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

	Millions of yen											Thousands of U.S. dollars (Note 1)
Years ended March 31	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022**	**Change 2022/2021**	**2022**
For the year:												
Net sales	¥ 1,685,529	¥ 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**	**22.1** %	$ **17,015,954**
Cost of sales	1,510,512	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**	**19.7**	**14,501,011**
Operating income	11,235	114,548	119,460	68,446	9,749	88,914	48,283	9,864	30,399	**87,623**	**188.2**	**715,929**
Ordinary income (loss)	(18,146)	85,044	101,688	28,928	(19,104)	71,149	34,629	(8,080)	16,188	**93,234**	**475.9**	**761,777**
Net income (loss) attributable to owners of the parent	(26,976)	70,192	86,550	(21,556)	(23,045)	63,188	35,940	(68,008)	23,234	**60,084**	**158.6**	**490,919**
Cash flows from operating activities	45,402	194,294	153,078	97,933	141,716	190,833	67,137	27,040	194,799	**168,809**	**(13.3)**	**1,379,271**
Cash flows from investing activities	(123,513)	(62,105)	(73,674)	(104,619)	(137,834)	(161,598)	(28,603)	(218,987)	(141,853)	**(161,510)**	**-**	**(1,319,635)**
Cash flows from financing activities	127,644	(138,502)	(156,027)	93,883	16,546	(66,599)	(9,562)	140,589	118,444	**(69,144)**	**-**	**(564,947)**
Capital expenditures	114,936	101,403	103,522	109,941	160,297	128,654	133,472	239,817	185,092	**108,140**	**(41.6)**	**883,566**
Depreciation	106,725	82,936	89,882	94,812	96,281	102,032	102,590	105,347	100,857	**105,147**	**4.3**	**859,116**
Research and development expenses	30,763	28,494	29,920	29,843	30,102	32,015	34,495	35,891	31,008	**33,245**	**7.2**	**271,629**
At year end:												
Total assets (Note 3)	2,226,997	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**	**5.6**	**22,295,493**
Net assets	569,923	734,679	851,785	745,493	729,405	790,985	803,313	716,369	769,375	**872,346**	**13.4**	**7,127,593**
Outside debt	907,657	748,138	650,992	776,073	789,633	726,014	724,222	784,478	785,761	**655,155**	**(16.6)**	**5,353,010**
Outside debt, including IPP project financing	959,180	787,246	677,448	789,494	796,928	738,866	760,365	906,639	987,809	**908,442**	**(8.0)**	**7,422,520**
Per share data:												
Net income (loss) (yen/U.S. dollars) (Note 2)	¥ (8.99)	¥ 22.63	¥ 23.81	¥ (59.35)	¥ (63.54)	¥ 174.43	¥ 99.20	¥ (187.55)	¥ 64.05	¥ **160.23**	**150.2**	$ **1.31**
Net assets (yen/U.S. dollars) (Note 2)	170.63	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**	**5.5**	**16.88**
Cash dividends (yen/U.S. dollars) (Note 2)	-	4.00	4.00	2.00	-	30.00	20.00	-	10.00	**40.00**	**300.0**	**0.33**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022**	Points
Ratios:											
Operating income ratio (%)	0.7	6.3	6.3	3.8	0.6	4.7	2.4	0.5	1.8	**4.2**	**2.4**
Ordinary income ratio (%)	(1.1)	4.7	5.4	1.6	(1.1)	3.8	1.8	(0.4)	0.9	**4.5**	**3.6**
ROA (%) (Note 3)	(0.8)	3.8	4.4	1.3	(0.8)	3.1	1.5	(0.3)	0.6	**3.5**	**2.9**
ROE (%)	(5.3)	11.9	12.0	(2.9)	(3.4)	8.9	4.8	(9.7)	3.4	**7.9**	**4.5**
Equity ratio (%)	23.0	29.2	33.8	30.6	29.2	31.6	31.0	27.2	27.5	**29.9**	**2.4**
Debt/equity ratio (times)	1.8	1.1	0.9	1.1	1.2	1.0	1.0	1.2	1.1	**0.8**	**(0.3)**
Dividend payout ratio (%)	-	17.7	16.8	-	-	17.2	20.2	-	15.6	**25.0**	**9.4**
Number of shares issued (in thousands)	3,115,061	3,643,642	3,643,642	3,643,642	364,364	364,364	364,364	364,364	364,364	**396,346**	**31,982**
Number of employees	36,018	36,019	36,420	36,338	36,951	37,436	39,341	40,831	40,517	**38,106**	**(2,411)**

Notes:
1. For convenience only, U.S. dollar amounts in this report have been translated from Japanese yen amounts at the rate of ¥122.39 to US$1.00, the rate of exchange prevailing on March 31, 2022.
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.

Notes to Consolidated Financial Statements

Kobe Steel, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2022 and 2021

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, 2022, which was ¥122.39 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, 2022, the accounts of 169 (175 in 2021) subsidiaries have been included in the consolidated financial statements.

Intercompany transactions and accounts have been eliminated.
74 (76 in 2021) 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, 2022, 37 (38 in 2021) 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 affiliated 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 affiliated 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 affiliated 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 as well as titanium products 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, 2022.

(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, 2022.

(6) Provision for Dismantlement Related Expenses

For expenses expected to arise from dismantlement of equipment in relation to construction of the power station at Kobe Kobe Wire Rod & Bar Plant, provision is made at an estimated amount at the end of the year ended March 31, 2022.

(7) Provision for Customer Compensation Expenses

For expenses related to the response to 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, 2022.

(8) Inventories

Cost basis, determined principally 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 amotization method of significant depreciable assests

Depreciation of tangible and amotization 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 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 and 14 years for those accrued in 2009.

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 consolidated taxation system

Consolidated taxation 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) Treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company and some of its domestic consolidated subsidiaries will transfer from the consolidated taxation system to the group tax sharing system from the next fiscal year. However, with regards to the transition to the group tax sharing system, which was instituted by the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020), and the items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system, in accordance with Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Practical Issues Task Force (PITF) No. 39, March 31, 2020), the Company and some of its domestic consolidated subsidiaries have applied the provisions of the pre-amendment tax law to deferred tax assets and liabilities, instead of the provisions of Paragraph 44 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018).

From the beginning of the next consolidated fiscal year, the Company plans to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Guidance No. 42, August 12, 2021), which provides for the accounting treatment and disclosure of income taxes, local income taxes and tax effect accounting under the group tax sharing system.

(19) 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.

(20) 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 total carrying amount of long-lived assets was ¥1,096,523 million ($8,959,251 thousand), which consisted of ¥1,060,198 million ($8,662,456 thousand) for property, plant and equipment and ¥36,325 million ($296,795 thousand) for intangible assets, at March 31, 2022 and ¥ 1,115,186 million, which consisted of ¥1,078,620 million for property, plant and equipment and ¥36,566 million for intangible assets, at March 31, 2021. 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 determined that there was an impairment indicator for long-lived assets used in the businesses of Kobelco Construction Machinery Co., Ltd., a subsidiary of the Company within the construction machinery segment, as a result of recurring operating losses caused by increasing competitive pressures in global markets, lower demand owing to the COVID-19 pandemic, higher procurement costs for steel, and other factors. In business plans for the future, the Group has incorporated key assumptions, such as improved unit sales prices and increased sales volume by capturing demand in sales areas owing to increased construction investment and expansion of 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 ¥58,302 million ($476,366 thousand), which consist of ¥54,165 million ($442,565 thousand) for property, plant and equipment and ¥4,136 million ($33,801 thousand) for intangible assets, at March 31, 2022 and ¥58,632 million, which consist of ¥55,292 million for property, plant and equipment and ¥3,340 million for intangible assets, at March 31, 2021. 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 ¥57,069 million ($466,288 thousand) at March 31, 2022 and ¥69,262 million at March 31, 2021 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 ¥89,363 million ($730,151 thousand) at March 31, 2022 and ¥97,413 million at March 31, 2021. Of these amounts, ¥58,769 million ($480,177 thousand) at March 31, 2022 and ¥54,742 million at March 31, 2021 were held by the Company and certain of its domestic subsidiaries that file a consolidated tax return.

(21) Changes in Accounting Policies

(a) Application of the "Accounting Standard for Revenue Recognition," etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the current fiscal year. The Company has decided to recognize revenue when control of a promised good or service is transferred to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. As a result, discounts, rebates, etc., which were previously deducted from net sales at the time the amount was determined, are now reflected in the transaction price at the time of revenue recognition.

The Company applies the Revenue Recognition Standard, etc., in accordance with the transitional treatment provided for in Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the current fiscal year, in accordance with the previous treatment. In addition, applying the method stipulated in Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the current fiscal year were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings at the beginning of the current fiscal year.

Furthermore, "notes and accounts receivable - trade," which were presented under "current assets" in the consolidated balance sheets of the previous period, have been included under "notes - trade," "accounts receivable - trade " and "contract assets" from the current fiscal year, and "advances from customers," which was presented under "current liabilities," has been included under "contract liabilities" and "other" from the current fiscal year. However, in accordance with the transitional treatment provided for in Paragraph 89-2 of the Revenue Recognition Standard, the previous period has not been reclassified to the new presentation.

The cumulative impact of this change has been reflected in net assets at the beginning of the current fiscal year. As a result, the beginning balance of retained earnings decreased by ¥631 million ($5,158 thousand) in the consolidated statements of changes in net assets.The impact on the consolidated statements of income for the current fiscal year was immaterial. In accordance with the transitional treatment provided for in Paragraph 89-3 of the Revenue Recognition Standard, notes on "Revenue Recognition" for the previous period has not been stated.

(b) Application of the “Accounting Standard for Fair Value Measurement,” etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc., in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This has had no impact on the consolidated balance sheets and the consolidated statements of income.

In addition, notes on the breakdown of the fair value of financial instruments by level, etc., are provided in the “Notes on Financial Instruments.” However, In accordance with the transitional treatment provided for in Paragraph 7-4 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 19, July 4, 2019,) the notes for the previous period have not been stated.

3. Leases

Operating Leases

Future minimum lease payments as lessee under operating leases at March 31, 2022 and 2021 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2022		2021		**2022**
Due within one year	¥	**4,366**	¥	4,423	$	**35,672**
Due after one year		**29,641**		31,231		**242,183**
	¥	**34,007**	¥	35,654	$	**277,855**

Future minimum lease fees receivable as lessor under operating leases at March 31, 2022 and 2021 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2022		2021		**2022**
Due within one year	¥	**65**	¥	79	$	**530**
Due after one year		**235**		164		**1,918**
	¥	**300**	¥	243	$	**2,448**

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 highly liquid 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, 2022 and 2021 were as follo

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2022			2021			**2022**
	Carrying amount	**Fair value**	**Difference**	Carrying amount	Fair value	Difference	**Difference**
Investments in securities:							
Securities of affiliates	¥ **5,688**	¥ **4,441**	¥ **(1,247)**	¥ 11,784	¥ 13,407	¥ 1,623	$ **(10,189)**
Available-for-sale securities	**90,248**	**90,248**	**-**	68,862	68,862	-	**-**
Short-term borrowings and current portion of long-term debt	**(87,266)**	**(91,656)**	**(4,390)**	(161,804)	(166,346)	(4,542)	**(35,866)**
Bonds included in current portion of long-term debt	**(25,150)**	**(25,170)**	**(20)**	(20,573)	(20,705)	(132)	**(164)**
Bonds included in long-term debt	**(45,900)**	**(46,459)**	**(559)**	(61,050)	(61,109)	(59)	**(4,567)**
Long-term borrowings included in long-term debt	**(750,126)**	**(755,575)**	**(5,449)**	(744,383)	(700,878)	43,505	**(44,523)**
Lease obligations	**(51,427)**	**(50,515)**	**912**	(59,970)	(58,524)	1,446	**7,449**
Derivative transactions:							
Hedge accounting not applied	**(2,578)**	**(2,578)**	**-**	(1,149)	(1,149)	-	-
Hedge accounting applied	**(18,281)**	**(18,281)**	**-**	(17,830)	(17,830)	-	-

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, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Non-listed equity securities	¥ **98,445**	¥ 91,770	$ **804,358**

The aggregate annual maturities of financial assets at March 31, 2022 and 2021 were as follows:

Cash and deposits

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Due within 1 year	¥ **243,502**	¥ 262,346	$ **1,989,559**
Due after 1 year through 5 years	**-**	-	**-**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **243,502**	¥ 262,346	$ **1,989,559**

Notes and accounts receivable - trade

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Due within 1 year	¥ **-**	¥ 283,799	$ **-**
Due after 1 year through 5 years	**-**	3,304	**-**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **-**	¥ 287,103	$ **-**

Notes - trade

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Due within 1 year	¥ **29,544**	¥ -	$ **241,392**
Due after 1 year through 5 years	**43**	-	**355**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **29,587**	¥ -	$ **241,747**

Accounts receivable - trade

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Due within 1 year	¥ **265,113**	¥ -	$ **2,166,127**
Due after 1 year through 5 years	**4,788**	-	**39,123**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **269,901**	¥ -	$ **2,205,250**

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Due within 1 year	¥ **17,200**	¥ 55,200	$ **140,534**
Due after 1 year through 5 years	**-**	-	**-**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **17,200**	¥ 55,200	$ **140,534**

The aggregate annual maturities of financial liabilities at March 31, 2022 and 2021 were as follows:

Bonds

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Due within 1 year	¥ **25,150**	¥ 20,573	$ **205,491**
Due after 1 year through 2 years	**900**	25,150	**7,354**
Due after 2 years through 3 years	**-**	900	**-**
Due after 3 years through 4 years	**35,000**	-	**285,970**
Due after 4 years through 5 years	**10,000**	35,000	**81,706**
Due after 5 years	**-**	-	**-**
	¥ **71,050**	¥ 81,623	$ **580,521**

long-term borrowings

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Due within 1 year	¥ **56,953**	¥ 88,959	$ **465,340**
Due after 1 year through 2 years	**132,169**	59,359	**1,079,900**
Due after 2 years through 3 years	**118,095**	125,699	**964,909**
Due after 3 years through 4 years	**127,849**	108,282	**1,044,607**
Due after 4 years through 5 years	**102,331**	119,070	**836,105**
Due after 5 years	**269,682**	331,973	**2,203,461**
	¥ **807,079**	¥ 833,342	$ **6,594,322**

lease obligations

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Due within 1 year	¥ **13,975**	¥ 9,389	$ **114,182**
Due after 1 year through 2 years	**9,449**	12,654	**77,200**
Due after 2 years through 3 years	**8,961**	8,366	**73,213**
Due after 3 years through 4 years	**28,614**	8,139	**233,800**
Due after 4 years through 5 years	**2,141**	28,039	**17,491**
Due after 5 years	**2,262**	2,772	**18,485**
	¥ **65,402**	¥ 69,359	$ **534,371**

other interest bearing debt

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Due within 1 year	¥ **46,159**	¥ 27,340	$ **377,139**
Due after 1 year through 2 years	**331**	753	**2,706**
Due after 2 years through 3 years	**244**	235	**1,995**
Due after 3 years through 4 years	**154**	146	**1,262**
Due after 4 years through 5 years	**75**	54	**616**
Due after 5 years	**28**	16	**229**
	¥ **46,991**	¥ 28,544	$ **383,947**

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, 2022 was as follows:

Investments in securities
Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars (Note 1)	
		2022		**2022**
Level 1	¥	**90,248**	$	**737,381**
Level 2		**-**		**-**
Level 3		**-**		**-**
	¥	**90,248**	$	**737,381**

Derivative transactions
Hedge accounting not applied

	Millions of yen		Thousands of U.S. dollars (Note 1)	
		2022		**2022**
Level 1	¥	**-**	$	**-**
Level 2		**(2,578)**		**(21,061)**
Level 3		**-**		**-**
	¥	**(2,578)**	$	**(21,061)**

Derivative transactions
Hedge accounting applied

	Millions of yen		Thousands of U.S. dollars (Note 1)	
		2022		**2022**
Level 1	¥	**-**	$	**-**
Level 2		**(18,281)**		**(149,370)**
Level 3		**-**		**-**
	¥	**(18,281)**	$	**(149,370)**

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

Investments in securities
Shares of subsidiaries and affiliates

	Millions of yen		Thousands of U.S. dollars (Note 1)	
		2022		**2022**
Level 1	¥	**4,441**	$	**36,289**
Level 2		**-**		**-**
Level 3		**-**		**-**
	¥	**4,441**	$	**36,289**

Short-term borrowings

	Millions of yen		Thousands of U.S. dollars (Note 1)	
		2022		**2022**
Level 1	¥	**-**	$	**-**
Level 2		**(91,656)**		**(748,882)**
Level 3		**-**		**-**
	¥	**(91,656)**	$	**(748,882)**

Bonds and notes due within one year

	Millions of yen		Thousands of U.S. dollars (Note 1)	
		2022		**2022**
Level 1	¥	**-**	$	**-**
Level 2		**(25,170)**		**(205,655)**
Level 3		**-**		**-**
	¥	**(25,170)**	$	**(205,655)**

Bonds and notes

	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2022
Level 1	¥ -	$ -
Level 2	(46,459)	(379,598)
Level 3	-	-
	¥ (46,459)	$ (379,598)

Long-term borrowings

	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2022
Level 1	¥ -	$ -
Level 2	(755,575)	(6,173,505)
Level 3	-	-
	¥ (755,575)	$ (6,173,505)

Lease obligations (long-term liabilities)

	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2022
Level 1	¥ -	$ -
Level 2	(50,515)	(412,741)
Level 3	-	-
	¥ (50,515)	$ (412,741)

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 obligations (long term liabilities)

The fair values 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 payments 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 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 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 forward foreign exchange rates. For interest rate swaps and currency swaps, the fair values are determined based on quotes obtained from counterparty financial institutions. For commodity forward contracts, the fair values are determined based on commodity futures prices and are classified as Level 2.

5. Securities

The following tables summarize available-for-sale securities at March 31, 2022 and 2021.

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2022			2021			2022
	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	¥ 88,449	¥ 49,518	¥ 38,931	¥ 68,207	¥ 48,279	¥ 19,928	$ 318,089
Subtotal	88,449	49,518	38,931	68,207	48,279	19,928	318,089
Securities with available carrying amount not exceeding acquisition cost:							
Other securities:							
Equity securities	1,799	2,528	(729)	655	803	(148)	(5,953)
Subtotal	1,799	2,528	(729)	655	803	(148)	(5,953)
	¥ 90,248	¥ 52,046	¥ 38,202	¥ 68,862	¥ 49,082	¥ 19,780	$ 312,136

Unlisted stocks and others (¥11,866 million ($96,954 thousand) for the year ended March 31, 2022 and ¥11,943 million for the year ended March 31, 2021) 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, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Sales	¥ 468	¥ 5,332	$ 3,826
Gains on sales	220	1,857	1,800
Losses on sales	(11)	(277)	(93)

6. Derivative Transactions

Derivative transactions for which hedge accounting is not applied

Forward currency exchange contracts outstanding at March 31, 2022 and 2021 were as follows:

	Millions of yen								Thousands of U.S. dollars (Note 1)
	2022				2021				**2022**
	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	¥ **15,857**	¥ **5,857**	¥ **(1,090)**	¥ **(1,090)**	¥ 13,273	¥ 7,810	¥ (307)	¥ (307)	$ **(8,909)**
Others	**24,320**	**-**	**(1,256)**	**(1,256)**	9,809	-	(389)	(389)	**(10,260)**
To buy foreign currencies:									
U.S. dollars	**12,979**	**-**	**82**	**82**	4,917	-	(152)	(152)	**668**
Others	**12,981**	**-**	**(314)**	**(314)**	8,079	-	(301)	(301)	**(2,564)**
				¥ **(2,578)**				¥ (1,149)	

Commodity forward contracts outstanding at March 31, 2022 and 2021 were as follows:

	Millions of yen								Thousands of U.S. dollars (Note 1)
	2022				2021				**2022**
	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)**	¥ -	¥ -	¥ -	¥ -	$ **(6)**
To buy commodities	**9**	**-**	**1**	**1**	¥ -	-	-	-	**10**
				¥ **0**				¥ -	$ **4**

Derivative transactions for which hedge accounting is applied

Forward currency exchange contracts and currency options outstanding at March 31, 2022 and 2021 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2022			2021			**2022**
	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	¥ **29,056**	¥ **9,549**	¥ **(2,250)**	¥ 12,964	¥ 2,497	¥ (611)	$ **(18,388)**
Others	**22,729**	**2,754**	**(1,769)**	23,930	2,141	(481)	**(14,452)**
To buy foreign currencies:							
U.S. dollars	**3,200**	**279**	**263**	2,427	442	111	**2,148**
Others	**8,291**	**256**	**216**	5,977	34	119	**1,766**
Foreign currency options							
To sell foreign currency options:							
Call							
U.S. dollars	**-**	**-**	**-**	73	-	(0)	**-**
	[-]			[0]			
To buy foreign currency options:							
Put							
U.S. dollars	**-**	**-**	**-**	73	-	(0)	**-**
	[-]			[0]			
Hedges for which the "assigning" method is applied							
Foreign currency exchange contracts							
To sell foreign currencies:							
U.S. dollars	¥ **26,973**	¥ **269**	¥ **-**	¥ 23,910	¥ 523	¥ -	$ **-**
Others	**29,672**	**733**	**-**	24,095	1,269	-	**-**
To buy foreign currencies:							
U.S. dollars	**1,193**	**-**	**-**	433	29	-	**-**
Others	**15,445**	**-**	**-**	9,103	-	-	**-**

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, 2022 and 2021 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2022			2021			**2022**
	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	**¥ 261,130**	**¥ 254,200**	**¥ (14,486)**	¥ 267,480	¥ 261,130	¥ (18,821)	**$ (118,360)**
Hedges for which the "exceptional" method is applied							
Interest rate swap agreements							
To receive floating and pay fixed rates	**¥ 48,480**	**¥ 48,480**	**¥ -**	¥ 67,140	¥ 48,840	¥ -	**$ -**

Notes:

1. Hedges for which the "exceptional" method is applied
For certain long-term debt 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 debt.

Commodity forward contracts outstanding at March 31, 2022 and 2021 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2022			2021			**2022**
	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							
Commodity forward contracts							
To sell commodities	**¥ 3,319**	**¥ -**	**¥ (542)**	¥ 2,577	¥ -	¥ (311)	**$ (4,429)**
To buy commodities	**2,871**	**143**	**287**	6,661	-	2,165	**2,344**

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Bank loans (average rate: 1.90% in 2022 and 1.42% in 2021)	**¥ 30,313**	¥ 72,845	**$ 247,676**

Long-term debt at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
0.04% to 1.23% yen bonds, due 2022 through 2026	**¥ 71,050**	¥ 81,623	**$ 580,521**
Loans, principally from banks and insurance companies, due 2022 through 2036	**807,079**	833,342	**6,594,322**
	878,129	914,965	**7,174,843**
Less current portion	**82,103**	109,532	**670,830**
	¥ 796,026	¥ 805,433	**$ 6,504,013**

The aggregate annual maturities of long-term debt at March 31, 2022 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2022	**2022**
Due within 1 year	**¥ 82,103**	**$ 670,830**
Due after 1 year through 2 years	**133,069**	**1,087,254**
Due after 2 years through 3 years	**118,095**	**964,909**
Due after 3 years through 4 years	**162,849**	**1,330,578**
Due after 4 years through 5 years	**112,331**	**917,811**
Due after 5 years	**269,682**	**2,203,461**
	¥ 878,129	**$ 7,174,843**

At March 31, 2022 and 2021, assets pledged as collateral for short-term borrowings and long-term debt were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2022		2021		**2022**	
Assets pledged as collateral:						
Property, plant and equipment, net of accumulated depreciation	**¥ 248,772**	**¥ [244,280]**	¥ 206,372	¥ [72,807]	**$ 2,032,618**	**$ [1,995,914]**
Other assets	**49,994**	**[33,776]**	43,260	[19,738]	**408,478**	**[275,971]**
	¥ 298,766	**¥ [278,056]**	¥ 249,632	¥ [92,545]	**$ 2,441,096**	**$ [2,271,885]**
Secured short-term borrowings and long-term borrowings:	**¥ 254,170**	**¥ [253,287]**	¥ 203,591	¥ [61,363]	**$ 2,076,720**	**$ [2,069,510]**
	¥ 254,170	**¥ [253,287]**	¥ 203,591	¥ [61,363]	**$ 2,076,720**	**$ [2,069,510]**

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 ¥4,981 million ($40,697 thousand) for the year ended March 31, 2022 and ¥4,171 million for the year ended March 31, 2021.
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 excess of the carrying amount of the revalued land over the fair value at March 31, 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Revaluation date	**2022**	2021	**2022**
March 31, 2001	¥ **-**	¥ 2,833	$ **-**
March 31, 2002	**-**	(4,413)	**-**
	¥ **-**	¥ (1,580)	$ **-**

The difference has not been stated because the fair value 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, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Total commitment line available	¥ **153,161**	¥ 152,779	$ **1,251,414**
Less amount utilized	**-**	-	**-**
	¥ **153,161**	¥ 152,779	$ **1,251,414**

11. Contingent Liabilities Regarding Notes and Loans Guaranteed

Contingent liabilities regarding notes and loans guaranteed at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Trade notes discounted	¥ **-**	¥ 205	$ **-**
Trade notes endorsed	**132**	87	**1,077**
Guarantees of loans:			
Related parties	**7,800**	17,525	**63,729**
Others	**154**	312	**1,261**
	¥ **8,086**	¥ 18,129	$ **66,067**

Guarantees of loans don't include contingent guarantees and letters of awareness at March 31, 2022, but include
¥269 million at March 31, 2021. Guarantees of loans include ¥2,508 million ($20,491 thousand) at March 31, 2022
and ¥6,037 million at March 31, 2021 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 ¥12,751 million ($104,180 thousand) for the year ended March 31, 2022 and ¥15,092 million for the year ended
March 31, 2021.

12. Contingent Liabilities Regarding Repurchase Obligations Accompanying Securitization of Receivables

Contingent liabilities regarding repurchase obligations accompanying securitization of receivables at March 31, 2022 and
2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
	¥ **5,696**	¥ 5,485	$ **46,536**

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 22.

15. Cost of Sales

Gain/Loss on the write-down of inventories included in the cost of sales was ¥307 million ($2,515 thousand) loss for the year ended March 31, 2022 and ¥3,520 million gain for the year ended March 31, 2021.
The provision for loss on construction contracts included in the cost of sales was ¥8,487 million ($69,346 thousand) for the year ended March 31, 2022 and ¥11,795 million for the year ended March 31, 2021.

16. Research and Development Expenses

Research and development expenses included in cost of sales and selling, general and administrative expenses were ¥33,245 million ($271,629 thousand) for the year ended March 31, 2022 and ¥31,008 million for the year ended March 31, 2021.

17. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2022 and 2021 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Freight	¥ **56,161**	¥ 45,956	$ **458,873**
Employees' compensation	**45,564**	43,792	**372,284**
Research and development	**19,754**	17,028	**161,406**
Commission fee	**13,617**	11,662	**111,258**
Welfare and legal welfare expenses	**12,633**	11,067	**103,218**
Rent expenses	**9,951**	10,066	**81,305**
Taxes and dues	**8,542**	2,709	**69,794**
Provision for bonuses	**6,081**	4,928	**49,684**
Depreciation	**5,213**	4,762	**42,594**
Provision for allowance for doubtful accounts	**4,632**	3,491	**37,845**
Others	**38,033**	37,328	**310,753**
	¥ **220,181**	¥ 192,789	$ **1,799,014**

18. Gain on sale of fixed assets

Gain on sale of fixed assets for the year ended March 31, 2021 was due to the sale of land, etc.

19. Loss on Impairment

The Company and the Group recorded loss on impairment of ¥13,509 million on the below asset groups for the fiscal year ended March 31, 2021. The breakdown of loss on impairment was as follows: buildings and structures of ¥1,587 million, machinery and equipment of ¥6,631 million, land of ¥4,111 million, construction in progress of ¥966 million and intangible assets of ¥214 million.

Use	Location and number	Type		Millions of yen 2021
Assets for manufacturing special steel products (Nippon Koshuha Steel Co., Ltd.)	Imizu-shi, Toyama Prefecture 1 case	Machinery and equipment, etc.	¥	**9,788**
Assets to be disposed of	Nada-ku, Kobe-shi and another location 2 cases in total	Machinery and equipment, etc.		**1,534**
Assets for titanium business*	Takasago-shi, Hyogo Prefecture and another location 2 cases in total	Machinery and equipment, etc.		**1,218**
Assets for other businesses, etc.	Takasago-shi, Hyogo Prefecture and other locations 5 cases in total	Machinery and equipment, etc.		**969**
			¥	**13,509**

*Includes assets for manufacturing forged titanium products, assets for manufacturing pure titanium and jointly used assets

The Company and the Group conduct grouping per business location for business assets to recognize loss on impairment in principle, while considering the status of ongoing management of profit and loss and cash-generating units. In addition, idle assets were grouped individually.

The recoverable value of an asset was measured based on its value in use, etc., which was obtained by discounting the future cash flows mainly using a discount rate of 6%.

The circumstances that led to the recognition of loss on impairment by each major asset group were as follows:

(1) Assets for manufacturing special steel products (Nippon Koshuha Steel Co., Ltd.)
Book values of ¥17,193 million were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥9,788 million under extraordinary losses due to a general worsening of demand conditions across the product sectors of tool steel, special alloy, bearing steel.

(2) Assets to be disposed of
Book values of ¥1,653 million were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥1,534 million under extraordinary losses due to the decision to partially dispose of facilities belonging to Kobe Wire Rod & Bar Plan etc.

(3) Assets for titanium business
Book values of ¥1,218 million were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥1,218 million under extraordinary losses due to the decrease in profitability resulting from equipment productivity continuously being at a low level.

(4) Assets for other business, etc.
Book values of ¥1,008 million were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥970 million under extraordinary losses due to the decrease in profitability resulting from the deterioration of the order environment and other factors.

20. Income Taxes

Significant components of the Group's deferred income tax assets and liabilities at March 31, 2022 and 2021 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2022		2021		**2022**
Deferred income tax assets:						
Net defined benefit liability	¥	**24,685**	¥	24,871	$	**201,689**
Tax loss carryforwards		**23,873**		37,676		**195,060**
Impairment loss		**17,877**		21,831		**146,069**
Unrealized profit		**15,106**		13,105		**123,422**
Accrued bonuses to employees		**7,689**		6,181		**62,821**
Loss on the write-down of inventories		**5,473**		4,881		**44,716**
Deferred losses on hedges		**5,359**		5,337		**43,787**
Loss on valuation of investment securities		**4,722**		5,061		**38,585**
Other		**35,664**		37,403		**291,400**
Total deferred income tax assets		**140,448**		156,346		**1,147,549**
Valuation allowance related to tax loss carryforwards		**(12,245)**		(19,282)		**(100,051)**
Valuation allowance related to total deductible temporary difference, etc.		**(38,840)**		(39,651)		**(317,347)**
Valuation allowance		**(51,085)**		(58,933)		**(417,398)**
Deferred income tax assets		**89,363**		97,413		**730,151**
Deferred income tax liabilities:						
Valuation difference on available-for-sale securities		**11,742**		5,824		**95,940**
Gain on return of assets from retirement benefit trust		**8,030**		8,030		**65,607**
Revaluation reserve for land		**3,254**		3,251		**26,585**
Special tax purpose reserve		**2,126**		2,262		**17,371**
Other		**18,555**		18,674		**151,608**
Total deferred income tax liabilities		**43,707**		38,041		**357,111**
Net deferred income tax assets	¥	**45,656**	¥	59,372	$	**373,040**

Amount of tax loss carryforwards and related deferred tax assets by tax loss carryforwards for the year ended March 31, 2022 and 2021 were as follows:

Tax loss carryforwards (Note 1)

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2022		2021		**2022**
Due within 1 year		**1,545**		5,125		**12,627**
Due after 1 year through 2 years		**788**		1,860		**6,431**
Due after 2 years through 3 years		**1,530**		833		**12,502**
Due after 3 years through 4 years		**3,571**		1,043		**29,181**
Due after 4 years through 5 years		**269**		5,108		**2,198**
Due after 5 years		**16,170**		23,707		**132,121**
	¥	**23,873**	¥	37,676	$	**195,060**

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)	
		2022		2021		**2022**
Due within 1 year		**(949)**		(4,614)		**(7,759)**
Due after 1 year through 2 years		**(309)**		(1,733)		**(2,521)**
Due after 2 years through 3 years		**(888)**		(539)		**(7,253)**
Due after 3 years through 4 years		**(3,242)**		(723)		**(26,492)**
Due after 4 years through 5 years		**(118)**		(4,587)		**(964)**
Due after 5 years		**(6,739)**		(7,086)		**(55,062)**
	¥	**(12,245)**	¥	(19,282)	$	**(100,051)**

Deferred tax assets

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2022		2021		**2022**
Due within 1 year		**596**		511		**4,868**
Due after 1 year through 2 years		**479**		127		**3,910**
Due after 2 years through 3 years		**642**		294		**5,249**
Due after 3 years through 4 years		**329**		320		**2,689**
Due after 4 years through 5 years		**151**		521		**1,234**
Due after 5 years		**9,431**		16,621		**77,059**
	¥	**11,628**	¥	18,394	$	**95,009**

The reconciliation of the statutory tax rate and the effective tax rate for the years ended March 31, 2022 and 2021 were as follows:

	2022		2021	
Aggregate statutory income tax rate in Japan	**30.6**	%	30.6	%
Nondeductible entertainment expenses	**0.9**		**2.9**	
Exclusion of dividends received	**(0.6)**		**(1.3)**	
Equity in income of equity method companies	**(1.9)**		**(3.6)**	
Gain on step acquisitions	**-**		**(5.3)**	
Adjustment of gain on sale of investment securities	**2.2**		**4.1**	
Decrease in valuation allowance	**(6.7)**		**(33.6)**	
Differences in normal tax rates of subsidiaries	**(2.5)**		**(5.3)**	
Tax deduction	**(2.4)**		**(3.7)**	
Other	**4.6**		**(5.6)**	
Effective income tax rate	**24.2**	%	**(20.8)**	%

21. Business Combination

Common control transaction

Share exchange to make Kobelco Eco-Solutions Co., Ltd. a wholly-owned subsidiary

The Company and Kobelco Eco-Solutions Co., Ltd. (Kobelco Eco-Solutions) approved a resolution in the Board of Directors' meetings of each company held on August 5, 2021, based on which the Company becomes a wholly-owing parent company and Kobelco Eco-Solutions becomes a wholly-owned subsidiary, and on the same date, the two companies entered into the share exchange agreement on the same date. The share exchange was implemented on November 1, 2021 as the effective date in accordance with simplified share exchange procedures, which do not require the approval of a general meeting of shareholders in accordance with Article 796, Paragraph 2 of the Company Law, and with approval of the share exchange agreement at the extraordinary general meeting of shareholders held on September 30, 2021 for Kobelco Eco-Solution.

Prior to the share exchange, the common stock of Kobelco Eco-Solutions was delisted from the 2nd Section of Tokyo Stock Exchange, Inc. on October 28, 2021 (the last trading day was October 27, 2021).

(1) Outline of the business combination

① Name and business of the acquired company

Acquired company name: Kobelco Eco-Solutions Co., Ltd.

Business of the acquired company: Design, manufacture, construction, and maintenance of environmental plants
Design, manufacture, and maintenance of industrial machinery and equipment

② Date of the business combination

November 1, 2021

③ Legal method of the business combination

Share exchange

④ Name of the company after the business combination

There was no change in the name of the company after the business combination.

⑤ Other matters with regard to the transaction

The global movement toward decarbonization is accelerating, and in Japan, the Government declared the policy of "Aiming to realize carbon neutrality and decarbonized society by 2050" in the Prime Minister's Policy Speech on October 26, 2020. The business environment surrounding the Company and Kobelco Eco-Solutions is rapidly changing, including the transition to carbon neutrality and progress in social reforms. The Group recognizes that it is essential to utilize the many distinctive technologies possessed by Kobelco Eco-Solutions and to further strengthen cooperation between the Company and Kobelco Eco-Solutions in order to achieve carbon neutrality by 2050, create new businesses in fields such as hydrogen, biomass fuels and renewable energy that contribute to CO2 reduction and maximize profits in the environmental contribution menu. In addition, the environmental business fields and underlying technologies owned by Kobelco Eco-Solutions will contribute significantly to the growth of the Group's engineering segment and increase its business value, which in turn will lead to the growth of the Group as a whole and increase its corporate value. Therefore, in order to ensure that such growth and increase in corporate value, it is not appropriate to maintain the parent/subsidiary listing with inherent conflict of interest risks from the perspective of our group management.

By making Kobelco Eco-Solutions a wholly-owned subsidiary of the Company, it is expected that Kobelco Eco-Solutions will accelerate its efforts to create new businesses in the Group and achieve carbon neutrality, expand business by further utilizing the Group's management resources and networks, and further demonstrate Group synergies from a medium- to long-term perspective. In addition, by de-listing Kobelco Eco-Solutions, it will be possible for Kobelco Eco-Solutions to make swift and flexible decisions without being restricted by short-term stock market evaluations and to reduce expenses of the parent/subsidiary listing. Accordingly, the Company decided to make Kobelco Eco-Solutions a wholly-owned subsidiary through a share exchange because making Kobelco Eco-Solutions a wholly-owned subsidiary would be beneficial for increasing the corporate value of not only the Company but also Kobelco Eco-Solutions.

(2) Outline of accounting treatment

The transaction was treated as a common control transaction in accordance with the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of January 16, 2019) and the "Revised Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of January 16, 2019).

(3) Additional purchase of the subsidiary's shares

① Acquisition cost and breakdown

	Millions of yen	Thousands of U.S. dollars (Note 1)
Consideration for acquisition (the company common stock)	¥ **21,908**	$ **178,997**
Acquisition cost	¥ **21,908**	$ **178,997**

② Exchange ratio and calculation method, and the number of shares delivered by class of shares

(a) Exchange ratio by class of shares

4.85 shares of the Company common stock for each share of Kobelco Eco-Solutions common stock

(b) Calculation method for the exchange ratio

The Company and Kobelco Eco-Solutions carefully examined the share exchange ratio based on the results of the due diligence conducted by each company, with reference to the calculation results and advice received from the third-party appraisers and the advice received from legal advisors. As a result of careful negotiations and discussions between the two companies regarding the share exchange ratio after comprehensively taking into account the financial condition, performance trends, stock price trends, etc., of the other side, the two companies decided on and agreed to the share exchange ratio.

(c) Number of shares delivered

31,981,753 shares

(4) Details about the change in shareholders' equity by the transaction with non-controlling shareholders
① Main reason for the change in capital surplus
Acquisition of additional shares in the subsidiary
② The amount of capital surplus decreased due to the transaction with non-controlling shareholders
¥8,605 million ($70,306 thousands)

Business Divestiture
Transfer of shares of Kobelco & Materials Copper Tube Co., Ltd.
(1) Outline of the business divestiture
①Name of purchasing company: M Cap No. 7, Co., Ltd.*
* M Cap No. 7, Co., Ltd. is a special purpose company wholly owned by Marunouchi Capital Fund 2, which is managed by Marunouchi Capital Co., Ltd.

②Description of the divested business
Consolidated subsidiaries: Kobelco & Materials Copper Tube Co., Ltd. and three other companies
Business of the divested companies: Manufacture and sales of copper tubes for air conditioners, construction, and cold/hot water supply

③Objectives of the business divestiture
In the KOBELCO Group Medium-Term Management Plan (FY2021−FY2023), the Group places top priorities on “establishing a stable earnings base” and “taking on the challenge of realizing carbon neutrality.” Under these initiatives, the key measures concerning the materials business have been identified as the strategic investment leading to earnings contribution and the restructuring of unprofitable businesses. The Group has studied various measures to optimize the future growth and development of the copper tube business, in which Kobelco & Materials Copper Tube Co., Ltd. is involved, while leveraging the business foundation that has been cultivated to date.
As a result, the Group came to the conclusion that the most effective way for Kobelco & Materials Copper Tube Co., Ltd. to further expand its operations, develop its business and improve its corporate value in the future would be to promote Kobelco & Materials Copper Tube Co., Ltd.’s business operations by gaining overall support from Marunouchi Capital Co., Ltd. in the management and financial aspects.

④Date of the business divestiture
March 31, 2022

⑤Other information on the business divestiture including the legal form thereof
A transfer of all shares of Kobelco & Materials Copper Tube Co., Ltd. for which only cash was received as consideration

(2) Outline of the accounting treatment applied
①Amount of transfer gain/loss: Loss on sale of investment securities ¥7,420 million ($60,625 thousand)

②Appropriate book values of assets and liabilities related to the transferred business and the breakdown by major items

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2022	**2022**
Current assets	¥ **38,633**	$ **315,657**
Non-current assets	**9,665**	**78,966**
Total assets	¥ **48,298**	$ **394,623**
Current liabilities	**17,440**	**142,496**
Long-term liabilities	**18,024**	**147,270**
Total liabilities	¥ **35,464**	$ **289,766**

③Accounting treatment
The difference between the transfer price and book values of the shares of Kobelco & Materials Copper Tube Co., Ltd. and three other companies in the consolidated financial statements was recognized as "Loss on sale of investment securities" in Extraordinary income (loss).

(3) Reportable segments including the divested business: Advanced Materials

(4) Estimated effect on profit/loss of the divested business in the consolidated statements of operations

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2022	**2022**
Sales	¥ **96,863**	$ **791,425**
Operating income	**2,938**	**24,005**

22. 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 was as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1)	
		2022		2022	
Japan	Steel & Aluminum:	¥	678,171	$	5,541,058
	Steel		572,581		4,678,331
	Aluminum sheet		105,590		862,727
	Advanced Materials		193,029		1,577,166
	Welding		42,867		350,250
	Machinery		61,624		503,505
	Engineering		107,974		882,211
	Construction Machinery		147,405		1,204,391
	Electric Power		109,866		897,674
	Other Businesses		17,687		144,513
	Subtotal	¥	1,358,623	$	11,100,768
China	Steel & Aluminum:		72,736		594,297
	Steel		41,294		337,395
	Aluminum sheet		31,442		256,902
	Advanced Materials		23,265		190,091
	Welding		7,257		59,290
	Machinery		41,779		341,362
	Engineering		7,652		62,523
	Construction Machinery		47,586		388,806
	Electric Power		-		-
	Other Businesses		1,600		13,068
	Subtotal	¥	201,875	$	1,649,437
Other	Steel & Aluminum:		130,146		1,063,376
	Steel		108,135		883,530
	Aluminum sheet		22,011		179,846
	Advanced Materials		108,055		882,870
	Welding		26,099		213,243
	Machinery		58,426		477,373
	Engineering		18,694		152,740
	Construction Machinery		176,558		1,442,582
	Electric Power		-		-
	Other Businesses		2,646		21,630
	Subtotal	¥	520,624	$	4,253,814
Segment total	Steel & Aluminum:		881,053		7,198,731
	Steel		722,010		5,899,256
	Aluminum sheet		159,043		1,299,475
	Advanced Materials		324,349		2,650,127
	Welding		76,223		622,783
	Machinery		161,829		1,322,240
	Engineering		134,320		1,097,474
	Construction Machinery		371,549		3,035,779
	Electric Power		109,866		897,674
	Other Businesses		21,933		179,211
	Total sales to external customers		2,081,122		17,004,019
	Adjustment		1,461		11,935
	Consolidated sales to external customers	¥	2,082,583	$	17,015,954

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

			Millions of yen		Thousands of U.S. dollars (Note 1)
			2022		**2022**
Goods or services transferred at a point in time	Steel & Aluminum:	¥	**868,427**	$	**7,095,569**
	Steel		**709,384**		**5,796,094**
	Aluminum sheet		**159,043**		**1,299,475**
	Advanced Materials		**324,349**		**2,650,127**
	Welding		**76,223**		**622,783**
	Machinery		**148,860**		**1,216,273**
	Engineering		**46,909**		**383,278**
	Construction Machinery		**362,100**		**2,958,572**
	Electric Power		**109,866**		**897,674**
	Other Businesses		**21,421**		**175,027**
	Subtotal	¥	**1,958,155**	$	**15,999,303**
Goods or services transferred over a certain period of time	Steel & Aluminum:		**12,626**		**103,162**
	Steel		**12,626**		**103,162**
	Aluminum sheet		**-**		**-**
	Advanced Materials		**-**		**-**
	Welding		**-**		**-**
	Machinery		**12,969**		**105,967**
	Engineering		**87,411**		**714,196**
	Construction Machinery		**9,449**		**77,207**
	Electric Power		**-**		**-**
	Other Businesses		**512**		**4,184**
	Subtotal	¥	**122,967**	$	**1,004,716**
Segment total	Steel & Aluminum:		**881,053**		**7,198,731**
	Steel		**722,010**		**5,899,256**
	Aluminum sheet		**159,043**		**1,299,475**
	Advanced Materials		**324,349**		**2,650,127**
	Welding		**76,223**		**622,783**
	Machinery		**161,829**		**1,322,240**
	Engineering		**134,320**		**1,097,474**
	Construction Machinery		**371,549**		**3,035,779**
	Electric Power		**109,866**		**897,674**
	Other Businesses		**21,933**		**179,211**
	Total sales to external customers		**2,081,122**		**17,004,019**
	Adjustment		**1,461**		**11,935**
	Consolidated sales to external customers	¥	**2,082,583**	$	**17,015,954**

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 were as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2022		**2022**
Receivables from contracts with customers (beginning balance)	¥	**273,985**	$	**2,238,625**
Receivables from contracts with customers (ending balance)		**328,099**		**2,680,765**
Contract assets (beginning balance)		**40,009**		**326,900**
Contract assets (ending balance)		**29,874**		**244,090**
Contract liabilities (beginning balance)		**36,109**		**295,030**
Contract liabilities (ending balance)		**45,219**		**369,466**

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 ¥21,833 million ($178,392 thousand). The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied in the previous fiscal year is 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 are 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)
		2022		**2022**
Within one year	¥	**226,468**	$	**1,850,378**
Over one year		**240,326**		**1,963,607**
	¥	**466,794**	$	**3,813,985**

23. Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects for each component of other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Valuation difference on available-for-sale securities:			
Unrealized gains arising during the period	¥ **19,051**	¥ 19,822	$ **155,661**
Less reclassification adjustment included in net income	**(111)**	(1,046)	**(907)**
	18,940	18,776	**154,754**
Tax effects	**(5,728)**	(5,514)	**(46,805)**
	13,212	13,262	**107,949**
Deferred gains (losses) on hedges:			
Unrealized gains arising during the period	**2,103**	5,056	**17,182**
Less reclassification adjustment included in net income	**(3,242)**	(996)	**(26,487)**
Adjustments of acquisition cost for assets	**553**	546	**4,515**
	(586)	4,606	**(4,790)**
Tax effects	**558**	(1,372)	**4,559**
	(28)	3,234	**(231)**
Revaluation reserve for land:			
Unrealized losses arising during the period	**-**	-	**-**
Less reclassification adjustment included in net income	**-**	-	**-**
	-	-	**-**
Tax effects	**5**	(793)	**48**
	5	(793)	**48**
Foreign currency translation adjustments:			
Translation adjustments arising during the period	**19,162**	(4,464)	**156,570**
Less reclassification adjustment included in net income	**173**	-	**1,413**
	19,335	(4,464)	**157,983**
Remeasurements of defined benefit plans:			
Unrealized gains arising during the period	**6,240**	18,566	**50,981**
Less reclassification adjustment included in net income	**3,535**	4,861	**28,885**
	9,775	23,427	**79,866**
Tax effects	**(2,604)**	(5,988)	**(21,275)**
	7,171	17,439	**58,591**
Share of other comprehensive gains related to equity method companies:			
Unrealized gains arising during the period	**2,424**	4,137	**19,805**
Less reclassification adjustment included in net income	**70**	(1,500)	**570**
	2,494	2,637	**20,375**
Total other comprehensive income	¥ **42,189**	¥ 31,315	$ **344,715**

24. Consolidated Statements of Changes in Net Assets

Changes in the number of shares issued and outstanding during the years ended March 31, 2022 and 2021 were as follows:

	Number of shares
Common stock outstanding	
Balance at March 31, 2020	364,364,210
(No increase)	-
(No decrease)	-
Balance at March 31, 2021	364,364,210
Increase due to issuance of common stock in a share exchange	31,981,753
(No decrease)	-
Balance at March 31, 2022	396,345,963

Changes in the number of shares of treasury stock outstanding during the years ended March 31, 2022 and 2021 were as follows:

	Number of shares
Treasury stock outstanding	
Balance at March 31, 2020	1,666,949
Increase due to purchase of odd-lot stock	5,630
Decrease due to sale of odd-lot stock	(503)
Decrease in equity ratio in affiliates accounted for by the equity method	(1,866)
Balance at March 31, 2021	1,670,210
Increase due to purchase of odd-lot stock	8,930
Increase due to gain by affiliates accounted for by the equity method	155,743
Decrease due to sale of odd-lot stock	(642)
Decrease due to change in scope of equity method	(24,405)
Decrease due to BBT	(11,600)
Balance at March 31, 2022	1,798,236

Amount of dividend payments during the year ended March 31, 2022 was as follows:

Decision	Kind of stock	Millions of yen / Thousands of U.S. dollars (Note 1) Total payments	Yen/ U.S. dollars (Note 1) Cash dividends per share	Record date	Operative date
At the Board of Directors' meeting held on May 17, 2021	Common stock	¥3,641 $29,750	¥10.0 $0.08	31-Mar-21	24-Jun-21
At the Board of Directors' meeting held on November 5, 2021	Common stock	¥3,641 $29,750	¥10.0 $0.08	30-Sep-21	1-Dec-21

Dividends for which the record date belongs to the year ended March 31, 2022, and the operative date is the year ending March 31, 2023 were as follows:

Decision	Kind of stock	Source of dividends	Millions of yen / Thousands of U.S. dollars (Note 1) Total payments	Yen/ U.S. dollars (Note 1) Cash dividends per share	Record date	Operative date
At the Board of Directors' meeting held on May 18, 2022	Common stock	Retained earnings	¥11,883 $97,088	¥30.0 $0.25	31-Mar-22	23-Jun-22

25. 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, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Cash and deposits in the consolidated balance sheets	¥ **243,502**	¥ 262,346	$ **1,989,559**
Time deposits due over three months	**(190)**	(235)	**(1,557)**
Certificates of deposit included in the securities account	**17,200**	55,200	**140,534**
Cash and cash equivalents in the consolidated statements of cash flows	¥ **260,512**	¥ 317,311	$ **2,128,536**

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	Thousands of U.S. dollars (Note 1)
	2022	**2022**
Current assets	¥ **42,118**	$ **344,132**
Fixed assets	**10,048**	**82,095**
Current liabilities	**(18,748)**	**(153,180)**
Long-term liabilities	**(18,689)**	**(152,697)**
Accumulated other comprehensive income	**(652)**	**(5,325)**
Non-controlling interests	**(5,071)**	**(41,437)**
Loss on sale of investment securities	**(9,220)**	**(75,335)**
Incidental expenses associated with the sale of shares	**126**	**1,031**
Selling price of shares	¥ **(88)**	$ **(716)**
Cash and cash equivalents	**(4,236)**	**(34,616)**
Incidental expenses associated with the sale of shares	**(126)**	**(1,031)**
Accounts payable	**443**	**3,621**
Deduction : Payment for sale of investment in subsidiaries resulting in change in scope of consolidation	¥ **(4,007)**	$ **(32,742)**

26. Related Party Transactions

Transactions of the Company with related parties for the year ended March 31, 2022 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: Description of transactions	Transactions: Amount	Resulting accounting balance: Account	Resulting accounting balance: Amount
Affiliate	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 $1,932,125	Accounts receivable	¥14,757 $120,577
					Purchases of raw materials and materials for equipment	¥523,545 $4,277,675	Accounts payable	¥37,263 $304,460
Affiliate	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 $707,126	Accounts receivable	¥14,065 $114,916
					Purchases of coke	¥91,172 $744,933	Accounts payable	¥21,844 $178,475

Transactions of the Company with related parties for the year ended March 31, 2021 consisted of the following:

Millions of yen

Category	Name	Paid-in capital	Content of business	Percentage of ownership	Transactions: Description of transactions	Transactions: Amount	Resulting accounting balance: Account	Resulting accounting balance: Amount
Affiliate	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	¥176,272	Accounts receivable	¥11,505
					Purchases of raw materials and materials for equipment	¥252,818	Accounts payable	¥21,971
Affiliate	Kansai Coke and Chemicals Co., Ltd.	¥6,000 million	Produces and sells industrial chemical products such as coke	24.00% directly	Supplies of coal	¥44,211	Accounts receivable	¥6,231
					Purchases of coke	¥60,603	Accounts payable	¥12,395

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. Consumption taxes were not included in the amount of the transactions but were included in the amount of the resulting account balances.
4. The number in parentheses is the percentage of shareholders who agree with the Company when exercising voting rights.

27. 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, 2022 and 2021 consisted of the following:

Defined Benefit Retirement Plans

(1) Changes in projected benefit obligation

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2022		2021		2022	
Balance at beginning of year	¥	157,109	¥	165,393	$	1,283,676
Service costs		11,111		11,590		90,782
Interest cost on projected benefit obligation		367		364		3,002
Actuarial differences arising during the period		281		271		2,299
Unrecognized prior service cost arising during the period		(3,133)		(11,768)		(25,601)
Amount of payment of retirement benefits		(6,662)		(7,688)		(54,432)
Increase (decrease) due to change in scope of consolidation		(3,367)		(2,269)		(27,513)
Increase due to transfer		-		711		-
Adjustment from the simplified method to the principle method		-		485		-
Other		(71)		20		(587)
Balance at end of year	¥	155,635	¥	157,109	$	1,271,626

(2) Changes in plan assets

		Millions of yen				Thousands of U.S. dollars (Note 1)
		2022		2021		2022
Balance at beginning of year	¥	92,430	¥	89,302	$	755,207
Expected return on plan assets		218		213		1,784
Actuarial differences arising during the period		5,202		7,283		42,500
Amount of contribution by the employer		1,978		2,542		16,164
Amount of payment of retirement benefits		(5,549)		(6,329)		(45,336)
Increase (decrease) due to change in scope of consolidation		(589)		(610)		(4,817)
Increase (decrease) due to Share exchange		1,486		-		12,143
Other		16		29		132
Balance at end of year	¥	95,192	¥	92,430	$	777,777

(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)
		2022		2021		2022
Funded projected benefit obligation	¥	119,583	¥	117,348	$	977,067
Plan assets		(95,192)		(92,430)		(777,777)
		24,391		24,918		199,290
Unfunded projected benefit obligation		36,052		39,761		294,559
Net of defined benefit liability and asset		60,443		64,679		493,849
Net defined benefit liability		79,979		84,136		653,473
Net defined benefit asset		(19,536)		(19,457)		(159,624)
Net of defined benefit liability and asset	¥	60,443	¥	64,679	$	493,849

(4) Breakdown of severance and retirement benefit expenses

		Millions of yen				Thousands of U.S. dollars (Note 1)
		2022		2021		2022
Service costs	¥	11,111	¥	11,590	$	90,782
Interest cost on projected benefit obligation		367		364		3,002
Expected return on plan assets		(218)		(213)		(1,784)
Amortization of actuarial differences		3,510		3,945		28,678
Amortization of prior service cost		(1,789)		550		(14,616)
Adjustment from the simplified method to the principle method		-		485		-
Other		13		2		103
Severance and retirement benefit expenses on defined benefit retirement plans	¥	12,994	¥	16,723	$	106,165

(5) Breakdown of remeasurements of defined benefit plans

		Millions of yen				Thousands of U.S. dollars (Note 1)
		2022		2021		2022
Prior service cost	¥	1,344	¥	12,318	$	10,985
Actuarial differences		8,431		11,109		68,880
Total	¥	9,775	¥	23,427	$	79,865

(6) Accumulated breakdown of remeasurements of defined benefit plans

		Millions of yen				Thousands of U.S. dollars (Note 1)
		2022		2021		2022
Unrecognized prior service cost	¥	(7,957)	¥	(6,612)	$	(65,011)
Unrecognized actuarial differences		2,227		10,657		18,194
Total	¥	(5,730)	¥	4,045	$	(46,817)

(7) Plan assets
(a) Breakdown of plan assets

	2022		2021	
Stock	25	%	31	%
General account of insurance company	39		40	
Bonds	21		23	
Other	15		6	
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, 2022 and 2021 were as follows:

	2022	2021
Discount rates	mainly 0.0%	mainly 0.0%
Long-term expected rate of return	mainly 0.1%	mainly 0.1%

28. 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 income (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)
		2022	2021	**2022**
Sales to outside customers:	Steel & Aluminum	¥ **881,053**	¥ 667,145	$ **7,198,731**
	Advanced Materials	**324,349**	229,844	**2,650,127**
	Welding	**76,223**	69,239	**622,783**
	Machinery	**161,829**	170,403	**1,322,240**
	Engineering	**134,320**	132,534	**1,097,474**
	Construction Machinery	**371,549**	333,127	**3,035,779**
	Electric Power	**109,866**	80,440	**897,674**
	Other Businesses	**21,933**	21,508	**179,211**
	Total sales to outside customers	¥ **2,081,122**	¥ 1,704,240	$ **17,004,019**
Intersegment sales:	Steel & Aluminum	¥ **33,856**	¥ 29,176	$ **276,627**
	Advanced Materials	**8,912**	8,286	**72,818**
	Welding	**702**	779	**5,737**
	Machinery	**5,018**	4,915	**41,003**
	Engineering	**1,341**	3,605	**10,959**
	Construction Machinery	**83**	52	**676**
	Electric Power	**-**	-	**-**
	Other Businesses	**6,880**	6,306	**56,204**
	Total intersegment sales	¥ **56,792**	¥ 53,119	$ **464,024**
Total sales:	Steel & Aluminum	¥ **914,909**	¥ 696,321	$ **7,475,358**
	Advanced Materials	**333,261**	238,130	**2,722,945**
	Welding	**76,925**	70,018	**628,520**
	Machinery	**166,847**	175,318	**1,363,243**
	Engineering	**135,661**	136,139	**1,108,433**
	Construction Machinery	**371,632**	333,179	**3,036,455**
	Electric Power	**109,866**	80,440	**897,674**
	Other Businesses	**28,813**	27,814	**235,415**
	Total segment sales	**2,137,914**	1,757,359	**17,468,043**
	Adjustment	**1,461**	1,327	**11,935**
	Elimination	**(56,792)**	(53,120)	**(464,024)**
	Consolidated net sales	¥ **2,082,583**	¥ 1,705,566	$ **17,015,954**
Segment income (loss):	Steel & Aluminum	¥ **37,537**	¥ (22,657)	$ **306,699**
	Advanced Materials	**5,150**	(12,186)	**42,076**
	Welding	**2,781**	1,771	**22,723**
	Machinery	**12,564**	11,465	**102,658**
	Engineering	**7,755**	4,444	**63,365**
	Construction Machinery	**12,086**	12,773	**98,747**
	Electric Power	**13,259**	20,662	**108,334**
	Other Businesses	**7,047**	4,231	**57,577**
	Total segment income (loss)	**98,179**	20,503	**802,179**
	Adjustment	**(4,945)**	(4,315)	**(40,402)**
	Consolidated ordinary income	¥ **93,234**	¥ 16,188	$ **761,777**

		Millions of yen				Thousands of U.S. dollars (Note 1)	
			2022		2021		2022
Assets:	Steel & Aluminum	¥	**1,089,054**	¥	1,000,311	$	**8,898,231**
	Advanced Materials		**244,430**		256,075		**1,997,137**
	Welding		**79,402**		77,613		**648,760**
	Machinery		**190,983**		181,383		**1,560,443**
	Engineering		**132,567**		123,811		**1,083,154**
	Construction Machinery		**361,978**		334,682		**2,957,576**
	Electric Power		**397,894**		321,323		**3,251,030**
	Other Businesses		**59,803**		56,136		**488,637**
	Total segment assets		**2,556,111**		2,351,334		**20,884,968**
	Adjustment		**172,634**		231,540		**1,410,525**
	Total	¥	**2,728,745**	¥	2,582,874	$	**22,295,493**
Depreciation:	Steel & Aluminum	¥	**57,437**	¥	57,279	$	**469,295**
	Advanced Materials		**11,392**		10,277		**93,083**
	Welding		**2,510**		2,432		**20,506**
	Machinery		**5,242**		5,288		**42,831**
	Engineering		**1,642**		1,692		**13,417**
	Construction Machinery		**13,835**		12,881		**113,044**
	Electric Power		**10,367**		8,438		**84,708**
	Other Businesses		**584**		576		**4,760**
	Total segment depreciation		**103,009**		98,863		**841,644**
	Adjustment		**2,138**		1,994		**17,472**
	Total	¥	**105,147**	¥	100,857	$	**859,116**
Amortization of goodwill:	Steel & Aluminum	¥	**-**	¥	-	$	**-**
	Advanced Materials		**-**		-		**-**
	Welding		**73**		73		**599**
	Machinery		**451**		289		**3,686**
	Engineering		**-**		3		**-**
	Construction Machinery		**-**		-		**-**
	Electric Power		**-**		-		**-**
	Other Businesses		**-**		-		**-**
	Total segment amortization of goodwill		**524**		365		**4,285**
	Adjustment		**-**		(3)		**-**
	Total	¥	**524**	¥	362	$	**4,285**
Interest income:	Steel & Aluminum	¥	**317**	¥	249	$	**2,590**
	Advanced Materials		**50**		44		**408**
	Welding		**243**		316		**1,989**
	Machinery		**317**		140		**2,591**
	Engineering		**344**		309		**2,809**
	Construction Machinery		**1,679**		1,805		**13,717**
	Electric Power		**6**		5		**46**
	Other Businesses		**2**		2		**17**
	Total segment interest income		**2,958**		2,870		**24,167**
	Adjustment		**(688)**		(673)		**(5,616)**
	Total	¥	**2,270**	¥	2,197	$	**18,551**
Interest expense:	Steel & Aluminum	¥	**4,998**	¥	4,882	$	**40,835**
	Advanced Materials		**1,760**		1,701		**14,378**
	Welding		**40**		28		**327**
	Machinery		**409**		408		**3,343**
	Engineering		**47**		77		**385**
	Construction Machinery		**1,783**		1,940		**14,566**
	Electric Power		**4,749**		3,314		**38,803**
	Other Businesses		**58**		56		**473**
	Total segment interest expense		**13,844**		12,406		**113,110**
	Adjustment		**(607)**		(880)		**(4,957)**
	Total	¥	**13,237**	¥	11,526	$	**108,153**
Equity in income (loss) of equity method companies:	Steel & Aluminum	¥	**9,698**	¥	(1,367)	$	**79,237**
	Advanced Materials		**91**		(1,475)		**743**
	Welding		**59**		38		**478**
	Machinery		**45**		(78)		**371**
	Engineering		**326**		429		**2,662**
	Construction Machinery		**830**		1,422		**6,779**
	Electric Power		**-**		-		**-**
	Other Businesses		**3,272**		2,162		**26,739**
	Total segment equity in income (loss) of equity method companies		**14,321**		1,131		**117,009**
	Adjustment		**(195)**		(465)		**(1,588)**
	Total	¥	**14,126**	¥	666	$	**115,421**
Investments in equity method companies:	Steel & Aluminum	¥	**97,773**	¥	80,186	$	**798,865**
	Advanced Materials		**563**		6,765		**4,597**
	Welding		**1,358**		1,312		**11,097**
	Machinery		**806**		732		**6,585**
	Engineering		**2,259**		2,179		**18,459**
	Construction Machinery		**7,811**		7,196		**63,822**
	Electric Power		**-**		-		**-**
	Other Businesses		**25,621**		24,362		**209,337**
	Total segment investments in equity method companies		**136,191**		122,732		**1,112,762**
	Adjustment		**(2,820)**		(2,948)		**(23,040)**
	Total	¥	**133,371**	¥	119,784	$	**1,089,722**
Capital expenditures:	Steel & Aluminum	¥	**27,185**	¥	69,267	$	**222,115**
	Advanced Materials		**8,282**		14,258		**67,668**
	Welding		**1,375**		2,157		**11,236**
	Machinery		**4,032**		4,177		**32,946**
	Engineering		**1,456**		1,672		**11,900**
	Construction Machinery		**9,800**		10,448		**80,075**
	Electric Power		**52,955**		81,173		**432,678**
	Other Businesses		**550**		847		**4,482**
	Total segment capital expenditures		**105,635**		183,999		**863,100**
	Adjustment		**2,505**		1,093		**20,466**
	Total	¥	**108,140**	¥	185,092	$	**883,566**

Notes:
Details about adjustments at March 31, 2022 and 2021 were as follows:

Segment sales

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

Segment income (loss)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Companywide profit (loss)	¥ **(1,591)**	¥ (2,872)	$ **(12,997)**
Other adjustments	**(3,354)**	(1,443)	**(27,405)**
Total	¥ **(4,945)**	¥ (4,315)	$ **(40,402)**

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)
	2022	2021	**2022**
Companywide assets	¥ **348,596**	¥ 394,691	$ **2,848,237**
Other adjustments	**(175,962)**	(163,151)	**(1,437,712)**
Total	¥ **172,634**	¥ 231,540	$ **1,410,525**

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)
	2022	2021	**2022**
Japan	¥ **1,360,023**	¥ 1,131,881	$ **11,112,211**
China	**201,906**	167,854	**1,649,692**
Others	**520,654**	405,831	**4,254,051**
Total	¥ **2,082,583**	¥ 1,705,566	$ **17,015,954**

(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

	Related segment	Millions of yen		Thousands of U.S. dollars (Note 1)
		2022	2021	**2022**
Shinsho Corporation	Iron & Aluminum, etc.	¥ **277,119**	¥ 215,576	$ **2,264,233**

(3) Impairment Loss by Reportable Segments

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2022	2021	**2022**
Impairment loss	Steel & Aluminum	¥ **-**	¥ 11,317	$ **-**
	Advanced Materials	**-**	1,815	**-**
	Welding	**-**	110	**-**
	Machinery	**-**	160	**-**
	Engineering	**-**	-	**-**
	Construction Machinery	**-**	1	**-**
	Electric Power	**-**	-	**-**
	Other Businesses	**-**	106	**-**
	Total segment impairment loss	**-**	13,509	**-**
	Adjustment	**-**	-	**-**
	Total	¥ **-**	¥ 13,509	$ **-**

(4) Amortization and Balance of Goodwill by Reportable Segments

		Millions of yen		U.S. dollars (Note 1)
		2022	2021	**2022**
Amortization of goodwill	Steel & Aluminum	¥ **-**	¥ -	$ **-**
	Advanced Materials	**-**	-	**-**
	Welding	**73**	73	**599**
	Machinery	**451**	289	**3,686**
	Engineering	**-**	3	**-**
	Construction Machinery	**-**	-	**-**
	Electric Power	**-**	-	**-**
	Other Businesses	**-**	-	**-**
	Total segment Amortization of goodwill	**524**	365	**4,285**
	Adjustment	**-**	(3)	**-**
	Total	**524**	362	**4,285**
Balance at the end of the period	Steel & Aluminum	**-**	-	**-**
	Advanced Materials	**-**	-	**-**
	Welding	**416**	489	**3,396**
	Machinery	**2,957**	2,987	**24,167**
	Engineering	**-**	7	**-**
	Construction Machinery	**-**	-	**-**
	Electric Power	**-**	-	**-**
	Other Businesses	**-**	-	**-**
	Total segment balance of goodwill	**3,373**	3,483	**27,563**
	Adjustment	**-**	(7)	**-**
	Total	¥ **3,373**	¥ 3,476	$ **27,563**

(5) Gain from Negative Goodwill by Reportable Segments

No gain on negative goodwill was recognized for the year ended March 31, 2022 and 2021.

29. Net Income Per Share

The basis of calculating net income per share for the years ended March 31, 2022 and 2021 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars (Note 1)
	Net income attributable to owners of the parent	Weighted average number of shares	Net income per share	Net income per share
For the year ended March 31, 2022 Net income attributable to common stockholders	¥ **60,084**	**374,961**	¥ **160.23**	$ **1.31**
For the year ended March 31, 2021 Net loss attributable to common stockholders	¥ 23,234	362,695	¥ 64.05	$ 0.52

Notes:

1. Diluted net income per share is not presented for the fiscal years ended March 31, 2022 and 2021 as potential common stock did not exist.
2. The shares held by the Board Benefit Trust (BBT) are recorded under net assets as treasury stock.
   In calculating net income (loss) per share, the number of shares of treasury stock excluded from the weighted-average number of shares issued during the fiscal year includes the number of shares held by the BBT (750 thousand of shares for the year ended March 31, 2022 and 758 thousand of shares for the year ended March 31, 2021).

30. 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 stock as part of net assets based on the book value (excludes amounts for incidental expenses).

The corresponding treasury stock's book value was ¥671 million ($5,481 thousand) for 746 thousand shares for the year ended March 31, 2022 and ¥681 million for 758 thousand shares for the year ended March 31, 2021.

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

It is difficult to forecast how the COVID-19 infection will spread in the future, when it will recede, etc. However, the Group forms accounting estimates of the recoverability of deferred tax assets etc., based on information available at the time of preparing the estimates.
Although demand is currently declining in the automotive and other sectors due to production cutbacks caused by parts supply shortages, the impact is considered temporary and has not had a material impact on forming accounting estimates.
The Group has assumed that the current and future impacts of the decline in production and order volume on the Group have largely been accounted for, with the exception of certain demand fields such as the aircraft sector, in which the market is expected to perform poorly for some years.

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, 2022 and 2021, 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, 2022 and 2021, 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.

Appropriateness of the Group's judgment on whether to recognize an impairment loss on long-lived assets used by Kobelco Construction Machinery Co., Ltd.	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of the Group, Property, plant and equipment of ¥1,060,198 million and intangible assets of ¥36,325 million were recognized for the current fiscal year. As described in Notes to Consolidated Financial Statements 2, "Summary of Significant Accounting Policies, (20) Significant accounting estimates, (a) Impairment of long-lived assets," included therein were property, plant and equipment of ¥54,165 million and intangible assets of ¥4,136 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 severalconsecutive years, primarily due to increasing competitive pressures in global markets, a decline in demand resulting from the COVID-19 pandemic, and an increase of procurement costs, including for steel materials, indicating impairment. 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 region	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 impairment loss to be recognized. In this assessment, we focused our testing on internal controls designed to prevent and/or detect the use of unreasonable 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 incorporating the effect of specific

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.	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 consolidated tax-return group

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of the Group, deferred tax assets of ¥57,069 million were recognized for the current fiscal year. As described in Notes to Consolidated Financial Statements 2, "Summary of Significant Accounting Policies, (20) Significant accounting estimates, (b) Deferred tax assets," the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥89,363 million. Of this amount, the gross deferred tax assets held by Kobe Steel, Ltd. and certain domestic subsidiaries of Kobe Steel, Ltd. that file a consolidated tax return (hereinafter, collectively referred to as the "consolidated tax-return group") accounted for ¥58,769 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 consolidated tax-return group files a consolidated tax return, the Group determines the recoverability of deferred tax assets concerning corporation tax and local corporation tax with consideration for the amount of consolidated taxable income of the consolidated tax-return group. The estimated future taxable income to be generated in the taxable income projections of the consolidated tax-return group, which was used to determine the recoverability of the deferred tax	The primary procedures we performed to assess whether the Group's judgment on the recoverability of deferred tax assets of the consolidated tax-return 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 unreasonable key assumptions in the business plan. **(2) Assessment of the appropriateness of the estimated future taxable income to be generated in the taxable income projections of the consolidated tax-return group.** We inquired of management and the personnel responsible for accounting regarding the basis for the key assumptions used to estimate the amount of future taxable income to be generated in the taxable income projections prepared by the consolidated tax-return 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:

assets, was based on the business plan prepared by management. 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 consolidated tax-return 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 consolidated tax-return 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 consolidated tax-return group including the causes of any differences from actual taxable income, and compared the estimated future taxable income 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 ● assessed the appropriateness of assumptions in forecasting sales prices in major businesses by referring to the results of past similar measures.

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, 2022 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 22, 2022

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.