Consolidated 10-Year Summary

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**	Change 2018/2017	Thousands of U.S. dollars (Note 1) **2018**
	Millions of yen											
For the year												
Net sales	¥ 2,177,290	¥ 1,671,022	¥ 1,858,574	¥ 1,864,691	¥ 1,685,529	¥ 1,824,699	¥ 1,886,895	¥ 1,822,806	¥ 1,695,864	**¥ 1,881,158**	**10.9** %	$ **17,706,684**
Cost of sales	1,890,318	1,475,461	1,570,779	1,635,862	1,510,512	1,537,250	1,581,528	1,548,384	1,465,577	**1,595,230**	**8.8**	**15,015,341**
Operating income	116,934	46,016	124,551	60,555	11,235	114,548	119,460	68,446	9,749	**88,914**	**812.0**	**836,915**
Ordinary income (loss)	60,876	10,259	89,083	33,780	(18,146)	85,044	101,688	28,928	(19,104)	**71,149**	**-**	**669,701**
Net income (loss) attributable to owners of the parent	(31,438)	6,305	52,940	(14,248)	(26,976)	70,192	86,550	(21,556)	(23,045)	**63,188**	**-**	**594,770**
Cash flows from operating activities	118,200	172,893	177,795	39,486	45,402	194,294	153,078	97,933	141,716	**190,833**	**34.7**	**1,796,241**
Cash flows from investing activities	(127,405)	(120,324)	(96,687)	(85,267)	(123,513)	(62,105)	(73,674)	(104,619)	(137,834)	**(161,598)**	**17.2**	**(1,521,066)**
Cash flows from financing activities	138,700	(29,641)	(98,196)	(40,233)	127,644	(138,502)	(156,027)	93,883	16,546	**(66,599)**	**-**	**(626,870)**
Capital expenditures	118,044	128,739	91,378	96,085	114,936	101,403	103,522	109,941	160,297	**128,654**	**(19.7)**	**1,210,975**
Depreciation	128,701	118,835	114,820	118,038	106,725	82,936	89,882	94,812	96,281	**102,032**	**6.0**	**960,393**
Research and development expenses	31,029	28,255	29,833	31,437	30,763	28,494	29,920	29,843	30,102	**32,015**	**6.4**	**301,345**
At year end:												
Total assets	2,295,489	2,249,346	2,231,533	2,159,512	2,226,997	2,288,637	2,300,242	2,261,135	2,310,436	**2,352,425**	**1.8**	**22,142,556**
Net assets (Note 2)	513,461	557,002	597,368	571,258	569,923	734,679	851,785	745,493	729,405	**790,985**	**8.4**	**7,445,262**
Outside debt	855,972	837,770	769,840	746,471	907,657	748,138	650,992	776,073	789,633	**726,014**	**(8.1)**	**6,833,712**
Outside debt, including IPP project financing	954,791	925,120	845,484	810,172	959,180	787,246	677,448	789,494	796,928	**738,866**	**(7.3)**	**6,954,683**
Per share data:												
Net income (loss) (yen/U.S. dollars (Note 1))	¥ (10.47)	¥ 2.10	¥ 17.63	¥ (4.75)	¥ (8.99)	¥ 22.63	¥ 23.81	¥ (59.35)	¥ (63.54)	**¥ 174.43**	**-**	$ **1.64**
Net assets (yen/U.S. dollars (Note 1))	159.58	172.09	182.81	171.84	170.63	184.11	213.70	1,903.80	1,860.37	**2,049.95**	**10.2**	**19.30**
Cash dividends (yen/U.S. dollars (Note 1))	3.50	1.50	3.00	1.00	-	4.00	4.00	2.00	-	**-**	**-**	**-**
											Points	
Ratios:												
Operating income ratio (%)	5.4	2.8	6.7	3.2	0.7	6.3	6.3	3.8	0.6	**4.7**	**4.1**	
Ordinary income ratio (%)	2.8	0.6	4.8	1.8	(1.1)	4.7	5.4	1.6	(1.1)	**3.8**	**4.9**	
ROA (%)	2.6	0.5	4.0	1.5	(0.8)	3.8	4.4	1.3	(0.8)	**3.0**	**3.8**	
ROE (%)	(5.8)	1.3	9.9	(2.7)	(5.3)	11.9	12.0	(2.9)	(3.4)	**8.9**	**12.3**	
Equity ratio (%)	20.9	23.0	24.6	23.9	23.0	29.2	33.8	30.6	29.2	**31.6**	**2.4**	
Debt/equity ratio (times)	1.7	1.6	1.4	1.4	1.8	1.1	0.9	1.1	1.2	**1.0**	**(0.2)**	
Dividend payout ratio (%)	-	71.4	17.0	-	-	17.7	16.8	-	-	**-**	**-**	
Number of shares issued (in thousands)	3,115,061	3,115,061	3,115,061	3,115,061	3,115,061	3,643,642	3,643,642	3,643,642	364,364	**364,364**	**-**	
Number of employees	33,526	33,629	34,772	35,496	36,018	36,019	36,420	36,338	36,951	**37,436**	**485**	

Notes:

1. For convenience only, U.S. dollar amounts in this report have been translated from Japanese yen amounts at the rate of ¥106.24 to US$1.00, the rate of exchange prevailing on March 31, 2018.
2. Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5, issued by the Accounting Standards Board of Japan on December 9, 2005) and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8, issued by the Accounting Standards Board of Japan on December 9, 2005).
3. Kobe Steel, Ltd. carried out a share consolidation at a ratio of 10 shares to 1 share effective on October 1, 2016. Therefore, net income (loss) per share takes into account this share consolidation.

Consolidated Balance Sheets

Kobe Steel, Ltd. and Consolidated Subsidiaries
At March 31, 2018 and 2017

ASSETS	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Current assets:			
Cash and deposits (Notes 7 and 25)	¥ **165,526**	¥ 155,764	$ **1,558,039**
Notes and accounts receivable:			
Trade and finance	**285,313**	256,990	**2,685,556**
Unconsolidated subsidiaries and affiliates	**50,122**	86,624	**471,783**
Other	**31,472**	24,946	**296,230**
Allowance for doubtful accounts	**(4,673)**	(4,652)	**(43,984)**
	362,234	363,908	**3,409,585**
Securities (Note 5)	**-**	45,503	**0**
Merchandise and finished goods	**159,910**	158,513	**1,505,179**
Work-in-process (Note 8):	**136,531**	126,109	**1,285,116**
Raw materials and supplies	**152,007**	134,400	**1,430,790**
Deferred income taxes (Note 21)	**27,989**	21,665	**263,455**
Other	**42,091**	38,461	**396,181**
Total current assets	**1,046,288**	1,044,323	**9,848,345**
Property, plant and equipment (Note 7):			
Land	**192,159**	195,608	**1,808,723**
Buildings and structures	**771,592**	770,335	**7,262,724**
Machinery and equipment	**2,361,357**	2,409,065	**22,226,624**
Construction in progress	**61,271**	55,095	**576,726**
	3,386,379	3,430,103	**31,874,797**
Less accumulated depreciation	**(2,404,689)**	(2,457,789)	**(22,634,495)**
Total property, plant and equipment	**981,690**	972,314	**9,240,302**
Intangible assets	**40,807**	24,147	**384,108**
Investments and other assets:			
Investments in securities (Note 5)	**115,547**	121,985	**1,087,604**
Investments in and advances to unconsolidated subsidiaries and affiliates	**110,953**	69,122	**1,044,359**
Long-term loans receivable	**4,952**	5,038	**46,612**
Deferred income taxes (Note 21)	**21,505**	27,540	**202,423**
Net defined benefit asset (Note 27)	**17,089**	16,355	**160,852**
Other	**69,844**	96,505	**657,415**
Allowance for doubtful accounts	**(56,250)**	(66,893)	**(529,464)**
Total investments and other assets	**283,640**	269,652	**2,669,801**
	¥ **2,352,425**	¥ 2,310,436	$ **22,142,556**

LIABILITIES AND NET ASSETS	Millions of yen 2018	Millions of yen 2017	Thousands of 2018
Current liabilities:			
Short-term borrowings (Note 7)	¥ **135,681**	¥ 86,008	$ **1,277,115**
Current portion of long-term debt (Note 7)	**84,052**	135,975	**791,148**
Notes and accounts payable:			
Trade	**401,456**	355,343	**3,778,769**
Construction	**39,323**	43,946	**370,132**
Unconsolidated subsidiaries and affiliates	**59,252**	64,502	**557,721**
Other	**12,498**	14,963	**117,634**
	512,529	478,754	**4,824,256**
Current portion of lease obligations	**0**	0	**0**
Advances from customers	**35,577**	31,193	**334,876**
Customers' and employees' deposits	**12,995**	15,307	**122,314**
Income and enterprise taxes payable	**8,552**	6,606	**80,495**
Provision for loss on construction contracts (Note 8)	**9,634**	6,938	**90,678**
Provision for structural reform related expenses	**365**	4,628	**3,435**
Provision for dismantlement related expenses	**10,116**	1,293	**95,220**
Provision for customer compensation expenses	**3,583**	-	**33,728**
Deferred income taxes (Note 21)	**725**	1,764	**6,823**
Other	**87,210**	80,678	**820,885**
Total current liabilities	**901,019**	849,144	**8,480,973**
Long-term liabilities:			
Long-term debt (Note 7)	**519,133**	574,944	**4,886,420**
Lease obligations	**0**	0	**0**
Net defined benefit liability (Note 27)	**70,946**	70,159	**667,791**
Provision for environmental measures	**777**	878	**7,317**
Provision for structural reform related expenses	**-**	-	**-**
Provision for dismantlement related expenses	**2,491**	8,660	**23,443**
Deferred income taxes (Note 21)	**13,071**	13,698	**123,031**
Other	**54,003**	63,548	**508,320**
Total long-term liabilities	**660,421**	731,887	**6,216,322**
Contingent liabilities (Note 11, 12 and 13)			
Net assets:			
Stockholders' equity:			
Common stock (Notes 14 and 24)	**250,930**	250,930	**2,361,917**
Authorized — 600,000,000 shares			
Issued — 364,364,210 shares			
Capital surplus (Note 14)	**102,315**	103,538	**963,048**
Retained earnings (Note 14)	**395,543**	331,679	**3,723,107**
Treasury stock, at cost (Note 24):	**(2,672)**	(2,661)	**(25,147)**
2,118,007 shares in 2018 and 2,108,414 shares in 2017			
	746,116	683,486	**7,022,925**
Accumulated other comprehensive income:			
Unrealized gains on securities, net of taxes	**17,334**	17,476	**163,156**
Unrealized losses on hedging derivatives, net of taxes	**(9,914)**	(9,230)	**(93,316)**
Land revaluation differences, net of taxes (Note 9)	**(3,406)**	(3,406)	**(32,063)**
Foreign currency translation adjustments	**10,186**	7,709	**95,874**
Remeasurements of defined benefit plans, net of taxes	**(17,726)**	(22,107)	**(166,851)**
	(3,526)	(9,558)	**(33,200)**
Non-controlling interests	**48,395**	55,477	**455,537**
Total net assets	**790,985**	729,405	**7,445,262**
	¥ **2,352,425**	¥ 2,310,436	$ **22,142,557**

See accompanying notes.

Consolidated Statements of Operations

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2018 and 2017

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2018		2017		2018
Net sales	¥	**1,881,158**	¥	1,695,864	$	**17,706,684**
Cost of sales (Note 15)		**(1,595,230)**		(1,465,577)		**(15,015,341)**
Gross profit		**285,928**		230,287		**2,691,343**
Selling, general and administrative expenses (Note 17)		**(197,014)**		(220,538)		**(1,854,428)**
Operating income		**88,914**		9,749		**836,915**
Non-operating income (expenses):						
Interest and dividend income		**6,260**		5,866		**58,922**
Interest expense		**(12,304)**		(13,402)		**(115,810)**
Seconded employees' salaries, net of reimbursement		**(6,053)**		(6,454)		**(56,979)**
Foreign exchange gain (loss)		**(3,334)**		(2,226)		**(31,378)**
Equity in income (loss) of equity method companies		**5,439**		1,879		**51,195**
Dismantlement expense		**(4,036)**		(6,742)		**(37,991)**
Other, net		**(3,737)**		(7,774)		**(35,173)**
		(17,765)		(28,853)		**(167,214)**
Ordinary income (loss)		**71,149**		(19,104)		**669,701**
Extraordinary income (loss):						
Gain on sale of investment securities		**9,141**		-		**86,040**
Reversal of allowance for doubtful accounts (Note 18)		**-**		8,142		**-**
Customer compensation expenses (Note 19)		**-4,362**		-		**-41,055**
Dismantlement-related expenses (Note 20)		**-2,760**		-		**-25,977**
		2,019		8,142		**19,008**
Income (loss) before income taxes and non-controlling interests		**73,168**		(10,962)		**688,709**
Income taxes (Note 21):						
Current		**15,425**		8,718		**145,187**
Deferred		**(4,804)**		(380)		**(45,215)**
		10,621		8,338		**99,972**
Income (loss) before non-controlling interests		**62,547**		(19,300)		**588,737**
Net income (loss) attributable to non-controlling interests		**(641)**		3,745		**(6,033)**
Net income (loss) attributable to owners of the parent	¥	**63,188**	¥	(23,045)	$	**594,770**

	Yen				U.S. dollars (Note 1)	
Per share		2018		2017		2018
Net income (loss)	¥	**174.43**	¥	(63.54)	$	**1.64**
Cash dividends applicable to the year		**-**		-		**-**

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2018 and 2017

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2018		2017		2018
Loss before non-controlling interests	¥	**62,547**	¥	(19,300)	$	**588,737**
Other comprehensive income (loss):						
Unrealized gains (losses) on securities, net of taxes		**(477)**		8,763		**(4,491)**
Unrealized losses on hedging derivatives, net of taxes		**(1,022)**		(786)		**(9,622)**
Land revaluation differences, net of taxes		**-**		0		**-**
Foreign currency translation adjustments		**1,900**		(6,893)		**17,880**
Remeasurements of defined benefit plans, net of taxes		**4,248**		4,476		**39,987**
Share of other comprehensive income related to equity method companies		**1,568**		(563)		**14,758**
Total other comprehensive income (Note 23)		**6,217**		4,997		**58,512**
Total comprehensive income	¥	**68,764**	¥	(14,303)	$	**647,249**
Total comprehensive income (loss) attributed to:						
Stockholders of the parent interests	¥	**69,219**	¥	(16,957)	$	**651,534**
Non-controlling interests		**(455)**		2,654		**(4,285)**

Consolidated Statements of Changes in Net Assets

Kobe Steel, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Thousands	Millions of yen										
	Number of shares of common stock	Common stock (note 14)	Capital surplus (note 14)	Retained earnings (note 14)	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Non-controlling interests	Total
Balance at April 1, 2016 (Restated Balance)	3,643,642	¥ 250,930	¥ 103,558	¥ 354,720	¥ (1,556)	¥ 8,256	¥ (7,930)	¥ (3,406)	¥ 13,901	¥ (26,466)	¥ 53,486	¥ 745,493
Share consolidation	(3,279,278)											
Dividends of surplus												
Net loss attributable to owners of the parent				(23,045)								(23,045)
Share exchanges												
Purchase of treasury stock					(1,109)							(1,109)
Disposal of treasury stock				(2)	4							2
Changes in stockholders interest due to transaction with non-controlling interests			(20)									(20)
Increase (decrease) due to changes in scope of consolidation				6								6
Adjustment to land revaluation												
Net changes in items other than stockholders' equity						9,220	(1,300)		(6,192)	4,359	1,991	8,078
Net changes during the year	(3,279,278)		(20)	(23,041)	(1,105)	9,220	(1,300)		(6,192)	4,359	1,991	(16,088)
Balance at April 1, 2017	364,364	¥ 250,930	¥ 103,538	¥ 331,679	¥ (2,661)	¥ 17,476	¥ (9,230)	¥ (3,406)	¥ 7,709	¥ (22,107)	¥ 55,477	¥ 729,405
Share consolidation												
Dividends of surplus												-
Net loss attributable to owners of the parent				63,189								63,189
Share exchanges												-
Purchase of treasury stock					(12)							(12)
Disposal of treasury stock				(1)	1							0
Changes in stockholders interest due to transaction with non-controlling interests			(1,233)									(1,233)
Increase (decrease) due to changes in scope of consolidation			9	676								685
Adjustment to land revaluation												-
Net changes in items other than stockholders' equity						(142)	(684)	-	2,477	4,380	(7,080)	(1,049)
Net changes during the year			(1,224)	63,864	(11)	(142)	(684)	-	2,477	4,380	(7,080)	61,580
Balance at March 31, 2018	364,364	¥ 250,930	¥ 102,314	¥ 395,543	¥ (2,672)	¥ 17,334	¥ (9,914)	¥ (3,406)	¥ 10,186	¥ (17,726)	¥ 48,396	¥ 790,985

	Thousands	Thousands of U.S. dollars (Note 1)										
	Number of shares of common stock	Common stock (note 14)	Capital surplus (note 14)	Retained earnings (note 14)	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes	Non-controlling interests	Total
Balance at April 1, 2017	364,364	$ 2,361,917	$ 974,563	$ 3,121,983	$ (25,046)	$ 164,492	$ (86,879)	$ (32,063)	$ 72,561	$ (208,077)	$ 522,179	$ 6,865,630
Share consolidation												
Dividends of surplus												-
Net loss attributable to owners of the parent				594,770								594,770
Purchase of treasury stock					(110)							(110)
Disposal of treasury stock				(5)	9							4
Changes in stockholders interest due to transaction with non-controlling interests			(11,603)									(11,603)
Increase (decrease) due to changes in scope of consolidation			88	6,359								6,447
Adjustment to land revaluation												-
Net changes in items other than stockholders' equity						(1,336)	(6,437)	-	23,313	41,226	(66,642)	(9,876)
Net changes during the year			(11,515)	601,124	(101)	(1,336)	(6,437)	-	23,313	41,226	(66,642)	579,632
Balance at March 31, 2018	364,364	$ 2,361,917	$ 963,048	$ 3,723,107	$ (25,147)	$ 163,156	$ (93,316)	$ (32,063)	$ 95,874	$ (166,851)	$ 455,537	$ 7,445,262

See accompanying notes.

Consolidated Statements of Cash Flows

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 73,168	¥ (10,962)	$ 688,709
Depreciation	102,032	96,281	960,393
Increase (decrease) in allowance for doubtful accounts	(11,804)	32,651	(111,110)
Interest and dividend income	(6,260)	(5,866)	(58,922)
Interest expense	12,304	13,402	115,810
Loss (income) on sale of securities	(8,739)	(711)	(82,257)
Equity in loss (income) of equity method companies	(5,439)	(1,879)	(51,195)
Gain on sale of plant and equipment	(147)	(101)	(1,384)
Loss on disposal of plant and equipment	1,775	2,479	16,706
Reversal of allowance for doubtful accounts	-	(8,142)	-
Increase (decrease) in provision for dismantlement related expenses	2,653	(1,073)	24,974
Increase in provision for customer compensation expenses	3,583	-	33,728
Decrease (increase) in trade receivables from customers	(19,450)	3,584	(183,078)
Net decrease in lease receivables and investment assets	2,383	2,357	22,427
Decrease (increase) in inventories	(30,491)	(2,081)	(286,997)
Increase (decrease) in accounts receivable	29,763	(30,353)	280,149
Decrease in trade payables to customers	50,035	62,635	470,966
Decrease (increase) in accrued expenses	6,393	(1,687)	60,177
Other	5,701	6,323	53,657
Subtotal	207,460	156,857	1,952,752
Cash received for interest and dividends	7,262	8,550	68,359
Cash paid for interest	(12,826)	(12,546)	(120,728)
Cash paid for income taxes	(11,064)	(11,145)	(104,142)
Net cash provided by operating activities	190,832	141,716	1,796,241
Cash flows from investing activities:			
Purchase of property, plant and equipment and other assets	(136,649)	(138,984)	(1,286,227)
Proceeds from sale of property, plant and equipment and other assets	1,600	2,910	15,058
Purchase of investments in securities	(36,135)	(446)	(340,124)
Proceeds from sale of investments in securities	12,952	1,888	121,915
Payment for investments in capital	(60)	-	(568)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	3,414	408	32,134
Increase in short-term loans receivable	(1,337)	(5,714)	(12,582)
Payments for long-term loans receivable	(92)	(232)	(871)
Proceeds from collection of long-term loans receivable	534	498	5,022
Payments for purchase of investments in capital in subsidiaries resulting in change in scope of consolidation	(6,930)	-	(65,227)
Other	1,105	1,838	10,404
Net cash used in investing activities	(161,598)	(137,834)	(1,521,066)
Cash flows from financing activities:			
Decrease in short-term borrowings	43,664	(25,992)	410,992
Proceeds from issuance of long-term debt	25,015	177,857	235,455
Repayment of long-term borrowings	(104,111)	(98,561)	(979,958)
Repayment of bonds	(30,000)	(35,000)	(282,380)
Repayment of finance lease obligations	(4,245)	(5,696)	(39,955)
Purchase of treasury stock	(10)	(1,109)	(93)
Payment of dividends to non-controlling interests	(4,131)	-	(38,887)
Proceeds from share issuance to non-controlling shareholders	5,441	-	51,210
Payment of dividends	(9)	(17)	(82)
Payments from changes in interests in subsidiaries that do not result in change inscope of consolidation	(2,325)	-	(21,880)
Other	4,112	5,064	38,708
Net cash used in financing activities	(66,599)	16,546	(626,870)
Effect of exchange rate changes on cash and cash equivalents	1,719	(4,746)	16,183
Increase (decrease) in cash and cash equivalents	(35,645)	15,682	(335,510)
Cash and cash equivalents at beginning of year	200,418	184,337	1,886,463
Increase in cash and cash equivalents resulting from change in scope of consolidation	495	399	4,654
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	-	-
Cash and cash equivalents at end of year (Note 25)	¥ 165,268	¥ 200,418	$ 1,555,607

See accompanying notes.

Notes to Consolidated Financial Statements
Kobe Steel, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

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, 2018, which was ¥106.24 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, 2018, the accounts of 173 (171 in 2017) subsidiaries have been included in the consolidated financial statements. Intercompany transactions and accounts have been eliminated.

Eighty-two (79 in 2017) 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, 2018, 41 (42 in 2017) 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. Where 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. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as accumulated other comprehensive income in net assets.

Realized gains and losses on the sale of such securities are computed using moving average cost based on the carrying value at March 31, 2000 or at the later date of purchase.

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 held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies or available-for-sale securities declines significantly, the securities are stated at fair market value, and the difference between the fair market value and the carrying amount is recognized as a loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, the securities are written down to net asset value with a corresponding charge in the statement of operations in the event net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(3) Allowance for Doubtful Accounts

The Group provides for doubtful accounts principally at an amount based on the actual ratio of bad debts in the past plus the estimated uncollectible amounts of certain individual receivables.

(4) Provision for Loss on Construction Contracts

Provision for loss on construction contracts is stated at an amount based on the estimated loss from construction contracts at the end of the fiscal year.

(5) Provision for Environmental Measures

The provision for environmental measures for obligatory PCB treatment is stated as an estimated cost at the end of the fiscal year.

(6) Provision for Structural Reform Related Expenses

The provision for structural reform related expenses is stated at an amount based on the estimated cost for structural reform of the steel business at the end of the fiscal year.

(7) Provision for Dismantlement Related Expenses

Provision for dismantlement related expenses is stated at an amount based on the estimated cost for dismantling and disposal of the blast furnace facilities due to construction of power station at Kobe Works at the end of the fiscal year .

(8) Provision for Customer Compensation Expenses

For expenses related to a response to the misconduct that through data falsification and/or fabrication of inspection results, products that did not meet, among others, public standards or customer specifications were shipped or provided to customers as if they had met these requirements, including compensation for product exchanges and investigations carried out by customers, etc., provision is made at an estimated amount at the end of the fiscal year 2017.

(9) Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined principally by the average method in the Iron & Steel, Welding, Aluminum & Copper and Electric Power segments and by the specific identification method for finished goods and work in progress in the Machinery, Engineering, and Construction Machinery segments.

(10) Depreciation

Depreciation of tangible and intangible assets is 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 lease assets is provided by the straight-line method with the lease term as the useful life.

(11) Income Taxes

The Company and its domestic consolidated subsidiaries apply deferred tax accounting to recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes.

Deferred taxes relating to temporary differences between financial accounting and tax reporting are also recognized by certain foreign consolidated subsidiaries.

(12) Employees' Severance and 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. Certain domestic consolidated subsidiaries operate contribution pension plans.

The Company and its domestic consolidated subsidiaries provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets. The Group attributes expected benefits to periods by the benefit formula basis.

Prior service cost is recognized in expenses using the straight-line method over mainly 16 years, which is within the average of the estimated remaining service years of employees. Actuarial gains and losses are recognized in expenses using the straight-line method over mainly 20 years for those accrued in 2017 and 2016, mainly 19 years for those accrued in 2015, mainly 18 years for those accrued in 2014, mainly 17 years for those accrued in 2013 and 2012, mainly 16 years for those accrued in 2011 and 2010, mainly 15 years for those accrued in 2009, mainly 14 years for those accrued in 2008 and 2007 and mainly 12 years for those accrued in and before 2006, all of which are within the average of the estimated remaining service years of employees commencing with the following period.

(13) Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at year-end rates, except net asset accounts, which are translated at historical rates. Statements of operations of consolidated overseas subsidiaries are translated into Japanese yen at average rates for the period, except items resulting from transactions with the Company, which are translated at rates used by the Company.

The Company and its domestic consolidated subsidiaries report foreign currency translation adjustments in net assets and non-controlling interests.

(14) Construction Contracts

The Company and its domestic consolidated companies apply the percentage of completion method to work in which the outcome of individual contracts can be estimated reliably, otherwise, the completed contract method is applied.

(15) 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 the derivative financial instruments 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).

(16) Consumption Tax

Consumption tax withheld upon sale, as well as that paid for purchases of goods or services, is recorded as a liability or an asset and is excluded from the relevant revenue, costs or expenses.

(17) Consolidated Tax Return

From the year ended March 31, 2004, the Company has filed a consolidated tax return with certain domestic subsidiaries.

(18) 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.

(19) Reclassifications

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

(20) Unapplied accounting standards

(Implementation Guidance on Tax Effect Accounting, etc.)
Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, February 16, 2018) and "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, revised on February 16, 2018)

(a) Summary of the standards
The "Implementation Guidance on Tax Effect Accounting" etc. revised on the occasion of transferring from Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan(ASBJ).
Main revisions of accounting process are as follows:
・Accounting process of taxable temporary difference arising from investments in subsidiaries in non-consolidated financial statements
・Accounting process of calculating recoverability of deferred tax assets for "category 1" companies

(b) Effective dates
Effective from April 1, 2018 (Scheduled)

(c) Effect of application of the standards
The Company and its consolidated subsidiaries are currently in the process of measuring the effecton the consolidated financial statements.

(Accounting Standard for Revenue Recognition, etc.)
Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 30, 2018) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)

(a) Summary of the standards
ASBJ announced these standards following the move of The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States, which jointly developed comprehensive accounting standards for revenue recognition and announced "Revenue from Contracts withCustomers" (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014.
ASBJ developed these standards based on the basic principles of IFRS 15, because they considered that it enables the comparability of financial statements. they added some alternative approaches considering domestic business practice, without damaging the comparability.
(b) Effective dates
Effective from April 1, 2021 (Scheduled)

(c) Effect of application of the standards
The Company and its consolidated subsidiaries are currently in the process of measuring the effect on the consolidated financial statements.

3. Leases

Operating leases

Future minimum lease payments as lessee under operating leases at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Due within one year	¥ **3,569**	¥ 3,765	$ **33,595**
Due after one year	**6,989**	7,305	**65,792**
	¥ **10,558**	¥ 11,070	$ **99,387**

Future minimum lease fees receivable as lessor under operating leases at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Due within one year	¥ **327**	¥ 292	$ **3,082**
Due after one year	**1,477**	1,517	**13,903**
	¥ **1,804**	¥ 1,809	$ **16,985**

4. Financial Instruments

Policies for using financial instruments

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

Financial instruments, exposure to risk, and policies and processes for managing risk

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

Investments in securities consist principally of the listed shares of customers and are exposed to the risk of changes 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 and currency option contracts to manage the risk of currency fluctuation.

Derivative transactions comprise forward currency exchange contracts, non-deliverable forward, currency option contracts, currency swaps, interest rate swap agreements, and, as described above and commodity forward contracts to hedge the risk of movement in the market value of aluminum and copper.

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, 2018 and 2017 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2018			2017			**2018**
	Carrying amount	**Fair value**	**Difference**	Carrying amount	Fair value	Difference	**Difference**
Cash and deposits	¥ **165,526**	¥ **165,526**	¥ **-**	¥ 155,764	¥ 155,764	¥ -	$ **-**
Notes and accounts receivable—trade	**285,313**	**285,313**	**-**	256,990	256,990	-	**-**
Securities:							
Available-for-sale securities (Negotiable certificates of deposit)	**-**	**-**	**-**	45,503	45,503	-	**-**
Investments in securities:							
Held-to-maturity debt securities	**-**	**-**	**-**	4	4	-	**-**
Securities of affiliates	**17,974**	**25,802**	**7,828**	17,072	20,988	3,916	**73,679**
Available-for-sale securities	**102,879**	**102,879**	**-**	108,500	108,500	-	**-**
Notes and accounts payable—trade	**(401,456)**	**(401,456)**	**-**	(355,343)	(355,343)	-	**-**
Short-term borrowings and current portion of long-term debt	**(205,732)**	**(205,481)**	**251**	(191,984)	(192,413)	(429)	**2,364**
Bonds included in current portion of long-term debt	**(14,000)**	**(14,057)**	**(57)**	(30,000)	(30,357)	(357)	**(535)**
Bonds included in long-term debt	**(132,000)**	**(130,471)**	**1,529**	(146,000)	(147,865)	(1,865)	**14,390**
Long-term borrowings included in long-term debt	**(387,133)**	**(386,993)**	**140**	(428,944)	(437,684)	(8,740)	**1,316**
Derivative transactions:							
Hedge accounting not applied	**456**	**456**	**-**	32	32	-	-
Hedge accounting applied	**(13,182)**	**(13,182)**	**-**	(11,277)	(11,277)	-	-

Notes:

1. Liabilities are presented with parentheses ( ).

2. Assets and liabilities arising from derivative transactions are presented after offsetting and with parentheses ( ) if the offset results in a liability.

3. Methods used to estimate the fair values are as follows:

Cash and deposits, notes and accounts receivable—trade and securities
The carrying amounts approximate fair values because of the short maturities of these instruments.

Investments in securities
The fair values are estimated based mainly on quoted market prices.

Notes and accounts payable—trade, short-term borrowings and current portion of long-term debt
The carrying amounts approximate fair values because of the short maturities of these instruments.
The fair values of the current portion of long-term debt are estimated based on the present values of future cash flows using the current borrowing rate for similar debt of comparable maturity.

Bonds
The fair values are estimated based mainly on quoted market prices.

Long-term borrowings
The fair values of long-term borrowings are estimated based on the present value of future cash flows using the current rate for borrowings for similar borrowings of comparable maturity.

Derivative transactions
See Note 6.

Financial instruments whose fair values are difficult to estimate at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Non-listed equity securities	¥ **76,986**	¥ 40,987	$ **724,642**

The aggregate annual maturities of financial assets at March 31, 2018 and 2017 were as follows:

Cash and deposits

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Due within 1 year	¥ **165,526**	¥ 155,764	$ **1,558,039**
Due after 1 year through 5 years	**-**	-	**-**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **165,526**	¥ 155,764	$ **1,558,039**

Notes and accounts receivable—trade

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Due within 1 year	¥ **279,607**	¥ 254,079	$ **2,631,845**
Due after 1 year through 5 years	**5,353**	2,340	**50,389**
Due after 5 years through 10 years	**353**	571	**3,322**
Due after 10 years	**-**	-	**-**
	¥ **285,313**	¥ 256,990	$ **2,685,556**

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Due within 1 year	¥ **-**	¥ 45,503	$ **-**
Due after 1 year through 5 years	**-**	-	**-**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **-**	¥ 45,503	$ **-**

Held-to-maturity debt securities

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **-**	¥ 4	$ **-**

The aggregate annual maturities of bonds at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Due within 1 year	¥ **14,000**	¥ 30,000	$ **131,777**
Due after 1 year through 2 years	**22,000**	14,000	**207,078**
Due after 2 years through 3 years	**30,000**	22,000	**282,380**
Due after 3 years through 4 years	**20,000**	30,000	**188,253**
Due after 4 years through 5 years	**25,000**	20,000	**235,316**
Due after 5 years	**35,000**	60,000	**329,443**
	¥ **146,000**	¥ 176,000	$ **1,374,247**

The aggregate annual maturities of long-term borrowings at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Due within 1 year	¥ **70,052**	¥ 105,976	$ **659,371**
Due after 1 year through 2 years	**53,490**	65,597	**503,484**
Due after 2 years through 3 years	**58,416**	52,979	**549,849**
Due after 3 years through 4 years	**71,868**	54,915	**676,467**
Due after 4 years through 5 years	**34,284**	66,650	**322,705**
Due after 5 years	**169,075**	188,802	**1,591,445**
	¥ **457,185**	¥ 534,919	$ **4,303,321**

The aggregate annual maturities of lease obligations at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Due within 1 year	¥ **0**	¥ 7,039	$ **0**
Due after 1 year through 2 years	**0**	6,134	**0**
Due after 2 years through 3 years	**0**	5,249	**0**
Due after 3 years through 4 years	**(1)**	9,622	**(1)**
Due after 4 years through 5 years	**0**	2,084	**0**
Due after 5 years	**0**	977	**0**
	¥ **0**	¥ 31,105	$ **0**

The aggregate annual maturities of other interest bearing debt at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Due within 1 year	¥ **61,757**	¥ 22,236	$ **581,287**
Due after 1 year through 2 years	**566**	726	**5,326**
Due after 2 years through 3 years	**586**	624	**5,517**
Due after 3 years through 4 years	**497**	521	**4,676**
Due after 4 years through 5 years	**420**	434	**3,957**
Due after 5 years	**41**	336	**390**
	¥ **63,867**	¥ 24,877	$ **601,153**

5. Securities

The following table summarizes held-to-maturity debt securities at March 31, 2018 and 2017.

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2018			2017			**2018**
	Carrying amount	**Fair value**	**Difference**	Carrying amount	Fair value	Difference	**Difference**
Held-to-maturity debt securities							
Securities with available carrying amount not exceeding fair value:							
Non-listed domestic bonds	¥ **-**	¥ **-**	¥ **-**	¥ 4	¥ 4	¥ -	$ **-**

The following tables summarize available-for-sale securities at March 31, 2018 and 2017.

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2018			2017			**2018**
	Carrying amount	**Acquisition cost**	**Difference**	Carrying amount	Acquisition cost	Difference	**Difference**
Available-for-sale securities							
Securities with available carrying amount exceeding acquisition cost:							
Equity securities	¥ **59,167**	¥ **27,765**	¥ **31,402**	¥ 54,142	¥ 29,380	¥ 24,762	$ **295,574**
Other	**-**	**-**	**-**	-	-	-	**-**
	59,167	**27,765**	**31,402**	54,142	29,380	24,762	**295,574**
Securities with available carrying amount not exceeding acquisition cost:							
Other securities:							
Equity securities	**43,713**	**54,037**	**(10,325)**	41,532	57,489	(15,957)	**(97,185)**
Other	**-**	**-**	**-**	31,000	31,000	-	**-**
	43,713	**54,037**	**(10,325)**	72,532	88,489	(15,957)	**(97,185)**
	¥ **102,880**	¥ **81,802**	¥ **21,077**	¥ 126,674	¥ 117,869	¥ 8,805	$ **198,389**

Sales of available-for-sale securities for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Sales	¥ **11,668**	¥ 2,658	$ **109,828**
Gains on sales	**6,848**	1,685	**64,459**
Losses on sales	**(187)**	(1)	**(1,764)**

6. Derivative Transactions

Derivative transactions for which hedge accounting is not applied

Forward currency exchange contracts outstanding at March 31, 2018 and 2017 were as follows:

	Millions of yen								Thousands of U.S. dollars (Note 1)
	2018				2017				**2018**
	Contracted amount	**Over one year**	**Fair value**	**Recognized gain (loss)**	Contracted amount	Over one year	Fair value	Recognized gain (loss)	**Fair value**
Foreign currency exchange contracts									
To sell foreign currencies:									
U.S. dollars	¥ **14,114**	¥ **-**	¥ **333**	¥ **333**	¥ 6,450	¥ -	¥ (72)	¥ (72)	$ **3,135**
Others	**13,218**	**-**	**199**	**199**	4,946	-	368	368	**1,873**
To buy foreign currencies:									
U.S. dollars	**9,868**	**-**	**(73)**	**(73)**	4,126	-	(62)	(62)	**(691)**
Others	**12,076**	**55**	**(283)**	**(283)**	5,303	207	(177)	(177)	**(2,666)**
Non-deliverable forward									
To buy foreign currencies:									
Korean won	¥ **497**	¥ **-**	¥ **(23)**	¥ **(23)**	¥ 457	¥ -	¥ 47	¥ 47	$ **(217)**
Foreign currency options									
To sell foreign currency options:									
Put									
U.S. dollars	¥ **-**	¥ **-**	¥ **-**	¥ **-**	¥ 123	¥ -	¥ 0	¥ 0	$ **-**
	-				3				
Call									
U.S. dollars	¥ **-**	¥ **-**	¥ **-**	¥ **-**	¥ 643	¥ -	¥ 11	¥ 11	$ **-**
	-				[17]				
To buy foreign currency options:									
Put									
U.S. dollars	¥ **-**	¥ **-**	¥ **-**	¥ **-**	¥ 643	¥ -	¥ (3)	¥ (3)	$ **-**
	-				[17]				
Call									
U.S. dollars	¥ **-**	¥ **-**	¥ **-**	¥ **-**	¥ 123	¥ -	¥ (2)	¥ (2)	$ **-**
	-				3				
Currency swaps									
Receiving Chinese yuan									
Paying Japanese yen	¥ **-**	¥ **-**	¥ **-**	¥ **-**	¥ -	¥ -	¥ -	¥ -	$ **-**
Receiving Thailand baht									
Paying Japanese yen	**-**	¥ **-**	¥ **-**	¥ **-**	¥ 1,800	¥ -	¥ (4)	¥ (4)	$ **-**
Receiving Thailand baht									
Paying U.S. dollars	¥ **5**	¥ **-**	¥ **337**	¥ **337**	¥ 559	¥ 373	¥ (82)	¥ (82)	$ **3,173**
				¥ **490**				¥ 24	

Notes:
1. Foreign currency exchange contracts and non-deliverable forward
 The fair values are estimated by multiplying the contracted foreign currency amount by the forward rate.
2. Foreign currency options and currency swaps
 The fair values are estimated by obtaining quotes from counterparty banks.
3. Option premiums are presented below the contracted amount with brackets [ ].
 Foreign currency options are zero cost options, which means that option premiums are not paid or received.

Commodity forward contracts outstanding at March 31, 2018 and 2017 were as follows:

	Millions of yen								Thousands of U.S. dollars (Note 1)
	2018				2017				**2018**
	Contracted amount	**Over one year**	**Fair value**	**Recognized gain (loss)**	Contracted amount	Over one year	Fair value	Recognized gain (loss)	**Fair value**
Commodity forward contracts									
To sell commodities	¥ **-**	¥ **-**	¥ **-**	¥ **-**	¥ -	¥ -	¥ -	¥ -	$ **-**
To buy commodities	**266**	**-**	**(33)**	**(33)**	215	-	9	9	**(312)**
				¥ **(33)**				¥ 9	$ **(312)**

Note: The fair values are estimated by multiplying the contracted volume by the commodity future price.

Derivative transactions for which hedge accounting is applied

Forward currency exchange contracts outstanding at March 31, 2018 and 2017 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2018			2017			**2018**
	Contracted amount	**Over one year**	**Fair value**	Contracted amount	Over one year	Fair value	**Fair value**
Hedges for which the "deferred hedge" method is applied							
Foreign currency exchange contracts							
To sell foreign currencies:							
U.S. dollars	¥ **28,750**	¥ **5,979**	¥ **645**	¥ 26,294	¥ 7,693	¥ (302)	$ **6,074**
Others	**10,190**	**1,059**	**(256)**	7,453	3,277	45	**(2,414)**
To buy foreign currencies:							
U.S. dollars	**2,545**	**344**	**(60)**	2,639	352	122	**(568)**
Others	**5,759**	**1,581**	**167**	5,316	661	(11)	**1,567**
Non-deliverable forward							
To buy foreign currencies:							
Korean won	¥ **5**	¥ **-**	¥ **(0)**	¥ 4	¥ -	¥ -	¥ **(2)**
Foreign currency options							
To sell foreign currency options:							
Put							
U.S. dollars	¥ **5,862**	¥ **-**	¥ **(70)**	¥ 4,539	¥ -	¥ (7)	$ **(656)**
	[104]			[102]			
Call							
U.S. dollars	**85**	**-**	**(0)**	228	-	0	**0**
	[0]			[1]			
To buy foreign currency options:							
Put							
U.S. dollars	**85**	**-**	**(0)**	228	-	(0)	**(1)**
	[0]			[1]			
Call							
U.S. dollars	**5,862**	**-**	**(41)**	4,539	-	(48)	**(382)**
	[104]			[102]			
Hedges for which the "assigning" method is applied							
Foreign currency exchange contracts							
To sell foreign currencies:							
U.S. dollars	¥ **31,125**	¥ **623**	¥ **-**	¥ 31,142	¥ 1,063	¥ -	$ **-**
Others	**15,700**	**-**	**-**	12,067	86	-	**-**
To buy foreign currencies:							
U.S. dollars	**3,509**	**11**	**-**	5,221	1,249	-	**-**
Others	**4,398**	**-**	**-**	3,820	16	-	**-**

Notes:
1. Foreign currency exchange contracts and non-deliverable forward
 The fair values are estimated by multiplying the contracted foreign currency amount by the forward rate.
2. Foreign currency options
 The fair values are estimated by obtaining quotes from counterparty banks.
3. 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 the foreign currency fluctuations, the fair values are included in the fair values of the hedged accounts receivable and accounts payable.
4. Option premiums are presented below the contracted amount with brackets [ ].

Hedges for which the "exceptional" method is applied							
Interest rate swap agreements							
To receive floating and pay fixed rates	¥ **74,247**	¥ **67,461**	¥ **-**	¥ 91,533	¥ 80,557	¥ -	$ **-**

Notes:
1. The fair values are estimated by obtaining quotes from counterparty banks.
2. Hedges for which the "exceptional" method is applied
 For certain long-term debt for which interest rate swap agreements are used to hedge the variable risk to interest, the fair values are included in the fair values of the long-term debt.

Commodity forward contracts outstanding at March 31, 2018 and 2017 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2018			2017			**2018**
	Contracted amount	**Over one year**	**Fair value**	Contracted amount	Over one year	Fair value	**Fair value**
Hedges for which the "deferred hedge" method is applied							
Commodity forward contracts							
To sell commodities	¥ **3,207**	¥ **-**	¥ **213**	¥ 2,877	¥ -	¥ (139)	$ **2,007**
To buy commodities	**20,240**	**-**	**85**	11,932	-	1,682	**801**

Note: The fair values are estimated by multiplying the contracted volume by the commodity future price.

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Bank loans (average rate: 2.04% in 2018 and 2.76% in 2017)	¥ 135,681	¥ 86,008	$ 1,277,115

Long-term debt at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
0.30% to 2.50% yen bonds, due 2018 through 2025	¥ 146,000	¥ 176,000	$ 1,374,247
Loans, principally from banks and insurance companies, due 2018 through 2031	457,185	534,919	4,303,321
	603,185	710,919	5,677,568
Less current portion	84,052	135,975	791,148
	¥ 519,133	¥ 574,944	$ 4,886,420

The aggregate annual maturities of long-term debt at March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2018	2018
Due within 1 year	¥ 84,052	$ 791,148
Due after 1 year through 2 years	75,490	710,562
Due after 2 years through 3 years	88,416	832,229
Due after 3 years through 4 years	91,868	864,720
Due after 4 years through 5 years	59,284	558,021
Due after 5 years	204,075	1,920,888
	¥ 603,185	$ 5,677,568

At March 31, 2018 and 2017, assets pledged as collateral for short-term borrowings and long-term debt were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Assets pledged as collateral:			
Cash and deposits	¥ 7,074	¥ 19,593	$ 66,586
Property, plant and equipment, net of accumulated depreciation	11,652	61,979	109,673
Other assets	1,415	20,482	13,317
	¥ 20,141	¥ 102,054	$ 189,576
Secured short-term borrowings and long-term borrowings :	14,408	9,285	135,621
	¥ 14,408	¥ 9,285	$ 135,621

Notes:
1. For the year ended March 31, 2017, of the assets pledged as collateral which have been provided as revolving mortgages related to bank transactions, some had no corresponding obligations. The corresponding asset balance was ¥89,131 million (capped at ¥28,000 million) and ¥2,184 million (capped at ¥76,280 million) for the year ended March 31, 2017.
2. In addition to the above, borrowings of other subsidiaries and affiliates are collateralized by assets pledged as collateral. The corresponding loan balance was ¥970 million ($8,642 thousand) for the year ended March 31, 2017, and ¥1,080 million ($9,587 thousand) for the year ended March 31, 2017.

8. Provision for Loss on Construction Contracts

Inventories for construction contracts with anticipated losses and provision for loss on construction contracts were not offset. The inventories for the construction contracts for which the provision for loss on construction contracts were provided were ¥3,808 million ($35,844 thousand) for the year ended March 31, 2018 and ¥3,195 million for the year ended March 31, 2017. 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 revaluated by certain consolidated subsidiaries in accordance with the Land Revaluation Law.
The revaluation amount, net of related taxes, is shown as accumulated other comprehensive income in net assets.

The excess of the carrying amounts of the revalued land over its fair values at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Revaluation date	2018	2017	2018
March 31,2001	¥ 688	¥ 1,026	$ 6,478
March 31,2002	(5,223)	(4,680)	(49,161)
	¥ (4,535)	¥ (3,654)	$ (42,683)

10. Commitment Line

The unexercised portion of facilities based on commitment line contracts at March 31, 2018 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Total commitment line available	¥ 183,832	¥ 130,978	$ 1,730,346
Less amount utilized	4,322	6,704	40,686
	¥ 179,510	¥ 124,274	$ 1,689,660

11. Contingent liabilities regarding notes and loans guaranteed

Contingent liabilities regarding notes and loans guaranteed
At March 31, 2018 and 2017 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2018		2017		2018	
Trade notes discounted	¥	**79**	¥	73	$	**741**
Trade notes endorsed		**1,967**		1,236		**18,512**
Guarantees of loans:						
Related parties		**19,863**		19,546		**186,962**
Others		**533**		124		**5,020**
Repurchase obligation accompanying securitization of				-		
Contingent obligations based on debt assumption		**0**		0		**0**
	¥	**22,442**	¥	20,979	$	**211,235**

Guarantees of loans include contingent guarantees and letters of awareness of ¥151 million ($1,418 thousand) for the year ended March 31, 2018 and ¥489 million for the year ended March 31, 2017.
And, of which, ¥518 million ($4,875 thousand) is covered by reassurances from other companies.

Chengdu Kobelco Construction Machinery Group 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.
Chengdu Kobelco Construction Machinery Group Co., Ltd. pledges reassurance for this guarantee.
The balances of the reassurance were ¥14,474 million ($136,242 thousand) for the year ended March 31, 2018 and ¥19,715 million for the year ended March 31, 2017.

12. Contingent liabilities regarding repurchase obligation accompanying securitization of receivables

Contingent liabilities regarding repurchase obligation accompanying securitization of receivables at March 31, 2018 and 2017 was as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2018		2017		2018	
	¥	**3,788**	¥	-	$	**35,653**

13. Contingent liabilities regarding misconduct

Contingent liabilities regarding misconduct at March 31, 2018 and 2017 was as follows:

The Kobe Steel Group discovered that misconduct had taken place. Through data falsification and/or fabrication of inspection results, products that did not meet, among others, public standards or customer specifications (the “Affected Products”) were shipped or provided to customers as if they had met these requirements (the “Misconduct”).
The Kobe Steel Group, with the cooperation of its customers to which the Affected Products were shipped, is proceeding to carry out technical verifications on the impact (including safety) of its Affected Products on customers' products.
Safety confirmation has been completed for most of the customers. Although the verification of the safety has not yet been completed for some customers, the Kobe Steel Group at this time has not confirmed cases that would require the immediate suspension of use or immediate recall of the products.

The Kobe Steel Group, in addition to undergoing an investigation by the investigation authorities in Japan on the Misconduct, has been under investigation by the U.S. Department of Justice since October 2017 for allegedly selling the Affected Products to customers in the United States.
In addition, three civil complaints have been brought against the Kobe Steel Group and other similar lawsuits may be filed in the future. The three civil complaints are as follows:
(1) Class actions in Canada seeking compensation for economic loss caused by the automotive metal products manufactured by the Kobe Steel Group and the use of these products in the manufacture of automobiles.
(2) A securities class action in the United States based on violations of the U.S. Securities Exchange Act (misrepresentation of the compliance system, etc.) concerning Kobe Steel’s American Depository Receipts (ADR)
(3) A class action in the United States seeking compensation for economic loss from the decline in the resale value of the plaintiffs’ vehicles and other relief, arising from the use of metal products manufactured by Kobe Steel in the manufacture of the vehicles.
The investigation by the investigation authorities in Japan, the investigation by the U.S. Department of above-mentioned civil complaints are all at an early stage. It is difficult to reasonably estimate the final Justice and the penalties, compensation for damages, and other outcomes at this time, but they may possibly result in a monetary burden.
In addition, there outcomes at this time, but they may possibly result in a monetary burden. In addition, there may be additional monetary burden due to compensation cost for the exchange of products by customers, compensation cost relating to the inspections by customers and other actions.

It is possible that these factors will affect Kobe Steel’s consolidated financial results.
However, as it is difficult to reasonably estimate the impact of these factors at this time, these factors have not been reflected in the consolidated financial statements.

14. 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, replacing the Japanese Commercial Code ("the Code"). 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.
Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.
Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.
Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders’ meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders’ meeting.
Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders’ meeting. Under the Law, 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.

15. Cost of Sales

Gain/Loss on the write-down of inventories included in the cost of sales was ¥2,059 million ($19,379 thousand) gain for the year ended March 31, 2018 and ¥6,869 million loss for the year ended March 31, 2017.

Provision for loss on construction contracts included in the cost of sales was ¥7,285 million ($68,570 thousand) for the year ended March 31, 2018 and ¥5,320 million for the year ended March 31, 2017.

16. Research and Development Expenses

Research and development expenses included in cost of sales and selling, general and administrative expenses were ¥32,015 million ($301,345 thousand) for the year ended March 31, 2018 and ¥30,102 million for the year ended March 31, 2017.

17. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are summarized as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2018		2017		2018	
Freight	¥	**50,652**	¥	47,230	$	**476,769**
Employees' compensation		**41,820**		39,582		**393,637**
Research and development expenses		**14,138**		13,448		**133,073**
Welfare and legal welfare expenses		**11,253**		10,317		**105,917**
Rent expenses		**8,128**		7,584		**76,502**
Travel expenses		**7,301**		7,588		**68,721**
Commission fees		**7,219**		6,420		**67,951**
Provision for bonuses		**5,136**		4,417		**48,339**
Depreciation		**4,493**		4,396		**42,287**
Directors' salaries		**4,011**		3,838		**37,752**
Others		**42,863**		75,717		**403,480**
	¥	**197,014**	¥	220,537	$	**1,854,428**

18. Reversal of allowance for doubtful accounts

The ¥8,142 million of reversal of allowance for doubtful accounts posted as extraordinary income provided in the previous fiscal year pertains to borrowings by Sichuan Chengdu Chenggong Construction Machinery Co., Ltd., an affiliated company that operates the wheel loader business, with improved outlook for recoverability amidst the on going restructuring of the construction machinery business in China.

19. Customer compensation expenses

The 4,361 million yen of customer compensation expenses are expenses related to a response to the misconduct that through data falsification and/or fabrication of inspection results, products that did not meet, among others, public standards or customer specifications were shipped or provided to customers as if they had met these requirements, including compensation for product exchanges and investigations carried out by customers, etc.

20. Dismantlement related expenses

The 2,759 million yen of dismantlement related expenses are an additional posting of dismantlement construction expenses arising in line with the dismantlement of equipment, such as the blast furnace, in relation to construction of the power station at Kobe Works, and other expenses, owing to an increase in the scope of construction.

21. Income Taxes

Significant components of the Group's deferred income tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2018		2017		2018
Deferred income tax assets:						
Net defined benefit liability	¥	**20,554**	¥	20,861	$	**193,470**
Tax loss carryforwards		**19,831**		17,788		**186,660**
Allowance for doubtful accounts		**18,772**		17,738		**176,691**
Unrealized profit		**17,967**		17,440		**169,113**
Accrued bonuses to employees		**6,959**		6,275		**65,505**
Impairment loss		**5,251**		10,619		**49,422**
Provision for product warranties		**4,523**		5,401		**42,571**
Unrealized losses on hedging derivatives		**4,396**		4,017		**41,380**
Other		**42,144**		48,910		**396,692**
Total deferred income tax assets		**140,397**		149,049		**1,321,504**
Valuation allowance		**(58,739)**		(70,384)		**(552,890)**
Deferred income tax assets		**81,658**		78,665		**768,614**
Deferred income tax liabilities:						
Unrealized gains on securities		**8,921**		9,793		**83,969**
Gain on return of assets from retirement benefit trust		**8,030**		8,030		**75,581**
Land revaluation		**3,251**		3,251		**30,604**
Special tax purpose reserve		**1,978**		2,053		**18,617**
Other		**20,336**		21,795		**191,413**
Total deferred income tax liabilities		**42,516**		44,922		**400,184**
Net deferred income tax assets	¥	**39,142**	¥	33,743	$	**368,430**

The differences between the statutory tax rate and the effective tax rate for financial statement purposes for the year ended March 31, 2017 and 2017 are not disclosed because a loss before income taxes was recorded.

The reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2018 was as follows:

	2018	
Aggregate statutory income tax rate in Japan	**30.8**	%
Nondeductible entertainment expenses	**2.0**	
Decrease in valuation allowance	**(9.6)**	
Differences in normal tax rates of subsidiaries	**(2.5)**	
Tax deduction	**(2.9)**	
Equity in income (loss) of equity method companies	**(1.1)**	
Other	**(3.3)**	
Effective income tax rate	**13.4**	%

A reconcilliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2017 was not reported because a loss before income taxes was recorded for the year.

The Tax Cuts and Jobs Act was enacted in the U.S. on December 22, 2017. Due to the Act, the federal corporate income tax rate applicable to the Company's subsidiaries in the U.S. was reduced from 35 percent to 21 percent from January 1, 2018.
Based on the reduction of the federal corporate income tax rate, the Company reevaluated Deferred tax assets and liabilities. As a result, the Company has recognized ¥2,088 million ($19,655 thousand) decrease of Deferred tax liabilities, ¥2,106 million ($19,824 thousand) of Deferred income taxes, and ¥17 million ($168 thousand) of Foreign currency translation adjustments for the year ended March 31, 2018.

22. business combination

(1) Outline of the business combination
(a) Name and business of the acquired company
Acquired company name: Quintus Technologies AB and other four companies
Business of the acquired company: Manufacture, sale and service of isostatic presses and sheet metal forming equipment

(b) Objectives of the business combination
Quintus Technologies, headquartered in Västerås, Sweden, is the world's top manufacturer of isostatic presses. It has achieved a strong presence in Europe, the United States and China, primarily in the aerospace sector, which is anticipated to grow.
The Company's IP business is a relatively high-profit business within the Industrial Machinery Division. However over the past five years, IP sales, centered on Japan and the Asian market, have remained at about ¥3,000 million ($28,238 thousand) a year, and market expansion has been an issue.
Acquisition of Quintus enables The Company to expand its business through broadening its lineup of IP products and entering new growth markets. Furthermore, The Company expects to benefit from the synergy of manufacturing efficiency by the interchange of product menus and cost reductions through the joint procurement of parts.

(c) Date of the business combination
April 5, 2017

(d) Legal method of the business combination
Share acquisition with cash as consideration.

(e) Name of the company after the business combination
No changes are made to the name of the company after the business combination.

(f) Acquired ratio of voting: 100%

(g) Primary reasons for determining the acquiring company
The Company acquired Quintus through share acquisition with cash as consideration.

(2) Period of the business performance of the acquired company included in the consolidated statement of operations
From April 1, 2017 to December 31, 2017

(3) The acquisition cost of the acquired company and its breakdown by the type of consideration
Cash paid for acquisition ¥7,288 million ($68,605 thousand)
Total acquisition cost ¥7,288 million ($68,605 thousand)

(4) Details and amounts of major acquisition related expenses
Advisory fees: ¥85 million ($800 thousand)

(5) Amount, cause and amortization method and period of goodwill generated
(a) The amount of goodwill: ¥1,945 million ($18,313 thousand)
(b) The cause of goodwill: Expected excess earning power from business expansion in the future
(c) The amortization method and period: straight-line method over a period of 10 years.

(6) Amounts of assets acquired and liabilities assumed on the date of the business combination and breakdown by major items

	Millions of yen		Thousands of U.S. dollars (Note 1)	
		2018		2018
Current assets	¥	2,956	$	27,828
Non-current assets		13,755		129,466
Total assets	¥	16,711	$	157,294
Current liabilities		2,559		24,091
Long-term liabilities		8,492		79,928
Total liabilities	¥	11,051	$	104,019

(7) Amounts allocated to intangible assets excluding goodwill, type of assets and weighted average amortization period

	Millions of yen		Thousands of U.S. dollars (Note 1)		weighted average amortization period
		2018		2018	2018
Customer relationships	¥	7,251	$	68,250	15 years
Technology		3,448		32,451	20 years
Brand		1,570		14,774	16 years
Order backlog		613		5,766	2 years
Total		12,882		121,241	15 years

23. Consolidated Statements of Comprehensive Income

Other comprehensive income for the years ended March 31, 2018 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Unrealized gains (losses) on securities:			
Unrealized gains (losses) arising during the period	¥ **6,018**	¥ 12,600	$ **56,645**
Less: reclassification adjustment included in net income (loss)	**(6,642)**	151	**(62,515)**
	(624)	12,751	**(5,870)**
Tax benefit (expense)	**146**	(3,988)	**1,379**
	(477)	8,763	**(4,491)**
Unrealized losses on hedging derivatives:			
Unrealized losses arising during the period	**(58)**	269	**(549)**
Less: reclassification adjustment included in net income (loss)	**(871)**	(1,056)	**(8,199)**
Acquisition adjustment	**(430)**	(206)	**(4,049)**
	(1,359)	(993)	**(12,797)**
Tax benefit (expense)	**337**	207	**3,174**
	(1,022)	(786)	**(9,622)**
Foreign currency translation adjustments:			
Translation adjustments arising during the period	**1,903**	(6,783)	**17,906**
Less: reclassification adjustment included in net income (loss)	**(3)**	(110)	**(26)**
	1,900	(6,893)	**17,880**
Tax benefit (expense)	**-**	-	**-**
	1,900	(6,893)	**17,880**
Remeasurements of defined benefit plans:			
Unrealized gains (losses) arising during the period	**3,209**	3,817	**30,206**
Less: reclassification adjustment included in net income (loss)	**2,066**	2,220	**19,444**
	5,275	6,037	**49,650**
Tax benefit (expense)	**(1,026)**	(1,561)	**(9,663)**
	4,249	4,476	**39,987**
Share of other comprehensive income related to equity method companies:			
Unrealized gains (losses) arising during the period	**1,510**	(676)	**14,209**
Less: reclassification adjustment included in net income (loss)	**58**	113	**549**
	1,568	(563)	**14,758**
Other comprehensive income	¥ **6,217**	¥ 4,997	$ **58,512**

24. Consolidated Statements of Changes in Net Assets

Changes in the number of shares issued and outstanding during the years ended March 31, 2018 and 2017 were as follows:

	Number of shares
Common stock outstanding	
Balance at March 31, 2016	3,643,642,100
(No increase)	-
Decrease	(3,279,277,890)
Balance at March 31, 2017	364,364,210
(No increase)	-
(No decrease)	-
Balance at March 31, 2018	364,364,210

Changes in the number of treasury stock outstanding during the years ended March 31, 2018 and 2017 were as follows:

	Number of shares
Treasury stock outstanding	
Balance at March 31, 2016	8,779,337
Increase due to purchase of odd-lot stock	40,017
Increase due to BBT	12,228,000
Decrease due to sale of odd-lot stock	(6,625)
Decrease due to consolidation of shares	(18,922,603)
Decrease due to other reasons, net	(9,712)
Balance at March 31, 2017	2,108,414
Increase due to purchase of odd-lot stock	8,838
Increase due to BBT	-
Decrease due to sale of odd-lot stock	(340)
Decrease due to consolidation of shares	-
Increase due to other reasons, net	1,095
Balance at March 31, 2018	2,118,007

There were no dividend payments during the year ended March 31, 2018.

Dividends for which the record date belongs to the year ended March 31, 2018, and the operative date is the year ending March 31, 2019 are as follows:

		Millions of yen / Thousands of U.S. dollars (Note 1)	Yen/ U.S. dollars (Note 1)		
Decision	Kind of stock	Total payments	Cash dividends per share	Record date	Operative date
At the Board of Directors' meeting held on May 16, 2018	Common stock	¥10,924 $102,824	¥30.0 $0.28	March 31, 2018	June 22, 2018

25. Consolidated Statements of Cash Flows

The reconciliation of cash and cash equivalents in the consolidated statements of cash flows and the consolidated balance sheets at March 31, 2018 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Cash and deposits in the consolidated balance sheets	¥ **165,526**	¥ 155,764	$ **1,558,039**
Time deposits due over three months	**(258)**	(849)	**(2,432)**
Certificate of deposits included in the securities account etc.,	**-**	45,503	**-**
Cash and cash equivalents in the consolidated statements of cash flows	¥ **165,268**	¥ 200,418	$ **1,555,607**

26. Related Party Transactions

Transactions of the Company with related parties for the year ended March 31, 2018 consisted of the following:

					Millions of yen / thousands of U.S. dollars (Note 1)			
					Transactions		Resulting accounting balance	
Category	Name	Paid-in capital	Content of business	Percentage of ownership	Description of transactions	Amount	Account	Amount
Affiliate	Shinsho Corporation	¥5,650 million	Trades iron and steel, nonferrous metals, machinery	13.33% directly and 0.14% indirectly (21.55%)	Sales of our products	¥214,199 $2,016,188	Accounts receivable	¥13,584 $127,866
					Purchases of raw materials and materials for equipment	¥324,706 $3,056,350	Accounts payable	¥19,713 $185,553
Affiliate	Kansai Coke and Chemicals Co., Ltd.	¥6,000 million	Produces and sells industrial chemical products such as coke	24.00% directly	Sales of coal	¥80,377 $756,560	Accounts receivable	¥7,471 $70,330
					Purchases of coke	¥87,758 $826,037	Accounts payable	¥16,928 $159,339

Transactions of the Company with related parties for the year ended March 31, 2017 consisted of the following:

					Millions of yen / thousands of U.S. dollars (Note 1)			
					Transactions		Resulting accounting balance	
Category	Name	Paid-in capital	Content of business	Percentage of ownership	Description of transactions	Amount	Account	Amount
Affiliate	Shinsho Corporation	¥5,650 million	Trades iron and steel, nonferrous metals, machinery	13.33% directly and 0.19% indirectly (21.55%)	Sales of our products	¥184,678 $1,646,117	Accounts receivable	¥12,725 $113,426
					Purchases of raw materials and materials for equipment	¥259,479 $2,312,856	Accounts payable	¥16,864 $150,318
Affiliate	Kansai Coke and Chemicals Co., Ltd.	¥6,000 million	Produces and sells industrial chemical products such as coke	24.00% directly	Sales of coal	¥59,721 $532,318	Accounts receivable	¥26,916 $239,914
					Purchases of coke	¥67,759 $603,970	Accounts payable	¥23,118 $206,064

Notes:
1. The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.
2. Consumption taxes are not included in the amount of the transactions, but are included in the amount of the resulting account balances.
3. The figures contained in parentheses represent the percentage of ownership which the Company retains related to securities held in employees' retirement benefit trusts.

There were no transactions of the Company's consolidated subsidiaries with related parties for the year ended March 31, 2018.

Transactions of the Company's consolidated subsidiaries with related parties for the year ended March 31, 2017 consisted of the following:

					Millions of yen / thousands of U.S. dollars (Note 1)			
					Transactions		Resulting accounting balance	
Category	Name	Paid-in capital	Content of business	Percentage of ownership	Description of transactions	Amount	Account	Amount
Affiliate	Sichuan Chengdu Chenggong Construction Machinery Co., Ltd.	140 million Chinese yuan	Produces and sells construction machinery	48.35% indirectly	Guarantees of bank loans	¥11,913 $105,727	-	-
					Loans	¥10,496 $93,150	Investments and other assets: Other	¥13,510 $119,897

Notes:
1. The amount of guaranttes (included in current liabilities, other) to bank loans of Sichuan Chengdu Chenggong Construction Machinery Co., Ltd., was decreased by ¥5,961 million because of changing to loans from guaranttes and so on. As a result, the amount of ¥1,532 million was accounted for as provision for loss on guarantees to bank loans of Sichuan Chengdu Chenggong Construction Machinery Co., Ltd., for the year ended March 31, 2017.
2. The amount of loans to Sichuan Chengdu Chenggong Construction Machinery Co., Ltd., was increased by ¥5,961 million because of changing to loans from guaranttes.
On the other hand, the amount of reversal of allowance for doubtful accounts for the year ended March 31, 2018 was ¥8,142 million because of improving outlook for recoverability.
As a result, the amount of ¥11,523 million was accounted for as allowance for doubtful accounts arising from the collection of loans from Sichuan Chengdu Chenggong Construction Machinery Co., Ltd., for the year ended March 31, 2017.

27. Employees' Severance and Retirement Benefits

Summary of adopted retirement benefits
The Company and its domestic consolidated subsidiaries operate two defined benefit retirement plans which consist of unfunded lump-sum payment plans and funded non-contributory pension plans.
Some unfunded lump-sum payment plans became funded as a result of contributions of securities to retirement benefit trusts.
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, 2018 and 2017 consisted of the following:
Defined benefit retirement plans

(1) Changes in projected benefit obligation

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Balance at beginning of year	¥ 156,359	¥ 161,379	$ 1,471,756
Service costs / benefits earned during the year	10,516	10,220	98,984
Interest cost on projected benefit obligation	317	266	2,982
Actuarial differences arising during the period	16	2,373	156
Unrecognized prior service cost arising during the period	-	-	-
Amount of payment of retirement benefits	(11,684)	(18,083)	(109,977)
Other	3	204	20
Balance at end of year	¥ 155,527	¥ 156,359	$ 1,463,921

(2) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Balance at beginning of year	¥ 102,556	¥ 100,338	$ 965,317
Expected return on plan assets	307	597	2,892
Actuarial differences arising during the period	3,226	6,350	30,369
Amount of donation from employer	1,652	1,718	15,551
Amount of payment of retirement benefits	(6,098)	(6,442)	(57,402)
Other	27	(6)	256
Balance at end of year	¥ 101,670	¥ 102,555	$ 956,983

(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)
	2018	2017	2018
Funded projected benefit obligation	¥ 123,003	¥ 125,310	$ 1,157,786
Plan assets	(101,670)	(102,555)	(956,983)
	21,333	22,755	200,803
Unfunded projected benefit obligation	32,524	31,049	306,135
Net of defined benefit liability and asset	53,857	53,804	506,938
Net defined benefit liability	70,946	70,159	667,790
Net defined benefit asset	(17,089)	(16,355)	(160,852)
Net of defined benefit liability and asset	¥ 53,857	¥ 53,804	$ 506,938

(4) Breakdown of severance and retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Service costs / benefits earned during the year	¥ 10,516	¥ 10,220	$ 98,984
Interest cost on projected benefit obligation	317	266	2,982
Expected return on plan assets	(307)	(597)	(2,892)
Amortization of actuarial differences	1,281	1,389	12,059
Amortization of prior service cost	785	841	7,387
Other	48	57	460
Severance and retirement benefit expenses	¥ 12,640	¥ 12,176	$ 118,980

(5) Breakdown of remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Prior service cost	¥ 782	¥ 652	$ 7,356
Actuarial differences	4,493	5,385	42,294
Total	¥ 5,275	¥ 6,037	$ 49,650

(6) Accumulated breakdown of remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Unrecognized prior service cost	¥ 7,309	¥ 8,090	$ 68,796
Unrecognized actuarial differences	16,669	21,163	156,902
Other	23,978	-	225,698
Total	¥ 23,978	¥ 29,253	$ 225,698

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

	2018	2017
Stock	39 %	39 %
General account of insurance company	37	37
Bonds	21	22
Other	3	2
Total	100 %	100 %

(b) The method 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, 2018 and 2017 were as follows:

	2018	2017
Discount rates	mainly 0.0%	mainly 0.0%
Long-term expected rate of return	mainly 0.3%	mainly 0.8%

28. Segment Information

(1) Overview of reportable segments

The reportable segments of the Group are defined as components for which separate financial information is available and reviewed regularly by the Board of Directors to decide how to allocate management resources and to evaluate operating performance.
The Company has business units based on products and services (a part of which is made by subsidiaries) and every business unit and subsidiary plans domestic and foreign global strategies to operate their business.
The Group consists of segments of business units and subsidiaries based on products and services.
The reportable segments of the Group is seven, consisted of the six business units of the Company and its subsidiaries (Iron & Steel, Welding, Aluminum & Copper, Machinery, Engineering and Electric Power) and one business units of the subsidiaries (Construction Machinery).

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

Iron & Steel: steel wire rods and bars, steel plates, steel sheets, pig iron, steel castings and forgings, titanium and steel powder
Welding: welding materials, welding systems, high functional materials and related services
Aluminum & Copper: aluminum sheets and plates, aluminum extrusions and fabricated products, aluminum castings and forgings, copper strips and copper tubes
Machinery: tire and rubber machinery, plastic processing machinery, advanced technology equipment, metalworking machinery, nonstandard compressors, standard compressors, chemical and energy equipment, nuclear power equipment and related services
Engineering: ironmaking processes, iron ore-pelletizing system, nuclear power products, chemical weapons destruction services, water treatment products, cooling towers, water treatment products, cooling towers, waste treatment and recycling, steel structures and sabo dams, urban transit systems and upgrading of low-rank coal, process equipment and environmental analysis
Construction Machinery: construction equipment, construction recycling machinery, metal recycling machinery, resource recycling machinery and forestry machinery, crawler cranes, wheel cranes, resource recycling machinery and forestry machinery, crawler cranes, wheel cranes, specialized base machines for civil engineering and foundation work and work vessels
Electric Power:power supply
Other: including Shinko Real Estate (real estate development, construction, sales and other), Kobelco Research Institute (material analysis and testing, structural assessment, manufacture and sale of sputtering targets and other) and other businesses

(2) Methods to calculate sales, income (loss), assets and other items of reportable segments

The accounting policies of the reportable segments are the same as those described in Note 2, "Summary of Significant Accounting Policies."Profit (loss) of reportable segments is based on ordinary income (loss). Intersegment sales prices are based on prices applicable to transactions with third parties.

(3) Information about sales, income (loss), assets and other items of reportable segments

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2018	2017	**2018**
Sales to outside customers:	Iron & Steel	**¥ 688,659**	¥ 594,624	**$ 6,482,112**
	Welding	**79,959**	81,681	**752,626**
	Aluminum & Copper	**348,464**	322,454	**3,279,968**
	Machinery	**153,122**	139,625	**1,441,284**
	Engineering	**120,131**	117,441	**1,130,753**
	Construction Machinery	**364,501**	310,358	**3,430,917**
	Electric	**72,129**	70,605	**678,928**
	Other Businesses	**51,769**	56,637	**487,282**
	Total sales to outside customers	**¥ 1,878,734**	¥ 1,693,425	**$ 17,683,870**
Intersegment sales:	Iron & Steel	**¥ 26,894**	¥ 25,989	**$ 253,142**
	Welding	**626**	593	**5,892**
	Aluminum & Copper	**1,099**	874	**10,341**
	Machinery	**8,203**	11,085	**77,212**
	Engineering	**2,703**	3,741	**25,443**
	Construction Machinery	**85**	137	**803**
	Electric Power	**-**	-	**-**
	Other Businesses	**17,114**	18,238	**161,091**
	Total intersegment sales	**¥ 56,724**	¥ 60,657	**$ 533,924**
Total sales:	Iron & Steel	**¥ 715,553**	¥ 620,613	**$ 6,735,254**
	Welding	**80,585**	82,274	**758,518**
	Aluminum & Copper	**349,563**	323,328	**3,290,309**
	Machinery	**161,325**	150,710	**1,518,496**
	Engineering	**122,834**	121,182	**1,156,196**
	Construction Machinery	**364,586**	310,495	**3,431,720**
	Electric Power	**72,129**	70,605	**678,928**
	Other Businesses	**68,883**	74,875	**648,372**
	Total segment sales	**1,935,458**	1,754,082	**18,217,793**
	Adjustment	**2,423**	2,440	**22,814**
	Elimination	**(56,724)**	(60,658)	**(533,924)**
	Consolidated net sales	**¥ 1,881,158**	¥ 1,695,864	**$ 17,706,683**
Segment income (loss):	Iron & Steel	**¥ 17,313**	¥ (29,557)	**$ 162,959**
	Welding	**4,918**	6,855	**46,287**
	Aluminum & Copper	**11,872**	12,020	**111,745**
	Machinery	**2,379**	5,897	**22,395**
	Engineering	**6,922**	2,810	**65,158**
	Construction Machinery	**21,991**	(31,399)	**206,997**
	Electric Power	**7,918**	13,082	**74,533**
	Other Businesses	**5,418**	7,610	**51,005**
	Total segment income (loss)	**78,732**	(12,682)	**741,079**
	Adjustment	**(7,583)**	(6,422)	**(71,379)**
	Consolidated ordinary income	**¥ 71,149**	¥ (19,104)	**$ 669,701**
Assets:	Iron & Steel	**¥ 937,539**	¥ 936,390	**$ 8,824,730**
	Welding	**76,069**	72,907	**716,008**
	Aluminum & Copper	**324,982**	258,593	**3,058,940**
	Machinery	**182,128**	148,247	**1,714,311**
	Engineering	**109,340**	104,821	**1,029,180**
	Construction Machinery	**388,423**	364,625	**3,656,090**
	Electric Power	**107,179**	101,739	**1,008,836**
	Other Businesses	**146,117**	157,702	**1,375,352**
	Total segment assets	**2,271,777**	2,145,024	**21,383,447**
	Adjustment	**80,648**	165,412	**759,109**
	Total	**¥ 2,352,425**	¥ 2,310,436	**$ 22,142,556**
Depreciation:	Iron & Steel	**¥ 52,828**	¥ 50,705	**$ 497,248**
	Welding	**2,189**	2,223	**20,609**
	Aluminum & Copper	**13,764**	12,400	**129,557**
	Machinery	**5,620**	4,300	**52,900**
	Engineering	**1,981**	2,002	**18,650**
	Construction Machinery	**12,320**	12,457	**115,966**
	Electric Power	**8,833**	7,797	**83,146**
	Other Businesses	**2,955**	3,096	**27,816**
	Total segment depreciation	**100,492**	94,980	**945,892**
	Adjustment	**1,541**	1,301	**14,501**
	Total	**¥ 102,032**	¥ 96,281	**$ 960,393**

		Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Amortization of goodwill:	Iron & Steel	¥ -	¥ -	$ -
	Welding	24	-	230
	Aluminum & Copper	-	-	-
	Machinery	153	-	1,444
	Engineering	-	-	-
	Construction Machinery	-	-	-
	Electric Power	-	-	-
	Other Businesses	-	-	-
	Total segment amortization of goodwill	178	-	1,674
	Adjustment	-	-	-
	Total	¥ 178	¥ -	$ 1,674
Interest income:	Iron & Steel	¥ 72	¥ 62	$ 679
	Welding	257	253	2,420
	Aluminum & Copper	144	106	1,358
	Machinery	63	224	596
	Engineering	341	327	3,211
	Construction Machinery	2,015	2,062	18,968
	Electric Power	1	0	8
	Other Businesses	24	22	230
	Total segment interest income	2,918	3,056	27,470
	Adjustment	(463)	(617)	(4,353)
	Total	¥ 2,456	¥ 2,439	$ 23,117
Interest expense:	Iron & Steel	¥ 3,364	¥ 3,450	$ 31,669
	Welding	16	13	155
	Aluminum & Copper	1,704	1,346	16,043
	Machinery	111	69	1,045
	Engineering	56	78	523
	Construction Machinery	5,758	5,686	54,200
	Electric Power	408	537	3,837
	Other Businesses	283	336	2,656
	Total segment interest expense	11,700	11,515	110,128
	Adjustment	604	1,887	5,684
	Total	¥ 12,304	¥ 13,402	$ 115,812
Equity in income (loss) of equity method companies:	Iron & Steel	¥ 4,303	¥ 1,794	$ 40,499
	Welding	(4)	34	(39)
	Aluminum & Copper	(266)	305	(2,504)
	Machinery	(238)	(1,399)	(2,237)
	Engineering	318	355	2,998
	Construction Machinery	63	(28)	590
	Electric Power	-	0	-
	Other Businesses	1,412	1,142	13,289
	Total segment equity in income (loss) of equity method companies	5,588	2,203	52,597
	Adjustment	(149)	(324)	(1,401)
	Total	¥ 5,439	¥ 1,879	$ 51,195
Investments in equity method companies:	Iron & Steel	¥ 59,201	¥ 56,120	$ 557,240
	Welding	1,296	1,312	12,203
	Aluminum & Copper	36,872	790	347,063
	Machinery	1,287	1,022	12,118
	Engineering	1,230	1,160	11,574
	Construction Machinery	316	141	2,973
	Electric Power	-	0	-
	Other Businesses	10,039	8,927	94,491
	Total segment investments in equity method companies	110,241	69,472	1,037,662
	Adjustment	(2,137)	(1,391)	(20,118)
	Total	¥ 108,104	¥ 68,081	$ 1,017,544
Capital expenditures:	Iron & Steel	¥ 67,574	¥ 94,496	$ 636,052
	Welding	2,329	2,437	21,922
	Aluminum & Copper	23,512	22,891	221,313
	Machinery	7,845	8,156	73,842
	Engineering	962	1,641	9,052
	Construction Machinery	11,377	13,842	107,084
	Electric Power	12,020	9,177	113,141
	Other Businesses	2,232	4,197	21,011
	Total segment capital expenditures	127,851	156,837	1,203,418
	Adjustment	803	3,460	7,557
	Total	¥ 128,654	¥ 160,297	$ 1,210,975

Notes:
Details about adjustments at March 31, 2018 and 2017 were as follows:

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

Segment income (loss)

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Companywide profit (loss)	¥ (5,194)	¥ (780)	$ (48,886)
Other adjustments	(2,390)	(5,642)	(22,492)
Total	¥ (7,584)	¥ (6,422)	$ (71,378)

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

Assets

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Companywide assets	¥ 318,570	¥ 375,004	$ 2,998,595
Other adjustments	(237,923)	(209,592)	(2,239,486)
Total	¥ 80,647	¥ 165,412	$ 759,109

Companywide assets are mainly investments in securities which are not allocated to reportable segments or other businesses.
Other adjustments is 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 intersegment transactions.

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 is 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 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Japan	¥ 1,232,630	¥ 1,122,835	$ 11,602,319
China	155,315	125,700	1,461,930
Others	493,212	447,329	4,642,435
Total	¥ 1,881,158	¥ 1,695,864	$ 17,706,685

(b) Property, plant and equipment by geographic location
Substantially all of the Group's property, plant and equipment is located in Japan.

(2) Information by major customer

Net sales

	Related segment	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Shinsho Corporation	Iron & Steel, etc.	¥ 267,617	¥ 231,085	$ 2,518,992

Impairment loss by reportable segments

		Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Impairment loss	Iron & Steel	¥ -	¥ -	¥ -
	Welding	-	-	-
	Aluminum & Copper	-	-	-
	Machinery	-	-	-
	Engineering	-	-	-
	Construction Machinery	-	2,009	-
	Electric Power	-	-	-
	Other	-	-	-
	Total segment impairment loss	-	2,009	-
	Adjustment	-	-	-
	Total	¥ -	¥ 2,009	¥ -

Amortization and balance of goodwill by reportable segments

		Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Amortization of goodwill	Iron & Steel	¥ -	¥ -	¥ -
	Welding	24	-	230
	Aluminum & Copper	-	-	-
	Machinery	153	-	1,444
	Engineering	-	-	-
	Construction Machinery	-	-	-
	Electric Power	-	-	-
	Other Businesses	-	-	-
	Total segment Amortization of goodwill	178	-	1,674
	Adjustment	0	-	-
	Total	178	-	1,674
Balance at the end of the period	Iron & Steel	-	-	-
	Welding	709	-	6,673
	Aluminum & Copper	-	-	-
	Machinery	1,966	-	18,505
	Engineering	-	-	3
	Construction Machinery	-	-	-
	Electric Power	-	-	-
	Other Businesses	-	-	-
	Total segment balance of goodwill	2,675	-	25,181
	Adjustment	0	-	-
	Total	¥ 2,675	¥ -	¥ 25,181

29. Net Income (Loss) Per Share

The basis of calculating net income (loss) per share for the years ended March 31, 2018 and 2017 was as follows:

		Millions of yen	Thousands of shares		Yen		U.S. dollars (Note 1)
		Net income (loss) attributable to owners of the parent	Weighted average number of shares		Net income (loss) per share		Net income (loss) per share
For the year ended March 31, 2018							
Net loss attributable to common stockholders	¥	**63,188**	**362,250**	¥	**174.43**	$	**1.64**
For the year ended March 31, 2017							
Net loss attributable to common stockholders	¥	(23,045)	362,668	¥	(63.54)	$	(0.60)

30. Additional Information

Introduction of a Board Benefit Trust for Directors (BBT)

From the fiscal year under review, the Company introduced a new stock remuneration plan, a “Board Benefit Trust (BBT),” to more clearly link the remuneration of Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) and executive officers to the Company’s performance and the value of its stock and to encourage the Directors to contribute to the improvement of the medium- to long-term business performance and the enhancement of corporate value.

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

(a) Overview of transactions

This plan is a stock compensation plan under which money contributed by the Company is used as funds to acquire the Company’s shares through a trust.

With regard to Directors and executive officers (hereinafter “Directors, etc.”), in accordance with Director stock benefit rules established by the Company, the Company’s shares and the cash equivalent to the amount converted from the market price of the Company’s Shares (hereinafter the “Company’s Shares, etc.”) are provided through the trust.

In addition, Directors, etc., shall receive the Company’s Shares, etc., in principle every three years on a fixed date during the trust period.

(b) Kobe Steel stock remaining in the Trust

The Company’s stock remaining in the trust is posted as treasury stock as part of net assets based on the book value net assets based on the book value (excluding amounts for incidental expenses).

The corresponding treasury stock’s book value at the end of the fiscal year under review was 1,099 million yen ($10,345 thousand) for 1,223 thousand shares.

31. Significant subsequent events

Sale of shares of a subsidiary company

At the meeting of the Board of Directors held on April 27, 2018, the Company resolved to transfer part of the issued shares of Shinko Real Estate Co., Ltd., a consolidated subsidiary of the Company, as follows.

(1) Outline
(a) Names of parties acquiring the shares
Tokyo Century Corporation and NIPPON TOCHI-TATEMONO Co., Ltd.

(b) Businesses operated by the company to be transferred
Real estate development, Construction, Sales, Brokering, Remodeling, Leasing, Building management, Condominium management

(c) Reason for the transfer
To achieve synergy by utilizing mutual customer bases, business know-how and the ability to provide financing and reinforce the business by building a strategic alliance relationship with both of the parties acquiring the shares

(d) Execution date of the transfer
July 1, 2018

(e) Other information for the transfer
(i) Legal form of the transfer
Transferring part of the issued shares of Shinko Real Estate Co., Ltd. in exchange for cash consideration
(ii) Transfer price
Approximately ¥74,000 million ($696,536 thousand)
(iii) Income from the transfer
To post an extraordinary income of approximately ¥30,000 million ($282,380 thousand) on a consolidated basis for the fiscal year 2018
(iv) Number of shares to be transferred and situation of shares held before and after transfer
(A) No. of shares held before transfer
57,670 shares (ownership ratio of voting rights: 100.0%)
(B) No. of shares to be transferred
43,253 shares
(C) No. of shares held after transfer
14,417 shares (ownership ratio of voting rights: 25.0%)

Following the transfer, Shinko Real Estate Co., Ltd. will become a company accounted for by the equity method of the Company.

(2) Reportable segments including the company to be transferred
Other Businesses

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Kobe Steel, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kobe Steel, Ltd. and its consolidated subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

1. Without qualifying our opinion, we draw attention to Note 13 Contingent liabilities regarding misconduct to the consolidated financial statements, it may possibly result in penalties, compensation for damages, and other outcomes due to the investigation by the investigation authorities in Japan, the investigation by the U.S. department of Justice and the civil complaints. In addition, there may be compensation cost for the exchange of products and compensation cost relating to the inspections by customers and other actions. It is possible that these factors will affect Kobe Steel's consolidated financial results. However, as it is difficult to reasonably estimate the impact of these factors at this time, these factors have not been reflected in the consolidated financial statements.
2. Without qualifying our opinion, we draw attention to Note 31 Significant subsequent events to the consolidated financial statements, at the meeting of the Board of Directors held on April 27, 2018, Kobe Steel, Ltd. resolved to transfer part of the issued shares of Shinko Real Estate Co., Ltd., a consolidated subsidiary of Kobe Steel, Ltd.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 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.

KPMG AZSA LLC

June 21, 2018
Osaka, Japan