**272,375**	¥	**[271,287]**	¥	254,170	¥	[253,287]	$	**2,039,802**	$	**[2,031,659]**
	¥	**272,375**	¥	**[271,287]**	¥	254,170	¥	[253,287]	$	**2,039,802**	$	**[2,031,659]**

Notes:

1. Amounts in brackets [ ] indicate those related to the factory foundation, etc.

8. Provision for Loss on Construction Contracts

Inventories for construction contracts with anticipated losses and provision for loss on construction contracts were not offset. The inventories for the construction contracts for which the provision for loss on construction contracts were provided were ¥3,976 million ($29,779 thousand) for the year ended March 31, 2023 and ¥4,981 million for the year ended March 31, 2022. These amounts were included in "Work-in-process."

9. Land Revaluation

In the years ended March 31, 2002 and 2001, land used for operations was revalued by certain consolidated subsidiaries in accordance with the Land Revaluation Law. The revaluation amount, net of related taxes, is shown as accumulated other comprehensive income in net assets.

The difference has not been stated because the fair value at March 31, 2023 and at March 31, 2022 exceeded the carrying amount of the revalued amount.

10. Commitment Line

The unexercised portion of facilities based on commitment line contracts at March 31, 2023 and 2022 was as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2023		2022		**2023**
Total commitment line available	¥	**153,327**	¥	153,161	$	**1,148,257**
Less amount utilized		**-**		-		**-**
	¥	**153,327**	¥	153,161	$	**1,148,257**

11. Contingent Liabilities Regarding Notes and Loans Guaranteed

Contingent liabilities regarding notes and loans guaranteed at March 31, 2023 and 2022 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2023		2022		**2023**
Trade notes discounted	¥	**1,086**	¥	-	$	**8,133**
Trade notes endorsed		**3,658**		132		**27,396**
Guarantees of loans:						
Related parties		**1,631**		7,800		**12,212**
Others		**4,944**		154		**37,024**
	¥	**11,319**	¥	8,086	$	**84,765**

Guarantees of loans included ¥2,508 million at March 31, 2022 covered by reassurances from other companies.

Kobelco Construction Machinery (China) Co., Ltd., which is a consolidated subsidiary of the Company, sells construction machinery to customers through sales agents or leasing companies. Sales agents pledge guarantees to buy up construction machinery pledged as collateral at the amounts of the balance on bank loans or future minimum lease payments. Kobelco Construction Machinery (China) Co., Ltd. pledges reassurances for these guarantees. The balances of the reassurances were ¥5,921 million ($44,340 thousand) for the year ended March 31, 2023 and ¥12,751 million for the year ended March 31, 2022.

12. Contingent Liabilities Regarding Repurchase Obligations Accompanying Securitization of Receivables

Contingent liabilities regarding repurchase obligations accompanying securitization of receivables at March 31, 2023 and 2022 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2023		2022		**2023**
	¥	**5,379**	¥	5,696	$	**40,284**

13. Net Assets

Net assets comprise stockholders' equity, accumulated other comprehensive income and non-controlling interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006. The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, generally with a resolution of the shareholders' meeting, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or be capitalized.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

14. Revenue recognized from contracts with customers

Revenue recognized from contracts with customers and revenue recognized from other sources are not stated separately because the amount of revenue recognized from other sources is not material. Revenue recognized from contracts with customers is presented in "(1) Disaggregation of revenue from contracts with customers" of Note 21.

15. Cost of Sales

Loss on the write-down of inventories included in the cost of sales was ¥3,864 million ($28,934 thousand) loss for the year ended March 31, 2023 and ¥308 million loss for the year ended March 31, 2022.

The provision for loss on construction contracts included in the cost of sales was ¥8,839 million ($66,194 thousand) for the year ended March 31, 2023 and ¥8,487 million for the year ended March 31, 2022.

16. Research and Development Expenses

Research and development expenses included in cost of sales and selling, general and administrative expenses were ¥36,702 million ($274,863 thousand) for the year ended March 31, 2023 and ¥33,245 million for the year ended March 31, 2022.

17. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2023 and 2022 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Freight	¥ **63,395**	¥ 56,161	$ **474,764**
Employees' compensation	**48,138**	45,564	**360,507**
Research and development	**20,976**	19,754	**157,086**
Commission fee	**14,372**	13,617	**107,629**
Welfare and legal welfare expenses	**13,341**	12,633	**99,912**
Rent expenses	**9,656**	9,951	**72,310**
Taxes and dues	**11,022**	8,542	**82,545**
Provision for bonuses	**6,166**	6,081	**46,178**
Depreciation	**5,574**	5,213	**41,744**
Travel expenses	**4,869**	3,152	**36,465**
Others	**37,417**	39,513	**280,205**
	¥ **234,926**	¥ 220,181	$ **1,759,345**

18. Loss on liquidation of business

Loss on liquidation of business of ¥4,332 million ($32,446 thousand) consists of compensation, etc. for retirees due to the integration of the production of hydraulic excavators of Hangzhou Kobelco Construction Machinery Co., Ltd., a production subsidiary in China in the Construction Machinery Business, into Kobelco Construction Machinery (China) Co., Ltd. of ¥3,419 million ($25,611 thousand) and additional retirement benefits, etc. expected due to the business downsizing of Koshuha Precision Co., Ltd., a subsidiary in the Steel & Aluminum Business, of ¥913 million ($6,835 thousand).

19. Impairment Losses

The Group recognized impairment losses of ¥4,438 million ($33,238 thousand) on the below asset groups for the fiscal year ended March 31, 2023. The breakdown of impairment losses was as follows: buildings and structures of ¥3,120 million ($23,368 thousand), machinery, equipment and vehicles of ¥650 million ($4,866 thousand), land of ¥43 million ($325 thousand) and intangible assets of ¥625 million ($4,679 thousand).

Use	Location and number	Type		Millions of yen		Thousands of U.S. dollars (Note 1)
				2023		**2023**
Assets for manufacturing construction machinery (Kobelco Construction Machinery (China) Co., Ltd.,)	Sichuan, China 3 cases in total	Buildings and structures, etc.	¥	**4,097**	$	**30,682**
Idle assets	Chuo-ku, Kobe-shi and other locations 6 cases in total	Intangible assets, etc.		**341**		**2,556**
			¥	**4,438**	$	**33,238**

In the Group’s determination of impairment losses, the assets for business use are, in principle, grouped by business office while taking into account continuous income/loss management and the unit of cash generation. Idle assets are grouped for each individual property.

A recoverable value is measured primarily by a net sales value, which is based on an appraisal value, estimated sales value, and others.

The background for recognizing impairment losses for each main asset group was as follows.

Assets for manufacturing construction machinery (Kobelco Construction Machinery (China) Co., Ltd.,)

Book values of ¥6,788 million ($50,832 thousand) were reduced to the respective recoverable values, and the reductions were recorded as impairment losses of ¥4,097 million ($30,682 thousand) under extraordinary losses due to lower profitability as a result of a decline in demand caused by slower infrastructure investment and other factors.

20. Income Taxes

Significant components of the Group's deferred income tax assets and liabilities at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Deferred tax assets:			
Tax loss carryforwards	¥ **24,940**	¥ 23,873	$ **186,779**
Retirement benefit liability	**21,547**	24,685	**161,361**
Impairment losses	**16,356**	17,877	**122,486**
Unrealized profit	**15,305**	15,106	**114,615**
Provision for bonuses	**7,907**	7,689	**59,215**
Loss on valuation of inventories	**6,456**	5,473	**48,350**
Provision for product warranties	**5,537**	4,426	**41,468**
Allowance for doubtful accounts	**5,029**	4,622	**37,659**
Other	**35,760**	36,697	**267,813**
Total deferred tax assets	**138,837**	140,448	**1,039,746**
Valuation allowance related to tax loss carryforwards	**(13,043)**	(12,245)	**(97,680)**
Valuation allowance related to total deductible temporary difference, etc.	**(38,617)**	(38,840)	**(289,199)**
Valuation allowance	**(51,660)**	(51,085)	**(386,879)**
Deferred tax assets	**87,177**	89,363	**652,867**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**14,413**	11,742	**107,942**
Gain on return of assets from retirement benefit trust	**8,030**	8,030	**60,134**
Revaluation reserve for land	**3,254**	3,254	**24,366**
Special tax purpose reserve	**1,987**	2,126	**14,878**
Other	**22,621**	18,555	**169,414**
Total deferred tax liabilities	**50,305**	43,707	**376,734**
Net deferred tax assets	¥ **36,872**	¥ 45,656	$ **276,133**

Amount of tax loss carryforwards and related deferred tax assets by tax loss carryforwards for the year ended March 31, 2023 and 2022 were as follows:

Tax loss carryforwards (Note 1)	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Due within 1 year	**824**	1,545	**6,174**
Due after 1 year through 2 years	**918**	788	**6,878**
Due after 2 years through 3 years	**3,667**	1,530	**27,459**
Due after 3 years through 4 years	**123**	3,571	**922**
Due after 4 years through 5 years	**2,023**	269	**15,153**
Due after 5 years	**17,385**	16,170	**130,193**
	¥ **24,940**	¥ 23,873	$ **186,779**

Notes:

1. Figures for the tax loss carryforwards were the amounts multiplied by the effective statutory tax rate.

Valuation allowance	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Due within 1 year	**(326)**	(949)	**(2,443)**
Due after 1 year through 2 years	**(237)**	(309)	**(1,777)**
Due after 2 years through 3 years	**(2,505)**	(888)	**(18,760)**
Due after 3 years through 4 years	**(25)**	(3,242)	**(189)**
Due after 4 years through 5 years	**(1,965)**	(118)	**(14,716)**
Due after 5 years	**(7,985)**	(6,739)	**(59,795)**
	¥ **(13,043)**	¥ (12,245)	$ **(97,680)**

Deferred tax assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Due within 1 year	**498**	596	**3,731**
Due after 1 year through 2 years	**681**	479	**5,101**
Due after 2 years through 3 years	**1,162**	642	**8,699**
Due after 3 years through 4 years	**98**	329	**733**
Due after 4 years through 5 years	**58**	151	**437**
Due after 5 years	**9,400**	9,431	**70,398**
	¥ **11,897**	¥ 11,628	$ **89,099**

The reconciliation of the statutory tax rate and the effective tax rate for the years ended March 31, 2023 and 2022 were as follows:

	2023		2022	
Aggregate statutory income tax rate in Japan	**30.6**	%	30.6	%
Nondeductible entertainment expenses	**0.8**		0.9	
Exclusion of dividends received	**(0.5)**		(0.6)	
Share of profit of entities accounted for using equity method	**(2.1)**		(1.9)	
Adjustment of gain on sale of investment securities	**-**		2.2	
Increase (Decrease) in valuation allowance	**0.9**		(6.7)	
Differences in normal tax rates of subsidiaries	**(1.1)**		(2.5)	
Tax deduction	**(5.6)**		(2.4)	
Other	**0.2**		4.6	
Effective income tax rate	**23.2**	%	24.2	%

Accounting for income taxes and tax effect accounting

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system from fiscal year ended March 31, 2023. In addition, income taxes, as well as their tax effects, are accounted for and disclosed under Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (ASBJ Guidance No. 42, August 12, 2021).

21. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

The following is a breakdown of the Group’s net sales by reportable segments, broken down by region and by the time of the transfer of the goods or services.

①Breakdown by region for the years ended March 31, 2022 and 2023 was as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2023	2022	**2023**
Japan	Steel & Aluminum:	¥ **820,998**	¥ 678,171	$ **6,148,414**
	Steel	**702,009**	572,581	**5,257,313**
	Aluminum sheet	**118,989**	105,590	**891,101**
	Advanced Materials	**149,508**	193,029	**1,119,652**
	Welding	**46,793**	42,867	**350,429**
	Machinery	**68,318**	61,624	**511,632**
	Engineering	**110,846**	107,974	**830,119**
	Construction Machinery	**150,916**	147,405	**1,130,201**
	Electric Power	**324,369**	109,866	**2,429,187**
	Other Businesses	**15,714**	17,687	**117,684**
	Subtotal	¥ **1,687,462**	¥ 1,358,623	$ **12,637,318**
China	Steel & Aluminum:	**82,763**	72,736	**619,813**
	Steel	**37,850**	41,294	**283,460**
	Aluminum sheet	**44,913**	31,442	**336,353**
	Advanced Materials	**24,310**	23,265	**182,056**
	Welding	**8,775**	7,257	**65,716**
	Machinery	**40,921**	41,779	**306,455**
	Engineering	**10,621**	7,652	**79,537**
	Construction Machinery	**28,092**	47,586	**210,388**
	Electric Power	**-**	-	**-**
	Other Businesses	**1,271**	1,600	**9,513**
	Subtotal	¥ **196,753**	¥ 201,875	$ **1,473,478**
Other	Steel & Aluminum:	**161,996**	130,146	**1,213,180**
	Steel	**135,624**	108,135	**1,015,679**
	Aluminum sheet	**26,372**	22,011	**197,501**
	Advanced Materials	**92,362**	108,055	**691,698**
	Welding	**31,751**	26,099	**237,781**
	Machinery	**72,353**	58,426	**541,849**
	Engineering	**22,273**	18,694	**166,803**
	Construction Machinery	**202,712**	176,558	**1,518,097**
	Electric Power	**-**	-	**-**
	Other Businesses	**3,200**	2,646	**23,967**
	Subtotal	¥ **586,647**	¥ 520,624	$ **4,393,375**
Segment total	Steel & Aluminum:	**1,065,757**	881,053	**7,981,407**
	Steel	**875,483**	722,010	**6,556,452**
	Aluminum sheet	**190,274**	159,043	**1,424,955**
	Advanced Materials	**266,180**	324,349	**1,993,406**
	Welding	**87,319**	76,223	**653,926**
	Machinery	**181,592**	161,829	**1,359,936**
	Engineering	**143,740**	134,320	**1,076,459**
	Construction Machinery	**381,720**	371,549	**2,858,686**
	Electric Power	**324,369**	109,866	**2,429,187**
	Other Businesses	**20,185**	21,933	**151,164**
	Total sales to external customers	**2,470,862**	2,081,122	**18,504,171**
	Adjustment	**1,647**	1,461	**12,333**
	Consolidated sales to external customers	¥ **2,472,509**	¥ 2,082,583	$ **18,516,504**

②Breakdown by the time of the transfer of the goods or services for the years ended March 31, 2022 and 2023 was as follows:

		Millions of yen				Thousands of U.S. dollars (Note 1)	
			2023		2022		2023
Goods or services transferred at a point in time	Steel & Aluminum:	¥	**1,053,363**	¥	868,427	$	**7,888,586**
	Steel		**863,089**		709,384		**6,463,631**
	Aluminum sheet		**190,274**		159,043		**1,424,955**
	Advanced Materials		**266,180**		324,349		**1,993,406**
	Welding		**87,319**		76,223		**653,926**
	Machinery		**164,651**		148,860		**1,233,067**
	Engineering		**49,426**		46,909		**370,150**
	Construction Machinery		**372,500**		362,100		**2,789,635**
	Electric Power		**324,369**		109,866		**2,429,187**
	Other Businesses		**19,663**		21,421		**147,254**
	Subtotal	¥	**2,337,471**	¥	1,958,155	$	**17,505,211**
Goods or services transferred over a certain period of time	Steel & Aluminum:		**12,394**		12,626		**92,821**
	Steel		**12,394**		12,626		**92,821**
	Aluminum sheet		**-**		-		**-**
	Advanced Materials		**-**		-		**-**
	Welding		**-**		-		**-**
	Machinery		**16,941**		12,969		**126,869**
	Engineering		**94,314**		87,411		**706,309**
	Construction Machinery		**9,220**		9,449		**69,051**
	Electric Power		**-**		-		**-**
	Other Businesses		**522**		512		**3,910**
	Subtotal	¥	**133,391**	¥	122,967	$	**998,960**
Segment total	Steel & Aluminum:		**1,065,757**		881,053		**7,981,407**
	Steel		**875,483**		722,010		**6,556,452**
	Aluminum sheet		**190,274**		159,043		**1,424,955**
	Advanced Materials		**266,180**		324,349		**1,993,406**
	Welding		**87,319**		76,223		**653,926**
	Machinery		**181,592**		161,829		**1,359,936**
	Engineering		**143,740**		134,320		**1,076,459**
	Construction Machinery		**381,720**		371,549		**2,858,686**
	Electric Power		**324,369**		109,866		**2,429,187**
	Other Businesses		**20,185**		21,933		**151,164**
	Total sales to external customers		**2,470,862**		2,081,122		**18,504,171**
	Adjustment		**1,647**		1,461		**12,333**
	Consolidated sales to external customers	¥	**2,472,509**	¥	2,082,583	$	**18,516,504**

Notes:

1. "Other" segment is a business segment not included in the reportable segments and includes Kobelco Research Institute, Inc. (special alloys and other new materials (target materials, etc.), analysis of various materials, etc.) and other businesses.
2. Revenue recognized from contracts with customers includes revenue recognized from other sources because most sales to external customers are revenue recognized from contracts with customers.
3. Information on net sales by region is based on the location of customers and broken down by country.

(2) Information to understand the amount of revenue for the current fiscal year and subsequent fiscal years

①Contract asset and contract liability balances at March 31, 2022 and 2023 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2023		2022		2023
Receivables from contracts with customers (beginning balance)	¥	**328,099**	¥	273,985	$	**2,457,117**
Receivables from contracts with customers (ending balance)		**402,497**		328,099		**3,014,284**
Contract assets (beginning balance)		**29,874**		40,009		**223,726**
Contract assets (ending balance)		**26,074**		29,874		**195,269**
Contract liabilities (beginning balance)		**45,219**		36,109		**338,642**
Contract liabilities (ending balance)		**58,828**		45,219		**440,562**

Contract assets relate to the consideration for transactions for which an invoice has not yet been issued under the contract for revenue recognized based on progress, mainly in the machinery and engineering businesses. Once the right to the consideration becomes unconditional, it is reclassified to receivables from contracts with customers.

Contract liabilities primality relate to advances received from customers. Revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was ¥33,058 million ($247,570 thousand) for the year ended March 31, 2023 and ¥21,833 million for the year ended March 31, 2022. The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied in the previous fiscal year was not material.

②Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame over which the Group expects to recognize the amount as revenue were as follows. The performance obligations primarily relate to the sales of products, construction contracts, and the provision of services in the machinery and engineering businesses.

The Group has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations and does not disclose contracts with an original expected duration of one year or less.

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2023		2022		**2023**
Within one year	**¥**	**238,441**	¥	226,468	**$**	**1,785,675**
Over one year		**374,677**		240,326		**2,805,938**
	¥	**613,118**	¥	466,794	**$**	**4,591,613**

22. Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects for each component of other comprehensive income for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Valuation difference on available-for-sale securities:			
Unrealized gains arising during the period	¥ **10,693**	¥ 19,051	$ **80,081**
Less reclassification adjustment included in profit	**(1,958)**	(111)	**(14,662)**
	8,735	18,940	**65,419**
Tax effects	**(2,681)**	(5,728)	**(20,078)**
	6,054	13,212	**45,341**
Deferred gains or losses on hedges:			
Unrealized gains arising during the period	**6,631**	2,103	**49,665**
Less reclassification adjustment included in profit	**2,051**	(3,242)	**15,357**
Adjustments of acquisition cost for assets	**(436)**	553	**(3,268)**
	8,246	(586)	**61,754**
Tax effects	**(2,230)**	558	**(16,701)**
	6,016	(28)	**45,053**
Revaluation reserve for land:			
Unrealized losses arising during the period	**-**	-	**-**
Less reclassification adjustment included in profit	**-**	-	**-**
	-	-	**-**
Tax effects	**-**	5	**-**
	-	5	**-**
Foreign currency translation adjustment:			
Translation adjustments arising during the period	**16,830**	19,162	**126,039**
Less reclassification adjustment included in profit	**-**	173	**-**
	16,830	19,335	**126,039**
Remeasurements of defined benefit plans:			
Unrealized gains arising during the period	**18,965**	6,240	**142,027**
Less reclassification adjustment included in profit	**1,221**	3,535	**9,147**
	20,186	9,775	**151,174**
Tax effects	**(5,145)**	(2,604)	**(38,534)**
	15,041	7,171	**112,640**
Share of other comprehensive gains related to equity method companies:			
Unrealized gains arising during the period	**1,614**	2,424	**12,084**
Less reclassification adjustment included in profit	**(527)**	70	**(3,944)**
	1,087	2,494	**8,140**
Total other comprehensive income	¥ **45,028**	¥ 42,189	$ **337,213**

23. Consolidated Statements of Changes in Net Assets

Changes in the number of shares issued and outstanding during the years ended March 31, 2023 and 2022 were as follows:

	Number of shares
Common shares outstanding	
Balance at March 31, 2021	364,364,210
Increase due to issuance of common shares in a share exchange	31,981,753
(No decrease)	-
Balance at March 31, 2022	396,345,963
(No increase)	-
(No decrease)	-
Balance at March 31, 2023	396,345,963

Changes in the number of treasury shares outstanding during the years ended March 31, 2023 and 2022 were as follows:

	Number of shares
Treasury shares outstanding	
Balance at March 31, 2021	1,670,210
Increase due to purchase of odd-lot shares	8,930
Increase due to gain by associates accounted for by the equity method	155,743
Decrease due to sale of odd-lot shares	(642)
Decrease in equity ratio in associates accounted for by the equity method	(24,405)
Decrease due to BBT	(11,600)
Balance at March 31, 2022	1,798,236
Increase due to purchase of odd-lot shares	8,224
Decrease due to sale of odd-lot shares	(1,146)
Decrease due to sale by associates accounted for by the equity method	(16,718)
Decrease due to BBT	(356,400)
Balance at March 31, 2023	1,432,196

Amount of dividend payments during the year ended March 31, 2023 was as follows:

		Millions of yen / Thousands of U.S. dollars (Note 1)	Yen/ U.S. dollars (Note 1)		
Decision	Kind of stock	Total payments	Cash dividends per share	Record date	Operative date
At the Board of Directors' meeting held on May 18, 2022	Common share	¥11,883 $88,988	¥30.00 $0.22	March 31, 2022	June 23, 2022
At the Board of Directors' meeting held on November 9, 2022	Common share	¥5,941 $44,494	¥15.00 $0.11	September 30, 2022	December 1, 2022

Dividends for which the record date belongs to the year ended March 31, 2023, and the operative date is the year ending March 31, 2024 were as follows:

			Millions of yen / Thousands of U.S. dollars (Note 1)	Yen/ U.S. dollars (Note 1)		
Decision	Kind of stock	Source of dividends	Total payments	Cash dividends per share	Record date	Operative date
At the Board of Directors' meeting held on May 17, 2023	Common share	Retained earnings	¥9,902 $74,156	¥25.00 $0.19	March 31, 2023	June 1, 2023

24. Consolidated Statements of Cash Flows

The reconciliation of cash and cash equivalents in the consolidated statements of cash flows and the consolidated balance sheets at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Cash and deposits in the consolidated balance sheets	¥ **203,521**	¥ 243,502	$ **1,524,157**
Time deposits due over three months	**(127)**	(190)	**(947)**
Certificates of deposit included in the securities account	**-**	17,200	**-**
Cash and cash equivalents in the consolidated statements of cash flows	¥ **203,394**	¥ 260,512	$ **1,523,210**

Breakdown of assets and liabilities at the time of sale as Kobelco & Materials Copper Tube, Ltd., etc. ceased to be consolidated subsidiaries due to the sale of shares and the selling price of shares and payment for sale of investment in subsidiaries resulting in change in scope of consolidation were as follows:

		Millions of yen
		2022
Current assets	¥	42,118
Non-current assets		10,048
Current liabilities		(18,748)
Non-current liabilities		(18,689)
Accumulated other comprehensive income		(652)
Non-controlling interests		(5,071)
Loss on sale of investment securities		(9,220)
Incidental expenses associated with the sale of shares		126
Selling price of shares	¥	(88)
Cash and cash equivalents		(4,236)
Incidental expenses associated with the sale of shares		(126)
Accounts payable		443
Deduction : Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	¥	(4,007)

25. Related Party Transactions

Transactions of the Company with related parties for the year ended March 31, 2023 consisted of the following:

Millions of yen / thousands of U.S. dollars (Note 1)

Category	Name	Paid-in capital	Content of business	Percentage of ownership	Transactions		Resulting accounting balance	
					Description of transactions	Amount	Account	Amount
Associates	Shinsho Corporation	¥5,650 million	Trades iron and steel, nonferrous metals, machinery	13.42% directly and 1.05% indirectly (21.70%)	Sales of our products	¥276,511 $2,070,775	Accounts receivable	¥47,110 $352,802
					Purchases of raw materials and materials for equipment	¥812,816 $6,087,144	Accounts payable	¥27,077 $202,780
Associates	Kansai Coke and Chemicals Co., Ltd.	¥6,000 million	Produces and sells industrial chemical products such as coke	24.00% directly	Supplies of coal	¥137,507 $1,029,785	Accounts receivable	¥3,245 $24,299
					Purchases of coke	¥143,459 $1,074,360	Accounts payable	¥32,255 $241,556

Transactions of the Company with related parties for the year ended March 31, 2022 consisted of the following:

Millions of yen

Category	Name	Paid-in capital	Content of business	Percentage of ownership	Transactions		Resulting accounting balance	
					Description of transactions	Amount	Account	Amount
Associates	Shinsho Corporation	¥5,650 million	Trades iron and steel, nonferrous metals, machinery	13.33% directly and 1.04% indirectly (21.56%)	Sales of our products	¥236,473	Accounts receivable	¥14,757
					Purchases of raw materials and materials for equipment	¥523,545	Accounts payable	¥37,263
Associates	Kansai Coke and Chemicals Co., Ltd.	¥6,000 million	Produces and sells industrial chemical products such as coke	24.00% directly	Supplies of coal	¥86,545	Accounts receivable	¥14,065
					Purchases of coke	¥91,172	Accounts payable	¥21,844

Notes:

1. The terms and conditions applicable to the above transactions were determined by the negotiation considering the market trend.
2. The above amounts of transactions do not include transactions which were eliminated in the consolidation process with consolidated subsidiaries via Shinsho Corporation.
3. The number in parentheses is the percentage of shareholders who agree with the Company when exercising voting rights.

26. Employees' Severance and Retirement Benefits

Summary of Adopted Retirement Benefits

The Company and its domestic consolidated subsidiaries operate two defined benefit retirement plans which consist of unfunded lump-sum payment plans and funded non-contributory pension plans. Some unfunded lump-sum payment plans became funded as a result of contributions of securities to retirement benefit trusts. The Company and certain domestic consolidated subsidiaries operate contribution pension plans.

Net defined benefit asset or liability in the consolidated balance sheet for the years ended March 31, 2023 and 2022 consisted of the following:

Defined Benefit Retirement Plans

(1) Changes in projected benefit obligation

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Balance at beginning of year	¥ 155,635	¥ 157,109	$ 1,165,538
Service costs	10,968	11,111	82,138
Interest cost on projected benefit obligation	362	367	2,708
Actuarial differences arising during the period	(12,290)	281	(92,040)
Unrecognized prior service cost arising during the period	102	(3,133)	763
Amount of payment of retirement benefits	(6,264)	(6,662)	(46,909)
Increase (decrease) due to change in scope of consolidation	41	(3,367)	312
Exchange difference	200	111	1,502
Adjustment from the simplified method to the principle method	192	-	1,440
Other	(28)	(182)	(205)
Balance at end of year	¥ 148,918	¥ 155,635	$ 1,115,247

(2) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Balance at beginning of year	¥ 95,192	¥ 92,430	$ 712,889
Expected return on plan assets	224	218	1,674
Actuarial differences arising during the period	6,777	5,202	50,751
Amount of contribution by the employer	1,658	1,978	12,416
Amount of payment of retirement benefits	(4,248)	(5,549)	(31,815)
Increase (decrease) due to change in scope of consolidation	-	(589)	-
Increase (decrease) due to Share exchange	-	1,486	-
Other	31	16	242
Balance at end of year	¥ 99,634	¥ 95,192	$ 746,157

(3) Reconciliation from projected benefit obligations and plan assets to net defined benefit liability and asset

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Funded projected benefit obligation	¥ 109,049	¥ 119,583	$ 816,666
Plan assets	(99,634)	(95,192)	(746,157)
	9,415	24,391	70,509
Unfunded projected benefit obligation	39,869	36,052	298,581
Net of defined benefit liability and asset	¥ 49,284	¥ 60,443	$ 369,090
Net defined benefit liability	71,376	79,979	534,534
Net defined benefit asset	(22,092)	(19,536)	(165,444)
Net of defined benefit liability and asset	¥ 49,284	¥ 60,443	$ 369,090

(4) Breakdown of severance and retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Service costs	¥ 10,968	¥ 11,111	$ 82,138
Interest cost on projected benefit obligation	362	367	2,708
Expected return on plan assets	(224)	(218)	(1,674)
Amortization of actuarial differences	1,179	3,510	8,831
Amortization of prior service cost	42	(1,789)	316
Adjustment from the simplified method to the principle method	192	-	1,440
Other	(1)	13	(14)
Severance and retirement benefit expenses on defined benefit retirement plans	¥ 12,518	¥ 12,994	$ 93,745
Compensation, etc. for retirees due to the liquidation of business	3,672	-	27,501
Total	¥ 16,190	¥ 12,994	$ 121,246

Compensation, etc. for retirees due to the integration of business was recorded in "Loss on liquidation of business" of extraordinary losses.

(5) Breakdown of remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Prior service cost	¥ **(60)**	¥ 1,344	$ **(447)**
Actuarial differences	**20,246**	8,431	**151,621**
Total	¥ **20,186**	¥ 9,775	$ **151,174**

(6) Accumulated breakdown of remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Unrecognized prior service cost	¥ **(7,897)**	¥ (7,957)	$ **(59,140)**
Unrecognized actuarial differences	**(18,019)**	2,227	**(134,946)**
Total	¥ **(25,916)**	¥ (5,730)	$ **(194,086)**

(7) Plan assets

(a) Breakdown of plan assets

	2023	2022
Stock	**30** %	25 %
General account of insurance company	**36**	39
Bonds	**20**	21
Other	**14**	15
Total	**100** %	100 %

(b) The method used to determine long-term expected rate of return

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2023 and 2022 were as follows:

	2023	2022
Discount rates	**mainly 0.8%**	mainly 0.0%
Long-term expected rate of return	**mainly 0.1%**	mainly 0.1%

Defined contribution plan

Required contributions of the Company and its domestic consolidated subsidiaries for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Required contributions	¥ **2,194**	¥ 1,906	$ **16,430**

27. Segment Information

(1) Overview of Reportable Segments

The reportable segments of the Group are defined as components for which separate financial information is available and reviewed regularly by the Board of Directors to decide how to allocate management resources and to evaluate operating performance.

The Company has business units based on products and services (some of which are made by subsidiaries), and every business unit and subsidiary plans domestic and foreign global strategies to operate their businesses.

The Group consists of segments of business units and subsidiaries based on products and services. The reportable segments of the Group is seven: "Steel & Aluminum," "Advanced Materials," "Welding," "Machinery," "Engineering," "Construction Machinery," and "Electric Power."

The main products and services of the reportable segments are as follows:

Steel & Aluminum: wire rod & bar products, steel sheets, heavy plates and aluminum sheets

Advanced Material: steel castings and forgings, aluminum castings and forgings, titanium, suspensions, aluminum extrusions, copper rolled products and steel powder

Welding: welding materials, welding robots, welding power sources, welding robot systems, welding-related testing, analysis, and consulting

Machinery: equipment for energy and chemical fields, equipment for nuclear power plants, tire and rubber machinery, plastic processing machinery, ultra-high-pressure presses, physical vapor deposition systems, metalworking machinery, compressors, refrigeration compressors, heat pumps, plants and internal combustion engines

Engineering: various plants and equipment, civil engineering, advanced urban transit systems, chemical and food processing equipment

Construction Machinery: hydraulic excavators, mini excavators, wheel loaders, crawler cranes, rough terrain cranes and work vessels

Electric Power: power supply

Other: special alloys and other new materials, material analysis and testing, high-pressured gas cylinder manufacturing, superconducting products and general trading company business

(2) Methods used to Calculate Sales, Income (Loss), Assets and Other Items of Reportable Segments

The accounting policies of the reportable segments are the same as those described in Note 2, "Summary of Significant Accounting Policies."

Profit (loss) of reportable segments is based on ordinary profit (loss). Intersegment sales prices are based on prices applicable to transactions with third parties.

(3) Information about Sales, Income (Loss), Assets and Other Items of Reportable Segments

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2023	2022	**2023**
Sales to outside customers:	Steel & Aluminum	¥ **1,065,757**	¥ 881,053	$ **7,981,407**
	Advanced Materials	**266,180**	324,349	**1,993,406**
	Welding	**87,319**	76,223	**653,926**
	Machinery	**181,592**	161,829	**1,359,936**
	Engineering	**143,740**	134,320	**1,076,459**
	Construction Machinery	**381,720**	371,549	**2,858,686**
	Electric Power	**324,369**	109,866	**2,429,187**
	Other Businesses	**20,185**	21,933	**151,164**
	Total sales to outside customers	¥ **2,470,862**	¥ 2,081,122	$ **18,504,171**
Intersegment sales:	Steel & Aluminum	¥ **39,410**	¥ 33,856	$ **295,136**
	Advanced Materials	**11,586**	8,912	**86,768**
	Welding	**1,111**	702	**8,321**
	Machinery	**5,324**	5,018	**39,868**
	Engineering	**1,485**	1,341	**11,122**
	Construction Machinery	**61**	83	**456**
	Electric Power	**-**	-	**-**
	Other Businesses	**7,328**	6,880	**54,881**
	Total intersegment sales	¥ **66,305**	¥ 56,792	$ **496,552**
Total sales:	Steel & Aluminum	¥ **1,105,167**	¥ 914,909	$ **8,276,543**
	Advanced Materials	**277,766**	333,261	**2,080,174**
	Welding	**88,430**	76,925	**662,247**
	Machinery	**186,916**	166,847	**1,399,804**
	Engineering	**145,225**	135,661	**1,087,581**
	Construction Machinery	**381,781**	371,632	**2,859,142**
	Electric Power	**324,369**	109,866	**2,429,187**
	Other Businesses	**27,513**	28,813	**206,045**
	Total segment sales	**2,537,167**	2,137,914	**19,000,723**
	Adjustment	**1,647**	1,461	**12,333**
	Elimination	**(66,305)**	(56,792)	**(496,552)**
	Consolidated net sales	¥ **2,472,509**	¥ 2,082,583	$ **18,516,504**
Segment profit (loss):	Steel & Aluminum	¥ **41,970**	¥ 37,537	$ **314,308**
	Advanced Materials	**943**	5,150	**7,061**
	Welding	**2,837**	2,781	**21,250**
	Machinery	**14,336**	12,564	**107,361**
	Engineering	**4,198**	7,755	**31,440**
	Construction Machinery	**12,365**	12,086	**92,604**
	Electric Power	**24,560**	13,259	**183,932**
	Other Businesses	**6,333**	7,047	**47,422**
	Total segment income (loss)	**107,542**	98,179	**805,378**
	Adjustment	**(705)**	(4,945)	**(5,279)**
	Consolidated ordinary income	¥ **106,837**	¥ 93,234	$ **800,099**

		Millions of yen				Thousands of U.S. dollars (Note 1)	
			2023		2022		**2023**
Assets:	Steel & Aluminum	¥	**1,185,496**	¥	1,089,054	$	**8,878,127**
	Advanced Materials		**270,417**		244,430		**2,025,142**
	Welding		**86,459**		79,402		**647,491**
	Machinery		**212,757**		190,983		**1,593,326**
	Engineering		**144,980**		132,567		**1,085,750**
	Construction Machinery		**408,508**		361,978		**3,059,295**
	Electric Power		**470,216**		397,894		**3,521,423**
	Other Businesses		**58,723**		59,803		**439,770**
	Total segment assets		**2,837,556**		2,556,111		**21,250,324**
	Adjustment		**37,196**		172,634		**278,558**
	Total	¥	**2,874,752**	¥	2,728,745	$	**21,528,882**
Depreciation:	Steel & Aluminum	¥	**57,636**	¥	57,437	$	**431,628**
	Advanced Materials		**10,582**		11,392		**79,250**
	Welding		**2,364**		2,510		**17,707**
	Machinery		**5,594**		5,242		**41,895**
	Engineering		**1,594**		1,642		**11,940**
	Construction Machinery		**12,557**		13,835		**94,035**
	Electric Power		**19,516**		10,367		**146,155**
	Other Businesses		**606**		584		**4,535**
	Total segment depreciation		**110,449**		103,009		**827,145**
	Adjustment		**2,056**		2,138		**15,400**
	Total	¥	**112,505**	¥	105,147	$	**842,545**
Amortization of goodwill:	Steel & Aluminum	¥	**56**	¥	-	$	**419**
	Advanced Materials		**-**		-		**-**
	Welding		**73**		73		**549**
	Machinery		**447**		451		**3,344**
	Engineering		**-**		-		**-**
	Construction Machinery		**-**		-		**-**
	Electric Power		**-**		-		**-**
	Other Businesses		**-**		-		**-**
	Total segment amortization of goodwill		**576**		524		**4,312**
	Adjustment		**-**		-		**-**
	Total	¥	**576**	¥	524	$	**4,312**
Interest income:	Steel & Aluminum	¥	**292**	¥	317	$	**2,185**
	Advanced Materials		**46**		50		**342**
	Welding		**291**		243		**2,176**
	Machinery		**380**		317		**2,844**
	Engineering		**298**		344		**2,228**
	Construction Machinery		**1,157**		1,679		**8,668**
	Electric Power		**9**		6		**69**
	Other Businesses		**1**		2		**15**
	Total segment interest income		**2,474**		2,958		**18,527**
	Adjustment		**(795)**		(688)		**(5,951)**
	Total	¥	**1,679**	¥	2,270	$	**12,576**
Interest expense:	Steel & Aluminum	¥	**4,794**	¥	4,998	$	**35,899**
	Advanced Materials		**2,149**		1,760		**16,094**
	Welding		**42**		40		**312**
	Machinery		**473**		409		**3,540**
	Engineering		**78**		47		**588**
	Construction Machinery		**1,460**		1,783		**10,935**
	Electric Power		**6,013**		4,749		**45,031**
	Other Businesses		**62**		58		**464**
	Total segment interest expense		**15,071**		13,844		**112,863**
	Adjustment		**(1,727)**		(607)		**(12,931)**
	Total	¥	**13,344**	¥	13,237	$	**99,932**
Equity in income (loss) of equity method companies:	Steel & Aluminum	¥	**7,298**	¥	9,698	$	**54,653**
	Advanced Materials		**286**		91		**2,145**
	Welding		**1**		59		**5**
	Machinery		**(181)**		45		**(1,358)**
	Engineering		**560**		326		**4,197**
	Construction Machinery		**641**		830		**4,798**
	Electric Power		**-**		-		**-**
	Other Businesses		**4,065**		3,272		**30,449**
	Total segment equity in income (loss) of equity method companies		**12,670**		14,321		**94,889**
	Adjustment		**(527)**		(195)		**(3,951)**
	Total	¥	**12,143**	¥	14,126	$	**90,938**

			Millions of yen				Thousands of U.S. dollars (Note 1)
			2023		2022		**2023**
Investments in equity method companies:	Steel & Aluminum	¥	**106,291**	¥	97,773	$	**796,011**
	Advanced Materials		**848**		563		**6,347**
	Welding		**1,352**		1,358		**10,122**
	Machinery		**978**		806		**7,322**
	Engineering		**2,534**		2,259		**18,975**
	Construction Machinery		**8,209**		7,811		**61,480**
	Electric Power		**-**		-		**-**
	Other Businesses		**27,712**		25,621		**207,541**
	Total segment investments in equity method companies		**147,924**		136,191		**1,107,798**
	Adjustment		**(2,954)**		(2,820)		**(22,124)**
	Total	¥	**144,970**	¥	133,371	$	**1,085,674**
Capital expenditures:	Steel & Aluminum	¥	**33,428**	¥	27,185	$	**250,338**
	Advanced Materials		**8,065**		8,282		**60,398**
	Welding		**1,647**		1,375		**12,337**
	Machinery		**6,201**		4,032		**46,440**
	Engineering		**2,851**		1,456		**21,353**
	Construction Machinery		**13,815**		9,800		**103,461**
	Electric Power		**27,896**		52,955		**208,913**
	Other Businesses		**1,036**		550		**7,757**
	Total segment capital expenditures		**94,939**		105,635		**710,997**
	Adjustment		**2,364**		2,505		**17,701**
	Total	¥	**97,303**	¥	108,140	$	**728,698**

Notes:

Details about adjustments at March 31, 2023 and 2022 were as follows:

Segment sales

Sales of companies that do not belong to any segment are included in "Adjustment."

Segment profit (loss)

		Millions of yen				Thousands of U.S. dollars (Note 1)
		2023		2022		**2023**
Companywide profit (loss)	¥	**2,164**	¥	(1,591)	$	**16,210**
Other adjustments		**(2,869)**		(3,354)		**(21,489)**
Total	¥	**(705)**	¥	(4,945)	$	**(5,279)**

Companywide profit (loss) is mainly financial profit or loss which is not allocated to reportable segments and other businesses.

Other adjustments are mainly intersegment transactions.

Assets

		Millions of yen				Thousands of U.S. dollars (Note 1)
		2023		2022		**2023**
Companywide assets	¥	**266,968**	¥	348,596	$	**1,999,313**
Other adjustments		**(229,772)**		(175,962)		**(1,720,755)**
Total	¥	**37,196**	¥	172,634	$	**278,558**

Companywide assets are mainly investments in securities which are not allocated to reportable segments or other businesses.

Other adjustments are mainly intersegment transactions.

Depreciation

Adjustment is related mainly to the assets of administrative departments which are not allocated to reportable segments or other businesses.

Interest income

Adjustment is related mainly to financial assets which are not allocated to reportable segments or other businesses.

Interest expense

Adjustment is related mainly to financial liabilities which are not allocated to reportable segments or other businesses.

Equity in income (loss) of equity method companies

Adjustment is related mainly to the income (loss) of affiliates which are not allocated to reportable segments or other businesses.

Investments in equity method companies

Adjustment is related mainly to intersegment transactions.

Capital expenditures

Adjustment is related mainly to the assets of administrative departments which are not allocated to reportable segments or other businesses.

Related Information

(1) Information by Geographic Area

(a) Net sales

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Japan	¥ **1,689,028**	¥ 1,360,023	$ **12,649,054**
China	**196,789**	201,906	**1,473,745**
Others	**586,692**	520,654	**4,393,705**
Total	¥ **2,472,509**	¥ 2,082,583	$ **18,516,504**

(b) Property, plant and equipment by geographic location

Substantially all of the Group's property, plant and equipment are located in Japan.

(2) Information by Major Customer

Net sales

		Millions of yen		Thousands of U.S. dollars (Note 1)
	Related segment	**2023**	2022	**2023**
Shinsho Corporation	Iron & Aluminum, etc.	¥ **292,648**	¥ 277,119	$ **2,191,629**

(3) Impairment Loss by Reportable Segments

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2023	2022	**2023**
Impairment loss	Steel & Aluminum	¥ **16**	¥ -	$ **118**
	Advanced Materials	**6**	-	**43**
	Welding	**65**	-	**483**
	Machinery	**91**	-	**683**
	Engineering	**0**	-	**1**
	Construction Machinery	**4,097**	-	**30,687**
	Electric Power	**-**	-	**-**
	Other Businesses	**-**	-	**-**
	Total segment impairment loss	**4,275**	-	**32,015**
	Adjustment	**163**	-	**1,223**
	Total	¥ **4,438**	¥ -	$ **33,238**

(4) Amortization and Balance of Goodwill by Reportable Segments

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2023	2022	**2023**
Amortization of goodwill	Steel & Aluminum	¥ **56**	¥ -	$ **419**
	Advanced Materials	**-**	-	**-**
	Welding	**73**	73	**549**
	Machinery	**447**	451	**3,344**
	Engineering	**-**	-	**-**
	Construction Machinery	**-**	-	**-**
	Electric Power	**-**	-	**-**
	Other Businesses	**-**	-	**-**
	Total segment Amortization of goodwill	**576**	524	**4,312**
	Adjustment	**-**	-	**-**
	Total	**576**	524	**4,312**
Balance at the end of the period	Steel & Aluminum	**-**	-	**-**
	Advanced Materials	**-**	-	**-**
	Welding	**342**	416	**2,563**
	Machinery	**2,667**	2,957	**19,969**
	Engineering	**-**	-	**-**
	Construction Machinery	**-**	-	**-**
	Electric Power	**-**	-	**-**
	Other Businesses	**-**	-	**-**
	Total segment balance of goodwill	**3,009**	3,373	**22,532**
	Adjustment	**-**	-	**-**
	Total	¥ **3,009**	¥ 3,373	$ **22,532**

(5) Gain from Negative Goodwill by Reportable Segments

No gain on negative goodwill was recognized for the year ended March 31, 2023 and 2022.

28. Profit Per Share

The basis of calculating Profit per share for the years ended March 31, 2023 and 2022 was as follows:

		Millions of yen	Thousands of shares		Yen		U.S. dollars (Note 1)
		Profit attributable to owners of parent	Weighted average number of shares		Profit per share		Profit per share
For the year ended March 31, 2023							
Profit attributable to common stockholders	¥	**72,566**	**394,792**	¥	**183.80**	$	**1.38**
For the year ended March 31, 2022							
Profit attributable to common stockholders	¥	60,084	374,961	¥	160.23	$	1.20

Notes:

1.Diluted profit per share is not presented for the fiscal years ended March 31, 2023 and 2022 as potential common shares did not exist.

2.The shares held by the Board Benefit Trust (BBT) are recorded under net assets as treasury shares. In calculating profit (loss) per share, the number of treasury shares excluded from the weighted-average number of shares issued during the fiscal year includes the number of shares held by the BBT (500 thousand of shares for the year ended March 31, 2023 and 750 thousand of shares for the year ended March 31, 2022).

29. Additional Information

Introduction of a Board Benefit Trust (BBT) for Directors

The Company introduced a stock compensation plan, a "Board Benefit Trust (BBT)," to more clearly link the compensation of Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) and Executive Officers to the Company's performance and the value of its stock and in order to encourage the Directors to contribute to improve medium- to long-term business performance and enhance corporate value.

The accounting method regarding the BBT agreement complies with the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc., through Trusts (Practical Issues Task Force (PITF) No. 30, March 26, 2015).

(a) Overview of transactions

This plan is a stock compensation plan under which money contributed by the Company is used as funds to acquire the Company's shares through a trust. With regard to Directors, etc., in accordance with the director stock benefit rules established by the Company, the Company's shares (hereinafter the "Company's Shares and Money") are provided through the trust.

In addition, Directors and Other Executives shall receive the Company's Shares and Money in principle every three years on a fixed date during the trust period.

(b) Kobe Steel stock remaining in the Trust

The Company's stock remaining in the trust is posted as treasury shares as part of net assets based on the book value (excludes amounts for incidental expenses). The corresponding treasury shares book value was ¥350 million ($2,624 thousand) for 390 thousand shares for the year ended March 31, 2023 and ¥671 million for 746 thousand shares for the year ended March 31, 2022.

Approach to the impact of COVID-19 when forming accounting estimates

The Company forms accounting estimates of the recoverability of deferred tax assets etc., based on the assumption that the impact of COVID-19 on the business performance of the next fiscal year will be immaterial.

KPMG

Independent auditor's report

To the Board of Directors of Kobe Steel, Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Kobe Steel, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Appropriateness of the Group’s judgment on whether to recognize an impairment loss on long-lived assets used by Kobelco Construction Machinery Co., Ltd.</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In the consolidated balance sheet of the Group, Property, plant and equipment of ¥1,066,036 million and intangible assets of ¥37,579 million were recognized for the current fiscal year. As described in Notes to Consolidated Financial Statements 2, “Summary of Significant Accounting Policies, (19) Significant accounting estimates, (a) Impairment of long-lived assets,” included therein were property, plant and equipment of ¥54,358 million and intangible assets of ¥6,769 million used by Kobelco Construction Machinery Co., Ltd. (hereinafter referred to as “Kobelco Construction Machinery”) within the construction machinery segment, in total, accounting for approximately 2% of total assets in the consolidated financial statements.

While these long-lived assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.

Kobelco Construction Machinery has recognized recurring operating losses for several consecutive years, primarily due to increasing competitive pressures in global markets, an increase in procurement costs, including for steel materials, and reduced production caused by shortage of parts supplies, which presented impairment indicators. Accordingly, the Group performed an impairment test during the current fiscal year. In the impairment testing, undiscounted future cash flows were estimated based on the business plan prepared by management, which reflected key assumptions such as improved unit sales prices and increased sales volume as a result of a growth in market share and expanded demand in the sales</td>
<td>The primary procedures we performed to assess the appropriateness of the Group’s judgment with respect to whether an impairment loss should be recognized on long-lived assets used by Kobelco Construction Machinery included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Group’s internal controls relevant to determining whether to recognize an impairment loss on long-lived assets. In this assessment, we focused our testing on internal controls designed to prevent and/or detect the use of inappropriate key assumptions in the business plan.

(2) Assessment of the appropriateness of estimated undiscounted future cash flows

We inquired of management and the personnel responsible for accounting at Kobelco Construction Machinery about the basis on which their assumptions were developed in order to assess the appropriateness of the key assumptions adopted by management in preparing the business plan that formed the basis for estimating undiscounted future cash flows. In addition, we:

● assessed the feasibility of improved sales prices considering the results of past similar measures;

● assessed the feasibility of expanded demand in the sales region by referring to the forecast reports published by external organizations regarding the increase in construction investment, which is a prerequisite for this; and

● compared growth of market share forecasts with past market share growth results after understanding the details of the sales expansion measures.; and

● after considering the results of the procedures above including the analysis of the causes of any variances with actual results, developed undiscounted future cash flow projections by</td></tr>
</table>

region due to increased construction investment. These assumptions involved a high degree of uncertainty, and management's judgment thereon had a significant effect on the estimated undiscounted future cash flows. We, therefore, determined that our assessment of the appropriateness of the Group's judgment as to whether an impairment loss should be recognized on long-lived assets used by Kobelco Construction Machinery was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	incorporating the effect of specific uncertainties into the business plan assessed by the management and then assessed whether there was any potential effect on the determination of impairment loss to be recognized.

Appropriateness of the Group's judgment on the recoverability of deferred tax assets of the tax sharing group under the Group Tax Sharing System

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of the Group, deferred tax assets of ¥46,681 million were recognized for the current fiscal year. As described in Notes to Consolidated Financial Statements 2, "Summary of Significant Accounting Policies, (19) Significant accounting estimates, (b) Deferred tax assets," the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥87,177 million. Of this amount, the gross deferred tax assets held by Kobe Steel, Ltd. and certain domestic subsidiaries of Kobe Steel, Ltd. that apply the Group Tax Sharing System having Kobe Steel, Ltd. as the parent company of the tax sharing group (hereinafter, collectively referred to as the "tax sharing group") accounted for ¥56,804 million, representing approximately 2% of total assets in the consolidated financial statements. Deferred tax assets are recognized to the extent that deductible temporary differences and tax loss carryforwards are expected to reduce future taxable income. As the Group applies the Group Tax Sharing System, the Group determines the recoverability of deferred tax assets concerning corporation tax and local corporation tax with consideration for the total amount of taxable income of the entire tax sharing group, which is based on the taxable income projections of the tax sharing group. The estimated income before the aggregation to be generated in the taxable income projections of the tax sharing group, which was used to determine the recoverability of the deferred tax assets, was based on the business plan prepared by management.	The primary procedures we performed to assess whether the Group's judgment on the recoverability of deferred tax assets of the aggregation group was appropriate included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the taxable income projections, including the development of the business plan. In this assessment, we focused our testing on internal controls designed to prevent and/or detect the use of inappropriate key assumptions in the business plan. **(2) Assessment of the appropriateness of the estimated income before the aggregation to be generated in the taxable income projections of the aggregation group.** We inquired of management and the personnel responsible for accounting regarding the basis for the key assumptions used to estimate the amount of income before the aggregation to be generated in the taxable income projections prepared by the aggregation group in order to assess the appropriateness of those assumptions which were important for management's judgment on the recoverability of deferred tax assets. In addition, we:

Accordingly, there was a high degree of uncertainty in the estimation because the estimate involved significant management judgment on key assumptions, such as forecasts of demand and sales prices in major businesses. Therefore, we determined that our assessment of the appropriateness of the Group's judgment on the recoverability of deferred tax assets of the aggregation group was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	● assessed whether the estimated taxable income to be generated under the taxable income projections of the aggregation group was consistent with the business plan, which formed the basis for the taxable income projections; and ● analyzed the achievement of past taxable income projections of the aggregation group including the causes of any differences from actual taxable income, and compared the estimated income before the aggregation with our own estimate that incorporated specific uncertainties reflecting the achievement of past taxable income projections; and ● analyzed the achievement of forecasts of demand in major businesses, including the causes of any variances with actual results, and compared management's sales forecast with the research reports on the market outlook published by external organizations; and ● inspected supporting materials of the progress of the price pass-through to address the increased material prices, in relation to the forecasts of sales prices in major businesses.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hisaki Nakajima

Designated Engagement Partner

Certified Public Accountant

Sakurako Ohtsuki

Designated Engagement Partner

Certified Public Accountant

Ken Tsukamoto

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

June 21, 2023

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.