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

Years ended March 31	Millions of yen											Thousands of U.S. dollars (Note 1)
	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019**	**Change 2019/2018**	**2019**
For the year												
Net sales	¥ 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	**¥ 1,971,870**	**4.8** %	$ **17,766,192**
Cost of sales	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	**1,704,972**	**6.9**	**15,361,493**
Operating income	46,016	124,551	60,555	11,235	114,548	119,460	68,446	9,749	88,914	**48,283**	**(45.7)**	**435,019**
Ordinary income (loss)	10,259	89,083	33,780	(18,146)	85,044	101,688	28,928	(19,104)	71,149	**34,629**	**(51.3)**	**312,002**
Net income (loss) attributable to owners of the parent	6,305	52,940	(14,248)	(26,976)	70,192	86,550	(21,556)	(23,045)	63,188	**35,940**	**(43.1)**	**323,816**
Cash flows from operating activities	172,893	177,795	39,486	45,402	194,294	153,078	97,933	141,716	190,833	**67,137**	**(64.8)**	**604,891**
Cash flows from investing activities	(120,324)	(96,687)	(85,267)	(123,513)	(62,105)	(73,674)	(104,619)	(137,834)	(161,598)	**(28,603)**	**-**	**(257,709)**
Cash flows from financing activities	(29,641)	(98,196)	(40,233)	127,644	(138,502)	(156,027)	93,883	16,546	(66,599)	**(9,562)**	**-**	**(86,149)**
Capital expenditures	128,739	91,378	96,085	114,936	101,403	103,522	109,941	160,297	128,654	**133,472**	**3.7**	**1,202,555**
Depreciation	118,835	114,820	118,038	106,725	82,936	89,882	94,812	96,281	102,032	**102,590**	**0.5**	**924,316**
Research and development expenses	28,255	29,833	31,437	30,763	28,494	29,920	29,843	30,102	32,015	**34,495**	**7.7**	**310,796**
At year end:												
Total assets (Note 3)	2,249,346	2,231,533	2,159,512	2,226,997	2,288,637	2,300,242	2,261,135	2,310,436	2,352,115	**2,384,973**	**1.4**	**21,488,180**
Net assets	557,002	597,368	571,258	569,923	734,679	851,785	745,493	729,405	790,985	**803,313**	**1.6**	**7,237,706**
Outside debt	837,770	769,840	746,471	907,657	748,138	650,992	776,073	789,633	726,014	**724,222**	**(0.2)**	**6,525,109**
Outside debt, including IPP project financing	925,120	845,484	810,172	959,180	787,246	677,448	789,494	796,928	738,866	**760,365**	**2.9**	**6,850,751**
Per share data:												
Net income (loss) (yen/U.S. dollars (Note 2))	¥ 2.10	¥ 17.63	¥ (4.75)	¥ (8.99)	¥ 22.63	¥ 23.81	¥ (59.35)	¥ (63.54)	¥ 174.43	**¥ 99.20**	**(43.1)**	**$ 0.89**
Net assets (yen/U.S. dollars (Note 2))	172.09	182.81	171.84	170.63	184.11	213.70	1,903.80	1,860.37	2,049.95	**2,041.29**	**(0.4)**	**18.39**
Cash dividends (yen/U.S. dollars (Note 2))	1.50	3.00	1.00	-	4.00	4.00	2.00	-	30.00	**20.00**	**(33.3)**	**0.18**
											Points	
Ratios:												
Operating income ratio (%)	2.8	6.7	3.2	0.7	6.3	6.3	3.8	0.6	4.7	**2.4**	**(2.3)**	
Ordinary income ratio (%)	0.6	4.8	1.8	(1.1)	4.7	5.4	1.6	(1.1)	3.8	**1.8**	**(2.0)**	
ROA (%) (Note 3)	0.5	4.0	1.5	(0.8)	3.8	4.4	1.3	(0.8)	3.1	**1.5**	**(1.6)**	
ROE (%)	1.3	9.9	(2.7)	(5.3)	11.9	12.0	(2.9)	(3.4)	8.9	**4.8**	**(4.1)**	
Equity ratio (%)	23.0	24.6	23.9	23.0	29.2	33.8	30.6	29.2	31.6	**31.0**	**(0.6)**	
Debt/equity ratio (times)	1.6	1.4	1.4	1.8	1.1	0.9	1.1	1.2	1.0	**1.0**	**-**	
Dividend payout ratio (%)	71.4	17.0	-	-	17.7	16.8	-	-	17.2	**20.2**	**3.0**	
Number of shares issued (in thousands)	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	**364,364**	**-**	
Number of employees	33,629	34,772	35,496	36,018	36,019	36,420	36,338	36,951	37,436	**39,341**	**1,905**	

Notes:
1. For convenience only, U.S. dollar amounts in this report have been translated from Japanese yen amounts at the rate of ¥110.99 to US$1.00, the rate of exchange prevailing on March 31, 2019.
2. Kobe Steel, Ltd. carried out a share consolidation at a ratio of 10 shares to 1 share effective on October 1, 2016. Therefore, per share data takes into account this share consolidation.
3. The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) effective April 1, 2018. "Total assets " and "ROA" figures for 2018 are after retrospective application of the concerned accounting standard.

Consolidated Balance Sheets

Kobe Steel, Ltd. and Consolidated Subsidiaries
At March 31, 2019 and 2018

ASSETS	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Current assets:			
Cash and deposits (Notes 7 and 28)	¥ **173,900**	¥ 165,526	$ **1,566,805**
Notes and accounts receivable:			
Trade and finance	**303,118**	285,313	**2,731,043**
Unconsolidated subsidiaries and affiliates	**52,866**	50,122	**476,311**
Other	**35,104**	31,472	**316,275**
Allowance for doubtful accounts	**(4,213)**	(4,673)	**(37,956)**
	386,875	362,234	**3,485,673**
Merchandise and finished goods	**178,080**	159,910	**1,604,472**
Work-in-process (Note 8):	**131,198**	136,531	**1,182,071**
Raw materials and supplies	**167,127**	152,007	**1,505,788**
Other	**65,070**	42,091	**586,262**
Total current assets	**1,102,250**	1,018,299	**9,931,071**
Property, plant and equipment (Note 7):			
Land	**144,460**	192,159	**1,301,555**
Buildings and structures	**746,925**	771,592	**6,729,662**
Machinery and equipment	**2,417,801**	2,361,357	**21,783,951**
Construction in progress	**83,312**	61,271	**750,627**
	3,392,498	3,386,379	**30,565,795**
Less accumulated depreciation	**(2,461,913)**	(2,404,689)	**(22,181,392)**
Total property, plant and equipment	**930,585**	981,690	**8,384,403**
Intangible assets	**32,640**	40,807	**294,082**
Investments and other assets:			
Investments in securities (Note 5)	**102,471**	115,547	**923,244**
Investments in and advances to unconsolidated subsidiaries and affiliates	**120,139**	110,953	**1,082,426**
Long-term loans receivable	**4,505**	4,952	**40,590**
Deferred income taxes (Note 24)	**61,766**	49,184	**556,497**
Net defined benefit asset (Note 30)	**18,285**	17,089	**164,741**
Other	**55,918**	69,844	**503,824**
Allowance for doubtful accounts	**(43,586)**	(56,250)	**(392,698)**
Total investments and other assets	**319,498**	311,319	**2,878,624**
	¥ **2,384,973**	¥ 2,352,115	$ **21,488,180**

LIABILITIES AND NET ASSETS	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Current liabilities:			
Short-term borrowings (Note 7)	¥ **58,269**	¥ 135,681	$ **524,993**
Current portion of long-term debt (Note 7)	**80,329**	84,052	**723,748**
Notes and accounts payable:			
Trade	**396,528**	401,456	**3,572,648**
Construction	**37,741**	39,323	**340,037**
Unconsolidated subsidiaries and affiliates	**62,010**	59,252	**558,702**
Other	**10,488**	12,498	**94,492**
	506,767	512,529	**4,565,879**
Advances from customers	**28,441**	35,577	**256,246**
Customers' and employees' deposits	**11,047**	12,995	**99,528**
Income and enterprise taxes payable	**7,080**	8,552	**63,792**
Provision for loss on construction contracts (Note 8)	**10,429**	9,634	**93,961**
Provision for structural reform related expenses	**-**	365	**-**
Provision for dismantlement related expenses	**1,612**	10,116	**14,521**
Provision for customer compensation expenses	**3,362**	3,583	**30,294**
Other	**104,392**	87,210	**940,559**
Total current liabilities	**811,728**	900,294	**7,313,521**
Long-term liabilities:			
Long-term debt (Note 7)	**621,767**	519,133	**5,602,011**
Net defined benefit liability (Note 30)	**81,079**	70,946	**730,512**
Provision for environmental measures	**2,699**	777	**24,313**
Provision for dismantlement related expenses	**3,344**	2,491	**30,125**
Deferred income taxes (Note 24)	**13,607**	13,485	**122,597**
Other	**47,436**	54,004	**427,395**
Total long-term liabilities	**769,932**	660,836	**6,936,953**
Contingent liabilities (Note 11, 12 and 13)			
Net assets:			
Stockholders' equity:			
Common stock (Notes 14 and 27)	**250,930**	250,930	**2,260,835**
Authorized — 600,000,000 shares			
Issued — 364,364,210 shares			
Capital surplus (Note 14)	**102,219**	102,315	**920,974**
Retained earnings (Note 14)	**415,321**	395,543	**3,741,966**
Treasury stock, at cost (Note 27):	**(2,614)**	(2,672)	**(23,554)**
2,055,945 shares in 2019 and 2,118,007 shares in 2018			
	765,856	746,116	**6,900,221**
Accumulated other comprehensive income:			
Unrealized gains on securities, net of taxes	**7,105**	17,334	**64,019**
Unrealized losses on hedging derivatives, net of taxes	**(14,031)**	(9,914)	**(126,416)**
Land revaluation differences, net of taxes (Note 9)	**(3,406)**	(3,406)	**(30,690)**
Foreign currency translation adjustments	**2,705**	10,186	**24,374**
Remeasurements of defined benefit plans, net of taxes	**(18,652)**	(17,726)	**(168,053)**
	(26,279)	(3,526)	**(236,766)**
Non-controlling interests	**63,736**	48,395	**574,251**
Total net assets	**803,313**	790,985	**7,237,706**
	¥ **2,384,973**	¥ 2,352,115	$ **21,488,180**

See accompanying notes.

Consolidated Statements of Operations

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Net sales	¥ **1,971,870**	¥ 1,881,158	$ **17,766,192**
Cost of sales (Note 15)	**(1,704,972)**	(1,595,230)	**(15,361,493)**
Gross profit	**266,898**	285,928	**2,404,699**
Selling, general and administrative expenses (Note 17)	**(218,615)**	(197,014)	**(1,969,680)**
Operating income	**48,283**	88,914	**435,019**
Non-operating income (expenses):			
Interest and dividend income	**7,060**	6,260	**63,608**
Interest expense	**(9,154)**	(12,304)	**(82,476)**
Seconded employees' salaries, net of reimbursement	**(6,432)**	(6,053)	**(57,947)**
Equity in income (loss) of equity method companies	**5,864**	5,439	**52,836**
Commission for syndicated loan	**(6,275)**	(138)	**(56,539)**
Reversal of allowance for doubtful accounts	**5,694**	1,560	**51,301**
Dismantlement expense	**(5,282)**	(4,036)	**(47,586)**
Other, net	**(5,129)**	(8,493)	**(46,214)**
	(13,654)	(17,765)	**(123,017)**
Ordinary income	**34,629**	71,149	**312,002**
Extraordinary income (loss):			
Gain on sale of investment securities	**31,485**	9,141	**283,677**
Impairment loss (Note 19)	**(13,925)**	-	**(125,461)**
Gain related to subsidiary conversion (Note 18)	**4,892**	-	**44,077**
Loss on disaster (Note 20)	**(3,354)**	-	**(30,218)**
Customer compensation expenses (Note 21)	**(2,587)**	(4,362)	**(23,310)**
Environmental expenses (Note 22)	**(2,154)**	-	**(19,412)**
Dismantlement related expenses (Note 23)	**-**	(2,760)	**-**
	14,357	2,019	**129,353**
Income before income taxes and non-controlling interests	**48,986**	73,168	**441,355**
Income taxes (Note 24):			
Current	**13,995**	15,425	**126,091**
Deferred	**(3,537)**	(4,804)	**(31,868)**
	10,458	10,621	**94,223**
Income before non-controlling interests	**38,528**	62,547	**347,132**
Net income (loss) attributable to non-controlling interests	**2,588**	(641)	**23,316**
Net income attributable to owners of the parent	¥ **35,940**	¥ 63,188	$ **323,816**

	Yen		U.S. dollars (Note 1)
Per share	**2019**	2018	**2019**
Net income	¥ **99.20**	¥ 174.43	$ **0.89**
Cash dividends applicable to the year	**20.00**	30.00	**0.18**

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Income before non-controlling interests	¥ **38,528**	¥ 62,547	$ **347,132**
Other comprehensive income (loss):			
Unrealized losses on securities, net of taxes	**(9,258)**	(477)	**(83,413)**
Unrealized losses on hedging derivatives, net of taxes	**(3,889)**	(1,022)	**(35,036)**
Foreign currency translation adjustments	**(5,841)**	1,900	**(52,630)**
Remeasurements of defined benefit plans, net of taxes	**(851)**	4,248	**(7,670)**
Share of other comprehensive income related to equity method companies	**(3,906)**	1,568	**(35,192)**
Total other comprehensive income (loss) (Note 26)	**(23,745)**	6,217	**(213,941)**
Total comprehensive income	¥ **14,783**	¥ 68,764	$ **133,191**
Total comprehensive income attributed to:			
Stockholders of the parent interests	¥ **13,189**	¥ 69,219	$ **118,830**
Non-controlling interests	**1,594**	(455)	**14,361**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Kobe Steel, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	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	Remeasure-ments of defined benefit plans, net of taxes	Non-controlling interests	Total
Balance at April 1, 2017 (Restated Balance)	364,364	¥ 250,930	¥ 103,538	¥ 331,679	¥ (2,661)	¥ 17,476	¥ (9,230)	¥ (3,406)	¥ 7,709	¥ (22,107)	¥ 55,477	¥ 729,405
Net income attributable to owners of the parent				63,189								63,189
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
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 April 1, 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
Dividends of surplus				(14,565)								(14,565)
Net income attributable to owners of the parent				35,940								35,940
Purchase of treasury stock					(8)							(8)
Disposal of treasury stock				(1)	66							65
Changes in stockholders interest due to transaction with non-controlling interests			(95)									(95)
Increase (decrease) due to changes in scope of consolidation				(1,596)								(1,596)
Net changes in items other than stockholders' equity						(10,229)	(4,117)	-	(7,481)	(926)	15,340	(7,413)
Net changes during the year		-	(95)	19,778	58	(10,229)	(4,117)	-	(7,481)	(926)	15,340	12,328
Balance at March 31, 2019	364,364	¥ 250,930	¥ 102,219	¥ 415,321	¥ (2,614)	¥ 7,105	¥ (14,031)	¥ (3,406)	¥ 2,705	¥ (18,652)	¥ 63,736	¥ 803,313

	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, 2018	364,364	$ 2,260,835	$ 921,833	$ 3,563,769	$ (24,071)	$ 156,174	$ (89,322)	$ (30,690)	$ 91,771	$ (159,712)	$ 436,042	$ 7,126,629
Dividends of surplus				(131,231)								(131,231)
Net income attributable to owners of the parent				323,816								323,816
Purchase of treasury stock					(78)							(78)
Disposal of treasury stock				(6)	595							589
Changes in stockholders interest due to transaction with non-controlling interests			(859)									(859)
Increase (decrease) due to changes in scope of consolidation				(14,382)								(14,382)
Net changes in items other than stockholders' equity						(92,155)	(37,094)	-	(67,397)	(8,341)	138,209	(66,778)
Net changes during the year		-	(859)	178,197	517	(92,155)	(37,094)	-	(67,397)	(8,341)	138,209	111,077
Balance at March 31, 2019	364,364	$ 2,260,835	$ 920,974	$ 3,741,966	$ (23,554)	$ 64,019	$ (126,416)	$ (30,690)	$ 24,374	$ (168,053)	$ 574,251	$ 7,237,706

See accompanying notes.

Consolidated Statements of Cash Flows

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities:			
Income before income taxes	¥ 48,986	¥ 73,168	$ 441,355
Depreciation	102,590	102,032	924,316
Increase (decrease) in allowance for doubtful accounts	(10,282)	(11,804)	(92,636)
Interest and dividend income	(7,060)	(6,260)	(63,608)
Interest expense	9,154	12,304	82,476
Loss (income) on sale of securities	(32,342)	(8,739)	(291,394)
Equity in loss (income) of equity method companies	(5,864)	(5,439)	(52,836)
Impairment loss	13,925	-	125,461
Loss (gain) on sale of plant and equipment	(1,871)	(147)	(16,856)
Loss on disposal of plant and equipment	2,163	1,775	19,484
Increase (decrease) in provision for dismantlement related expenses	(7,652)	2,653	(68,939)
Increase (decrease) in provision for misconduct related expenses	(221)	3,583	(1,991)
Decrease (increase) in trade receivables from customers	(6,471)	(19,450)	(58,305)
Net decrease (increase) in lease receivables and investment assets	(4,164)	2,383	(37,516)
Decrease (increase) in inventories	(33,141)	(30,491)	(298,593)
Decrease (increase) in accounts receivable	(2,594)	29,763	(23,373)
Decrease in trade payables to customers	(1,377)	50,035	(12,407)
Increase (decrease) in accured expenses	7,640	6,393	68,837
Increase (decrease) in liabilities for retirement benefits	7,550	(777)	68,024
Increase (decrease) in provision for environmental measures	1,921	(100)	17,309
Commission for syndicated loan	6,275	138	56,539
Gain related to subsidiary conversion	(4,892)	-	(44,077)
Other	85	6,440	760
Subtotal	82,358	207,460	742,030
Cash received for interest and dividends	9,905	7,262	89,237
Cash paid for interest	(9,012)	(12,826)	(81,193)
Cash paid for income taxes	(16,114)	(11,064)	(145,183)
Net cash provided by operating activities	67,137	190,832	604,891
Cash flows from investing activities:			
Purchase of property, plant and equipment and other assets	(132,456)	(136,649)	(1,193,405)
Proceeds from sale of property, plant and equipment and other assets	3,774	1,600	34,005
Purchase of investments in securities	(502)	(36,135)	(4,522)
Proceeds from sale of investments in securities	1,273	12,952	11,467
Payment for investments in capital	(41)	(60)	(366)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	69,400	3,414	625,278
Decrease (increase) in short-term loans receivable	347	(1,337)	3,130
Payments for long-term loans receivable	(124)	(92)	(1,115)
Proceeds from collection of long-term loans receivable	31,605	534	284,757
Payments for purchase of investments in capital in subsidiaries resulting in change in scope of consolidation	-	(6,930)	-
Other	(1,879)	1,105	(16,938)
Net cash used in investing activities	(28,603)	(161,598)	(257,709)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(84,936)	43,664	(765,256)
Proceeds from issuance of long-term debt	179,923	25,015	1,621,076
Repayment of long-term borrowings	(71,214)	(104,111)	(641,621)
Proceeds from issuance of bonds	1,500	-	13,515
Repayment of bonds	(14,065)	(30,000)	(126,723)
Repayment of finance lease obligations	(3,406)	(4,245)	(30,683)
Commission for syndicated loan paid	(6,288)	(138)	(56,649)
Payment of dividends to non-controlling interests	(1,355)	(4,131)	(12,212)
Proceeds from share issuance to non-controlling shareholders	-	5,441	-
Payment of dividends	(14,509)	(9)	(130,726)
Payments from changes in interests in subsidiaries that do not result in change in scope of consolidation	-	(2,325)	-
Other	4,788	4,240	43,130
Net cash used in financing activities	(9,562)	(66,599)	(86,149)
Effect of exchange rate changes on cash and cash equivalents	(2,797)	1,719	(25,203)
Increase (decrease) in cash and cash equivalents	26,175	(35,645)	235,830
Cash and cash equivalents at beginning of year	165,268	200,418	1,489,032
Increase of cash and cash equivalents due to share exchange	5,735	-	51,673
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	39	495	354
Cash and cash equivalents at end of year (Note 28)	¥ 197,217	¥ 165,268	$ 1,776,889

See accompanying notes.

Notes to Consolidated Financial Statements

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2019 and 2018

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, 2019, which was ¥110.99 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, 2019, the accounts of 177 (173 in 2018) subsidiaries have been included in the consolidated financial statements. Intercompany transactions and accounts have been eliminated.

Seventy-nine (82 in 2018) 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, 2019, 40 (41 in 2018) 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. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as accumulated other comprehensive income in net assets.

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

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

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

If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not 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

The 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 Dismantlement Related Expenses

The 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.

(7) Provision for Customer Compensation Expenses

For expenses related to the misconduct that occuerd through datafalsification and/or fabrication of inspection results, in which products that did not meet, among other measures, public standards or customer specifications wereshipped or provided to customers as if they had met these requirements,including compensation for product exchanges and investigations carriedout by customers, etc., the provision is made at an estimated amount at the end of the fiscal year.

(8) 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.

(9) 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.

(10) 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.

(11) Employees' Severance and Retirement Benefits

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 2018, 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.

Prior service cost and actuarial differences that are yet to be recognized in profit or loss are recognized within accumulated other comprehensive income (Remeasurements of defined benefit plans, net of taxes) in net

(12) 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.

(13) 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.

(14) Derivatives

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

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers recognition of gain or loss resulting from changes in the fair value of a derivative financial instrument until the related loss or gain on the corresponding hedged item is recognized ("deferred hedge" method). Deferred gains and losses on these derivative instruments are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income in net assets.

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

(15) 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.

(16) Consolidated Tax Return

The Company has filed a consolidated tax return with certain domestic subsidiaries.

(17) Cash and Cash Equivalents

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

(18) Reclassifications

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

(19) Changes in Presentation Method

(Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting " (ASBJ Statement No. 28, February 16, 2018 (hereinafter, Statement No. 28)) from the beginning of the current fiscal year, the Company and its domestic subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of 'investments and other assets' and 'non-current liabilities', respectively.

As a result, "deferred tax assets" classified as "current assets" decreased ¥27,989 million, "deferred tax liabilities" classified as "current liabilities" decreased ¥725 million, "deferred tax assets" classified as "investments and other assets" increased ¥27,679 million, and "deferred tax liabilities" classified as "long-term liabilities" increased ¥415 million in the consolidated balance sheet as of March 31, 2018.

Furthermore, due to the effect of offsetting deferred tax assets and deferred tax liabilities by the same taxable entity, total assets and total liabilities each decreased by ¥310 million in the consolidated balance sheet as of March 31, 2018.

The notes related to tax effect accounting additionally included those described in Notes 8 (excluding total amount of valuation reserves) and 9 of "Accounting Standard for Tax Effect Accounting", which are required in Paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in Paragraph 7 of Statement No. 28.

(20) Unapplied Accounting Standards

(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 with Customers" (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 in consideration of 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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Due within one year	¥ **4,558**	¥ 3,569	$ **41,066**
Due after one year	**34,512**	6,989	**310,946**
	¥ **39,070**	¥ 10,558	$ **352,012**

Future minimum lease fees receivable as lessor under operating leases at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Due within one year	¥ **-**	¥ 327	$ **-**
Due after one year	**-**	1,477	**-**
	¥ **-**	¥ 1,804	$ **-**

4. Financial Instruments

Policies for Using Financial Instruments

The Group raises long-term funds mainly by bank loans and bonds based on its capital budget. For short-term capital needs, the Group raises funds mainly by bank loans and commercial paper in relation to its projected income and working capital.

The Group invests temporary excess cash in highly liquid assets. The Group enters into derivative contracts to hedge the risks discussed below and does not enter into derivative transactions for trading or speculative purposes.

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

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

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

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

In order to manage the risk, the Group enters into interest rate swap agreements. Furthermore, accounts payable denominated in foreign currencies are exposed to the risk of changes in foreign currency exchange rates. The Group uses forward currency exchange contracts, non-deliverable forward 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 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, 2019 and 2018 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2019			2018			**2019**
	Carrying amount	**Fair value**	**Difference**	Carrying amount	Fair value	Difference	**Difference**
Cash and deposits	¥ **173,900**	¥ **173,900**	¥ **-**	¥ 165,526	¥ 165,526	¥ -	$ **-**
Notes and accounts receivable—trade	**303,118**	**303,118**	**-**	285,313	285,313	-	**-**
Investments in securities:							
Securities of affiliates	**13,263**	**20,309**	**7,046**	17,974	25,802	7,828	**63,480**
Available-for-sale securities	**90,114**	**90,114**	**-**	102,879	102,879	-	**-**
Notes and accounts payable—trade	**(396,528)**	**(396,528)**	**-**	(401,456)	(401,456)	-	**-**
Short-term borrowings and current portion of long-term debt	**(116,383)**	**(116,498)**	**(115)**	(205,732)	(205,481)	251	**(1,032)**
Bonds included in current portion of long-term debt	**(22,215)**	**(22,229)**	**(14)**	(14,000)	(14,057)	(57)	**(122)**
Bonds included in long-term debt	**(111,838)**	**(111,962)**	**(124)**	(132,000)	(130,471)	1,529	**(1,121)**
Long-term borrowings included in long-term debt	**(509,930)**	**(502,722)**	**7,208**	(387,133)	(386,993)	140	**64,947**
Derivative transactions:							
Hedge accounting not applied	**538**	**538**	**-**	456	456	-	-
Hedge accounting applied	**(18,597)**	**(18,597)**	**-**	(13,182)	(13,182)	-	-

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
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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Non-listed equity securities	¥ **86,631**	¥ 76,986	$ **780,532**

The aggregate annual maturities of financial assets at March 31, 2019 and 2018 were as follows:

Cash and deposits

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Due within 1 year	¥ **173,900**	¥ 165,526	$ **1,566,805**
Due after 1 year through 5 years	**-**	-	**-**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **173,900**	¥ 165,526	$ **1,566,805**

Notes and accounts receivable—trade

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Due within 1 year	¥ **282,945**	¥ 279,607	$ **2,549,284**
Due after 1 year through 5 years	**19,993**	5,353	**180,134**
Due after 5 years through 10 years	**180**	353	**1,625**
Due after 10 years	**-**	-	**-**
	¥ **303,118**	¥ 285,313	$ **2,731,043**

The aggregate annual maturities of bonds at March 31, 2019 and 2018 were as follows:

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Due within 1 year	¥ **22,215**	¥ 14,000	$ **200,153**
Due after 1 year through 2 years	**30,215**	22,000	**272,232**
Due after 2 years through 3 years	**20,573**	30,000	**185,355**
Due after 3 years through 4 years	**25,150**	20,000	**226,597**
Due after 4 years through 5 years	**900**	25,000	**8,109**
Due after 5 years	**35,000**	35,000	**315,343**
	¥ **134,053**	¥ 146,000	$ **1,207,789**

The aggregate annual maturities of long-term borrowings at March 31, 2019 and 2018 were as follows:

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Due within 1 year	¥ **58,114**	¥ 70,052	$ **523,594**
Due after 1 year through 2 years	**69,741**	53,490	**628,351**
Due after 2 years through 3 years	**82,437**	58,416	**742,742**
Due after 3 years through 4 years	**38,493**	71,868	**346,811**
Due after 4 years through 5 years	**104,623**	34,284	**942,637**
Due after 5 years	**214,635**	169,075	**1,933,834**
	¥ **568,043**	¥ 457,185	$ **5,117,969**

The aggregate annual maturities of other interest bearing debt at March 31, 2019 and 2018 were as follows:

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Due within 1 year	¥ **35,544**	¥ 61,757	$ **320,246**
Due after 1 year through 2 years	**657**	566	**5,921**
Due after 2 years through 3 years	**608**	586	**5,480**
Due after 3 years through 4 years	**560**	497	**5,044**
Due after 4 years through 5 years	**58**	420	**523**
Due after 5 years	**32**	41	**287**
	¥ **37,459**	¥ 63,867	$ **337,501**

5. Securities

The following tables summarize available-for-sale securities at March 31, 2019 and 2018.

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2019			2018			**2019**
	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	¥ **48,246**	¥ **25,294**	¥ **22,952**	¥ 59,167	¥ 27,765	¥ 31,402	$ **206,792**
Other	**-**	**-**	**-**	-	-	-	**-**
	48,246	**25,294**	**22,952**	59,167	27,765	31,402	**206,792**
Securities with available carrying amount not exceeding acquisition cost:							
Other securities:							
Equity securities	**41,868**	**56,993**	**(15,125)**	43,713	54,037	(10,325)	**(136,278)**
Other	**-**	**-**	**-**	-	-	-	**-**
	41,868	**56,993**	**(15,125)**	43,713	54,037	(10,325)	**(136,278)**
	¥ **90,114**	¥ **82,287**	¥ **7,827**	¥ 102,880	¥ 81,802	¥ 21,077	$ **70,514**

Sales of available-for-sale securities for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Sales	¥ **1,302**	¥ 11,428	$ **11,729**
Gains on sales	**945**	6,827	**8,515**
Losses on sales	**-**	(220)	**-**

6. Derivative Transactions

Derivative transactions for which hedge accounting is not applied

Forward currency exchange contracts outstanding at March 31, 2019 and 2018 were as follows:

	Millions of yen								Thousands of U.S. dollars (Note 1)
	2019				2018				**2019**
	Contracted amount			**Recognized**	Contracted amount			Recognized	
		Over one year	**Fair value**	**gain (loss)**		Over one year	Fair value	gain (loss)	**Fair value**
Foreign currency exchange contracts									
To sell foreign currencies:									
U.S. dollars	¥ **8,955**	¥ **-**	¥ **81**	¥ **81**	¥ 14,114	¥ -	¥ 333	¥ 333	$ **733**
Others	**5,743**	**-**	**68**	**68**	13,218	-	199	199	**612**
To buy foreign currencies:									
U.S. dollars	**13,206**	**-**	**77**	**77**	9,868	-	(73)	(73)	**694**
Others	**15,445**	**-**	**133**	**133**	12,076	55	(283)	(283)	**1,192**
Non-deliverable forward									
To buy foreign currencies:									
Korean won	¥ **-**	¥ **-**	¥ **-**	¥ **-**	¥ 497	¥ -	¥ (23)	¥ (23)	$ **-**
Currency swaps									
Receiving Thai baht									
Paying U.S. dollars	¥ **178**	¥ **-**	¥ **176**	¥ **176**	¥ 362	¥ -	¥ 337	¥ 337	$ **1,587**
				¥ **535**				¥ 490	

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. Currency swaps
  The fair values are estimated by obtaining quotes from counterparty banks.

Commodity forward contracts outstanding at March 31, 2019 and 2018 were as follows:

	Millions of yen								Thousands of U.S. dollars (Note 1)
	2019				2018				**2019**
	Contracted amount			**Recognized**	Contracted amount			Recognized	
		Over one year	**Fair value**	**gain (loss)**		Over one year	Fair value	gain (loss)	**Fair value**
Commodity forward contracts									
To buy commodities	¥ **194**	¥ **-**	¥ **3**	¥ **3**	¥ 266	¥ -	¥ (33)	¥ (33)	$ **25**
				¥ **3**				¥ (33)	$ **25**

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, 2019 and 2018 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2019			2018			**2019**
	Contracted amount			Contracted amount			
		Over one year	**Fair value**		Over one year	Fair value	**Fair value**
Hedges for which the "deferred hedge" method is applied							
Foreign currency exchange contracts							
To sell foreign currencies:							
U.S. dollars	¥ **30,064**	¥ **9,063**	¥ **(588)**	¥ 28,750	¥ 5,979	¥ 645	$ **(5,300)**
Others	**5,463**	**2,298**	**13**	10,190	1,059	(256)	**118**
To buy foreign currencies:							
U.S. dollars	**4,142**	**560**	**56**	2,545	344	(60)	**507**
Others	**5,682**	**756**	**(106)**	5,759	1,581	167	**(953)**
Non-deliverable forward							
To buy foreign currencies:							
Korean won	¥ **-**	¥ **-**	¥ **-**	¥ 5	¥ -	¥ (0)	¥ **0**
Foreign currency options							
To sell foreign currency options:							
Put							
U.S. dollars	¥ **-**	¥ **-**	¥ **-**	¥ 5,862	¥ -	¥ (70)	$ **0**
	[-]			[104]			
Call							
U.S. dollars	**225**	**-**	**(0)**	85	-	(0)	**(2)**
	[1]			[0]			
To buy foreign currency options:							
Put							
U.S. dollars	**225**	**-**	**(0)**	85	-	(0)	**(1)**
	[1]			[0]			
Call							
U.S. dollars	**-**	**-**	**-**	5,862	-	(41)	**0**
	[-]			[104]			
Hedges for which the "assigning" method is applied							
Foreign currency exchange contracts							
To sell foreign currencies:							
U.S. dollars	¥ **35,748**	¥ **622**	¥ **-**	¥ 31,125	¥ 623	¥ -	$ **-**
Others	**25,143**	**93**	**-**	15,700	0	-	**-**
To buy foreign currencies:							
U.S. dollars	**376**	**-**	**-**	3,509	11	-	**-**
Others	**1,422**	**-**	**-**	4,398	0	-	**-**

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 [ ].
  Foreign currency options are zero cost options, which means that option premiums are not paid or received.

Interest rate swap agreements outstanding at March 31, 2019 and 2018 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2019			2018			**2019**
	Contracted amount			Contracted amount			
		Over one year	**Fair value**		Over one year	Fair value	**Fair value**
Hedges for which the "deferred hedge" method is applied							
Interest rate swap agreements							
To receive floating and pay fixed rate	¥ **299,430**	¥ **299,430**	¥ **(18,820)**	¥ 258,190	¥ 240,190	¥ (13,865)	$ **(169,565)**
Hedges for which the "exceptional" method is applied							
Interest rate swap agreements							
To receive floating and pay fixed rate	¥ **69,022**	¥ **60,382**	¥ **-**	¥ 74,247	¥ 67,461	¥ -	$ **-**

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, 2019 and 2018 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2019			2018			**2019**
	Contracted amount			Contracted amount			
		Over one year	**Fair value**		Over one year	Fair value	**Fair value**
Hedges for which the "deferred hedge" method is applied							
Commodity forward contracts							
To sell commodities	¥ **2,076**	¥ **-**	¥ **(42)**	¥ 3,207	¥ -	¥ 213	$ **(377)**
To buy commodities	**12,327**	**-**	**890**	20,240	-	85	**8,015**

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, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Bank loans (average rate: 2.17% in 2019 and 2.04% in 2018)	¥ 58,269	¥ 135,681	$ 524,993

Long-term debt at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
0.04% to 2.50% yen bonds, due 2019 through 2025	¥ 134,053	¥ 146,000	$ 1,207,789
Loans, principally from banks and insurance companies, due 2019 through 2036	568,043	457,185	5,117,970
	702,096	603,185	6,325,759
Less current portion	80,329	84,052	723,748
	¥ 621,767	¥ 519,133	$ 5,602,011

The aggregate annual maturities of long-term debt at March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2019	2019
Due within 1 year	¥ 80,329	$ 723,748
Due after 1 year through 2 years	99,956	900,583
Due after 2 years through 3 years	103,009	928,096
Due after 3 years through 4 years	63,643	573,408
Due after 4 years through 5 years	105,523	950,746
Due after 5 years	249,636	2,249,178
	¥ 702,096	$ 6,325,759

At March 31, 2019 and 2018, 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)
	2019	2018	2019
Assets pledged as collateral:			
Property, plant and equipment, net of accumulated depreciation	¥ 29,515	¥ 11,652	$ 265,923
Other assets	11,842	8,489	106,699
	¥ 41,357	¥ 20,141	$ 372,622
Secured short-term borrowings and long-term borrowings:	¥ 37,439	¥ 14,408	$ 337,321
	¥ 37,439	¥ 14,408	$ 337,321

Notes:
1. Borrowings of other affiliates are collateralized by assets pledged as collateral.
The corresponding loan balance was ¥872 million for the year ended March 31, 2018.

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 ¥3,874 million ($34,907 thousand) for the year ended March 31, 2019 and ¥3,808 millionfor the year ended March 31, 2018. 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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Revaluation date	2019	2018	2019
March 31, 2001	¥ 1,359	¥ 688	$ 12,241
March 31, 2002	(4,405)	(5,223)	(39,683)
	¥ (3,046)	¥ (4,535)	$ (27,442)

10. Commitment Line

The unexercised portion of facilities based on commitment line contracts at March 31, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Total commitment line available	¥ 162,928	¥ 183,832	$ 1,467,952
Less amount utilized	11,312	4,322	101,919
	¥ 151,616	¥ 179,510	$ 1,366,033

11. Contingent Liabilities Regarding Notes and Loans Guaranteed

Contingent liabilities regarding notes and loans guaranteed
At March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Trade notes discounted	¥ **349**	¥ 79	$ **3,149**
Trade notes endorsed	**681**	1,967	**6,135**
Guarantees of loans:			
Related parties	**19,026**	19,863	**171,418**
Others	**705**	533	**6,350**
	¥ **20,761**	¥ 22,442	$ **187,052**

Guarantees of loans include contingent guarantees and letters of awareness of ¥227 million ($2,049 thousand) for the year ended March 31, 2019 and ¥151 million for the year ended March 31, 2018, of which, ¥84 million ($753 thousand) is covered by reassurances from other companies.

Kobelco Construction Machinery (China) Co., Ltd., which is a consolidated subsidiary of the Company, sells construction machinery to customers through sales agents or leasing companies. Sales agents pledge guarantees to buy up construction machinery, pledged as collateral at the amounts of the balance on bank loans or future minimum lease payments. Kobelco Construction Machinery (China) Co., Ltd. pledges reassurance for this guarantee. The balances of the reassurance were ¥16,274 million ($146,623 thousand) for the year ended March 31, 2019 and ¥14,474 million for the year ended March 31, 2018.

12. Contingent Liabilities Regarding Repurchase Obligations Accompanying Securitization of Receivables

Contingent liabilities regarding repurchase obligations accompanying securitization of receivables at March 31, 2019 and 2018 were as follows:

Millions of yen		Thousands of U.S. dollars (Note 1)
2019	2018	**2019**
¥ **4,439**	¥ 3,788	$ **39,997**

13. Contingent Liabilities Regarding Misconduct

Contingent liabilities regarding misconduct at
March 31, 2019 and 2018 were as follows:

The Kobe Steel Group discovered that misconduct had taken place in the previous consolidated fiscal year. Through data falsification and/or fabrication of inspection results, products that did not meet, among other measures, public standards or customer specifications (the "Affected Products") were shipped or provided to customers as if they had met those requirements (the "Misconduct").

The Kobe Steel Group, with the cooperation of its customers to which the Affected Products were shipped, proceeded to carry out technical verifications on the impact of the quality (including safety) of its Affected Products on customers' products. As a result, the Kobe Steel Group confirmed that of all the 688 companies to which nonconforming products were delivered, no immediate safety problems or other problems with safety were found. With regard to products that are viewed to have no immediate problems with safety, Kobe Steel will, as necessary, conduct additional verification while cooperating with its customers.

In addition, Kobe Steel was indicted in July 2018 on charges of allegedly violating the Unfair Competition Prevention Act. The Kobe Steel Group has also 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.

Furthermore, 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 automobiles.
2. A securities class action in the United States based on violations of the U.S. Securities Exchange Act (misrepresentations in 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 vehicles.

With regard to item 1 of the above-mentioned class action in Canada, in June 2019, the Company entered into a basic settlement agreement with the plaintiffs. The terms and conditions are that the Company pays a total of C$1,950 thousand (approximately ¥159 million) as a settlement, and the plaintiffs dismiss the lawsuit. From now on, parties to the lawsuits will need to draft and execute a formal settlement agreement and further, obtain approval of the settlement by the Supreme Court of British Columbia and, subject to its approval of the settlement, dismiss the lawsuit in the Ontario Superior Court of Justice. Also, with regard to item 2 of the above-mentioned civil complaints, a securities class action in the United States concerning Kobe Steel's ADR, a settlement was reached in September 2018 for Kobe Steel to pay settlement money to the plaintiffs and for the plaintiffs to withdraw their lawsuit. In February 2019, the court approved the settlement and the complaint came to an end.

In regard to the indictment on the alleged violation of the Unfair Competition Prevention Act, a second court hearing was conducted in January 2019, at which the prosecutors demanded a fine of ¥100 million (approximately $900 thousand). Kobe Steel was consequently convicted in March 2019, and the judgement became final.

It is difficult to reasonably estimate the final penalties, compensation for damages, and other outcomes at this time in regard to the investigation by the U.S. Department of Justice and the above-mentioned class action in the United States related to the use of metal products manufactured by Kobe Steel in the vehicles (item 3 above), but they may possibly result in a monetary burden. In addition, there may be additional monetary burden due to compensation costs for the exchange of products by customers, compensation costs relating to the inspections by customers, and other actions.

In addition, 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, they 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. The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

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

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

Under the Law, generally with a resolution of the shareholders' meeting, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or be capitalized.

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

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

15. Cost of Sales

Gain/Loss on the write-down of inventories included in the cost of sales was ¥4,140 million ($37,298 thousand) loss for the year ended March 31, 2019 and ¥2,059 million gain for the year ended March 31, 2018.

The provision for loss on construction contracts included in the cost of sales was ¥8,149 million ($73,425 thousand) for the year ended March 31, 2019 and ¥7,285 million for the year ended March 31, 2018.

16. Research and Development Expenses

Research and development expenses included in cost of sales and selling, general and administrative expenses were ¥34,495 million ($310,796 thousand) for the year ended March 31, 2019 and ¥32,015 million for the year ended March 31, 2018.

17. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Freight	¥ 54,911	¥ 50,652	$ 494,742
Employees' compensation	45,043	41,820	405,832
Research and development expenses	17,821	14,138	160,563
Welfare and legal welfare expenses	12,060	11,253	108,661
Rent expenses	9,872	8,128	88,946
Travel expenses	7,604	7,301	68,508
Commission fees	9,634	7,219	86,797
Provision for bonuses	5,346	5,136	48,170
Depreciation	5,893	4,493	53,096
Directors' salaries	4,025	4,011	36,264
Others	46,406	42,863	418,101
	¥ 218,615	¥ 197,014	$ 1,969,680

18. Gain Related to Subsidiary Conversion

Gain related to subsidiary conversion of ¥4,892 million ($44,077 thousand) was a result of net of ¥7,273 million ($65,526 thousand) of gain from negative goodwill and ¥2,381 million ($21,449 thousand) of loss on step acquisitions recorded for having Shinko Wire

19. Impairment Loss

The Company and the Group recorded loss on impairment on the following assets group for the fiscal year ended March 31, 2019.

Use	Location and number	Type	Millions of yen 2019	Thousands of U.S. dollars (Note 2019
Assets for industrial machinery business	Vasteras, Sweden	Goodwill and other intangible assets	¥ 6,260	$ 56,399
Assets for manufacturing forged titan products	Takasago-shi, Hyogo Prefecture	Machinery and equipment, etc.	5,905	53,203
Assets for other business,	Moji-ku, Kitakyushu-shi	Machinery and	1,760	15,859
			¥ 13,925	$ 125,461

The Company and the Group conduct grouping per business location to recognize losses on impairment in principle.

In regard to the above, book values were reduced to respective recoverable values, and the reductions were recorded as loss on impairment (¥13,925 million, $125,461 thousand) under extraordinary losses due to the decrease in profitability resulting from current declining performance.

The amount of impairment consisted of loss on buildings and structures of ¥2,245 million ($20,230 thousand), machinery and equipment of ¥3,840 million ($34,598 thousand), land of ¥72 million ($647 thousand), construction in progress of ¥1,197 million ($10,784 thousand), and intangible assets of ¥6,571 million ($59,202 thousand).

The recoverable amounts of the relevant assets were stated as value for future usage, which was calculated mainly with a discount rate of 6% to 15%.

20. Loss on Disaster

The ¥3,354 million ($30,218 thousand) of loss on disaster was a result of net of ¥5,098 million ($45,931 thousand) of loss on damaged inventories due to typhoons (No. 20, 21, and 24), heavy rain in western Japan, and an earthquake in northern Osaka and ¥1,744 million ($15,713 thousand) of insurance income related to such loss.

21. Customer Compensation Expenses

The ¥2,587 million ($23,310 thousand) for the year ended March 31, 2019, and the ¥4,362 million for the year ended March 31, 2018 of customer compensation expenses were expenses related to the misconduct that occured through data falsification and/or fabrication of inspection results, products that did not meet, among other measures, public standards or customer specifications were shipped or provided to customers as if they had met theserequirements, including compensation for product exchanges and investigations carried out by customers, etc.

22. Environmental Expenses

The ¥2,154 million ($19,412 thousand) of environmental expenses were the cost of PCB waste treatment required by the "Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes" and have been additionally recorded as details of treatment methods and schedules have become apparent.

23. Dismantlement Related Expenses

The ¥2,760 million of dismantlement related expenses were an additional posting of dismantlement construction expenses arising from 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.

24. Income Taxes

Significant components of the Group's deferred income tax assets and liabilities at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Deferred income tax assets:			
Net defined benefit liability	¥ **24,217**	¥ 20,589	$ **218,191**
Tax loss carryforwards	**18,296**	21,295	**164,842**
Unrealized profit	**17,386**	17,967	**156,642**
Allowance for doubtful accounts	**11,217**	15,245	**101,059**
Impairment loss	**8,498**	5,585	**76,568**
Accrued bonuses to employees	**6,953**	6,959	**62,647**
Loss on write-down of inventories	**5,209**	4,462	**46,934**
Unrealized losses on hedging derivatives	**5,092**	4,396	**45,876**
Other	**42,841**	48,394	**385,990**
Total deferred income tax assets	**139,709**	144,892	**1,258,749**
Valuation allowance related to tax loss carryforwards	**(13,393)**	-	**(120,670)**
Valuation allowance related to total deductible temporary difference, etc.	**(42,501)**	-	**(382,925)**
Valuation allowance	**(55,894)**	(66,678)	**(503,595)**
Deferred income tax assets	**83,815**	78,215	**755,154**
Deferred income tax liabilities:			
Unrealized gains on securities	**6,255**	8,921	**56,352**
Gain on return of assets from retirement benefit trust	**8,030**	8,030	**72,346**
Land revaluation	**3,251**	3,251	**29,292**
Special tax purpose reserve	**1,520**	1,978	**13,693**
Other	**16,600**	20,336	**149,571**
Total deferred income tax liabilities	**35,656**	42,516	**321,254**
Net deferred income tax assets	¥ **48,159**	¥ 35,699	$ **433,900**

Amount of tax loss carryforwards and related deferred tax assets by tax loss carryforwards for the year ended March 31, 2019 were as follows:

Tax loss carryforwards (Note 1)	Millions of yen	Thousands of U.S. dollars (Note 1)
	2019	**2019**
Due within 1 year	**1,933**	**17,420**
Due after 1 year through 2 years	**3,051**	**27,486**
Due after 2 years through 3 years	**4,572**	**41,189**
Due after 3 years through 4 years	**1,119**	**10,080**
Due after 4 years through 5 years	**1,511**	**13,612**
Due after 5 years	**6,110**	**55,055**
	¥ **18,296**	$ **164,842**

Valuation allowance	Millions of yen	Thousands of U.S. dollars (Note 1)
	2019	**2019**
Due within 1 year	**(881)**	**(7,937)**
Due after 1 year through 2 years	**(2,219)**	**(19,993)**
Due after 2 years through 3 years	**(4,150)**	**(37,388)**
Due after 3 years through 4 years	**(986)**	**(8,886)**
Due after 4 years through 5 years	**(161)**	**(1,453)**
Due after 5 years	**(4,996)**	**(45,013)**
	¥ **(13,393)**	$ **(120,670)**

Deferred tax assets	Millions of yen	Thousands of U.S. dollars (Note 1)
	2019	**2019**
Due within 1 year	**1,052**	**9,483**
Due after 1 year through 2 years	**832**	**7,493**
Due after 2 years through 3 years	**422**	**3,802**
Due after 3 years through 4 years	**133**	**1,194**
Due after 4 years through 5 years	**1,350**	**12,159**
Due after 5 years	**1,114**	**10,041**
	¥ **4,903**	$ **44,172**

The reconciliation of the statutory tax rate and the effective tax rate for the years ended March 31, 2019 and 2018 was as follows:

	2019	2018
Aggregate statutory income tax rate in Japan	**30.6** %	30.8 %
Nondeductible entertainment expenses	**3.3**	2.0
Exclusion of dividends received	**(1.9)**	(4.5)
Equity in income (loss) of equity method companies	**(1.6)**	(1.1)
Decrease in valuation allowance	**(2.8)**	(6.3)
Differences in normal tax rates of subsidiaries	**(3.3)**	(2.5)
Tax deduction	**(6.8)**	(2.9)
Other	**3.9**	(1.1)
Effective income tax rate	**21.4** %	14.5 %

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

25. Business Combination

Business Combination through Acquisition

(1) Outline of the business combination

①Name and business of the acquired company

Acquired company name: Shinko Wire Company, Ltd. ("Shinko Wire"), Kobelco Spring Wire (Foshan) Co., Ltd., and 9 other companies

Business of the acquired company: Manufacture and sales of secondary products of wire rod and contracting for construction work of structures

②Objectives of the business combination

As a secondary processor of steel wire rods in the Group, Shinko Wire is engaged in the business of manufacturing and selling PC steel products,steel wires, stainless steel wires, wire ropes, steel wire processed products, and other products.

Shinko Wire conducted an absorption-type merger of its consolidated subsidiary, Tesac Wirerope Co., Ltd. ("Tesac Wirerope"), on April 1, 2018 in order tc strengthen its rope business. To the shareholders of Tesac Wirerope, Shinko Wire has issued 710,228 shares of common stock of Shinko Wire.

The merger of Shinko Wire and Tesac Wirerope will consolidate product brands, manufacturing, processes, development, technology, quality assurance systems and other management resources. It will improve cost competitiveness at the global level, including the Group's rope business in Japan, and make possible the creation of high-quality, high value-added products.

The company determined that the merger would contribute to strengthening its competitiveness in the demand field of steel wire rods and bars.

In this merger, as the shares held by the company in Tesac Wirerope were exchanged with the common stock of Shinko Wire, the company's ownership ratio of voting rights in Shinko Wire became 40% or more, and the company's directors or employees (including those previously at the company) represent a majority of the directors of Shinko Wire concerned. Therefore Shinko Wire became a consolidated subsidiary.

As a result, 9 consolidated subsidiaries of Sinko Wire have also become consolidated subsidiaries of the company.

Furthermore, Kobelco Spring Wire (Foshan) Co., Ltd. Invested in by the company and Shinko Wire, which had been accounted for by the equity method,

③Date of the business combination

April 1, 2018

④Legal method of the business combination

Share acquisition with non cash assets as consideration.

⑤Name of the company after the business combination

No changes were made to the name of the company after the business combination.

⑥Acquired ratio of voting right

Ratio of voting right before acquisition : 35.9%

Ratio of voting right acquired : 7.7%

Ratio of voting right after acquisition : 43.6%

⑦Primary reasons for determining the acquiring company

Due to the company having substantial control over a decision-making body of Shinko Wire, as the company owns between 40% and 50% of the Shinko Wire's voting rights on the company's own account, and the company's directors or employees (including those previously at the company) represent a majority of the directors of Shinko Wire concerned.

(2) Period of the business performance of the acquired company included in the consolidated statement of operations

Business results of Shinko Wire and 7 other companies among the acquired companies from April 1, 2018 to March 31, 2019 are included in the accompanying consolidated financial statements.

Business results of Kobelco Spring Wire (Foshan) Co., Ltd. And 2 other companies from April 1, 2018 to December 31, 2018 are included in the accompanying consolidated financial statements as these companies' fiscal year end date is December 31, so it differs from the companies' by 3 months.

Also, business results of Kobelco Spring Wire (Foshan) Co., Ltd. from January 1, 2018 to March 31, 2018 were included in equity in income (loss), as Kobelco Spring Wire (Foshan) Co., Ltd., was accounted for by the equity method.

(3) The acquisition cost of the acquired company and its breakdown by type of consideration

Market value of shares of Shinko Wire held immediately prior to the business combination on the date of business combination: ¥2,779 million ($25,044 thousand

Market value of shares acquired additionally on the day of the business combination: ¥1,061 million ($9,566 thousand)

Total acquisition cost :¥3,841 million ($34,610 thousand)

(4) Difference between the acquisition cost of the acquired company and the total amount of the acquisition cost arising from transactions

Loss on step acquisitions: ¥2,381 million ($21,449 thousand)

(5) The amount and the source of negative goodwill

①The amount of negative goodwill: ¥7,272 million ($65,526 thousand)

②The cause of negative goodwill:

As the acquisition cost fell below the market value of net assets on the date of business combination, the difference was recognized as negative goodwill.

(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)
	2019	**2019**
Current assets	¥ **24,039**	$ **216,586**
Non-current assets	**28,179**	**253,887**
Total assets	¥ **52,218**	$ **470,473**
Current liabilities	**14,831**	**133,622**
Long-term liabilities	**11,087**	**99,895**
Total liabilities	¥ **25,918**	$ **233,517**

Business Divestiture

(1) Outline of the business divestiture

①Name of purchasing companies :Tokyo Century Corporation and NIPPON TOCHI-TATEMONO Co., Ltd.

②Description of the divested business

Consolidated subsidiaries: Shinko Real Estate Co., Ltd. and 4 other companies（"Shinko Real Estate"）

Business of the divested companies: Real estate development , construction, sales , brokering and remodeling , leasing of real estate, building management and condominium management

③Objectives of the business divestiture

To achieve synergy by utilizing mutual customer bases, business know-how and the ability to provide financing as well as reinforce the business by building a strategic alliance relationship with Tokyo Century Corporation and NIPPON TOCHI-TATEMONO Co., Ltd.

④Date of the business divestiture

July 1, 2018

⑤Other information on the business divestiture including the legal form thereof

(A)Legal form: A partial share transfer of Shinko Real Estate for which only cash were received as consideration

(B)Transfer price:¥73,403 million ($661,347 thousand)

(C)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 transfer :43,253 shares

(c)No. of shares held after transfer :14,147 shares (Ownership ratio of voting rights:25.0%)

Following the share transfer, Shinko Real Estate became an affiliated company of the company accounted for by the equity method.

(2) Outline of the accounting treatment applied

①Amount of transfer gain/loss:¥31,485 million（$283,676 thousand）

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

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2019	2019
Current assets	¥ 21,149	$ 190,549
Non-current assets	92,160	830,345
Total assets	¥ 113,308	$ 1,020,885
Current liabilities	41,722	375,908
Long-term liabilities	16,217	146,112
Total liabilities	¥ 57,939	$ 522,020

③Accounting treatment

The difference between the transfer price and book values of Shinko Real Estate's shares in the consolidated financial statements is recognized as "Gain on sale of investment securities" in Extraordinary income (loss).

(3) Reported segments including the divested business: Other Businesses

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

Net sales:¥8,571 million（$77,223 thousand）

Operating incomes:¥996 million（$8,973 thousand）

26. Consolidated Statements of Comprehensive Income

Other comprehensive income for the years ended March 31, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Unrealized gains (losses) on securities:			
Unrealized gains (losses) arising during the period	¥ **(12,241)**	¥ 6,018	$ **(110,286)**
Less: reclassification adjustment included in net income	**(1,010)**	(6,642)	**(9,107)**
	(13,251)	(624)	**(119,393)**
Tax benefit (expense)	**3,993**	146	**35,980**
	(9,258)	(477)	**(83,413)**
Unrealized losses on hedging derivatives:			
Unrealized losses arising during the period	**(5,217)**	(58)	**(47,005)**
Less: reclassification adjustment included in net income	**(121)**	(871)	**(1,094)**
Acquisition adjustment	**(77)**	(430)	**(690)**
	(5,415)	(1,359)	**(48,789)**
Tax benefit (expense)	**1,526**	337	**13,753**
	(3,889)	(1,022)	**(35,036)**
Foreign currency translation adjustments:			
Translation adjustments arising during the period	**(5,841)**	1,903	**(52,630)**
Less: reclassification adjustment included in net income	**-**	(3)	**-**
	(5,841)	1,900	**(52,630)**
Tax benefit (expense)	**-**	-	**-**
	(5,841)	1,900	**(52,630)**
Remeasurements of defined benefit plans:			
Unrealized gains (losses) arising during the period	**(5,208)**	3,209	**(46,920)**
Less: reclassification adjustment included in net income	**4,206**	2,066	**37,896**
	(1,002)	5,275	**(9,024)**
Tax benefit (expense)	**151**	(1,026)	**1,354**
	(851)	4,249	**(7,670)**
Share of other comprehensive income related to equity method companies:			
Unrealized gains (losses) arising during the period	**(3,359)**	1,510	**(30,263)**
Less: reclassification adjustment included in net income	**(547)**	58	**(4,929)**
	(3,906)	1,568	**(35,192)**
Other comprehensive income	¥ **(23,745)**	¥ 6,217	$ **(213,941)**

27. Consolidated Statements of Changes in Net Assets

Changes in the number of shares issued and outstanding during the years ended March 31, 2019 and 2018 were as follows:

	Number of shares
Common stock outstanding	
Balance at March 31, 2017	364,364,210
(No increase)	-
(No decrease)	-
Balance at March 31, 2018	364,364,210
(No increase)	-
(No decrease)	-
Balance at March 31, 2019	364,364,210

Changes in the number of treasury stock outstanding during the years ended March 31, 2019 and 2018 were as follows:

	Number of shares
Treasury stock outstanding	
Balance at March 31, 2017	2,108,414
Increase due to purchase of odd-lot stock	8,838
Decrease due to sale of odd-lot stock	(340)
Increase due to other reasons, net	1,095
Balance at March 31, 2018	2,118,007
Increase due to purchase of odd-lot stock	9,155
Decrease due to BBT	(69,100)
Decrease due to sale of odd-lot stock	(450)
Decrease due to other reasons, net	(1,667)
Balance at March 31, 2019	2,055,945

Amount of dividend payments during the year ended March 31, 2019 was as follows:

Decision	Kind of stock	Millions of yen / Thousands of U.S. dollars (Note 1) Total payments	Yen/ U.S. dollars (Note 1) Cash dividends per share	Record date	Operative date
At the Board of Directors' meeting held on May 16, 2018	Common stock	¥10,924 $98,424	¥30.0 $0.27	31-Mar-18	22-Jun-18
At the Board of Directors' meeting held on October 30, 2018	Common stock	¥3,641 $32,807	¥10.0 $0.09	30-Sep-18	3-Dec-18

Dividends for which the record date belongs to the year ended March 31, 2019, and the operative date is the year ending March 31, 2020 were as follows:

Decision	Kind of stock	Millions of yen / Thousands of U.S. dollars (Note 1) Total payments	Yen/ U.S. dollars (Note 1) Cash dividends per share	Record date	Operative date
At the Board of Directors' meeting held on May 15, 2019	Common stock	¥3,641 $32,807	¥10.0 $0.09	31-Mar-19	31-May-19

28. 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, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Cash and deposits in the consolidated balance sheets	¥ **173,900**	¥ 165,526	$ **1,566,805**
Time deposits due over three months	**(183)**	(258)	**(1,646)**
Certificate of deposits included in the securities account etc.,	**23,500**	-	**211,730**
Cash and cash equivalents in the consolidated statements of cash flows	¥ **197,217**	¥ 165,268	$ **1,776,889**

Amounts and breakdown of the assets and liabilities at the time of the commencement of consolidation associated with Shinko Wire Company, Ltd., Kobelco Spring Wire (Foshan) Co., Ltd. and the other nine companies into the scope of consolidation as a result of a share exchange of its shares and the net amount of receipt of subsidiary funds through the share exchange were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2019	**2019**
Current assets	¥ **24,039**	$ **216,585**
Fixed assets	**28,179**	**253,886**
Current liabilities	**(14,831)**	**(133,623)**
Long-term liabilities	**(11,087)**	**(99,896)**
Non-controlling interests	**(14,952)**	**(134,719)**
Gain on bargain purchase	**(7,273)**	**(65,526)**
Acquisition price up to the time of gaining control	**(2,617)**	**(23,577)**
Equity in loss on equity method until control acquisition	**(2,535)**	**(22,833)**
Loss on step acquisitions	**2,381**	**21,449**
Acquisition price of additional acquisition shares	¥ **1,304**	$ **11,746**
Cash and cash equivalents	**5,735**	**51,673**
Transfer price of shares of Tesac Wirerope Co., Ltd.	**(1,304)**	**(11,746)**
Deduction : Increase in cash and cash equivalents resulting in change in scope of consolidation	¥ **5,735**	$ **51,673**

Breakdown of assets and liabilities at the time of sale as Shinko Real Estate Co., Ltd. and four other companies ceased to be consolidated subsidiaries due to the sale of shares and the selling price of shares and proceeds from the sale of a shares of subsidiary accompanied by changes of scope of consolidation were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2019	**2019**
Current assets	¥ **21,149**	$ **190,546**
Fixed assets	**92,160**	**830,342**
Current liabilities	**(41,722)**	**(375,911)**
Long-term liabilities	**(16,217)**	**(146,115)**
Retained earnings	**(1,436)**	**(12,930)**
Investment account after sale of shares	**(12,408)**	**(111,786)**
Gain on sale of investment securities	**31,485**	**283,673**
Incidental expenses associated with the sale of shares	**392**	**3,529**
Selling price of shares	¥ **73,403**	$ **661,348**
Cash and cash equivalents	**(3,544)**	**(31,934)**
Incidental expenses associated with the sale of shares	**(392)**	**(3,529)**
Deduction : Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	¥ **69,467**	$ **625,885**

29. Related Party Transactions

Transactions of the Company with related parties for the year ended March 31, 2019 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 1.04% indirectly (21.55%)	Sales of our products	¥214,014 $1,928,229	Accounts receivable	¥14,037 $126,475
					Purchases of raw materials and materials for equipment	¥317,770 $2,863,053	Accounts payable	¥20,988 $189,096
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	¥76,113 $685,764	Accounts receivable	¥8,646 $77,901
					Purchases of coke	¥86,454 $778,934	Accounts payable	¥20,410 $183,894

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

					Millions of yen			
					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	Accounts receivable	¥13,584
					Purchases of raw materials and materials for equipment	¥324,706	Accounts payable	¥19,713
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	Accounts receivable	¥7,471
					Purchases of coke	¥87,758	Accounts payable	¥16,928

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

30. 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, 2019 and 2018 consisted of the following:

Defined Benefit Retirement Plans

(1) Changes in projected benefit obligation

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Balance at beginning of year	¥ 155,527	¥ 156,359	$ 1,401,270
Service costs / benefits earned during the year	11,223	10,516	101,116
Interest cost on projected benefit obligation	339	317	3,053
Actuarial differences arising during the period	(258)	16	(2,322)
Unrecognized prior service cost arising during the period	4	-	36
Amount of payment of retirement benefits	(11,172)	(11,684)	(100,661)
Increase (decrease) due to change in scope of consolidation	4,303	17	38,773
Other	(109)	(14)	(984)
Balance at end of year	¥ 159,857	¥ 155,527	$ 1,440,281

(2) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Balance at beginning of year	¥ 101,670	¥ 102,556	$ 916,027
Expected return on plan assets	314	307	2,831
Actuarial differences arising during the period	(5,433)	3,226	(48,947)
Amount of donation from employer	1,884	1,652	16,977
Amount of payment of retirement benefits	(4,068)	(6,098)	(36,648)
Increase (decrease) due to change in scope of consolidation	2,816	-	25,366
Other	(121)	27	(1,096)
Balance at end of year	¥ 97,062	¥ 101,670	$ 874,510

(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)
	2019	2018	2019
Funded projected benefit obligation	¥ 124,276	¥ 123,003	$ 1,119,707
Plan assets	(97,062)	(101,670)	(874,510)
	27,214	21,333	245,197
Unfunded projected benefit obligation	35,580	32,524	320,574
Net of defined benefit liability and asset	62,794	53,857	565,771
Net defined benefit liability	81,079	70,946	730,512
Net defined benefit asset	(18,285)	(17,089)	(164,741)
Net of defined benefit liability and asset	¥ 62,794	¥ 53,857	$ 565,771

(4) Breakdown of severance and retirement benefit expenses

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Service costs / benefits earned during the year	¥ 11,223	¥ 10,516	$ 101,116
Interest cost on projected benefit obligation	339	317	3,053
Expected return on plan assets	(314)	(307)	(2,831)
Amortization of actuarial differences	3,357	1,281	30,243
Amortization of prior service cost	822	785	7,403
Other	27	48	250
Severance and retirement benefit expenses on defined benefit retirement plans	¥ 15,454	¥ 12,640	$ 139,234

(5) Breakdown of remeasurements of defined benefit plans

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Prior service cost	¥ 818	¥ 782	$ 7,373
Actuarial differences	(1,820)	4,493	(16,397)
Total	¥ (1,002)	¥ 5,275	$ (9,024)

(6) Accumulated breakdown of remeasurements of defined benefit plans

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Unrecognized prior service cost	¥ 6,491	¥ 7,309	$ 58,479
Unrecognized actuarial differences	18,489	16,669	166,584
Total	¥ 24,980	¥ 23,978	$ 225,063

(7) Plan assets

(a) Breakdown of plan assets

	2019	2018
Stock	34 %	39 %
General account of insurance company	38	37
Bonds	22	21
Other	6	3
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, 2019 and 2018 were as follows:

	2019	2018
Discount rates	mainly 0.0%	mainly 0.0%
Long-term expected rate of return	mainly 0.3%	mainly 0.3%

31. 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, consisting of the six business units of the Company and its subsidiaries (Iron & Steel, Welding, Aluminum & Copper, Machinery, Engineering and Electric Power) and one business unit 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, 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, specialized base machines for civil engineering and foundation work and work vessels
Electric Power: power supply
Other: including 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 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Sales to outside customers:	Iron & Steel	¥ **723,240**	¥ 688,659	$ **6,516,259**
	Welding	**83,320**	79,959	**750,699**
	Aluminum & Copper	**358,332**	348,464	**3,228,509**
	Machinery	**161,272**	153,122	**1,453,038**
	Engineering	**149,370**	120,131	**1,345,794**
	Construction Machinery	**385,964**	364,501	**3,477,470**
	Electric	**76,129**	72,129	**685,908**
	Other Businesses	**32,676**	51,769	**294,404**
	Total sales to outside customers	¥ **1,970,303**	¥ 1,878,734	$ **17,752,081**
Intersegment sales:	Iron & Steel	¥ **30,714**	¥ 26,894	$ **276,730**
	Welding	**628**	626	**5,657**
	Aluminum & Copper	**721**	1,099	**6,496**
	Machinery	**10,216**	8,203	**92,041**
	Engineering	**2,384**	2,703	**21,479**
	Construction Machinery	**113**	85	**1,017**
	Electric Power	**-**	-	**-**
	Other Businesses	**9,388**	17,114	**84,584**
	Total intersegment sales	¥ **54,164**	¥ 56,724	$ **488,004**
Total sales:	Iron & Steel	¥ **753,954**	¥ 715,553	$ **6,792,989**
	Welding	**83,948**	80,585	**756,356**
	Aluminum & Copper	**359,053**	349,563	**3,235,005**
	Machinery	**171,488**	161,325	**1,545,079**
	Engineering	**151,754**	122,834	**1,367,273**
	Construction Machinery	**386,077**	364,586	**3,478,487**
	Electric Power	**76,129**	72,129	**685,908**
	Other Businesses	**42,064**	68,883	**378,988**
	Total segment sales	**2,024,467**	1,935,458	**18,240,085**
	Adjustment	**1,567**	2,423	**14,111**
	Elimination	**(54,164)**	(56,724)	**(488,004)**
	Consolidated net sales	¥ **1,971,870**	¥ 1,881,158	$ **17,766,192**
Segment income (loss):	Iron & Steel	¥ **4,734**	¥ 17,313	$ **42,651**
	Welding	**3,627**	4,918	**32,680**
	Aluminum & Copper	**(1,525)**	11,872	**(13,740)**
	Machinery	**1,207**	2,379	**10,879**
	Engineering	**6,564**	6,922	**59,141**
	Construction Machinery	**25,577**	21,991	**230,447**
	Electric Power	**(327)**	7,918	**(2,945)**
	Other Businesses	**2,339**	5,418	**21,063**
	Total segment income (loss)	**42,196**	78,732	**380,176**
	Adjustment	**(7,567)**	(7,583)	**(68,174)**
	Consolidated ordinary income	¥ **34,629**	¥ 71,149	$ **312,002**
Assets:	Iron & Steel	¥ **973,254**	¥ 937,539	$ **8,768,840**
	Welding	**78,543**	76,069	**707,655**
	Aluminum & Copper	**335,052**	324,982	**3,018,754**
	Machinery	**171,963**	182,128	**1,549,355**
	Engineering	**137,382**	109,340	**1,237,786**
	Construction Machinery	**358,700**	388,423	**3,231,819**
	Electric Power	**123,239**	107,179	**1,110,364**
	Other Businesses	**57,053**	146,117	**514,055**
	Total segment assets	**2,235,186**	2,271,777	**20,138,628**
	Adjustment	**149,787**	80,648	**1,349,552**
	Total	¥ **2,384,973**	¥ 2,352,425	$ **21,488,180**
Depreciation:	Iron & Steel	¥ **55,720**	¥ 52,828	$ **502,031**
	Welding	**2,244**	2,189	**20,221**
	Aluminum & Copper	**14,763**	13,764	**133,009**
	Machinery	**6,161**	5,620	**55,514**
	Engineering	**2,044**	1,981	**18,420**
	Construction Machinery	**12,338**	12,320	**111,167**
	Electric Power	**5,882**	8,833	**52,992**
	Other Businesses	**1,680**	2,955	**15,126**
	Total segment depreciation	**100,832**	100,492	**908,480**
	Adjustment	**1,758**	1,541	**15,836**
	Total	¥ **102,590**	¥ 102,032	$ **924,316**

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2019	2018	2019
Amortization of goodwill:	Iron & Steel	¥ -	¥ -	$ -
	Welding	73	24	661
	Aluminum & Copper	-	-	-
	Machinery	202	153	1,823
	Engineering	24	-	212
	Construction Machinery	-	-	-
	Electric Power	-	-	-
	Other Businesses	-	-	-
	Total segment amortization of goodwill	299	178	2,696
	Adjustment	447	-	4,028
	Total	¥ 746	¥ 178	$ 6,724
Interest income:	Iron & Steel	¥ 108	¥ 72	$ 973
	Welding	333	257	3,000
	Aluminum & Copper	175	144	1,573
	Machinery	20	63	177
	Engineering	455	341	4,096
	Construction Machinery	2,149	2,015	19,363
	Electric Power	6	1	56
	Other Businesses	10	24	95
	Total segment interest income	3,256	2,918	29,333
	Adjustment	(540)	(463)	(4,865)
	Total	¥ 2,716	¥ 2,456	$ 24,468
Interest expense:	Iron & Steel	¥ 3,605	¥ 3,364	$ 32,476
	Welding	19	16	174
	Aluminum & Copper	2,191	1,704	19,741
	Machinery	248	111	2,235
	Engineering	55	56	491
	Construction Machinery	3,276	5,758	29,519
	Electric Power	598	408	5,387
	Other Businesses	91	283	823
	Total segment interest expense	10,083	11,700	90,846
	Adjustment	(929)	604	(8,370)
	Total	¥ 9,154	¥ 12,304	$ 82,476
Equity in income (loss) of equity method companies:	Iron & Steel	¥ 3,725	¥ 4,303	$ 33,565
	Welding	36	(4)	328
	Aluminum & Copper	(297)	(266)	(2,674)
	Machinery	423	(238)	3,807
	Engineering	303	318	2,732
	Construction Machinery	82	63	739
	Electric Power	-	-	-
	Other Businesses	1,753	1,412	15,790
	Total segment equity in income (loss) of equity method companies	6,025	5,588	54,287
	Adjustment	(161)	(149)	(1,451)
	Total	¥ 5,864	¥ 5,439	$ 52,836
Investments in equity method companies:	Iron & Steel	¥ 53,929	¥ 59,201	$ 485,892
	Welding	1,322	1,296	11,915
	Aluminum & Copper	35,923	36,872	323,657
	Machinery	1,336	1,287	12,034
	Engineering	1,294	1,230	11,662
	Construction Machinery	252	316	2,271
	Electric Power	-	-	-
	Other Businesses	22,819	10,039	205,587
	Total segment investments in equity method companies	116,875	110,241	1,053,018
	Adjustment	(1,412)	(2,137)	(12,715)
	Total	¥ 115,463	¥ 108,104	$ 1,040,303
Capital expenditures:	Iron & Steel	¥ 58,811	¥ 67,574	$ 529,872
	Welding	2,382	2,329	21,464
	Aluminum & Copper	28,139	23,512	253,528
	Machinery	4,140	7,845	37,302
	Engineering	2,731	962	24,610
	Construction Machinery	13,532	11,377	121,917
	Electric Power	20,136	12,020	181,425
	Other Businesses	3,301	2,232	29,735
	Total segment capital expenditures	133,172	127,851	1,199,853
	Adjustment	300	803	2,702
	Total	¥ 133,472	¥ 128,654	$ 1,202,555

Notes:
Details about adjustments at March 31, 2019 and 2018 were as follows:

Segment sales

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

Segment income (loss)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Companywide profit (loss)	¥ (5,236)	¥ (5,194)	$ (47,178)
Other adjustments	(2,331)	(2,390)	(20,996)
Total	¥ (7,567)	¥ (7,584)	$ (68,174)

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		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Companywide assets	¥ 300,374	¥ 318,570	$ 2,706,313
Other adjustments	(150,587)	(237,923)	(1,356,761)
Total	¥ 149,787	¥ 80,647	$ 1,349,552

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		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Japan	¥ 1,255,709	¥ 1,232,630	$ 11,313,716
China	193,716	155,315	1,745,347
Others	522,445	493,212	4,707,129
Total	¥ 1,971,870	¥ 1,881,158	$ 17,766,192

(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		Thousands of U.S. dollars (Note 1)
		2019	2018	2019
Shinsho Corporation	Iron & Steel, etc.	¥ 275,602	¥ 267,617	$ 2,483,123

(3) Impairment Loss by Reportable Segments

		Millions of yen	Thousands of U.S. dollars (Note 1)
		2019	2019
Impairment loss	Iron & Steel	¥ 5,905	¥ 53,202
	Welding	-	-
	Aluminum & Copper	720	6,482
	Machinery	6,260	56,398
	Engineering	-	-
	Construction Machinery	84	761
	Electric Power	-	-
	Other	956	8,618
	Total segment impairment loss	13,925	125,461
	Adjustment	-	-
	Total	¥ 13,925	¥ 125,461

(4) Amortization and Balance of Goodwill by Reportable Segments

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2019	2018	2019
Amortization of goodwill	Iron & Steel	¥ -	¥ -	¥ -
	Welding	73	24	661
	Aluminum & Copper	-	-	-
	Machinery	202	153	1,823
	Engineering	24	-	212
	Construction Machinery	-	-	-
	Electric Power	-	-	-
	Other Businesses	-	-	-
	Total segment Amortization of goodwill	299	178	2,696
	Adjustment	447	-	4,028
	Total	746	178	6,724
Balance at the end of the period	Iron & Steel	-	-	-
	Welding	636	709	5,727
	Aluminum & Copper	-	-	-
	Machinery	-	1,966	-
	Engineering	447	-	4,029
	Construction Machinery	-	-	-
	Electric Power	-	-	-
	Other Businesses	-	-	-
	Total segment balance of goodwill	1,083	2,675	9,756
	Adjustment	(447)	-	(4,029)
	Total	¥ 636	¥ 2,675	¥ 5,727

(5) Gain from Negative Goodwill by Reportable Segments

By making Shinko Wire Company, Ltd. ("Shinko Wire"), Kobelco Spring Wire (Foshan) Co., Ltd., and 9 other companies subsidiaies of the Company through the acquisition of shares, the Company recognized ¥7,273 million ($65,526 thousand) of negative goodwill for the year ended March 31, 2019 in the Iron & Steel Segment.

No gain on negative goodwill was recognized for the year ended March 31, 2018.

32. Net Income Per Share

The basis of calculating net income per share for the years ended March 31, 2019 and 2018 was as follows:

		Millions of yen	Thousands of shares		Yen		U.S. dollars (Note 1)
		Net income attributable to owners of the parent	Weighted average number of shares		Net income per share		Net income per share
For the year ended March 31, 2019							
Net loss attributable to common stockholders	¥	**35,940**	**362,295**	¥	**99.20**	$	**0.89**
For the year ended March 31, 2018							
Net loss attributable to common stockholders	¥	63,188	362,250	¥	174.43	$	1.57

33. Additional Information

Introduction of Board Benefit Trust for Directors (BBT)

The Company introduced a 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 (excluding amounts for incidental expenses).

The corresponding treasury stock's book value was ¥1,037 million ($9,343 thousand) for 1,154 thousand shares for the year ended March 31, 2019 and ¥1,099 million for 1,223 thousand shares for the year ended March 31, 2018.

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, 2019 and 2018, 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, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

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 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.

Our opinion is not modified in respect of this matter.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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 20, 2019
Osaka, Japan