

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

Years ended March 31	Millions of yen											Change 2024/2023	Thousands of U.S. dollars (Note 1) 2024	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024				
<b>For the year:</b>														
Net sales	¥ 1,886,895	¥ 1,822,806	¥ 1,695,864	¥ 1,881,158	¥ 1,971,870	¥ 1,869,836	¥ 1,705,566	¥ 2,082,583	¥ 2,472,508	¥ 2,543,142	2.9	%	\$ 16,796,397	
Cost of sales	1,581,528	1,548,384	1,465,577	1,595,230	1,704,972	1,638,738	1,482,378	1,774,779	2,151,217	2,107,149	(2.0)		13,916,845	
Operating profit	119,460	68,446	9,749	88,914	48,283	9,864	30,399	87,623	86,365	186,628	116.1		1,232,605	
Ordinary profit (loss)	101,688	28,928	(19,104)	71,149	34,629	(8,080)	16,188	93,234	106,837	160,923	50.6		1,062,832	
Profit (loss) attributable to owners of the parent	86,550	(21,556)	(23,045)	63,188	35,940	(68,008)	23,234	60,084	72,566	109,552	51.0		723,546	
Cash flows from operating activities	153,078	97,933	141,716	190,833	67,137	27,040	194,799	168,809	119,692	205,284	71.5		1,355,818	
Cash flows from investing activities	(73,674)	(104,619)	(137,834)	(161,598)	(28,603)	(218,987)	(141,853)	(161,510)	(97,267)	(53,724)	-		(354,830)	
Cash flows from financing activities	(156,027)	93,883	16,546	(66,599)	(9,562)	140,589	118,444	(69,144)	(85,564)	(81,213)	-		(536,384)	
Capital expenditures	103,522	109,941	160,297	128,654	133,472	239,817	185,092	108,140	97,302	105,214	8.1		694,899	
Depreciation	89,882	94,812	96,281	102,032	102,590	105,347	100,857	105,147	112,505	119,084	5.8		786,505	
Research and development expenses	29,920	29,843	30,102	32,015	34,495	35,891	31,008	33,245	36,702	40,416	10.1		266,936	
<b>At year end:</b>														
Total assets (Note 3)	2,300,242	2,261,135	2,310,436	2,352,115	2,384,973	2,411,192	2,582,874	2,728,745	2,874,751	2,919,774	1.6		19,283,894	
Net assets	851,785	745,493	729,405	790,985	803,313	716,369	769,375	872,346	977,653	1,127,346	15.3		7,445,655	
Outside debt	650,992	776,073	789,633	726,014	724,222	784,478	785,761	655,155	590,526	580,530	(1.7)		3,834,160	
Outside debt, including project financing	677,448	789,494	796,928	738,866	760,365	906,639	987,809	908,442	861,814	823,430	(4.5)		5,438,414	
<b>Per share data:</b>														
Net income (loss) (yen/U.S. dollars) (Note 2) ¥	23.81	¥ (59.35)	¥ (63.54)	¥ 174.43	¥ 99.20	¥ (187.55)	¥ 64.05	¥ 160.23	¥ 183.80	¥ 277.38	50.9		\$ 1.83	
Net assets (yen/U.S. dollars) (Note 2)	213.70	1,903.80	1,860.37	2,049.95	2,041.29	1,811.10	1,958.57	2,066.48	2,314.31	2,675.13	15.6		17.66	
Cash dividends (yen/U.S. dollars) (Note 2)	4.00	2.00	-	30.00	20.00	-	10.00	40.00	40.00	90.00	125.0		0.59	

Ratios:												Points
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		
Operating profit ratio (%)	6.3	3.8	0.6	4.7	2.4	0.5	1.8	4.2	3.5	7.3	3.8	
Ordinary profit ratio (%)	5.4	1.6	(1.1)	3.8	1.8	(0.4)	0.9	4.5	4.3	6.3	2.0	
ROA (%) (Note 3)	4.4	1.3	(0.8)	3.1	1.5	(0.3)	0.6	3.5	3.9	5.6	1.7	
ROE (%)	12.0	(2.9)	(3.4)	8.9	4.8	(9.7)	3.4	7.9	8.4	11.1	2.7	
Equity ratio (%)	33.8	30.6	29.2	31.6	31.0	27.2	27.5	29.9	31.8	36.2	4.4	
Debt/equity ratio (times)	0.88	1.10	1.17	0.98	0.98	1.19	1.11	0.80	0.65	0.55	(0.10)	
Dividend payout ratio (%)	16.8	-	-	17.2	20.2	-	15.6	25.0	21.8	32.4	10.6	
Number of shares issued (in thousands)	3,643,642	3,643,642	364,364	364,364	364,364	364,364	364,364	396,346	396,346	396,346	-	
Number of employees	36,420	36,338	36,951	37,436	39,341	40,831	40,517	38,106	38,488	38,050	(438)	

**Notes:**

- For convenience only, U.S. dollar amounts in this report have been translated from Japanese yen amounts at the rate of ¥151.41 to US\$1.00, the rate of exchange prevailing on March 31, 2024.
- 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.
- The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective April 1, 2018. "Total assets" and "ROA" figures for 2018 are after retrospective application of the concerned accounting standard.

## Consolidated Balance Sheets

Kobe Steel, Ltd. and Consolidated Subsidiaries

At March 31, 2024 and 2023

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
<b>Current assets</b>			
Cash and deposits (Note 26)	¥ 278,844	¥ 203,520	\$ 1,841,651
Notes receivable - trade	29,485	24,535	194,737
Accounts receivable - trade	343,663	377,962	2,269,756
Contract assets (Note 23)	37,077	26,074	244,879
Merchandise and finished goods	273,677	242,752	1,807,523
Work in process (Note 8)	160,420	167,485	1,059,510
Raw materials and supplies	276,552	290,419	1,826,512
Other	70,183	88,039	463,530
Allowance for doubtful accounts	(4,165)	(4,802)	(27,512)
Total current assets	1,465,737	1,415,987	9,680,587
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures, net	282,093	292,878	1,863,108
Machinery, equipment and vehicles, net	558,045	586,122	3,685,660
Tools, furniture and fixtures, net	15,055	15,054	99,436
Land (Note 9)	136,138	135,518	899,135
Construction in progress	43,080	36,462	284,527
Total property, plant and equipment	1,034,413	1,066,035	6,831,868
<b>Intangible assets</b>			
Software	25,273	22,772	166,920
Other	14,003	14,807	92,486
Total intangible assets	39,276	37,579	259,406
<b>Investments and other assets</b>			
Investment securities (Note 5)	245,023	204,627	1,618,278
Long-term loans receivable	3,223	3,005	21,290
Deferred tax assets (Note 22)	36,282	46,681	239,632
Retirement benefit asset (Note 28)	22,263	22,091	147,038
Other	94,905	99,030	626,811
Allowance for doubtful accounts	(21,351)	(20,287)	(141,019)
Total investments and other assets	380,346	355,148	2,512,032
Total non-current assets	1,454,036	1,458,764	9,603,307
Total assets	¥ 2,919,774	¥ 2,874,751	\$ 19,283,894

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
<b>Current liabilities</b>			
Notes and accounts payable - trade	¥ 477,198	¥ 605,709	\$ 3,151,699
Short-term borrowings (Note 7)	165,943	169,216	1,095,989
Current portion of bonds payable (Note 7)	-	900	-
Accounts payable - other	65,119	43,840	430,090
Income taxes payable	43,133	13,140	284,879
Contract liabilities (Note 23)	67,502	58,828	445,828
Provision for bonuses	26,544	23,529	175,312
Provision for product warranties	18,209	17,488	120,263
Provision for loss on construction contracts (Note 8)	5,994	8,775	39,591
Provision for dismantlement related expenses	1,989	-	13,142
Other (Note 7)	117,373	108,374	775,204
Total current liabilities	989,010	1,049,803	6,532,001
<b>Non-current liabilities</b>			
Bonds payable (Note 7)	115,000	45,000	759,527
Long-term borrowings (Note 7)	542,486	646,697	3,582,897
Lease liabilities (Note 7)	40,045	45,240	264,482
Deferred tax liabilities (Note 22)	3,674	6,555	24,265
Deferred tax liabilities for land revaluation	3,253	3,253	21,489
Retirement benefit liability (Note 28)	65,615	71,376	433,361
Provision for loss on joint venture agreement	9,245	-	61,061
Provision for dismantlement related expenses	-	1,459	-
Other	24,097	27,711	159,153
Total non-current liabilities	803,417	847,295	5,306,237
Total liabilities	1,792,427	1,897,098	11,838,239
<b>Net assets</b>			
Shareholders' equity			
Share capital (Notes 13 and 25)	250,930	250,930	1,657,288
Capital surplus (Note 13)	116,325	116,430	768,282
Retained earnings (Note 13)	548,951	472,757	3,625,597
Treasury shares (Note 25)	(1,847)	(1,879)	(12,200)
Total shareholders' equity	914,360	838,238	6,038,968
Accumulated other comprehensive income (Note 24)			
Valuation difference on available-for-sale securities	70,610	34,877	466,350
Deferred gains or losses on hedges	(6,911)	(7,082)	(45,644)
Revaluation reserve for land (Note 9)	4,707	(3,400)	31,088
Foreign currency translation adjustment	45,950	32,562	303,484
Remeasurements of defined benefit plans	27,845	18,760	183,908
Total accumulated other comprehensive income	142,202	75,717	939,186
Non-controlling interests	70,784	63,696	467,500
Total net assets	1,127,346	977,653	7,445,655
Total liabilities and net assets	¥ 2,919,774	¥ 2,874,751	\$ 19,283,894

See accompanying notes.

## Consolidated Statements of Income

Kobe Steel, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
<b>Net sales (Notes 14 and 23)</b>	¥ 2,543,142	¥ 2,472,508	\$ 16,796,397
<b>Cost of sales (Note 15)</b>	(2,107,149)	(2,151,217)	(13,916,845)
Gross profit	435,992	321,290	2,879,552
<b>Selling, general and administrative expenses (Note 17)</b>			
Transportation costs	(63,447)	(63,395)	(419,043)
Salaries and allowances	(50,939)	(48,138)	(336,433)
Research and development expenses	(23,422)	(20,975)	(154,698)
Other	(111,554)	(102,416)	(736,771)
Total selling, general and administrative expenses	(249,364)	(234,925)	(1,646,946)
Operating profit	186,628	86,365	1,232,605
<b>Non-operating income</b>			
Interest income	2,856	1,679	18,867
Dividend income	4,623	4,657	30,534
Seconded employees' reimbursement	2,963	3,148	19,571
Foreign exchange gains	5,220	6,368	34,476
Share of profit of entities accounted for using equity method	-	12,142	-
Other	14,874	30,850	98,241
Total non-operating income	30,538	58,847	201,691
<b>Non-operating expenses</b>			
Interest expenses	(14,640)	(13,343)	(96,691)
Seconded employees' salaries	(9,151)	(9,595)	(60,444)
Share of loss of entities accounted for using equity method	(9,148)	-	(60,419)
Dismantlement expenses	(9,873)	(5,730)	(65,209)
Other (Note 5)	(13,430)	(9,705)	(88,700)
Total non-operating expenses	(56,243)	(38,375)	(371,464)
Ordinary profit	160,923	106,837	1,062,832
<b>Extraordinary income</b>			
Gain on sale of non-current assets (Note 18)	29,379	-	194,041
Total extraordinary income	29,379	-	194,041
<b>Total extraordinary losses</b>			
Impairment losses (Note 19)	(18,783)	(4,438)	(124,059)
Provision for loss on joint venture agreement (Note 20)	(9,245)	-	(61,061)
Loss on liquidation of business (Note 21)	-	(4,332)	-
Total extraordinary losses	(28,029)	(8,770)	(185,120)
<b>Profit before income taxes</b>	162,274	98,066	1,071,752
<b>Income taxes (Note 22)</b>			
Income taxes - current	54,791	25,024	361,874
Income taxes - deferred	(9,000)	(2,281)	(59,446)
Total income taxes	45,790	22,743	302,427
<b>Profit</b>	116,483	75,322	769,325
<b>Profit attributable to non-controlling interests</b>	6,931	2,756	45,779
<b>Profit attributable to owners of parent</b>	¥ 109,552	¥ 72,566	\$ 723,546

See accompanying notes.

## Consolidated Statements of Comprehensive Income

Kobe Steel, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
<b>Profit</b>	¥ 116,483	¥ 75,322	\$ 769,325
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities	33,143	6,054	218,895
Deferred gains or losses on hedges	172	6,015	1,140
Revaluation reserve for land	2,538	-	16,763
Foreign currency translation adjustment	12,502	16,829	82,571
Remeasurements of defined benefit plans, net of tax	9,123	15,040	60,256
Share of other comprehensive income of entities accounted for using equity method	5,411	1,086	35,738
<b>Total other comprehensive income (Note 24)</b>	62,890	45,028	415,366
<b>Comprehensive income</b>	¥ 179,374	¥ 120,351	\$ 1,184,691

Comprehensive income attributable to

Comprehensive income attributable to owners of parent

Comprehensive income attributable to non-controlling interests

¥ 170,428	¥ 116,094	\$ 1,125,609
8,945	4,256	59,082

See accompanying notes.

**Consolidated Statements of Changes in Net Assets**

 Kobe Steel, Ltd. and Consolidated Subsidiaries  
 Years ended March 31, 2024 and 2023

	Millions of yen													
	Share capital (Notes 13 and 25)	Capital surplus (Note 13)	Retained earnings (Note 13)	Treasury shares (Note 25)	Valuation difference on available-for-sale securities (Note 24)	Deferred gains or losses on hedges (Note 24)	Revaluation reserve for land (Notes 9 and 24)	Foreign currency translation adjustment (Note 24)	Remeasurements of defined benefit plans (Note 24)	Non-controlling interests	Total			
Balance at April 1, 2022	¥ 250,930	¥ 116,434	¥ 418,033	¥ (2,261)	¥ 28,987	¥ (13,141)	¥ (3,400)	¥ 16,054	¥ 3,689	¥ 57,019	¥ 872,346			
Dividends of surplus			(17,823)								(17,823)			
Profit attributable to owners of parent			72,566								72,566			
Purchase of treasury shares				(5)							(5)			
Disposal of treasury shares			(1)	323							321			
Change in ownership interest of parent due to transactions with non-controlling interests		47									47			
Change of scope of consolidation and equity method			(16)								(16)			
Change in shares of parent owned by entities accounted for using equity method		(51)		65							13			
Net changes in items other than shareholders' equity					5,889	6,058	-	16,508	15,071	6,676	50,204			
Total changes during period	-	(4)	54,723	382	5,889	6,058	-	16,508	15,071	6,676	105,307			
Balance at April 1, 2023	¥ 250,930	¥ 116,430	¥ 472,757	¥ (1,879)	¥ 34,877	¥ (7,082)	¥ (3,400)	¥ 32,562	¥ 18,760	¥ 63,696	¥ 977,653			
Dividends of surplus			(27,725)								(27,725)			
Profit attributable to owners of parent			109,552								109,552			
Purchase of treasury shares				(14)							(14)			
Disposal of treasury shares			(0)	48							48			
Change in ownership interest of parent due to transactions with non-controlling interests		(104)									(104)			
Change of scope of consolidation and equity method			(4)								(4)			
Change in treasury shares arising from change in equity in entities accounted for using equity method				(2)							(2)			
Reversal of revaluation reserve for land			(5,628)								(5,628)			
Net changes in items other than shareholders' equity					35,732	171	8,107	13,387	9,084	7,087	73,572			
Total changes during period	-	(104)	76,193	32	35,732	171	8,107	13,387	9,084	7,087	149,693			
Balance at March 31, 2024	¥ 250,930	¥ 116,325	¥ 548,951	¥ (1,847)	¥ 70,610	¥ (6,911)	¥ 4,707	¥ 45,950	¥ 27,845	¥ 70,784	¥ 1,127,346			

	Thousands of U.S. dollars (Note 1)											
	Share capital (Notes 13 and 25)	Capital surplus (Note 13)	Retained earnings (Note 13)	Treasury shares (Note 25)	Valuation difference on available-for-sale securities (Note 24)	Deferred gains or losses on hedges (Note 24)	Revaluation reserve for land (Notes 9 and 24)	Foreign currency translation adjustment (Note 24)	Remeasurements of defined benefit plans (Note 24)	Non-controlling interests	Total	
Balance at April 1, 2023	\$ 1,657,288	\$ 768,972	\$ 3,122,369	\$ (12,412)	\$ 230,350	\$ (46,777)	\$ (22,458)	\$ 215,062	\$ 123,908	\$ 420,688	\$ 6,456,991	
Dividends of surplus			(183,115)								(183,115)	
Profit attributable to owners of parent			723,546								723,546	
Purchase of treasury shares				(96)							(96)	
Disposal of treasury shares			(0)	322							322	
Change in ownership interest of parent due to transactions with non-controlling interests		(689)									(689)	
Change of scope of consolidation and equity method			(30)								(30)	
Change in treasury shares arising from change in equity in entities accounted for using equity method				(13)							(13)	
Reversal of revaluation reserve for land			(37,172)								(37,172)	
Net changes in items other than shareholders' equity					235,999	1,132	53,547	88,421	60,000	46,811	485,913	
Total changes during period	-	(689)	503,227	212	235,999	1,132	53,547	88,421	60,000	46,811	988,663	
Balance at March 31, 2024	\$ 1,657,288	\$ 768,282	\$ 3,625,597	\$ (12,200)	\$ 466,350	\$ (45,644)	\$ 31,088	\$ 303,484	\$ 183,908	\$ 467,500	\$ 7,445,655	

See accompanying notes.

**Consolidated Statements of Cash Flows**  
Kobe Steel, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 162,274	¥ 98,066	\$ 1,071,752
Depreciation	119,084	112,505	786,505
Increase (decrease) in provision for loss on joint venture agreement	9,245	-	61,061
Increase (decrease) in retirement benefit liability	7,375	7,516	48,710
Interest and dividend income	(7,479)	(6,337)	(49,402)
Interest expenses	14,640	13,343	96,691
Loss (gain) on sale of investment securities	(2,940)	(2,971)	(19,422)
Share of loss (profit) of entities accounted for using equity method	9,148	(12,142)	60,419
Loss (gain) on sale of property, plant and equipment	(29,313)	(1,277)	(193,604)
Loss on retirement of property, plant and equipment	2,172	1,365	14,349
Impairment losses	18,783	4,438	124,059
Decrease (increase) in trade receivables	35,686	(48,190)	235,694
Net decrease (increase) in lease receivables and investments in leases	4,649	2,649	30,705
Decrease (increase) in inventories	1,116	(111,436)	7,374
Increase (decrease) in trade payables	(142,760)	46,146	(942,873)
Increase (decrease) in accrued consumption taxes	21,766	8,003	143,756
Decrease (increase) in accounts receivable-other	5,818	6,788	38,427
Increase (decrease) in accrued expenses	3,832	6,571	25,313
Increase (decrease) in deposits received	(8,111)	10,360	(53,574)
Other, net	2,635	8,584	17,408
Subtotal	227,622	143,984	1,503,353
Interest and dividends received	17,399	9,626	114,917
Interest paid	(14,617)	(13,314)	(96,542)
Income taxes paid	(25,120)	(20,603)	(165,909)
Net cash provided by (used in) operating activities	205,284	119,692	1,355,818
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment and intangible assets	(94,865)	(98,964)	(626,545)
Proceeds from sale of property, plant and equipment and intangible assets	34,964	5,184	230,926
Purchase of investment securities	(520)	(1,979)	(3,437)
Proceeds from sale of investment securities	4,249	4,395	28,064
Purchase of interests in subsidiaries resulting in change in scope of consolidation	-	(38)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	187	1,399	1,237
Decrease (increase) in short-term loans receivable	28	(6,853)	188
Long-term loan advances	(799)	(898)	(5,280)
Proceeds from collection of long-term loans receivable	615	592	4,064
Other, net	2,415	(105)	15,951
Net cash provided by (used in) investing activities	(53,724)	(97,267)	(354,830)
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings	8,080	1,315	53,368
Proceeds from long-term borrowings	15,600	30,753	103,031
Repayments of long-term borrowings	(137,035)	(60,412)	(905,059)
Proceeds from issuance of bonds	70,000	-	462,320
Redemption of bonds	(900)	(25,150)	(5,944)
Repayments of finance lease liabilities	(8,948)	(15,963)	(59,102)
Dividends paid	(27,694)	(17,746)	(182,909)
Dividends paid to non-controlling interests	(1,288)	(1,341)	(8,511)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	112	-	742
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(102)	-
Purchase of interests in subsidiaries not resulting in change in scope of consolidation	(1,503)	(134)	(9,932)
Other, net	2,363	3,216	15,610
Net cash provided by (used in) financing activities	(81,213)	(85,564)	(536,384)
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>4,846</b>	<b>5,756</b>	<b>32,011</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>75,192</b>	<b>(57,382)</b>	<b>496,615</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>203,394</b>	<b>260,511</b>	<b>1,343,334</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation</b>	<b>141</b>	<b>265</b>	<b>937</b>
<b>Cash and cash equivalents at end of period (Note 26)</b>	<b>¥ 278,728</b>	<b>¥ 203,394</b>	<b>\$ 1,840,886</b>

See accompanying notes.

## Notes to Consolidated Financial Statements

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2024 and 2023

### 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, 2024, which was ¥151.41 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, 2024, the accounts of 173 (171 in 2023) subsidiaries have been included in the consolidated financial statements. Intercompany transactions and accounts have been eliminated.

77 (76 in 2023) 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, 2024, 32 (35 in 2023) affiliates were accounted for by the equity method.

The difference between the cost of an investment in a subsidiary and the equity in the net assets of the subsidiary at the date of acquisition, if

considered significant, is amortized over the estimated number of years when the amortization period can be determined or over five years when it cannot. When the difference is small, it is recognized as expense when incurred.

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

#### (2) Securities

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

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

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

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

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

#### (3) 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).

#### **(4) Inventories**

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

#### **(5) Depreciation and amortization method of significant depreciable assets**

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

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

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

#### **(6) 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.

#### **(7) Provision for bonuses**

To provide for employee bonus payments, provision is made based on the estimated amounts to be paid.

#### **(8) Provision for product warranties**

To provide for after-sales, after-construction and delivery warranty cost payments, which are mainly for steel castings and forgings as well as titanium products in the Advanced Materials Business, Machinery Business, and Engineering Business, provision is estimated at March 31, 2024 based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount at March 31, 2024 for certain individual cases.

#### **(9) Provision for Loss on Construction Contracts**

To provide for future losses on construction contracts, mainly for steel castings and forgings in the Advanced Materials Business, Machinery Business and Engineering Business, provision is made based on an estimated loss on construction contracts outstanding at the end of the year ended March 31, 2024.

#### **(10) Provision for Dismantlement Related Expenses**

For expenses expected to arise from dismantlement of equipment in relation to construction of the power station at Kobe Wire Rod & Bar Plant, provision is made at an estimated amount at the end of the year ended March 31, 2024.

#### **(11) Provision for loss on joint venture agreement**

Agreement has been reached with Baowu Aluminum Technology Co., Ltd. on the feasibility study with a view of establishing a joint venture to enhance the Group's positions to include all operational aspects from procurement of base material to manufacturing and sales of automotive aluminum panels within China. Accordingly, the volume of base material purchased from Ulsan Aluminum, Ltd. is likely to decrease, but the Group is obliged, under the joint venture agreement with Novelis Korea Ltd., to bear a certain proportion of the amount equivalent to fixed costs regardless of the purchase volume of the base material. As it is expected that the fixed costs would exceed the amount commensurate with the purchase volume, provision is made based on an estimated amount of

such excess at March 31, 2024.

#### **(12) 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 20 years for those accrued in 2024, mainly 21 years for those accrued in 2023, mainly 22 years for those accrued in 2022 and 2021, mainly 18 years for those accrued in 2020, mainly 20 years for those accrued in 2019, 2018 and 2017, mainly 19 years for those accrued in 2016, mainly 18 years for those accrued in 2015, mainly 17 years for those accrued in 2014 and 2013, mainly 16 years for those accrued in 2012 and 2011, mainly 15 years for those accrued in 2010.

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

#### **(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) 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 at 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 at 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" and "Non-controlling interests" under net assets.

#### **(15) Principal method for hedge accounting**

##### **A. Method for hedge accounting**

Deferred hedge method is applied.

Allocation method (*furiate shori*) is applied to monetary receivables and payables denominated in foreign currencies that are specifically covered by foreign currency exchange contracts and qualify for such assigning.

Exceptional method is applied to interest rate swaps that meet specific matching criteria and qualify for such accounting.

##### **B. Hedging instruments and hedged items**

###### **(a) Hedging instruments**

Foreign currency exchange contracts, interest rate swap contracts and commodity forward contracts.

###### **(b) Hedged items**

Assets and liabilities exposed to losses from market fluctuations related to foreign exchange rates, interest rates and trading of base metal such as aluminum (including those expected from forecasted transactions).

###### **(c) Hedging policy and method for assessing the hedge effectiveness**

The Group uses hedge transactions to reduce the risks from market fluctuations and do not enter into hedge transactions for speculative purposes.

The Company assesses the hedge effectiveness based on its internal

rules, which are in accordance with Japanese GAAP.

The consolidated subsidiaries assess the hedge effectiveness in accordance with similar internal rules through the Company's responsible divisions or the subsidiary's own responsible divisions.

#### **(16) 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.

#### **(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) Method for recording deferred assets**

Bond issuance costs are recognized at cost at the time of expenditure.

#### **(19) Application of group tax sharing system**

Group tax sharing system is applied.

#### **(20) Reclassifications**

Certain amounts from the previous year have been reclassified to conform with the presentation of the current year. Additionally, from current year, the presentation of accounts has been aligned with the annual report in Japanese, and rounding has been adopted to eliminate fractional amounts, sometimes resulting in discrepancies in totals. These reclassifications have no impact on the previously reported results of operations or retained earnings.

#### **(21) Significant accounting estimates**

##### **(a) Impairment of long-lived assets**

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

The Group recorded impairment loss of ¥18,783 million (\$124,059 thousand) for the year ended March 31, 2024 and ¥4,438 million for the year ended March 31, 2023, respectively and the breakdown is described in Note 19 Impairment Loss.

The total carrying amount of long-lived assets was ¥1,073,689 million (\$7,091,274 thousand), which consisted of ¥1,034,413 million (\$6,831,868 thousand) for property, plant and equipment and ¥39,276 million (\$259,406 thousand) for intangible assets, at March 31, 2024 and ¥1,103,615 million, which consisted of ¥1,066,035 million for property, plant and equipment and ¥37,579 million for intangible assets, at March 31, 2023. There were multiple asset groups for which the Group did not recognize impairment losses despite the existence of impairment indicators. The main asset group to which this applies was as follows.

< Aluminum rolled products >

The Group determined that there was an indicator of impairment for long-lived assets used in the businesses of the Company's aluminum rolled products as operating losses have persisted, mainly due to a decrease in demand for disk materials for data centers and a delay in passing on procurement cost increases to sales prices. In the future business plans, the Group has incorporated key assumptions, including recovery of demand for disk materials, increase in sales volume of beverage can materials as well as automotive panel materials due to sales expansion, and passing on cost increases to sales prices. The undiscounted future cash flows estimated based on business plans

formulated under these assumptions exceeded the book value of the long-lived assets of ¥41,861million (\$276,476 thousand), which consist of ¥39,994 million (\$264,144 thousand) for property, plant and equipment and ¥1,867million (\$12,331 thousand) for intangible assets, at March 31, 2024 and ¥44,888 million, which consist of ¥42,438 million for property, plant and equipment and ¥2,450 million for intangible assets, at March 31, 2023. 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) Valuation of goodwill in companies accounted for using equity method

If it is determined that there is an impairment indicator in the goodwill equivalent included in the investment securities of an equity-method affiliate, it is necessary to determine whether an impairment loss should be recognized for the entire investment including the goodwill equivalent. 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 share of loss of entities accounted for using equity method.

The Group recorded impairment losses of ¥14,698 million (\$97,078 thousand), in the form of share of loss of entities accounted for using equity method in the year ended March 31, 2024, of which details are as follows.

<Ulsan Aluminum, Ltd.>

In September 2017, the Company acquired shares in Ulsan Aluminum, Ltd. from Novelis Korea Ltd. to ensure stable procurement of base

materials used for manufacturing automotive aluminum panel materials at Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd., whereby Ulsan Aluminum, Ltd. became a joint venture of the Company and is accounted for using equity method. The amount goodwill that arose from the aforementioned transaction was recorded as investment securities.

In the year ended March 31, 2024, the Company agreed with Baowu Aluminum Technology Co., Ltd. to conduct a feasibility study for the establishment of a joint venture and is considering a conversion to a business that completes the entire process from procurement of base materials to manufacturing and sales of aluminum panels in China. This will result in the loss of one of the initial objectives of stably procuring base materials to be supplied to China from Ulsan Aluminum, Ltd. Accordingly, the Company determined that there is an impairment indicator for the goodwill equivalent. As a result of determining whether an impairment loss should be recognized, because the recoverable amount of investments in the equity method affiliate was less than ¥39,587 million (\$261,495 thousand) of the carrying amount of investment securities including goodwill equivalent, an impairment loss of ¥14,698 million (\$97,078 thousand) was recorded as share of loss of entities accounted for using equity method.

Going forward, determination of the recoverable amount will be based on future cash flows based on business plans that assume expansion in demand of aluminum rolled products, and the estimates of sales volume and sales unit price will be incorporated as major assumptions. In the event that the estimated recoverable amount falls below the expectation due to the actual trend of demand for aluminum rolled products, the Group may recognize additional impairment loss in the following consolidated fiscal year.

### 3. Leases

#### Operating Leases

Future minimum lease payments as lessee under operating leases at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Due within one year	¥ 4,231	¥ 4,038	\$ 27,949	
Due after one year	28,556	29,074	188,606	
	¥ 32,788	¥ 33,113	\$ 216,555	

Future minimum lease fees receivable as lessor under operating leases at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Due within one year	¥ 37	¥ 32	\$ 247	
Due after one year	119	227	792	
	¥ 157	¥ 259	\$ 1,040	

## **4. Financial Instruments**

### **Policies for Using Financial Instruments**

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

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

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

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

Notes and accounts payable and borrowings are exposed to liquidity risk. The Group makes adequate financial plans to manage the risk. Floating rate long-term borrowings are exposed to the additional risk of change in interest rates. In order to manage the risk, the Group enters

into interest rate swap agreements. Furthermore, accounts payable denominated in foreign currencies are exposed to the risk of changes in foreign currency exchange rates. The Group uses forward currency exchange contracts, non-deliverable forward contracts and currency option contracts to manage the risk of currency fluctuation.

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

### **Supplemental Information on Fair Values**

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

## Fair Value of Financial Instruments

The carrying amounts of the financial instruments included in the consolidated balance sheets and their fair values at March 31, 2024 and 2023 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)	
	2024			2023			2024	
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Difference	
(1) Investments in securities:								
① Shares of subsidiaries and associates	¥ 7,646	¥ 8,861	¥ 1,214	¥ 6,249	¥ 6,838	¥ 589	\$ 8,022	
② Available-for-sale securities	144,565	144,565	-	97,804	97,804	-	-	
(2) Short-term borrowings	(165,943)	(166,109)	(165)	(169,216)	(173,418)	(4,202)	(1,092)	
(3) Current portion of bonds payable	-	-	-	(900)	(893)	6	-	
(4) Bonds payable	(115,000)	(121,000)	(6,000)	(45,000)	(45,344)	(344)	(39,630)	
(5) Long-term borrowings	(542,486)	(545,271)	(2,785)	(646,697)	(643,792)	2,905	(18,396)	
(6) Lease liabilities	(40,045)	(39,185)	859	(45,240)	(44,366)	874	5,676	
(7) Derivative transactions:								
① Hedge accounting not applied	(5,774)	(5,774)	-	(1,466)	(1,466)	-	-	
② Hedge accounting applied	(9,834)	(9,834)	-	(9,974)	(9,974)	-	-	

### Notes:

- "Cash and deposits" is omitted as it is cash and the carrying amounts approximate fair values because of the short maturities of deposits.
- "Notes - trade", "Accounts receivable - trade", "Securities", "Notes and accounts payable - trade" and "Accounts payable - other" are omitted as the carrying amounts approximate fair values because of the short maturities of these instruments.
- Liabilities are presented with parentheses ( ).
- Assets and liabilities arising from derivative transactions are presented after offsetting and with parentheses ( ) if the offset results in a liability.
- Financial instruments without fair values at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
	¥	¥	\$	\$
Non-listed equity securities	92,811	100,573	612,978	

The aggregate annual maturities of financial assets at March 31, 2024 and 2023 were as follows:

### Cash and deposits

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
	¥	¥	\$	\$
Due within 1 year	278,844	203,520	1,841,651	
Due after 1 year through 5 years	-	-	-	
Due after 5 years through 10 years	-	-	-	
Due after 10 years	-	-	-	
	¥ 278,844	¥ 203,520	\$ 1,841,651	

### Notes receivable - trade

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
	¥	¥	\$	\$
Due within 1 year	29,422	24,508	194,322	
Due after 1 year through 5 years	62	26	414	
Due after 5 years through 10 years	-	-	-	
Due after 10 years	-	-	-	
	¥ 29,485	¥ 24,535	\$ 194,737	

### Accounts receivable - trade

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
	¥	¥	\$	\$
Due within 1 year	338,410	373,674	2,235,063	
Due after 1 year through 5 years	5,252	4,287	34,693	
Due after 5 years through 10 years	-	-	-	
Due after 10 years	-	-	-	
	¥ 343,663	¥ 377,962	\$ 2,269,756	

The aggregate annual maturities of financial liabilities at March 31, 2024 and 2023 were as follows:

#### Short-term borrowings

	Millions of yen		Thousands of
	2024	2023	U.S. dollars (Note 1)
Due within 1 year	¥ 42,683	¥ 32,738	\$ 281,904
Due after 1 year through 2 years	-	-	-
Due after 2 years through 3 years	-	-	-
Due after 3 years through 4 years	-	-	-
Due after 4 years through 5 years	-	-	-
Due after 5 years	-	-	-
	¥ 42,683	¥ 32,738	\$ 281,904

#### Bonds payable

	Millions of yen		Thousands of
	2024	2023	U.S. dollars (Note 1)
Due within 1 year	¥ -	¥ 900	\$ -
Due after 1 year through 2 years	35,000	-	231,160
Due after 2 years through 3 years	10,000	35,000	66,045
Due after 3 years through 4 years	-	10,000	-
Due after 4 years through 5 years	37,000	-	244,369
Due after 5 years	33,000	-	217,951
	¥ 115,000	¥ 45,900	\$ 759,527

#### Long-term borrowings

	Millions of yen		Thousands of
	2024	2023	U.S. dollars (Note 1)
Due within 1 year	¥ 123,260	¥ 136,478	\$ 814,085
Due after 1 year through 2 years	138,435	123,213	914,308
Due after 2 years through 3 years	105,569	133,397	697,244
Due after 3 years through 4 years	62,417	105,098	412,238
Due after 4 years through 5 years	80,631	61,993	532,539
Due after 5 years	155,432	222,994	1,026,565
	¥ 665,747	¥ 783,175	\$ 4,396,982

#### Lease liabilities

	Millions of yen		Thousands of
	2024	2023	U.S. dollars (Note 1)
Due within 1 year	¥ 10,029	¥ 10,208	\$ 66,239
Due after 1 year through 2 years	30,696	10,003	202,739
Due after 2 years through 3 years	2,911	29,065	19,228
Due after 3 years through 4 years	2,042	2,411	13,487
Due after 4 years through 5 years	1,979	1,659	13,076
Due after 5 years	2,415	2,101	15,950
	¥ 50,074	¥ 55,449	\$ 330,721

#### Other interest bearing debt

	Millions of yen		Thousands of
	2024	2023	U.S. dollars (Note 1)
Due within 1 year	¥ 25,172	¥ 119,032	\$ 166,253
Due after 1 year through 2 years	321	301	2,121
Due after 2 years through 3 years	246	214	1,628
Due after 3 years through 4 years	173	137	1,146
Due after 4 years through 5 years	75	61	499
Due after 5 years	6	-	43
	¥ 25,996	¥ 119,747	\$ 171,693

#### 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, 2024 and 2023 were as follows:

(1) Investments in securities:

② Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Level 1	¥ 144,565	¥ 97,804	\$	954,798
Level 2	-	-		-
Level 3	-	-		-
	¥ 144,565	¥ 97,804	\$	954,798

(7) Derivative transactions:

① Hedge accounting not applied

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Level 1	¥ -	¥ -	\$	-
Level 2	(5,774)	(1,466)		(38,135)
Level 3	-	-		-
	¥ (5,774)	¥ (1,466)	\$	(38,135)

(7) Derivative transactions:

② Hedge accounting applied

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Level 1	¥ -	¥ -	\$	-
Level 2	(9,834)	(9,974)		(64,950)
Level 3	-	-		-
	¥ (9,834)	¥ (9,974)	\$	(64,950)

Financial instruments other than those measured at fair value in the consolidated balance sheets at March 31, 2024 and 2023 were as follows:

(1) Investments in securities:

① Shares of subsidiaries and associates

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Level 1	¥ 8,861	¥ 6,838	\$	58,524
Level 2	-	-		-
Level 3	-	-		-
	¥ 8,861	¥ 6,838	\$	58,524

(2) Short-term borrowings

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Level 1	¥ -	¥ -	\$	-
Level 2	(166,109)	(173,418)		(1,097,081)
Level 3	-	-		-
	¥ (166,109)	¥ (173,418)	\$	(1,097,081)

(3) Current portion of bonds payable

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Level 1	¥ -	¥ -	\$	-
Level 2	-	(893)		-
Level 3	-	-		-
	¥ -	¥ (893)	\$	-

**(4) Bonds payable**

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Level 1	¥ -	¥ -	\$ -	-
Level 2	(121,000)	(45,344)	(799,157)	-
Level 3	-	-	-	-
	¥ (121,000)	¥ (45,344)	\$ (799,157)	-

**(5) Long-term borrowings**

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Level 1	¥ -	¥ -	\$ -	-
Level 2	(545,271)	(643,792)	(3,601,293)	-
Level 3	-	-	-	-
	¥ (545,271)	¥ (643,792)	\$ (3,601,293)	-

**(6) Lease liabilities (long-term liabilities)**

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Level 1	¥ -	¥ -	\$ -	-
Level 2	(39,185)	(44,366)	(258,806)	-
Level 3	-	-	-	-
	¥ (39,185)	¥ (44,366)	\$ (258,806)	-

Note:

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

**Investments in securities**

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

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

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

**Bonds and notes due within one year and bonds and notes**

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

**Derivative transactions**

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

## 5. Securities

The following tables summarize available-for-sale securities at March 31, 2024 and 2023.

	Millions of yen						Thousands of U.S. dollars (Note 1)	
	2024			2023			2024	
	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference	Difference	
<b>Available-for-sale securities</b>								
Securities with available carrying amount exceeding acquisition cost:								
Equity securities	¥ 143,077	¥ 47,594	¥ 95,482	¥ 96,159	¥ 48,427	¥ 47,731	\$ 630,621	
Subtotal	143,077	47,594	95,482	96,159	48,427	47,731	630,621	
Securities with available carrying amount not exceeding acquisition cost:								
Equity securities	1,488	2,291	(802)	1,644	2,324	(680)	(5,302)	
Subtotal	1,488	2,291	(802)	1,644	2,324	(680)	(5,302)	
	¥ 144,565	¥ 49,886	¥ 94,679	¥ 97,804	¥ 50,752	¥ 47,051	\$ 625,319	

Unlisted stocks and others (¥13,539 million (\$89,424 thousand) for the year ended March 31, 2024 and ¥13,400 million for the year ended March 31, 2023) 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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Sales	¥ 3,838	¥ 4,461	\$ 25,349	
Gains on sales	2,899	3,061	19,152	
Losses on sales	-	(60)	-	



## 6. Derivative Transactions

### Derivative transactions for which hedge accounting is not applied

Forward currency exchange contracts outstanding at March 31, 2024 and 2023 were as follows:

	Millions of yen								Thousands of
	2024				2023				U.S. dollars (Note 1)
	Contracted amount		Fair value	Recognized gain (loss)	Contracted amount		Fair value	Recognized gain (loss)	2024
Over one year		Over one year				Fair value			
<b>Foreign currency exchange contracts</b>									
To sell foreign currencies:									
U.S. dollars	¥ 33,615	¥ 1,952	¥ (2,562)	¥ (2,562)	¥ 44,406	¥ 3,904	¥ 148	¥ 148	\$ (16,923)
Others	63,117	386	(2,326)	(2,326)	55,460	2,696	(251)	(251)	(15,367)
To buy foreign currencies:									
U.S. dollars	16,053	-	(497)	(497)	17,506	-	(863)	(863)	(3,283)
Others	29,550	-	(387)	(387)	25,643	-	(500)	(500)	(2,562)
			¥ (5,774)				¥ (1,466)		\$ (38,135)

Commodity forward contracts outstanding at March 31, 2024 and 2023 were as follows:

	Millions of yen								Thousands of
	2024				2023				U.S. dollars (Note 1)
	Contracted amount		Fair value	Recognized gain (loss)	Contracted amount		Fair value	Recognized gain (loss)	2024
Over one year		Over one year				Fair value			
<b>Commodity forward contracts</b>									
To sell commodities	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	\$ -
To buy commodities	-	-	-	-	2	-	0	0	-

### Derivative transactions for which hedge accounting is applied

Forward currency exchange contracts and currency options outstanding at March 31, 2024 and 2023 were as follows:

	Millions of yen								Thousands of
	2024				2023				U.S. dollars (Note 1)
	Contracted amount		Fair value	Recognized gain (loss)	Contracted amount		Fair value	Recognized gain (loss)	2024
Over one year		Over one year				Fair value			
<b>Hedges for which the "deferred hedge" method is applied</b>									
<b>Foreign currency exchange contracts</b>									
To sell foreign currencies:									
U.S. dollars	¥ 52,484	¥ 14,281	¥ (4,179)	¥ (4,179)	¥ 49,429	¥ 17,612	¥ (9)	¥ (9)	\$ (27,604)
Others	23,170	2,234	(669)	(669)	20,732	4,710	(451)	(451)	(4,419)
To buy foreign currencies:									
U.S. dollars	8,415	2,947	809	809	7,293	2,230	41	41	5,344
Others	9,933	1,142	666	666	11,219	603	428	428	4,404
<b>Hedges for which the "assigning" method is applied</b>									
<b>Foreign currency exchange contracts</b>									
To sell foreign currencies:									
U.S. dollars	¥ 11,937	¥ 2,498	¥ -	¥ -	¥ 9,813	¥ 458	¥ -	¥ -	\$ -
Others	9,967	1,119	-	-	9,517	1,083	-	-	-
To buy foreign currencies:									
U.S. dollars	1,413	21	-	-	1,694	164	-	-	-
Others	2,698	1	-	-	1,111	66	-	-	-

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.

Interest rate swap agreements outstanding at March 31, 2024 and 2023 were as follows:

	Millions of yen								Thousands of
	2024				2023				U.S. dollars (Note 1)
	Contracted amount		Fair value	Recognized gain (loss)	Contracted amount		Fair value	Recognized gain (loss)	2024
Over one year		Over one year				Fair value			
<b>Hedges for which the "deferred hedge" method is applied</b>									
Interest rate swap agreements									
To receive floating and pay fixed rates	¥ 291,350	¥ 284,810	¥ (6,434)	¥ (6,434)	¥ 297,460	¥ 291,350	¥ (10,031)	¥ (10,031)	\$ (42,495)
<b>Hedges for which the "exceptional" method is applied</b>									
Interest rate swap agreements									
To receive floating and pay fixed rates	¥ 47,760	¥ 47,760	¥ -	¥ -	¥ 48,120	¥ 48,120	¥ -	¥ -	\$ -

Notes:

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

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

Commodity forward contracts outstanding at March 31, 2024 and 2023 were as follows:

	Millions of yen								Thousands of
	2024				2023				U.S. dollars (Note 1)
	Contracted amount		Fair value	Recognized gain (loss)	Contracted amount		Fair value	Recognized gain (loss)	2024
Over one year		Over one year				Fair value			
<b>Hedges for which the "deferred hedge" method is applied</b>									
Commodity forward contracts									
To sell commodities	¥ 1,316	¥ -	¥ (96)	¥ (96)	¥ 4,193	¥ -	¥ 130	¥ 130	\$ (638)
To buy commodities	1,570	-	69	69	2,061	20	(83)	(83)	459

## 7. Borrowings, Bonds Payable and Others

Short-term borrowings and current portion of bonds payable at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Short term borrowings (average rate: 2.54% in 2024 and 2.28% in 2023)	¥ 42,683	¥ 32,738	\$ 281,904
Current portion of long-term borrowings (average rate: 0.85% in 2024 and 0.77% in 2023)	123,260	136,478	814,085
Current portion of bonds (rate: 0.04% in 2023)	-	900	-
Current portion of lease liabilities (average rate: 2.67% in 2024 and 2.70% in 2023)	10,029	10,208	66,239
	¥ 175,973	¥ 180,324	\$ 1,162,229

Bonds payable at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
0.92% yen bonds, due 2025	¥ 25,000	¥ 25,000	\$ 165,114
0.82% yen bonds, due 2025	10,000	10,000	66,045
0.20% yen bonds, due 2026	10,000	10,000	66,045
0.55% yen bonds, due 2028	12,000	-	79,255
1.00% yen bonds, due 2033	8,000	-	52,836
Zero Coupon Convertible Bonds due 2028	25,000	-	165,114
Zero Coupon Convertible Bonds due 2030	25,000	-	165,114
0.04% yen bonds, issued by Kobelco Wire Company, Ltd., due 2023	-	900	-
	¥ 115,000	¥ 45,900	\$ 759,527

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
0.92% yen bonds, due 2025	¥ 25,000	¥ 25,000	\$ 165,114
0.82% yen bonds, due 2025	10,000	10,000	66,045
0.20% yen bonds, due 2026	10,000	10,000	66,045
0.55% yen bonds, due 2028	12,000	-	79,255
1.00% yen bonds, due 2033	8,000	-	52,836
Zero Coupon Convertible Bonds due 2028	25,000	-	165,114
Zero Coupon Convertible Bonds due 2030	25,000	-	165,114
0.04% yen bonds, issued by Kobelco Wire Company, Ltd., due 2023	-	900	-
	¥ 115,000	¥ 45,900	\$ 759,527

The details of the convertible bonds are as follows:

	Zero Coupon Convertible Bonds due 2028
	Common stock
Total issue price of stock acquisition rights	Zero
Initial conversion price	¥2,456 (\$16.22) per share
Total issue price	¥25,000 million (\$165,114 thousand)
Total issue price of shares issued upon the exercise of stock acquisition rights	-
Percentage of stock acquisition rights granted	100%
Exercise period	December 28, 2023 through November 30, 2028

If there is a request from a person who intends to exercise the stock acquisition rights, the full amount to be paid upon the exercise of the stock acquisition rights will be deemed to have been paid in lieu of the full redemption of the bonds to which the stock acquisition rights are attached.

In addition, when the stock acquisition rights are exercised, such request will be deemed to have been made.

As the payment of a dividend of ¥45 per share was approved at the meeting of the board of directors on 16 May 2024, the conversion price for its Zero Coupon Convertible Bonds due 2028 was adjusted from ¥2,456 to ¥2,401.6.

	Zero Coupon Convertible Bonds due 2030
	Common stock
Total issue price of stock acquisition rights	Zero
Initial conversion price	¥2,349.5 (\$15.51) per share
Total issue price	¥25,000 million (\$165,114 thousand)
Total issue price of shares issued upon the exercise of stock acquisition rights	-
Percentage of stock acquisition rights granted	100%
Exercise period	December 28, 2023 through November 29, 2030

If there is a request from a person who intends to exercise the stock acquisition rights, the full amount to be paid upon the exercise of the stock acquisition rights will be deemed to have been paid in lieu of the full redemption of the bonds to which the stock acquisition rights are attached.

In addition, when the stock acquisition rights are exercised, such request will be deemed to have been made.

As the payment of a dividend of ¥45 per share was approved at the meeting of the board of directors on 16 May 2024, the conversion price for its Zero Coupon Convertible Bonds due 2030 was adjusted from ¥2,349.5 to ¥2,297.4.

Long-term borrowings at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Loans, principally from banks and insurance companies, due 2025 through 2036 (average rate: 1.13% in 2024 and 1.00% in 2023)	¥ 542,486	¥ 646,697	\$ 3,582,897	

Lease liabilities at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Finance lease agreements due 2025 through 2042 (average rate: 2.62% in 2024 and 2.43% in 2023)	¥ 40,045	¥ 45,240	\$ 264,482	

The aggregate annual maturities of bonds payable at March 31, 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024		2024	
Due within 1 year	¥ -	-	\$ -	
Due after 1 year through 2 years	35,000		231,160	
Due after 2 years through 3 years	10,000		66,045	
Due after 3 years through 4 years	-		-	
Due after 4 years through 5 years	37,000		244,369	
Due after 5 years	33,000		217,951	
	¥ 115,000		\$ 759,527	

The aggregate annual maturities of long-term borrowings at March 31, 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024		2024	
Due within 1 year	¥ 123,260		\$ 814,080	
Due after 1 year through 2 years	138,435		914,305	
Due after 2 years through 3 years	105,569		697,239	
Due after 3 years through 4 years	62,417		412,238	
Due after 4 years through 5 years	80,631		532,534	
Due after 5 years	155,434		1,026,576	
	¥ 665,746		\$ 4,396,975	

The aggregate annual maturities of lease liabilities at March 31, 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024		2024	
Due within 1 year	¥ 10,029		\$ 66,237	
Due after 1 year through 2 years	30,696		202,734	
Due after 2 years through 3 years	2,911		19,225	
Due after 3 years through 4 years	2,042		13,486	
Due after 4 years through 5 years	1,979		13,070	
Due after 5 years	2,417		15,963	
	¥ 50,074		\$ 330,717	

At March 31, 2024 and 2023, assets pledged as collateral for short-term borrowings and long-term borrowings were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)			
	2024		2023		2024		2023	
Assets pledged as collateral:								
Property, plant and equipment, net of accumulated depreciation	¥ 238,703	¥ [235,013]	¥ 258,042	¥ [255,202]	\$ 1,576,536	\$ [1,552,165]		
Cash and deposits	90,960	[90,016]	58,741	[57,955]	600,753	[594,520]		
Other assets	38,987	[23,243]	53,182	[35,853]	257,498	[153,511]		
	¥ 368,651	¥ [348,272]	¥ 369,966	¥ [349,011]	\$ 2,434,787	\$ [2,300,197]		
Secured short-term borrowings and long-term borrowings:	¥ 244,086	¥ [242,900]	¥ 272,374	¥ [271,287]	\$ 1,612,088	\$ [1,604,253]		
	¥ 244,086	¥ [242,900]	¥ 272,374	¥ [271,287]	\$ 1,612,088	\$ [1,604,253]		

Note:

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 ¥2,418 million (\$15,970 thousand) for the year ended March 31, 2024 and ¥3,976 million for the year ended March 31, 2023. These amounts were included in "Work-in-process."

## 9. Land Revaluation

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

The difference has not been stated because the fair value at March 31, 2024 and at March 31, 2023 exceeded the carrying amount of the revalued amount.

## 10. Commitment Line

The unexercised portion of facilities based on commitment line contracts at March 31, 2024 and 2023 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Total commitment line available	¥ 150,000	¥ 153,326	\$ 990,687	
Less amount utilized	¥ -	¥ -	\$ -	
	¥ 150,000	¥ 153,326	\$ 990,687	

## 11. Contingent Liabilities Regarding Notes and Loans Guaranteed

Contingent liabilities regarding notes and loans guaranteed at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Trade notes discounted	¥ -	¥ 1,086	\$ -	
Trade notes endorsed	¥ 4,192	¥ 3,658	\$ 27,691	
Guarantees of loans:				
Related parties	¥ 2,276	¥ 1,630	\$ 15,038	
Others	¥ 13	¥ 4,943	\$ 86	
	¥ 6,482	¥ 11,318	\$ 42,816	

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 ¥2,854 million (\$18,855 thousand) for the year ended March 31, 2024 and ¥5,920 million for the year ended March 31, 2023.

## 12. Contingent Liabilities Regarding Repurchase Obligations Accompanying Securitization of Receivables

Contingent liabilities regarding repurchase obligations accompanying securitization of receivables at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
	¥ 5,880	¥ 5,379	\$ 38,835	

### 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

Loss on the write-down of inventories included in the cost of sales was ¥275 million (\$1,820 thousand) loss for the year ended March 31, 2024 and ¥3,863 million loss for the year ended March 31, 2023.

The provision for loss on construction contracts included in the cost of sales was ¥2,339 million (\$15,449 thousand) for the year ended March 31, 2024 and ¥8,838 million for the year ended March 31, 2023.

### 16. Research and Development Expenses

Research and development expenses included in cost of sales and selling, general and administrative expenses were ¥40,416 million (\$266,936 thousand) for the year ended March 31, 2024 and ¥36,702 million for the year ended March 31, 2023.

### 17. Selling, General and Administrative Expenses

Provision for allowances and other expenses included in selling, general and administrative expenses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Provision for bonuses	¥ 6,918	¥ 6,166	\$ 45,696	
Provision of allowance for doubtful accounts	1,299	971	8,579	
Retirement benefit expenses	2,551	3,081	16,852	
Depreciation	6,383	5,574	42,163	

### 18. Gain on sale of non-current assets

Gain on sale of non-current assets of ¥29,379 million (\$194,036 thousand) was mainly due to sale of land in Koshuha Precision Co., Ltd. and Kobelco Logistics, Ltd., the subsidiaries of the Company in the steel and aluminum business.

## 19. Impairment Losses

(1) The fiscal year ended March 31, 2023

The Group recognized impairment losses of ¥4,438 million on the below asset groups for the fiscal year ended March 31, 2023. The breakdown of impairment losses was as follows: buildings and structures of ¥3,120 million, machinery, equipment and vehicles of ¥458 million, tools, furniture and fixtures of ¥191 million, land of ¥43 million, software of ¥279 million and other intangible assets of ¥345 million.

Use	Location and number	Type	Millions of yen	
				2023
Assets for manufacturing construction machinery (Kobelco Construction Machinery (China) Co., Ltd.,)	Sichuan, China 3 cases in total	Buildings and structures, etc.	¥	4,096
Idle assets	Chuo-ku, Kobe-shi and other locations 6 cases in total	Intangible assets, etc.		341
			¥	4,438

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

In the Group's determination of impairment losses, the assets for business use are, in principle, grouped by business office while taking into consideration of management accounting classification and cash generating unit on the basis of which revenues and expenses are continuously measured.

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

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

① Assets for manufacturing construction machinery (Kobelco Construction Machinery (China) Co., Ltd.,)

Book values of ¥6,788 million were reduced to the respective recoverable amounts, and the reductions of ¥4,097 million were recorded as impairment losses under extraordinary losses due to lower profitability resulting from a decline in demand caused by slower infrastructure investment and other factors. Furthermore, the recoverable amounts were measured based on the net sales value, which is calculated using the appraisal value and the estimated sales value.

(2) The fiscal year ended March 31, 2024

The Group recognized impairment losses of ¥18,783 million (\$124,059 thousand) on the below asset groups for the fiscal year ended March 31, 2024. The breakdown of impairment losses was as follows: buildings and structures of ¥5,414 million (\$35,759 thousand), machinery, equipment and vehicles of ¥11,070 million (\$73,113 thousand), tools, furniture and fixtures of ¥719 million (\$4,754 thousand), land of ¥259 million (\$1,714 thousand), construction in progress of ¥516 million (\$3,411 thousand), software of ¥522 million (\$3,449 thousand) and other intangible assets of ¥280 million (\$1,855 thousand).

Use	Location and number	Type	Millions of yen		Thousands of U.S. dollars (Note 1)	
			2024		2024	
Assets for manufacturing aluminum suspensions (United States)	Kentucky, United States 1 case	Machinery, equipment and vehicles, etc.	¥	6,708	\$	44,307
Assets for manufacturing aluminum extrusions (Japan)	Shimonoseki, Yamaguchi 1 case	Machinery, equipment and vehicles, etc.		6,516		43,035
Assets for manufacturing aluminum extrusions (United States)	Kentucky, United States 1 case	Machinery, equipment and vehicles, etc.		4,838		31,953
Other assets for business use, etc.	Takasago, Hyogo and others 14 cases in total	Intangible assets, etc.		721		4,763
			¥	18,783	\$	124,059

In the Group's determination of impairment losses, the assets for business use are, in principle, grouped by business office while taking into consideration of management accounting classification and cash generating unit on the basis of which revenues and expenses are continuously measured.

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

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

① Assets for manufacturing aluminum suspensions (United States)

The book value of ¥13,745 million (\$90,783 thousand) was reduced to the recoverable amount due to lower profitability resulting from productivity that kept falling short of expected levels, and the reduction of ¥6,708 million (\$44,307 thousand) was recognized as an impairment loss under extraordinary losses. Furthermore, the recoverable amount was measured based on the net sales value, which is calculated using the appraisal value.

② Assets for manufacturing aluminum extrusions (Japan)

The book value of ¥7,433 million (\$49,094 thousand) was reduced to the recoverable amount due to lower profitability resulting from stagnant orders primarily for automobiles, and the reduction of ¥6,516 million (\$43,035 thousand) was recognized as an impairment loss under extraordinary losses.

Furthermore, the recoverable amount was measured based on the value in use with future cash flows discounted at 6%.

### ③ Assets for manufacturing aluminum extrusions (United States)

The book value of ¥10,469 million (\$69,144 thousand) was reduced to the recoverable amount due to lower profitability resulting from stagnant orders for automobiles, and the reduction of ¥4,838 million (\$31,953 thousand) was recognized as an impairment loss under extraordinary losses. Furthermore, the recoverable amount was measured based on the net sales value, which is calculated using the appraisal value.

## 20. Provision for loss on joint venture agreement

The Group engaged in transactions involving purchase of base material from Ulsan Aluminum, Ltd., its joint venture with Novelis Korea Ltd., as well as the manufacture and sale of aluminum panels at Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. In fiscal year ended March 31, 2024, the Group reached an agreement with Baowu Aluminum Technology Co., Ltd. on the feasibility study with a view to establishing a joint venture to enhance the Group's positions to include all operational aspects from procurement of base material to the manufacture and sale of aluminum panels within China. Accordingly, the volume of base material purchased from Ulsan Aluminum, Ltd. is likely to decrease, but the Group is obliged, under the joint venture agreement with Novelis Korea Ltd., to bear fixed costs equivalent to a certain supply capacity regardless of the purchase volume of the base material. It is expected that the fixed costs would exceed the amount commensurate with the purchase volume, "provision for loss on joint venture agreement" is made based on an estimated amount of such excess.

## 21. Loss on liquidation of business

Loss on liquidation of business of ¥4,332 million for the year ended March 31, 2023 consists of compensation, etc. for retirees due to the integration of the production of hydraulic excavators of Hangzhou Kobelco Construction Machinery Co., Ltd., a production subsidiary in China in the Construction Machinery Business, into Kobelco Construction Machinery (China) Co., Ltd. of ¥3,419 million and additional retirement benefits, etc. expected due to the business downsizing of Koshuha Precision Co., Ltd., a subsidiary in the Steel & Aluminum Business, of ¥913 million.

## 22. Income Taxes

Significant components of the Group's deferred income tax assets and liabilities at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of
	2024	2023	U.S. dollars (Note 1)
			2024
Deferred tax assets:			
Tax loss carryforwards	¥ 23,309	¥ 24,940	\$ 153,950
Retirement benefit liability	18,578	21,546	122,702
Impairment losses	18,373	16,355	121,349
Unrealized profit	14,597	15,304	96,408
Provision for bonuses	8,983	7,907	59,331
Loss on valuation of inventories	6,566	6,456	43,369
Temporary difference from investments in related companies	6,331	1,345	41,819
Provision for product warranties	5,326	5,537	35,178
Loss on valuation of investment securities	4,499	4,519	29,719
Other	35,456	34,925	234,173
Total deferred tax assets	142,023	138,837	938,003
Valuation allowance related to tax loss carryforwards	(13,542)	(13,043)	(89,441)
Valuation allowance related to total deductible temporary difference, etc.	(35,968)	(38,616)	(237,556)
Valuation allowance	(49,510)	(51,659)	(326,997)
Deferred tax assets	92,512	87,177	611,006
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	29,185	14,413	192,756
Gain on return of assets from retirement benefit trust	8,029	8,029	53,032
Revaluation reserve for land	3,253	3,253	21,488
Special tax purpose reserve	1,977	1,986	13,062
Other	20,711	22,621	136,788
Total deferred tax liabilities	63,157	50,305	417,129
Net deferred tax assets	¥ 29,354	¥ 36,871	\$ 193,877

Amount of tax loss carryforwards and related deferred tax assets by tax loss carryforwards for the year ended March 31, 2024 and 2023 were as follows:

Tax loss carryforwards (Note 1)	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Due within 1 year	858	824	5,670
Due after 1 year through 2 years	2,793	918	18,449
Due after 2 years through 3 years	34	3,666	228
Due after 3 years through 4 years	2,119	123	13,996
Due after 4 years through 5 years	3,391	2,023	22,401
Due after 5 years	14,111	17,384	93,203
	¥ 23,309	¥ 24,940	\$ 153,950

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)
	2024	2023	2024
Due within 1 year	(651)	(326)	(4,305)
Due after 1 year through 2 years	(2,670)	(237)	(17,634)
Due after 2 years through 3 years	(22)	(2,505)	(146)
Due after 3 years through 4 years	(2,080)	(25)	(13,741)
Due after 4 years through 5 years	(3,159)	(1,965)	(20,864)
Due after 5 years	(4,958)	(7,984)	(32,748)
	¥ (13,542)	¥ (13,043)	\$ (89,441)

Deferred tax assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Due within 1 year	206	498	1,364
Due after 1 year through 2 years	123	681	815
Due after 2 years through 3 years	12	1,161	81
Due after 3 years through 4 years	38	97	254
Due after 4 years through 5 years	232	58	1,537
Due after 5 years	9,153	9,400	60,454
	¥ 9,767	¥ 11,897	\$ 64,508

The reconciliation of the statutory tax rate and the effective tax rate for the years ended March 31, 2024 and 2023 were as follows:

	2024	2023
Aggregate statutory income tax rate in Japan	30.6 %	30.6 %
Nondeductible entertainment expenses	0.5	0.8
Exclusion of dividends received	(0.1)	(0.5)
Share of profit of entities accounted for using equity method	1.4	(2.2)
Increase (Decrease) in valuation allowance	1.8	0.9
Differences in normal tax rates of subsidiaries	(1.8)	(1.1)
Tax deduction	(2.7)	(5.6)
Other	(1.6)	0.3
Effective income tax rate	28.2 %	23.2 %

Accounting for income taxes and tax effect accounting

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



## 23. 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.

① Breakdown by region for the years ended March 31, 2024 and 2023 was as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2024	2023	2024
Japan	Steel & Aluminum:	¥ 815,659	¥ 820,997	\$ 5,387,093
	Steel	691,386	702,008	4,566,320
	Aluminum sheet	124,273	118,988	820,772
	Advanced Materials	156,656	149,507	1,034,650
	Welding	48,475	46,792	320,161
	Machinery	84,266	76,019	556,547
	Engineering	114,968	110,845	759,321
	Construction Machinery	168,359	150,915	1,111,941
	Electric Power	315,950	324,369	2,086,722
	Other Businesses	7,805	8,012	51,551
	Subtotal	¥ 1,712,142	¥ 1,687,461	\$ 11,307,990
China	Steel & Aluminum:	78,120	82,763	515,951
	Steel	34,690	37,850	229,116
	Aluminum sheet	43,429	44,913	286,835
	Advanced Materials	23,063	24,309	152,323
	Welding	9,499	8,775	62,741
	Machinery	49,405	42,190	326,304
	Engineering	12,071	10,620	79,728
	Construction Machinery	7,277	28,093	48,065
	Electric Power	-	-	-
	Other Businesses	72	0	480
	Subtotal	¥ 179,511	¥ 196,753	\$ 1,185,595
Other	Steel & Aluminum:	151,895	161,995	1,003,203
	Steel	131,962	135,623	871,558
	Aluminum sheet	19,932	26,372	131,644
	Advanced Materials	103,595	92,362	684,205
	Welding	34,715	31,750	229,284
	Machinery	89,022	74,219	587,953
	Engineering	41,692	22,273	275,358
	Construction Machinery	228,315	202,711	1,507,930
	Electric Power	-	-	-
	Other Businesses	1,032	1,334	6,816
	Subtotal	¥ 650,268	¥ 586,647	\$ 4,294,751
Segment total	Steel & Aluminum:	1,045,675	1,065,757	6,906,248
	Steel	858,039	875,483	5,666,995
	Aluminum sheet	187,635	190,274	1,239,252
	Advanced Materials	283,315	266,179	1,871,180
	Welding	92,691	87,318	612,186
	Machinery	222,694	192,430	1,470,804
	Engineering	168,732	143,739	1,114,408
	Construction Machinery	403,952	381,720	2,667,937
	Electric Power	315,950	324,369	2,086,722
	Other Businesses	8,910	9,347	58,849
	Total sales to external customers	2,541,922	2,470,861	16,788,337
	Adjustment	1,220	1,646	8,060
	Consolidated sales to external customers	¥ 2,543,142	¥ 2,472,508	\$ 16,796,397

② Breakdown by the time of the transfer of the goods or services for the years ended March 31, 2024 and 2023 was as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2024	2023	2024
Goods or services transferred at a point in time	Steel & Aluminum:	¥ 1,032,111	¥ 1,053,362	\$ 6,816,666
	Steel	844,476	863,088	5,577,414
	Aluminum sheet	187,635	190,274	1,239,252
	Advanced Materials	283,315	266,179	1,871,180
	Welding	92,691	87,318	612,186
	Machinery	201,431	175,454	1,330,372
	Engineering	56,650	49,426	374,149
	Construction Machinery	394,982	372,500	2,608,694
	Electric Power	315,950	324,369	2,086,722
	Other Businesses	8,428	8,860	55,668
	Subtotal	¥ 2,385,561	¥ 2,337,470	\$ 15,755,641
Goods or services transferred over a certain period of time	Steel & Aluminum:	13,563	12,394	89,581
	Steel	13,563	12,394	89,581
	Aluminum sheet	-	-	-
	Advanced Materials	-	-	-
	Welding	-	-	-
	Machinery	21,262	16,975	140,432
	Engineering	112,082	94,313	740,258
	Construction Machinery	8,969	9,220	59,242
	Electric Power	-	-	-
	Other Businesses	481	486	3,181
	Subtotal	¥ 156,360	¥ 133,391	\$ 1,032,696
Segment total	Steel & Aluminum:	1,045,675	1,065,757	6,906,248
	Steel	858,039	875,483	5,666,995
	Aluminum sheet	187,635	190,274	1,239,252
	Advanced Materials	283,315	266,179	1,871,180
	Welding	92,691	87,318	612,186
	Machinery	222,694	192,430	1,470,804
	Engineering	168,732	143,739	1,114,408
	Construction Machinery	403,952	381,720	2,667,937
	Electric Power	315,950	324,369	2,086,722
	Other Businesses	8,910	9,347	58,849
	Total sales to external customers	2,541,922	2,470,861	16,788,337
	Adjustment	1,220	1,646	8,060
	Consolidated sales to external customers	¥ 2,543,142	¥ 2,472,508	\$ 16,796,397

Notes:

1. "Other" segment is a business segment not included in the reportable segments and includes operating companies under the management of the head office.
2. Revenues from other sources are included in revenues from contracts with customers, as most of the revenue from external customers are revenue from contracts with customers.
3. Information on net sales by region is based on the location of customers and broken down by country.
4. Due to a change in the jurisdiction of Kobelco Research Institute, Inc. (special alloys and other new materials (target materials, etc.), analysis of various materials, etc.), which was previously included in the "Other" segment, it has been included in the "Machinery" segment since fiscal year ended March 31, 2024.

The breakdown of revenue generated from contracts with customers for fiscal year ended March 31, 2023, is disclosed based on the classification of the reporting segment after the change in jurisdiction.

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

① Contract asset and contract liability balances at March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Receivables from contracts with customers (beginning balance)	¥ 402,497	¥ 328,098	\$ 2,658,327
Receivables from contracts with customers (ending balance)	373,148	402,497	2,464,493
Contract assets (beginning balance)	26,074	29,874	172,209
Contract assets (ending balance)	37,077	26,074	244,879
Contract liabilities (beginning balance)	58,828	45,218	388,535
Contract liabilities (ending balance)	67,502	58,828	445,828

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 ¥36,860 million (\$243,774 thousand) for the year ended March 31, 2024 and ¥33,058 million for the year ended March 31, 2023. The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied in the previous fiscal year was not material.

② Transaction price allocated to the remaining performance obligations

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

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Within one year	¥ 323,715	¥ 238,441	\$ 2,138,007
Over one year	383,934	374,676	2,535,726
	¥ 707,650	¥ 613,118	\$ 4,673,734

## 24. Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects for each component of other comprehensive income for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of
	2024	2023	U.S. dollars (Note 1)
			2024
Valuation difference on available-for-sale securities:			
Unrealized gains arising during the period	¥ 50,764	¥ 10,693	\$ 335,276
Less reclassification adjustment included in profit	(2,879)	(1,957)	(19,016)
	47,885	8,735	316,260
Tax effects	(14,741)	(2,680)	(97,364)
	33,143	6,054	218,895
Deferred gains or losses on hedges:			
Unrealized gains arising during the period	(218)	6,631	(1,440)
Less reclassification adjustment included in profit	518	2,050	3,422
Adjustments of acquisition cost for assets	(80)	(436)	(530)
	219	8,245	1,452
Tax effects	(47)	(2,230)	(312)
	172	6,015	1,140
Revaluation reserve for land:			
Unrealized losses arising during the period	-	-	-
Less reclassification adjustment included in profit	-	-	-
	-	-	-
Tax effects	2,538	-	16,763
	2,538	-	16,763
Foreign currency translation adjustment:			
Translation adjustments arising during the period	12,502	16,829	82,571
Less reclassification adjustment included in profit	-	-	-
	12,502	16,829	82,571
Remeasurements of defined benefit plans:			
Unrealized gains arising during the period	13,718	18,964	90,604
Less reclassification adjustment included in profit	(1,396)	1,221	(9,220)
	12,322	20,186	81,383
Tax effects	(3,198)	(5,145)	(21,127)
	9,123	15,040	60,256
Share of other comprehensive gains related to equity method companies:			
Unrealized gains arising during the period	5,557	1,613	36,705
Less reclassification adjustment included in profit	(146)	(526)	(967)
	5,411	1,086	35,738
<b>Total other comprehensive income</b>	<b>¥ 62,890</b>	<b>¥ 45,028</b>	<b>\$ 415,366</b>

## 25. Consolidated Statements of Changes in Net Assets

Changes in the number of shares issued and outstanding during the years ended March 31, 2024 and 2023 were as follows:

	Number of shares
Common shares outstanding	
Balance at March 31, 2022	396,345,963
(No increase)	-
(No decrease)	-
Balance at March 31, 2023	396,345,963
(No increase)	-
(No decrease)	-
Balance at March 31, 2024	396,345,963

Changes in the number of treasury shares outstanding during the years ended March 31, 2024 and 2023 were as follows:

	Number of shares
Treasury shares outstanding	
Balance at March 31, 2022	1,798,236
Increase due to purchase of odd-lot shares	8,224
Decrease due to sale of odd-lot shares	(1,146)
Decrease due to sale by associates accounted for by the equity method	(16,718)
Decrease due to BBT	(356,400)
Balance at March 31, 2023	1,432,196
Increase due to purchase of odd-lot shares	8,997
Increase in equity ratio in associates accounted for by the equity method	2,131
Decrease due to sale of odd-lot shares	(147)
Decrease due to BBT	(54,000)
Balance at March 31, 2024	1,389,177

Amount of dividend payments during the year ended March 31, 2024 was as follows:

Decision	Kind of stock	Millions of yen / Thousands of U.S. dollars (Note 1)	Yen/ U.S. dollars (Note 1)	Record date	Operative date
		Total payments	Cash dividends per share		
At the Board of Directors' meeting held on May 17, 2023	Common share	¥9,902	¥25.00	March 31, 2023	June 1, 2023
		\$65,398	\$0.17		
At the Board of Directors' meeting held on November 9, 2023	Common share	¥17,823	¥45.00	September 30, 2023	December 1, 2023
		\$117,716	\$0.30		

Notes:

- The total amount of dividends resolved at the Board of Directors' meeting held on May 17, 2023 includes dividends of 9 million yen for shares of the Company held by "Board Benefit Trust (BBT)".
- The total amount of dividends resolved at the Board of Directors' meeting held on November 9, 2023 includes dividends of 15 million yen for shares of the Company held by BBT.

Dividends for which the record date belongs to the year ended March 31, 2024, and the operative date is in the year ending March 31, 2025 would be as follows:

Decision	Kind of stock	Source of dividends	Millions of yen / Thousands of U.S. dollars (Note 1)	Yen/ U.S. dollars (Note 1)	Record date	Operative date
			Total payments	Cash dividends per share		
At the Board of Directors' meeting held on May 16, 2024	Common share	Retained earnings	¥17,823	¥45.00	March 31, 2024	May 31, 2024
			\$117,715	\$0.30		

Note:

The total amount of dividends resolved at the Board of Directors' meeting held on May 16, 2024 includes dividends of 15 million yen (\$99 thousand) for share of the Company held by BBT.

## 26. 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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Cash and deposits in the consolidated balance sheets	¥ 278,844	¥ 203,520	\$ 1,841,651	
Time deposits due over three months	(115)	(126)	(764)	
Cash and cash equivalents in the consolidated statements of cash flows	¥ 278,728	¥ 203,394	\$ 1,840,886	

## 27. Related Party Transactions

Transactions of the Company with related parties for the year ended March 31, 2024 consisted of the following:

					Millions of yen / thousands of U.S. dollars (Note 1)			
Category	Name	Paid-in capital	Content of business	Percentage of ownership	Transactions		Resulting accounting balance	
					Description of transactions	Amount	Account	Amount
Associates	Shinsho Corporation	¥5,650 million	Trades iron and steel, nonferrous metals, machinery	13.42% directly and 1.05% indirectly (21.70%)	Sales of our products	¥ 260,268 \$1,718,967	Accounts receivable	¥ 16,803 \$110,979
					Purchases of raw materials and materials for equipment	¥ 611,920 \$4,041,481	Accounts payable	¥ 28,287 \$186,829
Associates	Kansai Coke and Chemicals Co., Ltd.	¥6,000 million	Produces and sells industrial chemical products such as coke	24.00% directly	Supplies of coal	¥ 109,296 \$721,857	Other current assets	¥ 9,308 \$61,478
					Purchases of coke	¥ 123,992 \$818,918	Accounts payable	¥ 20,493 \$135,350

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

					Millions of yen			
Category	Name	Paid-in capital	Content of business	Percentage of ownership	Transactions		Resulting accounting balance	
					Description of transactions	Amount	Account	Amount
Associates	Shinsho Corporation	¥5,650 million	Trades iron and steel, nonferrous metals, machinery	13.42% directly and 1.05% indirectly (21.70%)	Sales of our products	¥276,510	Accounts receivable	¥47,109
					Purchases of raw materials and materials for equipment	¥812,816	Accounts payable	¥27,077
Associates	Kansai Coke and Chemicals Co., Ltd.	¥6,000 million	Produces and sells industrial chemical products such as coke	24.00% directly	Supplies of coal	¥137,507	Other current assets	¥3,244
					Purchases of coke	¥143,459	Accounts payable	¥32,254

### 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 with consolidated subsidiaries via Shinsho Corporation, that were eliminated through the consolidation process.
3. The number in parentheses is the percentage of shareholders who agree with the Company when exercising voting rights.

## 28. 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, 2024 and 2023 consisted of the following:

#### Defined Benefit Retirement Plans

##### (1) Changes in projected benefit obligation

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Balance at beginning of year	¥ 148,918	¥ 155,634	\$ 983,546
Service costs	9,910	10,967	65,455
Interest cost on projected benefit obligation	1,172	361	7,744
Actuarial differences arising during the period	(679)	(12,290)	(4,489)
Unrecognized prior service cost arising during the period	(2)	101	(17)
Amount of payment of retirement benefits	(7,356)	(6,263)	(48,583)
Increase (decrease) due to change in scope of consolidation	241	41	1,598
Exchange difference	200	200	1,321
Adjustment from the simplified method to the principle method	-	192	-
Other	(38)	(27)	(253)
Balance at end of year	¥ 152,367	¥ 148,918	\$ 1,006,322

##### (2) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Balance at beginning of year	¥ 99,634	¥ 95,192	\$ 658,043
Expected return on plan assets	207	223	1,373
Actuarial differences arising during the period	13,035	6,776	86,097
Amount of contribution by the employer	1,257	1,657	8,306
Amount of payment of retirement benefits	(5,111)	(4,248)	(33,758)
Other	(9)	32	(62)
Balance at end of year	¥ 109,015	¥ 99,634	\$ 719,999

##### (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)
	2024	2023	2024
Funded projected benefit obligation	¥ 111,594	¥ 109,049	\$ 737,034
Plan assets	(109,015)	(99,634)	(719,999)
	2,579	9,415	17,035
Unfunded projected benefit obligation	40,772	39,869	269,287
Net of defined benefit liability and asset	¥ 43,352	¥ 49,284	\$ 286,322
Net defined benefit liability	65,615	71,376	433,361
Net defined benefit asset	(22,263)	(22,091)	(147,038)
Net of defined benefit liability and asset	¥ 43,352	¥ 49,284	\$ 286,322

##### (4) Breakdown of severance and retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Service costs	¥ 9,910	¥ 10,967	\$ 65,455
Interest cost on projected benefit obligation	1,172	361	7,744
Expected return on plan assets	(207)	(223)	(1,373)
Amortization of actuarial differences	(1,437)	1,179	(9,497)
Amortization of prior service cost	41	42	276
Adjustment from the simplified method to the principle method	-	192	-
Other	19	(1)	127
Severance and retirement benefit expenses on defined benefit retirement plans	¥ 9,498	¥ 12,517	\$ 62,733
Compensation, etc. for retirees due to the liquidation of business	-	3,672	-
Total	¥ 9,498	¥ 16,189	\$ 62,733

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

## (5) Breakdown of remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Prior service cost	¥ 44	¥ (59)	\$ 294
Actuarial differences	12,277	20,246	81,089
Total	¥ 12,322	¥ 20,186	\$ 81,383

## (6) Accumulated breakdown of remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Unrecognized prior service cost	¥ (7,941)	¥ (7,896)	\$ (52,449)
Unrecognized actuarial differences	(30,297)	(18,019)	(200,100)
Total	¥ (38,238)	¥ (25,916)	\$ (252,550)

## (7) Plan assets

## (a) Breakdown of plan assets

	2024	2023
Stock	39 %	30 %
General account of insurance company	33	36
Bonds	17	20
Other	11	14
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, 2024 and 2023 were as follows:

	2024	2023
Discount rates	mainly 0.8%	mainly 0.8%
Long-term expected rate of return	mainly 0.1%	mainly 0.1%

**Defined contribution plan**

Required contributions of the Company and its domestic consolidated subsidiaries for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Required contributions	¥ 2,826	¥ 2,193	\$ 18,667



## 29. 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. There are seven reportable segments within the Group : "Steel & Aluminum," "Advanced Materials," "Welding," "Machinery," "Engineering," "Construction Machinery," and "Electric Power."

Due to a change in the jurisdiction of Kobelco Research Institute, Inc. (special alloys and other new materials (target materials, etc.), analysis of various materials, etc.), which was previously included in the "Other" segment, it has been included in the "Machinery" segment since fiscal year ended March 31, 2024.

The breakdown of revenue generated from contracts with customers for fiscal year ended March 31, 2023, is disclosed based on the classification of the reporting segment after the change in jurisdiction.

#### **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, internal combustion engines, special alloys and other new materials, materials analysis and testing, FPD and semiconductor inspection equipment

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: high-pressured gas cylinder manufacturing, superconducting products and general trading company business

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

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

Profit (loss) of reportable segments is based on ordinary profit (loss).

Intersegment sales prices are based on prices applicable to transactions with third parties.

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

		Millions of yen		Thousands of U.S. dollars (Note 1)	
		2024	2023	2024	
Sales to outside customers:	Steel & Aluminum	¥ 1,045,675	¥ 1,065,757	\$ 6,906,248	
	Advanced Materials	283,315	266,179	1,871,180	
	Welding	92,691	87,318	612,186	
	Machinery	222,694	192,430	1,470,804	
	Engineering	168,732	143,739	1,114,408	
	Construction Machinery	403,952	381,720	2,667,937	
	Electric Power	315,950	324,369	2,086,722	
	Other Businesses	8,910	9,347	58,849	
	<b>Total sales to outside customers</b>	<b>¥ 2,541,922</b>	<b>¥ 2,470,861</b>	<b>\$ 16,788,337</b>	
Intersegment sales:	Steel & Aluminum	¥ 37,047	¥ 39,409	\$ 244,686	
	Advanced Materials	14,789	11,586	97,679	
	Welding	838	1,111	5,535	
	Machinery	11,821	11,033	78,073	
	Engineering	1,911	1,485	12,627	
	Construction Machinery	104	60	687	
	Electric Power	-	-	-	
	Other Businesses	1,894	1,618	12,510	
	<b>Total intersegment sales</b>	<b>¥ 68,406</b>	<b>¥ 66,304</b>	<b>\$ 451,798</b>	
Total sales:	Steel & Aluminum	¥ 1,082,722	¥ 1,105,166	\$ 7,150,934	
	Advanced Materials	298,105	277,765	1,968,859	
	Welding	93,529	88,429	617,722	
	Machinery	234,515	203,463	1,548,878	
	Engineering	170,644	145,224	1,127,035	
	Construction Machinery	404,056	381,781	2,668,624	
	Electric Power	315,950	324,369	2,086,722	
	Other Businesses	10,804	10,965	71,359	
		<b>Total segment sales</b>	<b>2,610,329</b>	<b>2,537,166</b>	<b>17,240,136</b>
		Adjustment	1,220	1,646	8,060
		Elimination	<b>(68,406)</b>	<b>(66,304)</b>	<b>(451,798)</b>
	<b>Consolidated net sales</b>	<b>¥ 2,543,142</b>	<b>¥ 2,472,508</b>	<b>\$ 16,796,397</b>	
Segment profit (loss):	Steel & Aluminum	¥ 16,151	¥ 41,969	\$ 106,676	
	Advanced Materials	3,231	942	21,344	
	Welding	4,906	2,837	32,405	
	Machinery	29,629	15,772	195,689	
	Engineering	12,433	4,198	82,118	
	Construction Machinery	9,161	12,365	60,504	
	Electric Power	85,760	24,560	566,412	
	Other Businesses	4,812	4,895	31,782	
		<b>Total segment income (loss)</b>	<b>166,086</b>	<b>107,542</b>	<b>1,096,935</b>
		Adjustment	<b>(5,163)</b>	<b>(704)</b>	<b>(34,102)</b>
	<b>Consolidated ordinary income</b>	<b>¥ 160,923</b>	<b>¥ 106,837</b>	<b>\$ 1,062,832</b>	

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2024	2023	2024
Assets:	Steel & Aluminum	¥ 1,126,523	¥ 1,185,496	\$ 7,440,219
	Advanced Materials	241,520	270,417	1,595,143
	Welding	90,285	86,459	596,295
	Machinery	245,103	225,964	1,618,808
	Engineering	158,597	144,980	1,047,469
	Construction Machinery	417,770	408,507	2,759,200
	Electric Power	450,060	470,215	2,972,463
	Other Businesses	49,744	45,515	328,544
	Total segment assets	2,779,606	2,837,555	18,358,144
	Adjustment	140,167	37,195	925,750
	Total	¥ 2,919,774	¥ 2,874,751	\$ 19,283,894
Depreciation:	Steel & Aluminum	¥ 58,449	¥ 57,635	\$ 386,032
	Advanced Materials	10,709	10,582	70,734
	Welding	2,387	2,364	15,770
	Machinery	6,366	5,928	42,047
	Engineering	1,846	1,594	12,194
	Construction Machinery	12,245	12,556	80,879
	Electric Power	24,783	19,516	163,684
	Other Businesses	292	271	1,929
	Total segment depreciation	117,081	110,448	773,273
	Adjustment	2,003	2,056	13,231
	Total	¥ 119,084	¥ 112,505	\$ 786,505
Amortization of goodwill:	Steel & Aluminum	¥ -	¥ 55	\$ -
	Advanced Materials	-	-	-
	Welding	73	73	484
	Machinery	457	446	3,018
	Engineering	1	-	13
	Construction Machinery	-	-	-
	Electric Power	-	-	-
	Other Businesses	-	-	-
	Total segment amortization of goodwill	532	575	3,516
	Adjustment	(1)	-	(13)
	Total	¥ 530	¥ 575	\$ 3,503
Interest income:	Steel & Aluminum	¥ 469	¥ 291	\$ 3,098
	Advanced Materials	69	45	461
	Welding	434	290	2,872
	Machinery	466	380	3,081
	Engineering	553	297	3,656
	Construction Machinery	2,316	1,157	15,297
	Electric Power	19	9	128
	Other Businesses	1	0	6
	Total segment interest income	4,330	2,473	28,603
	Adjustment	(1,474)	(794)	(9,735)
	Total	¥ 2,856	¥ 1,679	\$ 18,867
Interest expense:	Steel & Aluminum	¥ 4,890	¥ 4,793	\$ 32,298
	Advanced Materials	3,243	2,149	21,422
	Welding	41	41	275
	Machinery	656	475	4,337
	Engineering	81	78	537
	Construction Machinery	2,123	1,460	14,023
	Electric Power	6,483	6,013	42,820
	Other Businesses	65	58	433
	Total segment interest expense	17,586	15,070	116,148
	Adjustment	(2,946)	(1,726)	(19,457)
	Total	¥ 14,640	¥ 13,343	\$ 96,691
Equity in income (loss) of equity method companies:	Steel & Aluminum	¥ (14,446)	¥ 7,297	\$ (95,415)
	Advanced Materials	84	286	561
	Welding	(13)	0	(89)
	Machinery	118	(181)	783
	Engineering	845	560	5,584
	Construction Machinery	561	640	3,709
	Electric Power	-	-	-
	Other Businesses	4,310	4,065	28,470
	Total segment equity in income (loss) of equity method companies	(8,538)	12,670	(56,394)
	Adjustment	(609)	(527)	(4,024)
	Total	¥ (9,148)	¥ 12,142	\$ (60,419)

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2024	2023	2024
Investments in equity method companies:	Steel & Aluminum	¥ 91,532	¥ 106,291	\$ 604,531
	Advanced Materials	932	847	6,159
	Welding	1,326	1,351	8,757
	Machinery	1,065	977	7,038
	Engineering	3,143	2,533	20,761
	Construction Machinery	8,665	8,209	57,231
	Electric Power	-	-	-
	Other Businesses	30,282	27,712	200,002
	Total segment investments in equity method companies	136,947	147,924	904,482
	Adjustment	(3,352)	(2,954)	(22,139)
Total	¥ 133,595	¥ 144,969	\$ 882,342	
Capital expenditures:	Steel & Aluminum	¥ 52,948	¥ 33,427	\$ 349,701
	Advanced Materials	13,141	8,064	86,796
	Welding	1,896	1,647	12,525
	Machinery	10,270	6,880	67,832
	Engineering	3,404	2,851	22,485
	Construction Machinery	17,932	13,815	118,437
	Electric Power	2,155	27,896	14,237
	Other Businesses	384	355	2,539
	Total segment capital expenditures	102,134	94,939	674,555
	Adjustment	3,080	2,363	20,343
Total	¥ 105,214	¥ 97,302	\$ 694,899	

Notes:

Details about adjustments at March 31, 2024 and 2023 were as follows:

#### Segment sales

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

#### Segment profit (loss)

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2024	2023	2024
Companywide profit (loss)	¥	4,055	¥ 2,164	\$ 26,786
Other adjustments		(9,219)	(2,869)	(60,889)
Total	¥	(5,163)	¥ (704)	\$ (34,102)

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)
		2024	2023	2024
Companywide assets	¥	357,757	¥ 266,968	\$ 2,362,841
Other adjustments		(217,590)	(229,772)	(1,437,091)
Total	¥	140,167	¥ 37,195	\$ 925,750

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)	
	2024	2023	2024	
Japan	¥ 1,713,282	¥ 1,689,028	\$ 11,315,517	
China	179,544	196,789	1,185,813	
Others	650,316	586,691	4,295,066	
Total	¥ 2,543,142	¥ 2,472,508	\$ 16,796,397	

#### (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)	
		2024	2023	2024	
Shinsho Corporation	Iron & Aluminum, etc.	¥ 280,071	¥ 292,648	\$ 1,849,753	

### (3) Impairment Loss by Reportable Segments

	Related segment	Millions of yen		Thousands of U.S. dollars (Note 1)	
		2024	2023	2024	
Impairment loss	Steel & Aluminum	¥ 163	¥ 15	\$ 1,079	
	Advanced Materials	18,062	5	119,296	
	Welding	7	64	51	
	Machinery	168	91	1,110	
	Engineering	42	0	282	
	Construction Machinery	339	4,097	2,239	
	Electric Power	-	-	-	
	Other Businesses	-	-	-	
	Total segment impairment loss	18,783	4,275	124,059	
	Adjustment	-	163	-	
	Total	¥ 18,783	¥ 4,438	\$ 124,059	

### (4) Amortization and Balance of Goodwill by Reportable Segments

	Related segment	Millions of yen		Thousands of U.S. dollars (Note 1)	
		2024	2023	2024	
Amortization of goodwill	Steel & Aluminum	¥ -	¥ 55	\$ -	
	Advanced Materials	-	-	-	
	Welding	73	73	484	
	Machinery	457	446	3,018	
	Engineering	1	-	13	
	Construction Machinery	-	-	-	
	Electric Power	-	-	-	
	Other Businesses	-	-	-	
	Total segment Amortization of goodwill	532	575	3,516	
	Adjustment	(1)	-	(13)	
	Total	530	575	3,503	
Balance at the end of the period	Steel & Aluminum	-	-	-	
	Advanced Materials	-	-	-	
	Welding	268	342	1,776	
	Machinery	2,346	2,666	15,496	
	Engineering	-	-	-	
	Construction Machinery	-	-	-	
	Electric Power	-	-	-	
	Other Businesses	-	-	-	
	Total segment balance of goodwill	2,615	3,008	17,272	
	Adjustment	-	-	-	
	Total	¥ 2,615	¥ 3,008	\$ 17,272	

### (5) Gain from Negative Goodwill by Reportable Segments

No gain on negative goodwill was recognized for the year ended March 31, 2024 and 2023.

### 30. Profit Per Share

The basis of calculating profit per share for the years ended March 31, 2024 and 2023 was as follows:

	Millions of	Thousands of shares	Yen	U.S. dollars (Note 1)
	Profit attributable to owners of parent	Weighted average number of shares	Profit per share	Profit per share
For the year ended March 31, 2024				
Profit attributable to common stockholders	¥ <b>109,552</b>	<b>394,945</b>	¥ <b>277.38</b>	\$ <b>1.83</b>
For the year ended March 31, 2023				
Profit attributable to common stockholders	¥ 72,566	394,792	¥ 183.80	\$ 1.21

#### Notes:

1. Diluted profit per share is not presented for the fiscal years ended March 31, 2023 as potential common shares did not exist.
2. Diluted profit per share is not presented for the fiscal years ended March 31, 2024 as there is no dilutive common share.
3. The shares held by the Board Benefit Trust (BBT) are recorded under net assets as treasury shares. In calculating profit (loss) per share, the number of treasury shares excluded from the weighted-average number of shares issued during the fiscal year includes the number of shares held by the BBT (353 thousand of shares for the year ended March 31, 2024 and 500 thousand of shares for the year ended March 31, 2023).

### 31. Fee-related Information

#### (1) Fees to Certified Public Accountants (KPMG AZSA LLC)

##### (a) Audit fees

	Millions of yen		Thousands of
	2024	2023	U.S. dollars (Note 1)
The Company	¥ 183	¥ 172	\$ 1,209
Consolidated subsidiaries	300	293	1,987
	¥ 484	¥ 465	\$ 3,197

##### (a) Non-audit fees

	Millions of yen		Thousands of
	2024	2023	U.S. dollars (Note 1)
The Company	¥ 72	¥ 2	\$ 475
Consolidated subsidiaries	3	6	23
	¥ 75	¥ 9	\$ 499

##### Notes:

###### 1. The fiscal years ended March 31, 2023

The non-audit services provided to our Company mainly consisted of advisory services related to internal controls, among other things. Furthermore, the non-audit services provided to our consolidated subsidiaries mainly consisted of financial due diligence services, among others.

###### 2. The fiscal years ended March 31, 2024

The non-audit services provided to our Company mainly consisted of advisory services related to business management, among other things. Furthermore, the non-audit services provided to our consolidated subsidiaries mainly consisted of referred work for overseas subsidiaries, among others.

#### (2) Fees to Certified Public Accountants (KPMG Group) KPMG AZSA LLC

##### (a) Audit fees

	Millions of yen		Thousands of
	2024	2023	U.S. dollars (Note 1)
The Company	¥ -	¥ -	\$ -
Consolidated subsidiaries	126	109	836
	¥ 126	¥ 109	\$ 836

##### (b) Non-audit fees

	Millions of yen		Thousands of
	2024	2023	U.S. dollars (Note 1)
The Company	¥ 114	¥ 12	\$ 754
Consolidated subsidiaries	132	70	878
	¥ 247	¥ 82	\$ 1,632

##### Notes:

###### 1. The fiscal years ended March 31, 2023

The non-audit services provided to our Company mainly consisted of advisory services for calculating greenhouse gas emissions, among other things. Furthermore, the non-audit services provided to our consolidated subsidiaries mainly consisted of advisory services related to taxation, among others.

###### 2. The fiscal years ended March 31, 2024

The non-audit services provided to our Company mainly consisted of advisory services related to the consideration of new businesses, among other things. Furthermore, the non-audit services provided to our consolidated subsidiaries mainly consisted of advisory services related to taxation, among others.

## **32. Additional Information**

### **Introduction of a Board Benefit Trust (BBT) for Directors**

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

The accounting method regarding the BBT 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 recorded as treasury shares as part of net assets based on the book value (excludes amounts for incidental expenses). The corresponding treasury shares book value was ¥301 million (\$1,994 thousand) for 336 thousand shares for the year ended March 31, 2024 and ¥350 million for 390 thousand shares for the year ended March 31, 2023.





# Independent auditor's report

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

## Report on the Audit of the Consolidated Financial Statements

### 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, 2024 and 2023, 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, 2024 and 2023, 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 Kobe Steel's aluminum rolled products business**

The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of the Group, property, plant and equipment of ¥1,034,413 million and intangible assets of ¥39,726 million were recognized for the current fiscal year. As described in Notes to Consolidated Financial Statements 2, "Summary of Significant Accounting Policies, (21) Significant accounting estimates, (a) Impairment of long-lived assets," included therein were property, plant and equipment of ¥39,994 million and intangible assets of ¥1,867 million used by the aluminum rolled products business of Kobe Steel, Ltd. ("the Company"), in total, accounting for approximately 1% of total assets in the consolidated financial statements.</p> <p>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.</p> <p>The Company's aluminum rolled products business has recognized recurring operating losses for several consecutive years, primarily due to a decrease in demand for disk materials for data centers and a delay in passing on procurement cost increases to sales prices, which presented impairment indicators. Accordingly, the Group performed an impairment test during the current fiscal year. In the impairment testing, undiscounted future cash flows were estimated based on the business plan prepared by management, which reflected key assumptions such as recovery of demand for disc materials, increased sales volume as a result of a growth in sales of beverage can and automotive panel materials, and the passing on of cost increases to</p>	<p>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 the Company's aluminum rolled products business included the following:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain of the Group's internal controls relevant to determining whether to recognize an impairment loss on long-lived assets. In this assessment, we focused our testing on internal controls designed to prevent and/or detect the use of inappropriate key assumptions in the business plan.</p> <p><b>(2) Assessment of the appropriateness of estimated undiscounted future cash flows</b></p> <p>We inquired of management and the personnel responsible for accounting 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:</p> <ul style="list-style-type: none"> <li>● assessed the feasibility of increased sales volume by obtaining a forecast report on market trends, etc. published by an external organization and inspecting materials on the progress of sales expansion measures;</li> <li>● reviewed the method of determining the unit sales price and inspected the supporting materials on the progress of passing on cost increases to sales prices; and</li> <li>● after considering the results of our analysis of the past business plan including the causes of variances with actual results, independently developed future cash flow projections by incorporating the effect of specific uncertainties into the business plan prepared by management. We then assessed</li> </ul>

<p>sales prices. These assumptions involved a high degree of uncertainty, and management’s judgment thereon had a significant effect on the estimated undiscounted future cash flows.</p> <p>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 the Company’s aluminum rolled products business 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.</p>	<p>whether there was any potential effect on the determination of impairment loss to be recognized.</p>
<p><b>Reasonableness of the estimate of the recoverable amount of the investment in Ulsan Aluminum, Ltd., an equity-method affiliate</b></p>	
<p><b>The key audit matter</b></p>	<p><b>How the matter was addressed in our audit</b></p>
<p>Kobe Steel, Ltd. (“the Company”) acquired shares in Ulsan Aluminum, Ltd. from Novelis Korea Ltd. in September 2017 mainly to stably procure base materials for the manufacturing of automotive aluminum panels by Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd., and made Ulsan Aluminum, Ltd. an equity-method affiliate. The goodwill equivalent that arose as a result of this acquisition is recognized as investment securities.</p> <p>If it is determined that there is an impairment indicator in the goodwill equivalent included in the investment securities of an equity-method affiliate, it is necessary to determine whether an impairment loss should be recognized for the entire investment including the goodwill equivalent. 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 share of loss of entities accounted for using equity method.</p> <p>As described in Notes to Consolidated Financial Statements 2, “Summary of Significant Accounting Policies, (21) Significant accounting estimates, (b) Valuation of goodwill in companies accounted for using equity method,” in the current consolidated fiscal year, the Company agreed with Baowu Aluminum Technology Co., Ltd. to conduct a feasibility study for the establishment of</p>	<p>The primary procedures we performed to assess the reasonableness of the estimated recoverable amount of the investment in Ulsan Aluminum, Ltd., an equity-method affiliate, included the following:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of internal controls related to the calculation of the recoverable amount. In this assessment, we focused our testing on internal controls designed to prevent and/or detect the use of inappropriate key assumptions in the business plan that include estimates of sales volume and unit sales price during the period of estimated future cash flows.</p> <p><b>(2) Assessment of the reasonableness of the estimate of the recoverable amount</b></p> <p>We inquired of management, business unit managers, and the personnel responsible for accounting about the basis on which their assumptions were developed in order to assess the appropriateness of the key assumptions used in preparing the business plan that formed the basis for the estimated future cash flows used in the calculation of the recoverable amount. In addition, we:</p> <ul style="list-style-type: none"> <li>● assessed the appropriateness of the demand forecast for rolled aluminum products, which serves as the basis for the sales volume</li> </ul>

a joint venture and is considering a conversion to a business that completes the entire process from procurement of base materials to manufacturing and sales of aluminum panels in China. This will result in the loss of one of the initial objectives of stably procuring base materials to be supplied to China from Ulsan Aluminum, Ltd. Accordingly, the Company determined that there is an impairment indicator for the goodwill equivalent. As a result of determining whether an impairment loss should be recognized, because the recoverable amount of investments in the equity method affiliate was less than ¥39,587 million of the carrying amount of investment securities including goodwill equivalent, an impairment loss of ¥14,698 million was recorded as share of loss of entities accounted for using equity method.

The estimates used by the Company to calculate the recoverable amount were based on future cash flows from the business plan which assumed an increased demand for rolled aluminum products and used key assumptions involving uncertainty such as estimates of sales volume and unit sales price. Accordingly, management's judgment thereon had a significant effect on the estimated recoverable amount.

In addition, as the valuation method and estimation of the discount rate used to calculate the recoverable amount require a high degree of expertise in valuation, the Company uses external experts.

We, therefore, determined that our assessment of the reasonableness of the recoverable amount of the investment in Ulsan Aluminum, Ltd., an equity-method affiliate of the Company, 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.

estimate, by evaluating its consistency with market forecasts and economic indicators published by external organizations; and

- we inspected minutes of negotiations with business partners and internal reporting materials regarding the latest unit sales price to assess their appropriateness.

We also involved valuation specialists within our domestic network firms to assist in our assessment of the following:

- assessment of the appropriateness of the valuation method and the discount rate calculation model used to calculate the recoverable amount based on subject matters relevant to valuation and the requirements of accounting standards; and
- assessment of the appropriateness of the input data by comparing the input data used to calculate the discount rate with independently obtained market data published by external organizations.

## 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, actions taken to eliminate threats or safeguards applied.

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.

### **Fee-related Information**

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in Notes to Consolidated Financial Statements 31, "Fee-related Information," of the Annual Report.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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 19, 2024

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.