

Consolidated Balance Sheets

Kobe Steel, Ltd. and Consolidated Subsidiaries

At March 31, 2025 and 2024

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Current assets			
Cash and deposits (Note 27)	¥ 220,122	¥ 278,844	\$ 1,472,192
Notes receivable - trade	22,492	29,485	150,434
Accounts receivable - trade	346,900	343,663	2,320,097
Contract assets (Note 24)	35,039	37,077	234,347
Merchandise and finished goods	265,939	273,677	1,778,623
Work in process (Note 8)	172,738	160,420	1,155,288
Raw materials and supplies	283,426	276,552	1,895,578
Other	75,030	70,183	501,810
Allowance for doubtful accounts	(5,435)	(4,165)	(36,351)
Total current assets	1,416,256	1,465,737	9,472,020
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	286,849	282,093	1,918,470
Machinery, equipment and vehicles, net	535,498	558,045	3,581,447
Tools, furniture and fixtures, net	16,978	15,055	113,550
Land (Note 9)	166,797	136,138	1,115,550
Construction in progress	41,004	43,080	274,242
Total property, plant and equipment	1,047,127	1,034,413	7,003,261
Intangible assets			
Software	37,572	25,273	251,288
Other	12,597	14,003	84,256
Total intangible assets	50,170	39,276	335,545
Investments and other assets			
Investment securities (Note 5)	214,144	245,023	1,432,209
Long-term loans receivable	1,990	3,223	13,311
Deferred tax assets (Note 22)	48,040	36,282	321,301
Retirement benefit asset (Note 29)	27,147	22,263	181,561
Other	108,174	94,905	723,480
Allowance for doubtful accounts	(21,998)	(21,351)	(147,130)
Total investments and other assets	377,498	380,346	2,524,734
Total non-current assets	1,474,796	1,454,036	9,863,540
Total assets	¥ 2,891,053	¥ 2,919,774	\$ 19,335,560

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Current liabilities			
Notes and accounts payable - trade	¥ 365,655	¥ 477,198	\$ 2,445,529
Short-term borrowings (Note 7)	190,327	165,943	1,272,922
Current portion of bonds payable (Note 7)	35,000	-	234,082
Lease liabilities (Note 7)	31,846	10,029	212,990
Accounts payable - other	50,553	65,119	338,108
Income taxes payable	10,630	43,133	71,097
Contract liabilities (Note 24)	75,541	67,502	505,228
Provision for bonuses	27,576	26,544	184,435
Provision for product warranties	20,527	18,209	137,287
Provision for loss on construction contracts (Note 8)	6,080	5,994	40,668
Provision for dismantlement related expenses	1,227	1,989	8,210
Provision for loss on joint venture agreement	138	-	927
Other	99,445	107,344	665,095
Total current liabilities	914,551	989,010	6,116,584
Non-current liabilities			
Bonds payable (Note 7)	130,000	115,000	869,448
Long-term borrowings (Note 7)	479,192	542,486	3,204,870
Lease liabilities (Note 7)	19,966	40,045	133,536
Deferred tax liabilities (Note 22)	11,245	3,674	75,212
Deferred tax liabilities for land revaluation (Note 22)	3,256	3,253	21,776
Retirement benefit liability (Note 29)	58,187	65,615	389,161
Provision for dismantlement related expenses	10,119	-	67,683
Provision for loss on joint venture agreement	7,553	9,245	50,517
Other	19,920	24,097	133,227
Total non-current liabilities	739,441	803,417	4,945,434
Total liabilities	1,653,993	1,792,427	11,062,018
Net assets			
Shareholders' equity			
Share capital (Notes 13)	250,930	250,930	1,678,237
Capital surplus (Note 13)	119,861	116,325	801,643
Retained earnings (Note 13)	632,946	548,951	4,233,186
Treasury shares (Note 26)	(2,010)	(1,847)	(13,443)
Total shareholders' equity	1,001,727	914,360	6,699,624
Accumulated other comprehensive income (Note 25)			
Valuation difference on available-for-sale securities	47,885	70,610	320,258
Deferred gains or losses on hedges	(743)	(6,911)	(4,975)
Revaluation reserve for land (Note 9)	4,958	4,707	33,164
Foreign currency translation adjustment	69,485	45,950	464,723
Remeasurements of defined benefit plans	38,483	27,845	257,382
Total accumulated other comprehensive income	160,069	142,202	1,070,553
Non-controlling interests	75,262	70,784	503,363
Total net assets	1,237,059	1,127,346	8,273,541
Total liabilities and net assets	¥ 2,891,053	¥ 2,919,774	\$ 19,335,560

See accompanying notes.

Consolidated Statements of Income

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net sales (Notes 14 and 24)	¥ 2,555,031	¥ 2,543,142	\$ 17,088,227
Cost of sales (Note 15 and 16)	(2,131,813)	(2,107,149)	(14,257,712)
Gross profit	423,218	435,992	2,830,515
Selling, general and administrative expenses (Note 17)			
Transportation costs	(62,275)	(63,447)	(416,503)
Salaries and allowances	(57,501)	(50,939)	(384,571)
Research and development expenses (Note 16)	(25,121)	(23,422)	(168,014)
Other	(119,598)	(111,554)	(799,885)
Total selling, general and administrative expenses	(264,496)	(249,364)	(1,768,973)
Operating profit	158,721	186,628	1,061,541
Non-operating income			
Interest income	2,630	2,856	17,591
Dividend income	5,155	4,623	34,479
Seconded employees' reimbursement	3,211	2,963	21,477
Foreign exchange gains	-	5,220	-
Share of profit of entities accounted for using equity method	11,774	-	78,746
Compensation income	15,086	1,637	100,899
Other	12,365	13,236	82,700
Total non-operating income	50,223	30,538	335,895
Non-operating expenses			
Interest expenses	(13,911)	(14,640)	(93,042)
Seconded employees' salaries	(9,731)	(9,151)	(65,086)
Foreign exchange losses	(4,080)	-	(27,287)
Share of loss of entities accounted for using equity method	-	(9,148)	-
Dismantlement expenses	(8,744)	(9,873)	(58,485)
Other (Note 5)	(15,283)	(13,430)	(102,219)
Total non-operating expenses	(51,752)	(56,243)	(346,121)
Ordinary profit	157,192	160,923	1,051,315
Extraordinary income			
Gain on bargain purchase (Note 23,30)	16,708	-	111,746
Gain on sale of non-current assets (Note 18)	5,459	29,379	36,515
Gain on step acquisitions	313	-	2,094
Total extraordinary income	22,481	29,379	150,356
Extraordinary losses			
Impairment losses (Note 19)	(27,401)	(18,783)	(183,261)
Dismantlement related expenses (Note 20)	(11,180)	-	(74,776)
Provision for loss on joint venture agreement (Note 21)	-	(9,245)	-
Total extraordinary losses	(38,581)	(28,029)	(258,038)
Profit before income taxes	141,091	162,274	943,632
Income taxes (Note 22)			
Income taxes - current	(34,150)	(54,791)	(228,401)
Income taxes - deferred	13,858	9,000	92,683
Total income taxes	(20,292)	(45,790)	(135,717)
Profit	120,799	116,483	807,914
Profit attributable to non-controlling interests	618	6,931	4,137
Profit attributable to owners of parent	¥ 120,180	¥ 109,552	\$ 803,777

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)			
	2025	2024	2025			
Profit	¥	120,799	¥	116,483	\$	807,914
Other comprehensive income						
Valuation difference on available-for-sale securities		(21,709)		33,143		(145,197)
Deferred gains or losses on hedges		6,165		172		41,235
Revaluation reserve for land		(92)		2,538		(621)
Foreign currency translation adjustment		25,697		12,502		171,867
Remeasurements of defined benefit plans, net of tax		10,900		9,123		72,905
Share of other comprehensive income of entities accounted for using equity method		(1,070)		5,411		(7,161)
Total other comprehensive income (Note 25)		19,890		62,890		133,027
Comprehensive income	¥	140,689	¥	179,374	\$	940,941
Comprehensive income						
Comprehensive income attributable to owners of parent	¥	137,704	¥	170,428	\$	920,977
Comprehensive income attributable to non-controlling interests		2,985		8,945		19,964

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2025 and 2024

	Millions of yen			
	Share capital (Notes 13)	Capital surplus (Note 13)	Retained earnings (Note 13)	Treasury shares (Note 26)
Balance at April 1, 2023	¥ 250,930	¥ 116,430	¥ 472,757	¥ (1,879)
Dividends of surplus			(27,725)	
Profit attributable to owners of parent			109,552	
Purchase of treasury shares				(14)
Disposal of treasury shares			(0)	48
Change in ownership interest of parent due to transactions with non-controlling interests		(104)		
Change of scope of consolidation and equity method			(4)	
Change in treasury shares arising from change in equity in entities accounted for using equity method				(2)
Reversal of revaluation reserve for land			(5,628)	
Net changes in items other than shareholders' equity				
Total changes during period	-	(104)	76,193	32
Balance at April 1, 2024	¥ 250,930	¥ 116,325	¥ 548,951	¥ (1,847)
Dividends of surplus			(35,646)	
Profit attributable to owners of parent			120,180	
Purchase of treasury shares				(800)
Disposal of treasury shares			(0)	156
Change in ownership interest of parent due to transactions with non-controlling interests		3,407		
Change of scope of consolidation and equity method			(196)	
Change in shares of parent owned by consolidated subsidiaries and entities accounted for using equity method		128		481
Reversal of revaluation reserve for land			(343)	
Net changes in items other than shareholders' equity				
Total changes during period	-	3,536	83,994	(162)
Balance at March 31, 2025	¥ 250,930	¥ 119,861	¥ 632,946	¥ (2,010)

Millions of yen

	Valuation difference on available-for-sale securities (Note 25)	Deferred gains or losses on hedges (Note 25)	Revaluation reserve for land (Notes 9 and 25)	Foreign currency translation adjustment (Note 25)	Remeasurements of defined benefit plans (Note 25)	Non-controlling interests	Total
Balance at April 1, 2023	¥ 34,877	¥ (7,082)	¥ (3,400)	¥ 32,562	¥ 18,760	¥ 63,696	¥ 977,653
Dividends of surplus							(27,725)
Profit attributable to owners of parent							109,552
Purchase of treasury shares							(14)
Disposal of treasury shares							48
Change in ownership interest of parent due to transactions with non-controlling interests							(104)
Change of scope of consolidation and equity method							(4)
Change in treasury shares arising from change in equity in entities accounted for using equity method							(2)
Reversal of revaluation reserve for land							(5,628)
Net changes in items other than shareholders' equity	35,732	171	8,107	13,387	9,084	7,087	73,572
Total changes during period	35,732	171	8,107	13,387	9,084	7,087	149,693
Balance at April 1, 2024	¥ 70,610	¥ (6,911)	¥ 4,707	¥ 45,950	¥ 27,845	¥ 70,784	¥ 1,127,346
Dividends of surplus							(35,646)
Profit attributable to owners of parent							120,180
Purchase of treasury shares							(800)
Disposal of treasury shares							156
Change in ownership interest of parent due to transactions with non-controlling interests							3,407
Change of scope of consolidation and equity method							(196)
Change in shares of parent owned by consolidated subsidiaries and entities accounted for using equity method							609
Reversal of revaluation reserve for land							(343)
Net changes in items other than shareholders' equity	(22,725)	6,167	251	23,534	10,638	4,478	22,345
Total changes during period	(22,725)	6,167	251	23,534	10,638	4,478	109,713
Balance at March 31, 2025	¥ 47,885	¥ (743)	¥ 4,958	¥ 69,485	¥ 38,483	¥ 75,262	¥ 1,237,059

Thousands of U.S. dollars (Note 1)

	Share capital (Notes 13)	Capital surplus (Note 13)	Retained earnings (Note 13)	Treasury shares (Note 26)
Balance at April 1, 2024	\$ 1,678,237	\$ 777,994	\$ 3,671,426	\$ (12,354)
Dividends of surplus			(238,406)	
Profit attributable to owners of parent			803,777	
Purchase of treasury shares				(5,356)
Disposal of treasury shares			(1)	1,049
Change in ownership interest of parent due to transactions with non-controlling interests		22,792		
Change of scope of consolidation and equity method			(1,314)	
Change in shares of parent owned by consolidated subsidiaries and entities accounted for using equity method		856		3,218
Reversal of revaluation reserve for land			(2,294)	
Net changes in items other than shareholders' equity				
Total changes during period	-	23,649	561,760	(1,088)
Balance at March 31, 2025	\$ 1,678,237	\$ 801,643	\$ 4,233,186	\$ (13,443)

Thousands of U.S. dollars (Note 1)

	Valuation difference on available-for-sale securities (Note 25)	Deferred gains or losses on hedges (Note 25)	Revaluation reserve for land (Notes 9 and 25)	Foreign currency translation adjustment (Note 25)	Remeasurements of defined benefit plans (Note 25)	Non-controlling interests	Total
Balance at April 1, 2024	\$ 472,245	\$ (46,221)	\$ 31,481	\$ 307,320	\$ 186,233	\$ 473,409	\$ 7,539,771
Dividends of surplus							(238,406)
Profit attributable to owners of parent							803,777
Purchase of treasury shares							(5,356)
Disposal of treasury shares							1,048
Change in ownership interest of parent due to transactions with non-controlling interests							22,792
Change of scope of consolidation and equity method							(1,314)
Change in shares of parent owned by consolidated subsidiaries and entities accounted for using equity method							4,074
Reversal of revaluation reserve for land							(2,294)
Net changes in items other than shareholders' equity	(151,986)	41,246	1,682	157,402	71,149	29,954	149,448
Total changes during period	(151,986)	41,246	1,682	157,402	71,149	29,954	733,769
Balance at March 31, 2025	\$ 320,258	\$ (4,975)	\$ 33,164	\$ 464,723	\$ 257,382	\$ 503,363	\$ 8,273,541

See accompanying notes.

Consolidated Statements of Cash Flows

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Cash flows from operating activities:			
Profit before income taxes	¥ 141,091	¥ 162,274	\$ 943,632
Depreciation	122,439	119,084	818,882
Gain on bargain purchase	(16,708)	-	(111,746)
Loss (gain) on step acquisitions	(313)	-	(2,094)
Increase (decrease) in provision for dismantlement related expenses	9,357	530	62,584
Increase (decrease) in provision for loss on joint venture agreement	(1,553)	9,245	(10,388)
Increase (decrease) in retirement benefit liability	8,417	7,375	56,293
Interest and dividend income	(7,785)	(7,479)	(52,071)
Interest expenses	13,911	14,640	93,042
Loss (gain) on sale of investment securities	(2,429)	(2,940)	(16,251)
Share of loss (profit) of entities accounted for using equity method	(11,774)	9,148	(78,746)
Loss (gain) on sale of property, plant and equipment	(5,111)	(29,313)	(34,186)
Loss on retirement of property, plant and equipment	3,763	2,172	25,172
Impairment losses	27,401	18,783	183,261
Decrease (increase) in trade receivables	25,686	35,686	171,794
Net decrease (increase) in lease receivables and investments in leases	322	4,649	2,159
Decrease (increase) in inventories	(11,201)	1,116	(74,919)
Increase (decrease) in trade payables	(84,330)	(142,760)	(564,009)
Increase (decrease) in accrued consumption taxes	(12,719)	21,766	(85,069)
Decrease (increase) in accounts receivable-other	4,844	5,818	32,398
Increase (decrease) in deposits received	14,284	(8,111)	95,538
Other, net	(5,058)	5,938	(33,829)
Subtotal	212,534	227,622	1,421,448
Interest and dividends received	17,908	17,399	119,775
Interest paid	(13,872)	(14,617)	(92,780)
Income taxes paid	(68,309)	(25,120)	(456,857)
Net cash provided by (used in) operating activities	148,261	205,284	991,584
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets	(113,266)	(94,865)	(757,533)
Proceeds from sale of property, plant and equipment and intangible assets	4,898	34,964	32,761
Purchase of investment securities	(4,731)	(520)	(31,646)
Proceeds from sale of investment securities	2,289	4,249	15,311
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 27)	(7,352)	-	(49,171)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	187	-
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	637	-	4,263
Decrease (increase) in short-term loans receivable	(505)	28	(3,378)
Long-term loan advances	(178)	(799)	(1,191)
Proceeds from collection of long-term loans receivable	4,545	615	30,400
Other, net	(210)	2,415	(1,409)
Net cash provided by (used in) investing activities	¥ (113,873)	¥ (53,724)	\$ (761,594)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	¥ (49,091)	¥ 8,080	\$ (328,325)
Proceeds from long-term borrowings	73,735	15,600	493,144
Repayments of long-term borrowings	(126,101)	(137,035)	(843,374)
Proceeds from issuance of bonds	50,000	70,000	334,403
Redemption of bonds	-	(900)	-
Repayments of finance lease liabilities	(8,822)	(8,948)	(59,006)
Purchase of treasury shares	(801)	(14)	(5,359)
Dividends paid	(35,568)	(27,694)	(237,881)
Dividends paid to non-controlling interests	(2,546)	(1,288)	(17,032)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	-	112	-
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(2,647)	-	(17,708)
Purchase of interests in subsidiaries not resulting in change in scope of consolidation	-	(1,503)	-
Proceeds from disposal of treasury shares of subsidiaries	1,922	-	12,860
Other, net	3,693	2,378	24,701
Net cash provided by (used in) financing activities	(96,227)	(81,213)	(643,579)
Effect of exchange rate change on cash and cash equivalents	7,844	4,846	52,464
Net increase (decrease) in cash and cash equivalents	(53,995)	75,192	(361,124)
Cash and cash equivalents at beginning of period	278,728	203,394	1,864,156
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(4,860)	141	(32,508)
Cash and cash equivalents at end of period (Note 27)	¥ 219,872	¥ 278,728	\$ 1,470,523

See accompanying notes.

Notes to Consolidated Financial Statements

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2025 and 2024

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, 2025, which was ¥149.52 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, 2025, the accounts of 169 (173 in 2024) subsidiaries have been included in the consolidated financial statements. Intercompany transactions and accounts have been eliminated.

77 (77 in 2024) 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, 2025, 35 (32 in 2024) 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 otherwise, over five years when it cannot. When the difference is immaterial, it is recognized as expense when incurred.

(2) Securities

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

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

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

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

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

(3) Derivatives

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

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

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

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

(4) Inventories

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

(5) Depreciation and amortization method of significant depreciable assets

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

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

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

(6) Allowance for Doubtful Accounts

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

(7) Provision for bonuses

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

(8) Provision for product warranties

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

(9) Provision for Loss on Construction Contracts

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

(10) Provision for dismantlement related expenses

In relation to the dismantlement and removal of equipment at the Kakogawa Works to secure land for the transformation of the production structure, provision is made based on the estimated expenses expected to arise therefrom at the end of the year.

(11) Provision for loss on joint venture agreement

To expand the automotive aluminum panel business in China and respond to the CO₂ reduction needs of automakers, Kobelco Baosteel Automotive Aluminum Rolled Products Co., Ltd., a joint venture with Baoshan Iron & Steel Co., Ltd. and Baowu Aluminum Technology Co., Ltd., was established in January 2025.

The Group is advancing a shift to a business model that completes the entire process from procurement of base material to manufacturing and sales of aluminum panels within China. Accordingly, the volume of base material purchased from Ulsan Aluminum, Ltd. is expected to decrease. However, under the joint venture agreement with Novelis Korea Ltd., the Group is obliged to bear a certain proportion of the amount equivalent to fixed costs regardless of the purchase volume of the base material. As it is expected that the fixed costs would exceed the amount commensurate with the purchase volume, provision is made based on an estimated amount of such excess at the end of the year.

(12) Employees' Severance and Retirement Benefits

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

Prior service costs are primarily amortized using the straight-line method over a certain number of years within the average remaining service period of employees when the costs arise.

Actuarial differences are primarily allocated using the straight-line method over a certain number of years within the average remaining service period of employees when the differences arise, and are recognized as expenses from the fiscal year following the year in which they arise.

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

(13) Basis for recognition of revenue and expenses

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

Step 1: Identify a contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when or as the performance obligations are satisfied

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

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

(a) Performance obligations satisfied at a point in time

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

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

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

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

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

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

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

(15) Principal method for hedge accounting**A. Method for hedge accounting**

Deferred hedge method is applied.

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

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

B. Hedging instruments and hedged items**(a) Hedging instruments**

Foreign currency exchange contracts, interest rate swap contracts, commodity forward contracts, and non-deliverable forward (NDF)

(b) Hedged items

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

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

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

The Company assesses the hedge effectiveness based on its internal rules, which are in accordance with Japanese GAAP.

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

(16) Method for amortization of goodwill

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

(17) Cash and Cash Equivalents

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

(18) Method for recording deferred assets

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

(19) Reclassifications

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

(20) Significant accounting estimates

Impairment of long-lived assets

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

The Group recorded impairment loss of ¥27,401 million (\$183,261 thousand) for the year ended March 31, 2025 and ¥18,783 million for the year ended March 31, 2024, respectively and the breakdown is described in Note 19 Impairment Loss.

The total carrying amount of long-lived assets was ¥1,097,298 million (\$7,338,806 thousand), which consisted of ¥1,047,127 million (\$7,003,261 thousand) for property, plant and equipment and ¥50,170 million (\$335,545 thousand) for intangible assets, at March 31, 2025 and ¥1,073,689 million, which consisted of ¥1,034,413 million for property, plant and equipment and ¥39,276 million for intangible assets, at March 31, 2024. There were multiple asset groups for which the Group did not recognize impairment losses despite the existence of impairment indicators. The main asset group to which this applies was as follows.

< Aluminum rolled products >

The Group determined that there was an indicator of impairment for long-lived assets used in the businesses of the Company's aluminum rolled products as operating losses have persisted, mainly due to delays in sales expansion of materials for beverage can stock and automotive aluminum panels along with a delay in passing on procurement cost increases to sales prices. In the future business plans, the Group has incorporated key assumptions, including increased sales volume resulting from expanded sales and growth of market size as well as cost reductions through promotion of business restructuring. The undiscounted future cash flows estimated based on business plans formulated under these assumptions exceeded the book value of the long-lived assets of ¥38,001 million (\$254,156 thousand), which consist of ¥34,984 million (\$233,976 thousand) for property, plant and equipment and ¥3,017 million (\$20,179 thousand) for intangible assets, at March 31, 2025 and ¥41,861 million, which consist of ¥39,994 million for property, plant and equipment and ¥1,867 million for intangible assets, at March 31, 2024. Therefore, the Group did not recognize an impairment loss. If there are significant changes to the assumptions for these estimates, such as a large divergence between the assumptions set when the estimates were made and the actual results, and future cash flows underperform as a result, the Group may recognize an impairment loss in the following consolidated fiscal year.

(21) Accounting standards issued but not yet effective

(Accounting Standards for Leases)

Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024) and Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Overview

As part of efforts by the Accounting Standards Board of Japan (ASBJ) to align Japanese accounting standards with international standards, a new lease accounting standard has been developed that requires lessees to recognize assets and liabilities for all leases.

This standard is based on a single accounting model similar to IFRS 16, but instead of adopting all provisions of IFRS 16, it incorporates only the key requirements. The aim is to establish a simplified and user-friendly lease accounting standard that enables the use of IFRS 16 in individual financial statements without requiring significant adjustments. Under this standard, lessees are required to apply a single accounting model in which depreciation of right-of-use assets and interest expense on lease liabilities are recognized for all leases, regardless of whether they are classified as finance leases or operating leases, consistent with IFRS 16.

(2) Scheduled Date of Application

The standard is scheduled to be effective from the beginning of the fiscal year ending March 31, 2028.

(3) Impact of the Application of the Standard

The impact of applying the "Accounting Standard for Leases" and related guidance on the consolidated financial statements is currently under evaluation.

3. Leases

Operating Leases

Future minimum lease payments as lessee under operating leases at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Due within one year	¥ 4,366	¥ 4,231	\$ 29,204
Due after one year	28,293	28,556	189,230
	¥ 32,660	¥ 32,788	\$ 218,435

Future minimum lease fees receivable as lessor under operating leases at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Due within one year	¥ 38	¥ 37	\$ 258
Due after one year	171	119	1,148
	¥ 210	¥ 157	\$ 1,406

4. Financial Instruments

Policies for Using Financial Instruments

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

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

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

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

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

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

Supplemental Information on Fair Values

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

Fair Value of Financial Instruments

The carrying amounts of the financial instruments included in the consolidated balance sheets and their fair values at March 31, 2025 and 2024 were as follows:

	Millions of yen						Thousands of	
	2025			2024			U.S. dollars	
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	(Note 1)	
							2025	
							Difference	
(1) Investments in securities:								
① Shares of subsidiaries and associates	¥ 7,966	¥ 7,127	¥ (838)	¥ 7,646	¥ 8,861	¥ 1,214	\$ (5,606)	
② Available-for-sale securities	114,502	114,502	-	144,565	144,565	-	-	
(2) Short-term borrowings	(190,327)	(190,442)	(114)	(165,943)	(166,109)	(165)	(767)	
(3) Current portion of bonds payable	(35,000)	(35,004)	(4)	-	-	-	(26)	
(4) Lease liabilities(short-term liabilities)	(31,846)	(31,682)	163	(10,029)	(9,977)	51	1,095	
(5) Bonds payable	(130,000)	(129,697)	302	(115,000)	(121,000)	(6,000)	2,023	
(6) Long-term borrowings	(479,192)	(475,399)	3,792	(542,486)	(545,271)	(2,785)	25,366	
(7) Lease liabilities(long-term liabilities)	(19,966)	(19,129)	836	(40,045)	(39,185)	859	5,594	
(8) Derivative transactions:								
① Hedge accounting not applied	(1,933)	(1,933)	-	(5,774)	(5,774)	-	-	
② Hedge accounting applied	(1,201)	(1,201)	-	(9,834)	(9,834)	-	-	

Notes:

- "Cash and deposits" is omitted as it is cash and the carrying amounts approximate fair values because of the short maturities of deposits.
- "Notes - trade", "Accounts receivable - trade", "Notes and accounts payable - trade" and "Accounts payable - other" are omitted as the carrying amounts approximate fair values because of the short maturities of these instruments.
- Liabilities are presented with parentheses ().
- Assets and liabilities arising from derivative transactions are presented after offsetting and with parentheses () if the offset results in a liability.
- Financial instruments without fair values at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars (Note 1)
			2025
Non-listed equity securities	¥ 91,675	¥ 92,811	\$ 613,131

The aggregate annual maturities of financial assets at March 31, 2025 and 2024 were as follows:

Cash and deposits

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Due within 1 year	¥ 220,122	¥ 278,844	\$ 1,472,192
Due after 1 year through 5 years	-	-	-
Due after 5 years through 10 years	-	-	-
Due after 10 years	-	-	-
	¥ 220,122	¥ 278,844	\$ 1,472,192

Notes receivable - trade

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Due within 1 year	¥ 22,492	¥ 29,422	\$ 150,428
Due after 1 year through 5 years	0	62	5
Due after 5 years through 10 years	-	-	-
Due after 10 years	-	-	-
	¥ 22,492	¥ 29,485	\$ 150,434

Accounts receivable - trade

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Due within 1 year	¥ 337,291	¥ 338,410	\$ 2,255,831
Due after 1 year through 5 years	9,608	5,252	64,265
Due after 5 years through 10 years	-	-	-
Due after 10 years	-	-	-
	¥ 346,900	¥ 343,663	\$ 2,320,096

The aggregate annual maturities of financial liabilities at March 31, 2025 and 2024 were as follows:

Short-term borrowings

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Due within 1 year	¥ 48,180	¥ 42,683	\$ 322,235
Due after 1 year through 2 years	-	-	-
Due after 2 years through 3 years	-	-	-
Due after 3 years through 4 years	-	-	-
Due after 4 years through 5 years	-	-	-
Due after 5 years	-	-	-
	¥ 48,180	¥ 42,683	\$ 322,235

Bonds payable

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Due within 1 year	¥ 35,000	¥ -	\$ 234,082
Due after 1 year through 2 years	10,000	35,000	66,880
Due after 2 years through 3 years	22,000	10,000	147,137
Due after 3 years through 4 years	37,000	-	247,458
Due after 4 years through 5 years	18,000	37,000	120,385
Due after 5 years	43,000	33,000	287,586
	¥ 165,000	¥ 115,000	\$ 1,103,531

Long-term borrowings

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Due within 1 year	¥ 142,146	¥ 123,260	\$ 950,686
Due after 1 year through 2 years	107,146	138,435	716,601
Due after 2 years through 3 years	99,101	105,569	662,800
Due after 3 years through 4 years	85,559	62,417	572,230
Due after 4 years through 5 years	75,890	80,631	507,559
Due after 5 years	111,493	155,432	745,679
	¥ 621,338	¥ 665,747	\$ 4,155,556

Lease liabilities

	Millions of yen		Thousands of
	2025	2024	U.S. dollars (Note 1)
Due within 1 year	¥ 31,846	¥ 10,029	\$ 212,990
Due after 1 year through 2 years	5,465	30,696	36,551
Due after 2 years through 3 years	3,980	2,911	26,619
Due after 3 years through 4 years	2,860	2,042	19,132
Due after 4 years through 5 years	2,873	1,979	19,218
Due after 5 years	4,786	2,415	32,015
	¥ 51,812	¥ 50,074	\$ 346,527

Other interest bearing debt

	Millions of yen		Thousands of
	2025	2024	U.S. dollars (Note 1)
Due within 1 year	¥ 20,035	¥ 25,172	\$ 133,998
Due after 1 year through 2 years	891	321	5,964
Due after 2 years through 3 years	688	246	4,604
Due after 3 years through 4 years	486	173	3,252
Due after 4 years through 5 years	216	75	1,447
Due after 5 years	33	6	222
	¥ 22,351	¥ 25,996	\$ 149,490

Fair value information by level within the fair value hierarchy

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

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

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

Level 3 fair value: Fair value measured using unobservable inputs

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

Financial instruments measured at fair value in the consolidated balance sheets at March 31, 2025 and 2024 were as follows:

(1) Investments in securities:**② Available-for-sale securities**

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025	2024	2025	
Level 1	¥ 114,502	¥ 144,565	\$ 765,799	
Level 2	-	-	-	
Level 3	-	-	-	
	¥ 114,502	¥ 144,565	\$ 765,799	

(8) Derivative transactions:**① Hedge accounting not applied**

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025	2024	2025	
Level 1	¥ -	¥ -	\$ -	
Level 2	(1,933)	(5,774)	(12,932)	
Level 3	-	-	-	
	¥ (1,933)	¥ (5,774)	\$ (12,932)	

(8) Derivative transactions:**② Hedge accounting applied**

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025	2024	2025	
Level 1	¥ -	¥ -	\$ -	
Level 2	(1,201)	(9,834)	(8,032)	
Level 3	-	-	-	
	¥ (1,201)	¥ (9,834)	\$ (8,032)	

Financial instruments other than those measured at fair value in the consolidated balance sheets at March 31, 2025 and 2024 were as follows:

(1) Investments in securities:

① **Shares of subsidiaries and associates**

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025	2024	2025	
Level 1	¥ 7,127	¥ 8,861	\$	47,672
Level 2	-	-		-
Level 3	-	-		-
	¥ 7,127	¥ 8,861	\$	47,672

(2) Short-term borrowings

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025	2024	2025	
Level 1	¥ -	¥ -	\$	-
Level 2	(190,442)	(166,109)		(1,273,690)
Level 3	-	-		-
	¥ (190,442)	¥ (166,109)	\$	(1,273,690)

(3) Current portion of bonds payable

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025	2024	2025	
Level 1	¥ -	¥ -	\$	-
Level 2	(35,004)	-		(234,109)
Level 3	-	-		-
	¥ (35,004)	¥ -	\$	(234,109)

(4) Lease liabilities (short-term liabilities)

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025	2024	2025	
Level 1	¥ -	¥ -	\$	-
Level 2	(31,682)	(9,977)		(211,894)
Level 3	-	-		-
	¥ (31,682)	¥ (9,977)	\$	(211,894)

(5) Bonds payable

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025	2024	2025	
Level 1	¥ -	¥ -	\$	-
Level 2	(129,697)	(121,000)		(867,425)
Level 3	-	-		-
	¥ (129,697)	¥ (121,000)	\$	(867,425)

(6) Long-term borrowings

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Level 1	¥ -	¥ -	\$ -
Level 2	(475,399)	(545,271)	(3,179,503)
Level 3	-	-	-
	¥ (475,399)	¥ (545,271)	\$ (3,179,503)

(7) Lease liabilities (long-term liabilities)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Level 1	¥ -	¥ -	\$ -
Level 2	(19,129)	(39,185)	(127,942)
Level 3	-	-	-
	¥ (19,129)	¥ (39,185)	\$ (127,942)

Note:

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

Investments in securities

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

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

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

Bonds and notes due within one year and bonds and notes

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

Derivative transactions

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

5. Securities

The following tables summarize available-for-sale securities at March 31, 2025 and 2024.

	Millions of yen						Thousands of U.S. dollars (Note 1)	
	2025			2024			2025	
	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	¥ 113,016	¥ 47,495	¥ 65,521	¥ 143,077	¥ 47,594	¥ 95,482	\$ 438,210	
Subtotal	113,016	47,495	65,521	143,077	47,594	95,482	438,210	
Securities with available carrying amount not exceeding acquisition cost:								
Equity securities	1,485	2,311	(825)	1,488	2,291	(802)	(5,519)	
Subtotal	1,485	2,311	(825)	1,488	2,291	(802)	(5,519)	
	¥ 114,502	¥ 49,806	¥ 64,695	¥ 144,565	¥ 49,886	¥ 94,679	\$ 432,690	

Unlisted stocks and others (¥13,844 million (\$92,591 thousand) for the year ended March 31, 2025 and ¥13,539 million for the year ended March 31, 2024) are not included in the above table because they do not have market prices.

Sales of available-for-sale securities for the years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025	2024	2025	
Sales	¥ 1,969	¥ 3,838	\$ 13,174	
Gains on sales	1,732	2,899	11,589	
Losses on sales	-	-	-	

6. Derivative Transactions

Derivative transactions for which hedge accounting is not applied

Forward currency exchange contracts outstanding at March 31, 2025 and 2024 were as follows:

	Millions of yen										Thousands of U.S. dollars (Note 1)							
	2025					2024					2025							
	Contracted amount		Fair value	Recognized gain (loss)		Contracted amount		Fair value	Recognized gain (loss)		Fair value							
Over one year		Over one year																
Foreign currency exchange contracts																		
To sell foreign currencies:																		
U.S. dollars	¥	27,623	¥	820	¥	(849)	¥	(849)	¥	33,615	¥	1,952	¥	(2,562)	¥	(2,562)	\$	(5,680)
Others		49,741		431		(211)		(211)		63,117		386		(2,326)		(2,326)		(1,417)
To buy foreign currencies:																		
U.S. dollars		14,550		-		(81)		(81)		16,053		-		(497)		(497)		(543)
Others		28,407		153		(743)		(743)		29,550		-		(387)		(387)		(4,970)
Non-deliverable forward																		
To buy foreign currencies:																		
Korean won	¥	740	¥	-	¥	(47)	¥	(47)	¥	-	¥	-	¥	-	¥	-	\$	(320)
																		(12,932)
																		(5,774)
																		(1,933)

Derivative transactions for which hedge accounting is applied

Forward currency exchange contracts and currency options outstanding at March 31, 2025 and 2024 were as follows:

	Millions of yen										Thousands of U.S. dollars (Note 1)				
	2025					2024					2025				
	Contracted amount		Fair value			Contracted amount		Fair value			Fair value				
Over one year		Over one year													
Hedges for which the "deferred hedge" method is applied															
Foreign currency exchange contracts															
To sell foreign currencies:															
U.S. dollars		¥	26,455	¥	8,824	¥	(1,633)	¥	52,484	¥	14,281	¥	(4,179)	\$	(10,926)
Others			12,443		671		(121)		23,170		2,234		(669)		(811)
To buy foreign currencies:															
U.S. dollars			9,344		3,102		274		8,415		2,947		809		1,838
Others			6,065		1,025		115		9,933		1,142		666		774
Non-deliverable forward															
To buy foreign currencies:															
Korean won	¥		2,175	¥	-	¥	(26)	¥	-	¥	-	¥	-	\$	(175)
Hedges for which the "assigning" method is applied															
Foreign currency exchange contracts															
To sell foreign currencies:															
U.S. dollars		¥	13,599	¥	3,992	¥	-	¥	11,937	¥	2,498	¥	-	\$	-
Others			12,283		747		-		9,967		1,119		-		-
To buy foreign currencies:															
U.S. dollars			1,195		333		-		1,413		21		-		-
Others			2,022		-		-		2,698		1		-		-

Notes:

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

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

Interest rate swap agreements outstanding at March 31, 2025 and 2024 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2025			2024			2025
	Contracted amount		Fair value	Contracted amount		Fair value	Fair value
	Over one year		Over one year				
Hedges for which the "deferred hedge" method is applied							
Interest rate swap agreements							
To receive floating and pay fixed rates	¥ 214,060	¥ 185,140	¥ 82	¥ 291,350	¥ 284,810	¥ (6,434)	\$ 550
Hedges for which the "exceptional" method is applied							
Interest rate swap agreements							
To receive floating and pay fixed rates	¥ 47,400	¥ 12,840	¥ -	¥ 47,760	¥ 47,760	¥ -	-

Notes:

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

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

Commodity forward contracts outstanding at March 31, 2025 and 2024 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2025			2024			2025
	Contracted amount		Fair value	Contracted amount		Fair value	Fair value
	Over one year		Over one year				
Hedges for which the "deferred hedge" method is applied							
Commodity forward contracts							
To sell commodities	¥ 2,559	¥ -	¥ 137	¥ 1,316	¥ -	¥ (96)	\$ 917
To buy commodities	2,053	-	(29)	1,570	-	69	(200)

7. Borrowings, Bonds Payable and Others

Short-term borrowings and current portion of bonds payable at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Short term borrowings (average rate: 2.48% in 2025 and 2.54% in 2024)	¥ 48,180	¥ 42,683	\$ 322,235
Current portion of long-term borrowings (average rate: 1.60% in 2025 and 0.85% in 2024)	142,146	123,260	950,686
Current portion of bonds (average: 0.89% in 2025)	35,000	-	234,082
Current portion of lease liabilities (average rate: 2.37% in 2025 and 2.67% in 2024)	31,846	10,029	212,990
	¥ 257,173	¥ 175,973	\$ 1,719,995

Bonds payable at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
0.92% yen bonds, due 2025	¥ 25,000	¥ 25,000	\$ 167,201
0.82% yen bonds, due 2025	10,000	10,000	66,880
0.20% yen bonds, due 2026	10,000	10,000	66,880
0.55% yen bonds, due 2028	12,000	12,000	80,256
1.00% yen bonds, due 2033	8,000	8,000	53,504
0.87% yen bonds, due 2029	10,000	-	66,880
1.42% yen bonds, due 2034	10,000	-	66,880
0.98% yen bonds, due 2027	22,000	-	147,137
1.11% yen bonds, due 2029	8,000	-	53,504
Zero Coupon Convertible Bonds due 2028	25,000	25,000	167,201
Zero Coupon Convertible Bonds due 2030	25,000	25,000	167,201
	¥ 165,000	¥ 115,000	\$ 1,103,531

The details of the convertible bonds are as follows:

	Zero Coupon Convertible Bonds due 2028
	Common stock
Total issue price of stock acquisition rights	Zero
Initial conversion price	¥2,339.7 (\$15.64) per share
Total issue price	¥25,000 million (\$167,201 thousand)
Total issue price of shares issued upon the exercise of stock acquisition rights	-
Percentage of stock acquisition rights granted	100%
Exercise period	December 28, 2023 through November 30, 2028

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

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

As the payment of a dividend of ¥55 per share was approved at the meeting of the board of directors on 19 May 2025, the conversion price for its Zero Coupon Convertible Bonds due 2028 was adjusted from ¥2,339.7 to ¥2,264.4.

	Zero Coupon Convertible Bonds due 2030
	Common stock
Total issue price of stock acquisition rights	Zero
Initial conversion price	¥2,238.2 (\$14.96) per share
Total issue price	¥25,000 million (\$167,201 thousand)
Total issue price of shares issued upon the exercise of stock acquisition rights	-
Percentage of stock acquisition rights granted	100%
Exercise period	December 28, 2023 through November 29, 2030

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

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

As the payment of a dividend of ¥55 per share was approved at the meeting of the board of directors on 19 May 2025, the conversion price for its Zero Coupon Convertible Bonds due 2030 was adjusted from ¥2,238.2 to ¥2,166.2.

Long-term borrowings at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Loans, principally from banks and insurance companies, due 2026 through 2036 (average rate: 1.29% in 2025 and 1.13% in 2024)	¥ 479,192	¥ 542,486	\$ 3,204,870

Lease liabilities at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Finance lease agreements due 2026 through 2046 (average rate: 3.15% in 2025 and 2.62% in 2024)	¥ 19,966	¥ 40,045	\$ 133,536

The aggregate annual maturities of bonds payable at March 31, 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025		2025	
Due within 1 year	¥	35,000	\$	234,082
Due after 1 year through 2 years		10,000		66,880
Due after 2 years through 3 years		22,000		147,137
Due after 3 years through 4 years		37,000		247,458
Due after 4 years through 5 years		18,000		120,385
Due after 5 years		43,000		287,586
	¥	165,000	\$	1,103,531

The aggregate annual maturities of long-term borrowings at March 31, 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025		2025	
Due within 1 year	¥	142,146	\$	950,686
Due after 1 year through 2 years		107,146		716,601
Due after 2 years through 3 years		99,101		662,800
Due after 3 years through 4 years		85,559		572,230
Due after 4 years through 5 years		75,890		507,559
Due after 5 years		111,493		745,679
	¥	621,338	\$	4,155,556

The aggregate annual maturities of lease liabilities at March 31, 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025		2025	
Due within 1 year	¥	31,846	\$	212,990
Due after 1 year through 2 years		5,465		36,551
Due after 2 years through 3 years		3,980		26,619
Due after 3 years through 4 years		2,860		19,132
Due after 4 years through 5 years		2,873		19,218
Due after 5 years		4,786		32,015
	¥	51,812	\$	346,527

At March 31, 2025 and 2024, assets pledged as collateral for short-term borrowings and long-term borrowings were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)							
	2025		2024		2025							
Assets pledged as collateral:												
Property, plant and equipment, net of accumulated depreciation	¥	239,007	¥	[236,332]	¥	238,703	¥	[235,013]	\$	1,598,500	\$	[1,580,605]
Cash and deposits		51,725		[50,429]		90,960		[90,016]		345,945		[337,277]
Other assets		35,464		[23,306]		38,987		[23,243]		237,189		[155,874]
	¥	326,198	¥	[310,068]	¥	368,651	¥	[348,272]	\$	2,181,636	\$	[2,073,756]
Secured short-term borrowings and long-term borrowings:	¥	217,153	¥	[216,785]	¥	244,086	¥	[242,900]	\$	1,452,338	\$	[1,449,874]
	¥	217,153	¥	[216,785]	¥	244,086	¥	[242,900]	\$	1,452,338	\$	[1,449,874]

Note:

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

8. Provision for Loss on Construction Contracts

Inventories for construction contracts with anticipated losses and provision for loss on construction contracts were not offset. The inventories for the construction contracts for which the provision for loss on construction contracts were provided were ¥1,435 million (\$9,603 thousand) for the year ended March 31, 2025 and ¥2,418 million for the year ended March 31, 2024. These amounts were included in "Work-in-process."

9. Land Revaluation

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

The difference has not been stated because the fair value at March 31, 2025 and at March 31, 2024 exceeded the carrying amount of the revalued amount.

10. Commitment Line

The unexercised portion of facilities based on commitment line contracts at March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars (Note 1)
Total commitment line available	¥ 200,000	¥ 150,000	\$ 1,337,613
Less amount utilized	-	-	-
	¥ 200,000	¥ 150,000	\$ 1,337,613

11. Contingent Liabilities Regarding Notes and Loans Guaranteed

Contingent liabilities regarding notes and loans guaranteed at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars (Note 1)
Trade notes endorsed	¥ 1,520	¥ 4,192	\$ 10,166
Guarantees of loans:			
Related parties	2,785	2,276	18,627
Others	20	13	134
	¥ 4,325	¥ 6,482	\$ 28,928

Kobelco Construction Machinery (China) Co., Ltd., which is a consolidated subsidiary of the Company, sells construction machinery to customers through sales agents or leasing companies. Sales agents pledge guarantees to buy up construction machinery pledged as collateral at the amounts of the balance on bank loans or future minimum lease payments. Kobelco Construction Machinery (China) Co., Ltd. pledges reassurances for these guarantees. The balances of the reassurances were ¥1,010 million (\$6,760 thousand) for the year ended March 31, 2025 and ¥2,854 million for the year ended March 31, 2024.

12. Contingent Liabilities Regarding Repurchase Obligations Accompanying Securitization of Receivables

Contingent liabilities regarding repurchase obligations accompanying securitization of receivables at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars (Note 1)
	¥ 2,660	¥ 5,880	\$ 17,796

13. Net Assets

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

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

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

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

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

14. Revenue recognized from contracts with customers

Revenue recognized from contracts with customers and revenue recognized from other sources are not stated separately because the amount of revenue recognized from other sources is not material. Revenue recognized from contracts with customers is presented in "(1) Disaggregation of revenue from contracts with customers" of Note 24.

15. Cost of Sales

Loss on the write-down of inventories included in the cost of sales was ¥1,525 million (\$10,201 thousand) loss for the year ended March 31, 2025 and ¥275 million loss for the year ended March 31, 2024.

The provision for loss on construction contracts included in the cost of sales was ¥4,936 million (\$33,014 thousand) for the year ended March 31, 2025 and ¥2,339 million for the year ended March 31, 2024.

16. Research and Development Expenses

Research and development expenses included in cost of sales and selling, general and administrative expenses were ¥43,598 million (\$291,591 thousand) for the year ended March 31, 2025 and ¥40,416 million for the year ended March 31, 2024.

17. Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Provision for bonuses	¥ 7,171	¥ 6,918	\$ 47,966
Provision of allowance for doubtful accounts	2,631	1,299	17,602
Retirement benefit expenses	2,581	2,551	17,263
Depreciation	7,502	6,383	50,179

18. Gain on sale of non-current assets

Gain on sale of non-current assets of ¥29,379 million (\$194,036 thousand) for the year ended March 31, 2024, was mainly due to sale of land in Koshuha Precision Co., Ltd. and Kobelco Logistics, Ltd., the subsidiaries of the Company in the steel and aluminum business.

Gain on sale of non-current assets of ¥5,459 million (\$36,510 thousand) for the year ended March 31, 2025, was mainly due to the transfer of land use rights of Hangzhou Kobelco Construction Machinery Co., Ltd.

19. Impairment Losses

(1) The fiscal year ended March 31, 2025

The Group recognized impairment losses of ¥27,401 million (\$183,261 thousand) on the below asset groups for the fiscal year ended March 31, 2025. The breakdown of impairment losses was as follows: buildings and structures of ¥6,568 million (\$43,993 thousand), machinery, equipment and vehicles of ¥8,415 million (\$56,285 thousand), tools, furniture and fixtures of ¥955 million (\$6,388 thousand), land of ¥4,378 million (\$29,283 thousand), construction in progress of ¥588 million (\$3,737 thousand), software of ¥6,392 million (\$42,756 thousand), other intangible assets of ¥105 million (\$708 thousand), and investment and other assets of ¥25 million (\$168 thousand).

Use	Location and number	Type	Millions of yen		Thousands of U.S. dollars (Note 1)	
			2025		2025	
Assets for manufacturing construction machinery (Kobelco Construction Machinery Co., Ltd.)	Saeki Ward, Hiroshima and others 1 case	Buildings and structures, etc.	¥	16,877	\$	112,876
Assets for manufacturing specialty steel products (Nippon Koshuha Steel Co., Ltd.)	Imizu Toyama 1 case	Machinery, equipment and vehicles, etc.		6,912		46,231
Assets for manufacturing steel powder	Takasago, Hyogo 1 case	Machinery, equipment and vehicles, etc.		2,591		17,330
Idle assets, etc.	Sichuan Province, China and others 8 cases in total	Machinery, equipment and vehicles, etc.		1,020		6,823
			¥	27,401	\$	183,261

In the Group's determination of impairment losses, the assets for business use are, in principle, grouped by manufacturing site or plant while taking into consideration of management accounting classification and cash generating unit on the basis of which revenues and expenses are continuously measured. Idle assets which are not used for business are grouped individually.

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

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

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

The book value of ¥67,756 million (\$453,162 thousand) was reduced to the recoverable amount due to lower profitability as a result of the delay in the recovery of unit sales, which had declined due to the impact of engine certification issue, caused by a fall in demand in Japan and Europe, and the reduction of ¥16,877 million (\$112,876 thousand) was recognized as an impairment loss under extraordinary losses. The recoverable amount was measured based on the net sales value, which is calculated using the appraisal value, etc.

② Assets for manufacturing specialty steel products (Nippon Koshuha Steel Co., Ltd.)

The book value of ¥6,912 million (\$46,231 thousand) was reduced to the recoverable amount due to lower profitability as a result of worsening of demands and other factors, and the reduction of ¥6,912 million (\$46,231 thousand) was recognized as an impairment loss under extraordinary losses. The recoverable amount was measured based on the value in use and evaluated at memorandum value.

③ Assets for manufacturing steel powder

The book value of ¥2,591 million (\$17,330 thousand) was reduced to the recoverable amount due to lower profitability as a result of stagnant orders primarily for automobiles, and the reduction of ¥2,591 million (\$17,330 thousand) was recognized as an impairment loss under extraordinary losses. The recoverable value was measured based on the value in use and evaluated at memorandum value.

(2) The fiscal year ended March 31, 2024

The Group recognized impairment losses of ¥18,783 million on the below asset groups for the fiscal year ended March 31, 2024. The breakdown of impairment losses was as follows: buildings and structures of ¥5,414 million, machinery, equipment and vehicles of ¥11,070 million, tools, furniture and fixtures of ¥719 million, land of ¥259 million, construction in progress of ¥516 million, software of ¥522 million and other intangible assets of ¥280 million.

Use	Location and number	Type	Millions of yen	
			2024	
Assets for manufacturing aluminum suspensions (United States)	Kentucky, United States 1 case	Machinery, equipment and vehicles, etc.	¥	6,708
Assets for manufacturing aluminum extrusions (Japan)	Shimonoseki, Yamaguchi 1 case	Machinery, equipment and vehicles, etc.		6,516
Assets for manufacturing aluminum extrusions (United States)	Kentucky, United States 1 case	Machinery, equipment and vehicles, etc.		4,838
Other assets for business use, etc.	Takasago, Hyogo and others 14 cases in total	Intangible assets, etc.		721
			¥	18,783

In the Group's determination of impairment losses, the assets for business use are, in principle, grouped by manufacturing site or plant while taking into consideration of management accounting classification and cash generating unit on the basis of which revenues and expenses are continuously measured. Idle assets which are not used for business are grouped individually.

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

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

① Assets for manufacturing aluminum suspensions (United States)

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

② Assets for manufacturing aluminum extrusions (Japan)

The book value of ¥7,433 million was reduced to the recoverable amount due to lower profitability resulting from stagnant orders primarily for automobiles, and the reduction of ¥6,516 million was recognized as an impairment loss under extraordinary losses. The recoverable amount was measured based on the value in use with future cash flows discounted at 6%.

③ Assets for manufacturing aluminum extrusions (United States)

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

20. Provision for dismantlement related expenses

Dismantlement related expenses of ¥11,180 million (\$74,776 thousand) were due to the anticipated costs associated with dismantlement of equipment of No. 1 Blast Furnace (inactive facility) of Kakogawa Works.

The Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026) positions taking on the challenge of realizing carbon neutrality as a priority and is looking at measures to reduce CO₂ in the steelmaking process. The Group decided to dismantle the equipment of No.1 Blast Furnace of Kakogawa Works in the current fiscal year as it is necessary to embark on securing land within Kakogawa Works suitable for production structure reforms in fiscal 2025, which is aimed at achieving the 2030 target of a 30–40% reduction (as compared to with fiscal 2013) and the vision of achieving carbon neutrality by 2050.

21. Provision for loss on joint venture agreement

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

22. Income Taxes

Significant components of the Group's deferred income tax assets and liabilities at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Deferred tax assets:			
Impairment losses	¥ 25,648	¥ 18,373	\$ 171,539
Tax loss carryforwards	22,672	23,309	151,638
Retirement benefit liability	15,183	18,578	101,547
Unrealized profit	12,841	14,597	85,884
Provision for bonuses	9,734	8,983	65,102
Temporary difference from investments in related companies	7,398	6,331	49,479
Loss on valuation of inventories	6,831	6,566	45,687
Provision for product warranties	6,091	5,326	40,737
Loss on valuation of investment securities	5,242	4,499	35,064
Other	37,453	35,456	250,491
Total deferred tax assets	149,097	142,023	997,174
Valuation allowance related to tax loss carryforwards	(10,623)	(13,542)	(71,050)
Valuation allowance related to total deductible temporary difference, etc.	(41,863)	(35,968)	(279,988)
Valuation allowance	(52,487)	(49,510)	(351,039)
Deferred tax assets	96,610	92,512	646,134
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	20,402	29,185	136,450
Fair value adjustments of consolidated subsidiaries	11,891	3,753	79,529
Gain on return of assets from retirement benefit trust	8,263	8,029	55,266
Revaluation reserve for land	3,256	3,253	21,776
Other	19,258	18,935	128,800
Total deferred tax liabilities	63,070	63,157	421,822
Net deferred tax assets	¥ 33,539	¥ 29,354	\$ 224,312

Amount of tax loss carryforwards and related deferred tax assets by tax loss carryforwards for the year ended March 31, 2025 and 2024 were as follows:

Tax loss carryforwards (Note 1)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Due within 1 year	1,842	858	12,325
Due after 1 year through 2 years	60	2,793	404
Due after 2 years through 3 years	2,370	34	15,854
Due after 3 years through 4 years	2,167	2,119	14,495
Due after 4 years through 5 years	3,559	3,391	23,809
Due after 5 years	12,671	14,111	84,749
	¥ 22,672	¥ 23,309	\$ 151,638

Notes:

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

Valuation allowance

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Due within 1 year	(1,842)	(651)	(12,325)
Due after 1 year through 2 years	(54)	(2,670)	(364)
Due after 2 years through 3 years	(2,340)	(22)	(15,656)
Due after 3 years through 4 years	(1,986)	(2,080)	(13,286)
Due after 4 years through 5 years	(2,444)	(3,159)	(16,350)
Due after 5 years	(1,953)	(4,958)	(13,066)
	¥ (10,623)	¥ (13,542)	\$ (71,050)

Deferred tax assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Due within 1 year	-	206	-
Due after 1 year through 2 years	5	123	39
Due after 2 years through 3 years	29	12	197
Due after 3 years through 4 years	180	38	1,208
Due after 4 years through 5 years	1,115	232	7,458
Due after 5 years	10,718	9,153	71,682
	¥ 12,049	¥ 9,767	\$ 80,587

The reconciliation of the statutory tax rate and the effective tax rate for the years ended March 31, 2025 and 2024 were as follows:

	2025	2024
Aggregate statutory income tax rate in Japan	30.6 %	30.6 %
Nondeductible entertainment expenses	0.5	0.5
Nontaxable dividends received	(0.2)	(0.1)
Share of profit of entities accounted for using equity method	(1.3)	1.4
Increase (Decrease) in valuation allowance	0.0	1.8
Differences in normal tax rates of subsidiaries	(2.6)	(1.8)
Tax deduction	(5.6)	(2.7)
Gain on bargain purchase	(3.6)	-
Other	(3.5)	(1.6)
Effective income tax rate	14.4 %	28.2 %

Revision of Deferred Tax Assets and Liabilities Due to a Change in Tax Rate

Following the enactment of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) by the National Diet on March 31, 2025, the statutory effective tax rate applied to deferred tax assets and liabilities related to temporary differences expected to be reversed in or after the consolidated fiscal year beginning on April 1, 2026, has been changed from 30.6% to 31.5%.

As a result of this change, the amount of deferred tax assets (net of deferred tax liabilities) increased by ¥16 million (\$112 thousand) for the current consolidated fiscal year. The adjustment to income taxes was a decrease of ¥1,056 million (\$7,063 thousand), the adjustment related to retirement benefits was a decrease of ¥488 million (\$3,263 thousand), the revaluation reserve for land decreased by ¥93 million (\$622 thousand), the valuation difference on available-for-sale securities decreased by ¥395 million (\$2,643 thousand), and the foreign currency translation adjustment decreased by ¥63 million (\$421 thousand).

Accounting for income taxes and tax effect accounting

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

23. Business Combination

Business Combination through Acquisition

Based on the stock transfer agreement concluded with Mitsubishi Chemical Corporation on September 30, 2024, the Company acquired additional shares of Kansai Coke & Chemicals Co., Ltd. , an affiliated company of the Company, on October 31, 2024, thereby making it a consolidated subsidiary.

(1) Outline of the business combination

① Name and business of the acquired company

Acquired company name: Kansai Coke & Chemicals Co., Ltd. and another company

Business of the acquired company: Manufacture and sale of coke for steelmaking

Manufacture and sale of chemical products such as gas and coal tar

② Objectives of the business combination

Kansai Coke & Chemicals operates a coke plant, located adjacent to Kobe Steel's Kakogawa Works, and supplies coke and other products to the Company. With the consolidation of Kansai Coke & Chemicals, the Company will incorporate coke and fuel gas production, which are essential to the Company's core steelmaking business, into the Group and strengthen its integrated steel production system. Kobe Steel will leverage the strength of Kansai Coke & Chemicals' coke production technology, which achieves high quality, low cost, and eco-friendliness, while also maximizing synergies between the two companies.

③ Date of the business combination

October 31, 2024

④ Legal form of the business combination

Acquisition of shares with cash as consideration.

⑤ Name of the company after the business combination

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

⑥ Ratio of voting rights acquired

Ratio of voting right before acquisition: 24.0%

Ratio of voting right acquired: 51.0%

Ratio of voting right after acquisition: 75.0%

⑦ Primary reasons for determining the acquiring company

The acquisition of a majority of the voting rights in the acquired company was achieved through the Company's purchase of shares in exchange for cash consideration.

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

From October 1, 2024 to March 31, 2025

The business results of Kansai Coke & Chemicals from April 1, 2024 to September 30, 2024 were included in Share of profit of entities accounted for using equity method, as Kansai Coke & Chemicals is accounted for using the equity method.

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

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2025	2025
Market value of shares of Kansai Coke & Chemicals held immediately prior to the business combination on the date of business combination	¥ 4,237	\$ 28,338
Consideration for acquisition (cash and deposits)	9,003	60,219
Total acquisition cost	¥ 13,241	\$ 88,557

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

Gain on step acquisitions: ¥313 million (\$2,094 thousand)

(5) Details and amount of major acquisition-related expenses

Advisory fees: ¥164 million (\$1,100 thousand)

(6) The amount and the cause of gain on bargain purchase

① The amount of gain on bargain purchase

¥16,708 million (\$111,746 thousand)

② The cause of gain on bargain purchase

As the acquisition cost was lower than the market value of net assets on the date of business combination, the difference was recognized as gain on bargain purchase.

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

	Thousands of	
	Millions of yen	U.S. dollars (Note 1)
	2025	2025
Current assets	¥ 51,850	\$ 346,780
Non-current assets	62,957	421,062
Total assets	¥ 114,807	\$ 767,842
Current liabilities	60,937	407,551
Non-current liabilities	13,938	93,222
Total liabilities	¥ 74,875	\$ 500,774

(8) An estimate of the impact on the consolidated statement of income for the current consolidated fiscal year, assuming that the business combination had been completed on the first day of the fiscal year, and the method of calculation thereof.

The description has been omitted as the impact is considered immaterial.

Please note that the estimated impact has not been audited.

Common control transaction

(1) Outline of the business combination

① Name and business of the acquired company

Acquired company name: Kansai Coke & Chemicals Co., Ltd. and another company

Business of the acquired company: Manufacture and sale of coke for steelmaking

Manufacture and sale of chemical products such as gas and coal tar

② Date of the business combination

February 28, 2025

③ Legal form of the business combination

Acquisition of shares from non-controlling shareholders

④ Name of the company after the business combination

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

⑤ Other matters with regard to the transaction

The shares were acquired in response to the intention expressed by the non-controlling shareholder to transfer their shares, and based on mutual agreement on the terms and conditions of the transfer.

(2) Outline of accounting treatment

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

(3) Purchase of additional shares of the subsidiary

Acquisition cost and breakdown

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2025	2025
Consideration for acquisition (cash and deposits)	¥ 2,647	\$ 17,708
Acquisition cost	¥ 2,647	\$ 17,708

(4) Details about the change in shareholders' equity by the transaction with non-controlling shareholders

① Main reason for the change in capital surplus

Acquisition of additional shares of the subsidiary

② The amount of capital surplus increased due to the transaction with non-controlling shareholders

¥3,405 million (\$22,776 thousands)

24. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

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

① Breakdown by region for the years ended March 31, 2025 and 2024 was as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2025	2024	2025
Japan	Steel & Aluminum:	¥ 830,544	¥ 815,659	\$ 5,554,737
	Steel	703,065	691,386	4,702,151
	Aluminum sheet	127,478	124,273	852,585
	Advanced Materials	169,203	156,656	1,131,644
	Welding	47,079	48,475	314,872
	Machinery	97,887	84,266	654,681
	Engineering	113,711	114,968	760,508
	Construction Machinery	148,784	168,359	995,084
	Electric Power	258,807	315,950	1,730,918
	Other Businesses	7,000	7,805	46,818
	Subtotal	¥ 1,673,018	¥ 1,712,142	\$ 11,189,265
America	Steel & Aluminum:	43,960	40,582	294,010
	Steel	38,719	35,195	258,961
	Aluminum sheet	5,240	5,387	35,049
	Advanced Materials	53,078	43,432	354,993
	Welding	5,835	5,356	39,026
	Machinery	21,572	16,432	144,278
	Engineering	3,469	1,135	23,203
	Construction Machinery	57,127	50,500	382,073
	Electric Power	-	-	-
	Other Businesses	310	640	2,075
	Subtotal	¥ 185,354	¥ 158,081	\$ 1,239,660
Other	Steel & Aluminum:	203,510	189,432	1,361,092
	Steel	138,029	131,458	923,150
	Aluminum sheet	65,481	57,974	437,942
	Advanced Materials	82,071	83,226	548,900
	Welding	40,307	38,859	269,577
	Machinery	132,184	121,995	884,057
	Engineering	55,208	52,627	369,240
	Construction Machinery	181,945	185,092	1,216,866
	Electric Power	-	-	-
	Other Businesses	129	464	863
	Subtotal	¥ 695,357	¥ 671,698	\$ 4,650,598
Segment total	Steel & Aluminum:	1,078,015	1,045,675	7,209,841
	Steel	879,815	858,039	5,884,263
	Aluminum sheet	198,200	187,635	1,325,577
	Advanced Materials	304,353	283,315	2,035,537
	Welding	93,222	92,691	623,476
	Machinery	251,644	222,694	1,683,017
	Engineering	172,389	168,732	1,152,951
	Construction Machinery	387,858	403,952	2,594,023
	Electric Power	258,807	315,950	1,730,918
	Other Businesses	7,439	8,910	49,757
	Total sales to external customers	2,553,730	2,541,922	17,079,524
	Adjustment	1,301	1,220	8,703
	Consolidated sales to external customers	¥ 2,555,031	¥ 2,543,142	\$ 17,088,227

② Breakdown by the time of the transfer of the goods or services for the years ended March 31, 2025 and 2024 was as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2025	2024	2025
Goods or services transferred at a point in time	Steel & Aluminum:	¥ 1,059,076	¥ 1,032,111	\$ 7,083,176
	Steel	860,876	844,476	5,757,599
	Aluminum sheet	198,200	187,635	1,325,577
	Advanced Materials	304,353	283,315	2,035,538
	Welding	93,222	92,691	623,476
	Machinery	222,718	201,431	1,489,558
	Engineering	56,366	56,650	376,983
	Construction Machinery	374,252	394,982	2,503,027
	Electric Power	258,807	315,950	1,730,918
	Other Businesses	6,936	8,428	46,393
	Subtotal	¥ 2,375,734	¥ 2,385,561	\$ 15,889,073
Goods or services transferred over a certain period of time	Steel & Aluminum:	18,938	13,563	126,664
	Steel	18,938	13,563	126,664
	Aluminum sheet	-	-	-
	Advanced Materials	-	-	-
	Welding	-	-	-
	Machinery	28,925	21,262	193,458
	Engineering	116,022	112,082	775,968
	Construction Machinery	13,605	8,969	90,995
	Electric Power	-	-	-
	Other Businesses	502	481	3,363
	Subtotal	¥ 177,996	¥ 156,360	\$ 1,190,450
Segment total	Steel & Aluminum:	1,078,015	1,045,675	7,209,841
	Steel	879,815	858,039	5,884,263
	Aluminum sheet	198,200	187,635	1,325,577
	Advanced Materials	304,353	283,315	2,035,538
	Welding	93,222	92,691	623,476
	Machinery	251,644	222,694	1,683,017
	Engineering	172,389	168,732	1,152,951
	Construction Machinery	387,858	403,952	2,594,023
	Electric Power	258,807	315,950	1,730,918
	Other Businesses	7,439	8,910	49,757
	Total sales to external customers	2,553,730	2,541,922	17,079,524
	Adjustment	1,301	1,220	8,703
	Consolidated sales to external customers	¥ 2,555,031	¥ 2,543,142	\$ 17,088,227

Notes:

1. "Other" segment is a business segment not included in the reportable segments and includes operating companies under the management of the head office.
2. Revenues from other sources are included in revenues from contracts with customers, as most of the revenue from external customers are revenue from contracts with customers.
3. Information on net sales by region is based on the location of customers and broken down by country.

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

① Contract asset and contract liability balances at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Receivables from contracts with customers (beginning balance)	¥ 373,148	¥ 402,497	\$ 2,495,645
Receivables from contracts with customers (ending balance)	369,393	373,148	2,470,531
Contract assets (beginning balance)	37,077	26,074	247,974
Contract assets (ending balance)	35,039	37,077	234,347
Contract liabilities (beginning balance)	67,502	58,828	451,463
Contract liabilities (ending balance)	75,541	67,502	505,228

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

Contract liabilities primarily relate to advances received from customers. Revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was ¥42,245 million (\$282,538 thousand) for the year ended March 31, 2025 and ¥36,860 million for the year ended March 31, 2024. The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied in the previous fiscal year was not material.

② Transaction price allocated to the remaining performance obligations

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

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Within one year	¥ 327,273	¥ 323,715	\$ 2,188,828
Over one year	388,679	383,934	2,599,516
	¥ 715,953	¥ 707,650	\$ 4,788,344

25. Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects for each component of other comprehensive income for the years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Valuation difference on available-for-sale securities:			
Unrealized gains arising during the period	¥ (29,586)	¥ 50,764	\$ (197,874)
Less reclassification adjustment included in profit	(1,084)	(2,879)	(7,250)
	<u>(30,670)</u>	<u>47,885</u>	<u>(205,125)</u>
Income taxes and tax effects	8,960	(14,741)	59,927
	<u>(21,709)</u>	<u>33,143</u>	<u>(145,197)</u>
Deferred gains or losses on hedges:			
Unrealized gains arising during the period	5,035	(218)	33,676
Less reclassification adjustment included in profit	4,766	518	31,878
Adjustments of acquisition cost for assets	(1,173)	(80)	(7,847)
	<u>8,628</u>	<u>219</u>	<u>57,707</u>
Income taxes and tax effects	(2,462)	(47)	(16,472)
	<u>6,165</u>	<u>172</u>	<u>41,235</u>
Revaluation reserve for land:			
Unrealized losses arising during the period	-	-	-
Less reclassification adjustment included in profit	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Income taxes and tax effects	(92)	2,538	(621)
	<u>(92)</u>	<u>2,538</u>	<u>(621)</u>
Foreign currency translation adjustment:			
Translation adjustments arising during the period	25,697	12,502	171,867
Less reclassification adjustment included in profit	-	-	-
	<u>25,697</u>	<u>12,502</u>	<u>171,867</u>
Remeasurements of defined benefit plans:			
Unrealized gains arising during the period	21,165	13,718	141,555
Less reclassification adjustment included in profit	(2,171)	(1,396)	(14,520)
	<u>18,994</u>	<u>12,322</u>	<u>127,034</u>
Income taxes and tax effects	(8,093)	(3,198)	(54,129)
	<u>10,900</u>	<u>9,123</u>	<u>72,905</u>
Share of other comprehensive gains related to equity method companies:			
Unrealized gains arising during the period	(765)	5,557	(5,117)
Less reclassification adjustment included in profit	(305)	(146)	(2,044)
	<u>(1,070)</u>	<u>5,411</u>	<u>(7,161)</u>
Total other comprehensive income	¥ 19,890	¥ 62,890	\$ 133,027

26. Consolidated Statements of Changes in Net Assets

Changes in the number of shares issued and outstanding during the years ended March 31, 2025 and 2024 were as follows:

	Number of shares
Common shares outstanding	
Balance at March 31, 2023	396,345,963
(No increase)	-
(No decrease)	-
Balance at March 31, 2024	396,345,963
(No increase)	-
(No decrease)	-
Balance at March 31, 2025	396,345,963

Changes in the number of treasury shares outstanding during the years ended March 31, 2025 and 2024 were as follows:

	Number of shares
Treasury shares outstanding	
Balance at March 31, 2023	1,432,196
Increase due to purchase of odd-lot shares	8,997
Increase in equity ratio in associates accounted for using the equity method	2,131
Decrease due to sale of odd-lot shares	(147)
Decrease due to BBT	(54,000)
Balance at March 31, 2024	1,389,177
Increase due to purchase of odd-lot shares	7,977
Increase in equity ratio in the Company by consolidated subsidiaries	688,578
Increase due to BBT	396,200
Decrease due to sale of odd-lot shares	(364)
Decrease due to sale of treasury shares attributable to the Company by consolidated subsidiaries	(1,045,248)
Decrease due to BBT	(105,000)
Balance at March 31, 2025	1,331,320

Amount of dividend payments during the year ended March 31, 2025 was as follows:

Decision	Kind of stock	Millions of yen / Thousands of U.S. dollars (Note 1)	Yen/ U.S. dollars (Note 1)	Record date	Operative date
		Total payments	Cash dividends per share		
At the Board of Directors' meeting held on May 16, 2024	Common share	¥17,823	¥45.00	March 31, 2024	May 31, 2024
		\$117,715	\$0.30		
At the Board of Directors' meeting held on November 7, 2024	Common share	¥17,823	¥45.00	September 30, 2024	December 2, 2024
		\$119,201	\$0.30		

Notes:

1. The total amount of dividends resolved at the Board of Directors' meeting held on May 16, 2024 includes dividends of 15 million yen (\$101 thousand) for shares of the Company held by "Board Benefit Trust (BBT)"
2. The total amount of dividends resolved at the Board of Directors' meeting held on November 7, 2024 includes dividends of 28 million yen (\$188 thousand) for shares of the Company held by BBT.

Dividends for which the record date belongs to the year ended March 31, 2025, and the operative date is in the year ending March 31, 2026 would be as follows:

Decision	Kind of stock	Source of dividends	Millions of yen / Thousands of U.S. dollars (Note 1)	Yen/ U.S. dollars (Note 1)	Record date	Operative date
			Total payments	Cash dividends per share		
At the Board of Directors' meeting held on May 19, 2025	Common share	Retained earnings	¥21,783	¥55.00	March 31, 2025	June 3, 2025
			\$145,689	\$0.37		

Note: The total amount of dividends resolved at the Board of Directors' meeting held on May 19, 2025 includes dividends of 34 million yen (\$230 thousand) for share of the Company held by BBT.

27. 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, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Cash and deposits in the consolidated balance sheets	¥ 220,122	¥ 278,844	\$ 1,472,192
Time deposits due over three months	(249)	(115)	(1,668)
Cash and cash equivalents in the consolidated statements of cash flows	¥ 219,872	¥ 278,728	\$ 1,470,523

Breakdown of assets and liabilities on the date of the business combination as Kansai Coke and Chemicals Co., Ltd. and another company became consolidated subsidiaries due to purchase of additional shares, and the relationship between the acquisition cost of additional shares of Kansai Coke and Chemicals Co., Ltd. and the purchase of shares of subsidiaries resulting in change in scope of consolidation were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2025	2025
Current assets	¥ 51,850	\$ 346,780
Non-current assets	62,957	421,062
Current liabilities	(60,937)	(407,551)
Non-current liabilities	(13,938)	(93,222)
Non-controlling interests	(9,983)	(66,767)
Gain on bargain purchase	(16,708)	(111,746)
Acquisition cost of shares	13,241	88,557
Acquisition cost up to the time of control acquisition	(1,440)	(9,630)
Carrying amount on equity method until control acquisition	(2,483)	(16,613)
Gain on step acquisitions	(313)	(2,094)
Acquisition cost of additional shares	9,003	60,219
Cash and cash equivalents	(1,651)	(11,047)
Deduction : Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ 7,352	\$ 49,171

28. Related Party Transactions

Transactions of the Company with related parties for the year ended March 31, 2025 consisted of the following:

Category	Name	Paid-in capital	Content of business	Percentage of ownership	Millions of yen / thousands of U.S. dollars (Note 1)			
					Transactions		Resulting accounting balance	
					Description of transactions	Amount	Account	Amount
Associates	Shinsho Corporation	¥5,650 million	Trades iron and steel, nonferrous metals, machinery	13.35% directly and 1.04% indirectly (21.58%)	Sales of our products	¥272,348 \$1,821,487	Accounts receivable	¥17,560 \$117,448
					Purchases of raw materials and materials for equipment	¥599,653 \$4,010,520	Accounts payable	¥29,249 \$195,623

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

Category	Name	Paid-in capital	Content of business	Percentage of ownership	Millions of yen			
					Transactions		Resulting accounting balance	
					Description of transactions	Amount	Account	Amount
Associates	Shinsho Corporation	¥5,650 million	Trades iron and steel, nonferrous metals, machinery	13.42% directly and 1.05% indirectly (21.70%)	Sales of our products	¥260,268	Accounts receivable	¥16,803
					Purchases of raw materials and materials for equipment	¥611,920	Accounts payable	¥28,287
Associates	Kansai Coke and Chemicals Co., Ltd.	¥6,000 million	Produces and sells industrial chemical products such as coke	24.00% directly	Supplies of coal	¥109,296	Other current assets	¥9,308
					Purchases of coke	¥123,992	Accounts payable	¥20,493

Notes:

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

29. Employees' Severance and Retirement Benefits

Summary of Adopted Retirement Benefits

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

Net defined benefit asset or liability in the consolidated balance sheet for the years ended March 31, 2025 and 2024 consisted of the following:

Defined Benefit Retirement Plans

(1) Changes in projected benefit obligation

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Balance at beginning of year	¥ 152,367	¥ 148,918	\$ 1,019,042
Service costs	10,254	9,910	68,582
Interest cost on projected benefit obligation	1,298	1,172	8,682
Actuarial differences arising during the period	(18,523)	(679)	(123,887)
Unrecognized prior service cost arising during the period	(54)	(2)	(364)
Amount of payment of retirement benefits	(5,600)	(7,356)	(37,458)
Increase (decrease) due to change in scope of consolidation	2,020	241	13,512
Exchange difference	269	200	1,801
Other	(47)	(38)	(319)
Balance at end of year	¥ 141,983	¥ 152,367	\$ 949,593

(2) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Balance at beginning of year	¥ 109,015	¥ 99,634	\$ 729,101
Expected return on plan assets	240	207	1,609
Actuarial differences arising during the period	2,587	13,035	17,303
Amount of contribution by the employer	1,253	1,257	8,385
Amount of payment of retirement benefits	(4,276)	(5,111)	(28,604)
Increase (decrease) due to change in scope of consolidation	2,082	-	13,929
Other	40	(9)	268
Balance at end of year	¥ 110,942	¥ 109,015	\$ 741,993

(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)
	2025	2024	2025
Funded projected benefit obligation	¥ 99,780	¥ 111,594	\$ 667,340
Plan assets	(110,942)	(109,015)	(741,993)
	(11,162)	2,579	(74,652)
Unfunded projected benefit obligation	42,202	40,772	282,252
Net of defined benefit liability and asset	¥ 31,040	¥ 43,352	\$ 207,600
Net defined benefit liability	58,187	65,615	389,161
Net defined benefit asset	(27,147)	(22,263)	(181,561)
Net of defined benefit liability and asset	¥ 31,040	¥ 43,352	\$ 207,600

(4) Breakdown of severance and retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Service costs	¥ 10,254	¥ 9,910	\$ 68,582
Interest cost on projected benefit obligation	1,298	1,172	8,682
Expected return on plan assets	(240)	(207)	(1,609)
Amortization of actuarial differences	(2,194)	(1,437)	(14,679)
Amortization of prior service cost	23	41	159
Other	(44)	19	(296)
Severance and retirement benefit expenses on defined benefit retirement plans	¥ 9,096	¥ 9,498	\$ 60,838

(5) Breakdown of remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Prior service cost	¥ 78	¥ 44	\$ 523
Actuarial differences	18,916	12,277	126,511
Total	¥ 18,994	¥ 12,322	\$ 127,034

(6) Breakdown of accumulated remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Unrecognized prior service cost	¥ (8,019)	¥ (7,941)	\$ (53,636)
Unrecognized actuarial differences	(49,213)	(30,297)	(329,141)
Total	¥ (57,232)	¥ (38,238)	\$ (382,777)

(7) Plan assets

(a) Breakdown of plan assets

	2025		2024	
	Stock	40	%	39
General account of insurance company	33		33	
Bonds	15		17	
Other	12		11	
Total	100	%	100	%

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

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

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2025 and 2024 were as follows:

	2025	2024
Discount rates	mainly 2.0%	mainly 0.8%
Long-term expected rate of return	mainly 0.1%	mainly 0.1%

Defined contribution plan

Required contributions of the Company and its domestic consolidated subsidiaries for the years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Required contributions	¥ 3,393	¥ 2,826	\$ 22,695

30. Segment Information

(1) Overview of Reportable Segments

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

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

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

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

Steel & Aluminum:	Wire rods and bars, steel sheets (hot-rolled, cold-rolled, surface treated), steel plates, aluminum flat-rolled products, and other (steel billets, foundry pig iron, pig iron for steelmaking, slag products)
Advanced Material:	Steel castings and forgings, aluminum-alloy and magnesium-alloy castings and forgings, titanium and titanium alloy, aluminum-alloy forgings and fabricated products, aluminum extrusions and fabricated products, copper rolled products, and steel powder
Welding:	Welding materials (covered welding electrodes, wires for automatic and semi-automatic welding, fluxes), welding robots, welding machines, robotic welding systems, welding-related testing, analysis, and consulting
Machinery:	Equipment for energy and chemical fields, equipment for nuclear power plants, tire and rubber machinery, plastic processing machinery, ultra-high-pressure presses, vapor deposition systems, metalworking machinery, various compressors, refrigeration compressors, heat pumps, various plants (steel rolling, nonferrous metals, etc.), various internal combustion engines, special alloys and other new materials (target materials, etc.), analysis and testing of material
Engineering:	Various plants (direct reduction ironmaking, pelletizing, petrochemical, nuclear power-related, water treatment, waste treatment, etc.), urban transit systems, chemical and food processing equipment
Construction Machinery:	Hydraulic excavators, mini excavators, environmental recycling machinery, crawler cranes, wheel cranes, remote operation system for heavy machinery, and crane construction planning support software
Electric Power:	Electric power and heat supply
Other:	High-pressure gas cylinder manufacturing, and general trading company

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

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

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

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

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

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2025	2024	2025
Sales to outside customers:	Steel & Aluminum	¥ 1,078,015	¥ 1,045,675	\$ 7,209,841
	Advanced Materials	304,353	283,315	2,035,537
	Welding	93,222	92,691	623,476
	Machinery	251,644	222,694	1,683,017
	Engineering	172,389	168,732	1,152,951
	Construction Machinery	387,858	403,952	2,594,023
	Electric Power	258,807	315,950	1,730,918
	Other Businesses	7,439	8,910	49,757
Total sales to outside customers		¥ 2,553,730	¥ 2,541,922	\$ 17,079,524
Intersegment sales:	Steel & Aluminum	¥ 38,145	¥ 37,047	\$ 255,118
	Advanced Materials	12,776	14,789	85,447
	Welding	689	838	4,609
	Machinery	13,512	11,821	90,374
	Engineering	2,459	1,911	16,450
	Construction Machinery	179	104	1,201
	Electric Power	-	-	-
	Other Businesses	1,488	1,894	9,955
Total intersegment sales		¥ 69,251	¥ 68,406	\$ 463,157
Total sales:	Steel & Aluminum	¥ 1,116,160	¥ 1,082,722	\$ 7,464,959
	Advanced Materials	317,129	298,105	2,120,985
	Welding	93,911	93,529	628,086
	Machinery	265,157	234,515	1,773,391
	Engineering	174,848	170,644	1,169,401
	Construction Machinery	388,038	404,056	2,595,224
	Electric Power	258,807	315,950	1,730,918
	Other Businesses	8,928	10,804	59,713
	Total segment sales	2,622,981	2,610,329	17,542,681
	Adjustment	1,301	1,220	8,703
Elimination	(69,251)	(68,406)	(463,157)	
Consolidated net sales		¥ 2,555,031	¥ 2,543,142	\$ 17,088,227
Segment profit (loss):	Steel & Aluminum	¥ 23,658	¥ 16,151	\$ 158,227
	Advanced Materials	10,705	3,231	71,596
	Welding	5,242	4,906	35,059
	Machinery	32,580	29,629	217,899
	Engineering	16,100	12,433	107,680
	Construction Machinery	18,792	9,161	125,684
	Electric Power	52,310	85,760	349,855
	Other Businesses	3,827	4,812	25,599
	Total segment income (loss)	163,216	166,086	1,091,603
Adjustment	(6,023)	(5,163)	(40,288)	
Consolidated ordinary income		¥ 157,192	¥ 160,923	\$ 1,051,315

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2025	2024	2025
Assets:	Steel & Aluminum	¥ 1,203,027	¥ 1,126,523	\$ 8,045,928
	Advanced Materials	279,094	241,520	1,866,604
	Welding	95,860	90,285	641,122
	Machinery	270,873	245,103	1,811,620
	Engineering	179,501	158,597	1,200,517
	Construction Machinery	387,658	417,770	2,592,689
	Electric Power	375,260	450,060	2,509,771
	Other Businesses	44,478	49,744	297,474
	Total segment assets	2,835,755	2,779,606	18,965,728
	Adjustment	55,297	140,167	369,831
Total	¥ 2,891,053	¥ 2,919,774	\$ 19,335,560	
Depreciation:	Steel & Aluminum	¥ 61,829	¥ 58,449	\$ 413,517
	Advanced Materials	8,775	10,709	58,692
	Welding	2,425	2,387	16,220
	Machinery	6,939	6,366	46,413
	Engineering	2,651	1,846	17,736
	Construction Machinery	12,443	12,245	83,223
	Electric Power	24,771	24,783	165,671
	Other Businesses	309	292	2,066
	Total segment depreciation	120,145	117,081	803,542
	Adjustment	2,293	2,003	15,340
Total	¥ 122,439	¥ 119,084	\$ 818,883	
Amortization of goodwill:	Steel & Aluminum	¥ 4	¥ -	\$ 28
	Advanced Materials	-	-	-
	Welding	73	73	490
	Machinery	498	457	3,331
	Engineering	-	1	-
	Construction Machinery	-	-	-
	Electric Power	-	-	-
	Other Businesses	-	-	-
	Total segment amortization of goodwill	575	532	3,850
	Adjustment	-	(1)	-
Total	¥ 575	¥ 530	\$ 3,850	
Interest income:	Steel & Aluminum	¥ 625	¥ 469	\$ 4,182
	Advanced Materials	87	69	582
	Welding	582	434	3,892
	Machinery	642	466	4,295
	Engineering	986	553	6,595
	Construction Machinery	1,559	2,316	10,432
	Electric Power	69	19	466
	Other Businesses	4	1	33
	Total segment interest income	4,557	4,330	30,481
	Adjustment	(1,927)	(1,474)	(12,889)
Total	¥ 2,630	¥ 2,856	\$ 17,591	
Interest expense:	Steel & Aluminum	¥ 4,729	¥ 4,890	\$ 31,632
	Advanced Materials	3,884	3,243	25,981
	Welding	40	41	273
	Machinery	583	656	3,905
	Engineering	122	81	819
	Construction Machinery	2,655	2,123	17,757
	Electric Power	5,544	6,483	37,082
	Other Businesses	63	65	422
	Total segment interest expense	17,624	17,586	117,874
	Adjustment	(3,712)	(2,946)	(24,831)
Total	¥ 13,911	¥ 14,640	\$ 93,042	

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2025	2024	2025
Share of profit (loss) of entities accounted for using equity method:	Steel & Aluminum	¥ 8,233	¥ (14,446)	\$ 55,064
	Advanced Materials	(28)	84	(190)
	Welding	26	(13)	179
	Machinery	283	118	1,894
	Engineering	(570)	845	(3,813)
	Construction Machinery	541	561	3,621
	Electric Power	-	-	-
	Other Businesses	3,867	4,310	25,868
	Total segment share of profit (loss) of entities accounted for using equity method	12,354	(8,538)	82,624
	Adjustment	(579)	(609)	(3,878)
Total	¥ 11,774	¥ (9,148)	\$ 78,746	
Investments in equity method companies:	Steel & Aluminum	¥ 89,231	¥ 91,532	\$ 596,787
	Advanced Materials	904	932	6,046
	Welding	1,340	1,326	8,968
	Machinery	1,315	1,065	8,800
	Engineering	6,156	3,143	41,172
	Construction Machinery	9,049	8,665	60,522
	Electric Power	-	-	-
	Other Businesses	31,340	30,282	209,608
	Total segment investments in equity method companies	139,338	136,947	931,906
	Adjustment	(6,201)	(3,352)	(41,476)
Total	¥ 133,137	¥ 133,595	\$ 890,430	
Capital expenditures:	Steel & Aluminum	¥ 57,264	¥ 52,948	\$ 382,989
	Advanced Materials	13,276	13,141	88,797
	Welding	2,274	1,896	15,213
	Machinery	8,591	10,270	57,458
	Engineering	3,161	3,404	21,146
	Construction Machinery	19,433	17,932	129,974
	Electric Power	2,450	2,155	16,388
	Other Businesses	295	384	1,975
	Total segment capital expenditures	106,748	102,134	713,943
	Adjustment	9,144	3,080	61,157
Total	¥ 115,893	¥ 105,214	\$ 775,100	

Notes:

Details about adjustments at March 31, 2025 and 2024 were as follows:

Segment sales

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

Segment profit (loss)

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2025	2024	2025
Companywide profit (loss)	¥	(658)	¥ 4,055	\$ (4,404)
Other adjustments		(5,365)	(9,219)	(35,883)
Total	¥	(6,023)	¥ (5,163)	\$ (40,288)

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

Other adjustments are mainly intersegment transactions.

Assets

	Millions of yen		Thousands of
	2025	2024	U.S. dollars (Note 1)
Companywide assets	¥ 307,631	¥ 357,757	\$ 2,057,461
Other adjustments	(252,334)	(217,590)	(1,687,630)
Total	¥ 55,297	¥ 140,167	\$ 369,831

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

Other adjustments are mainly intersegment transactions.

Depreciation

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

Interest income

Adjustment is related mainly to financial assets which are not allocated to reportable segments or other businesses, as well as intersegment transactions.

Interest expense

Adjustment is related mainly to financial liabilities which are not allocated to reportable segments or other businesses, as well as intersegment transactions.

Equity in income (loss) of equity method companies

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

Investments in equity method companies

Adjustment is related mainly to intersegment transactions.

Capital expenditures

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

Related Information

(1) Information by Geographic Area

(a) Net sales

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Japan	¥ 1,674,229	¥ 1,713,282	\$ 11,197,359
America	185,408	158,128	1,240,021
Others	695,394	671,731	4,650,846
Total	¥ 2,555,031	¥ 2,543,142	\$ 17,088,227

(b) Property, plant and equipment by geographic location

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

(2) Information by Major Customer

Net sales

	Related segment	Millions of yen		Thousands of U.S. dollars (Note 1)
		2025	2024	2025
Shinsho Corporation	Steel & Aluminum, etc.	¥ 289,835	¥ 280,071	\$ 1,938,436

(3) Impairment Loss by Reportable Segments

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2025	2024	2025
Impairment loss	Steel & Aluminum	¥ 7,326	¥ 163	\$ 49,000
	Advanced Materials	2,591	18,062	17,330
	Welding	-	7	-
	Machinery	99	168	667
	Engineering	-	42	-
	Construction Machinery	17,383	339	116,262
	Electric Power	-	-	-
	Other Businesses	-	-	-
	Total segment impairment loss	27,401	18,783	183,261
Adjustment	-	-	-	
Total	¥ 27,401	¥ 18,783	\$ 183,261	

(4) Amortization and Balance of Goodwill by Reportable Segments

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2025	2024	2025
Amortization of goodwill	Steel & Aluminum	¥ 4	¥ -	\$ 28
	Advanced Materials	-	-	-
	Welding	73	73	490
	Machinery	498	457	3,331
	Engineering	-	1	-
	Construction Machinery	-	-	-
	Electric Power	-	-	-
	Other Businesses	-	-	-
	Total segment Amortization of goodwill	575	532	3,850
	Adjustment	-	(1)	-
Total	575	530	3,850	
Balance at the end of the period	Steel & Aluminum	-	-	-
	Advanced Materials	-	-	-
	Welding	195	268	1,308
	Machinery	2,049	2,346	13,706
	Engineering	-	-	-
	Construction Machinery	-	-	-
	Electric Power	-	-	-
	Other Businesses	-	-	-
	Total segment balance of goodwill	2,244	2,615	15,014
	Adjustment	-	-	-
Total	¥ 2,244	¥ 2,615	\$ 15,014	

(5) Gain on bargain purchase by Reportable Segments

For the fiscal year ended March 31, 2025, the Company recorded a gain on bargain purchase of ¥16,708 million under extraordinary income in the Steel & Aluminum segment, resulting from the acquisition of additional shares of Kansai Coke & Chemicals Co., Ltd., which led to its consolidation as a subsidiary.

31. Profit per share

The basis of calculating profit per share for the years ended March 31, 2025 and 2024 was as follows:

	Millions of	Thousands of shares	Yen	U.S. dollars (Note 1)
	Profit attributable to owners of parent	Weighted average number of shares	Profit per share	Profit per share
For the year ended March 31, 2025				
Profit attributable to common stockholders	¥ 120,180	394,489	¥ 304.64	\$ 2.03
For the year ended March 31, 2024				
Profit attributable to common stockholders	¥ 109,552	394,945	¥ 277.38	\$ 1.83

Notes:

1. Diluted profit per share is not presented as there is no dilutive common share.
2. The shares held by the Board Benefit Trust (BBT) are recorded under net assets as treasury shares. In calculating profit (loss) per share, the number of treasury shares excluded from the weighted-average number of shares issued during the fiscal year includes the number of shares held by the BBT (598 thousand of shares for the year ended March 31, 2025 and 353 thousand of shares for the year ended March 31, 2024).

32. Fee-related Information

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

(a) Audit fees

	Millions of yen				Thousands of U.S. dollars (Note 1)
	2025		2024		2025
The Company	¥	197	¥	183	\$ 1,319
Consolidated subsidiaries		311		300	2,084
	¥	508	¥	484	\$ 3,404

(b) Non-audit fees

	Millions of yen				Thousands of U.S. dollars (Note 1)
	2025		2024		2025
The Company	¥	37	¥	72	\$ 252
Consolidated subsidiaries		38		3	257
	¥	76	¥	75	\$ 510

Notes:

1. The fiscal year ended March 31, 2025

The non-audit services provided to our Company mainly comprised advisory services related to sustainability disclosures, among other things. In addition, the non-audit services provided to our consolidated subsidiaries mainly comprised advisory services related to the enhancement of internal audit operations, among others.

2. The fiscal year ended March 31, 2024

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

(2) Fees to Certified Public Accountants (KPMG network firms, excluding KPMG AZSA LLC)

(a) Audit fees

	Millions of yen				Thousands of U.S. dollars (Note 1)
	2025		2024		2025
The Company	¥	-	¥	-	\$ -
Consolidated subsidiaries		135		126	905
	¥	135	¥	126	\$ 905

(b) Non-audit fees

	Millions of yen				Thousands of U.S. dollars (Note 1)
	2025		2024		2025
The Company	¥	76	¥	114	\$ 514
Consolidated subsidiaries		172		132	1,151
	¥	249	¥	247	\$ 1,666

Notes:

1. The fiscal year ended March 31, 2025

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

2. The fiscal year ended March 31, 2024

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

33. Additional Information

Introduction of a Board Benefit Trust (BBT) for Directors

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

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

(a) Overview of transactions

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

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

(b) Kobe Steel stock remaining in the Trust

The Company's stock remaining in the trust is recorded as treasury shares as part of net assets based on the book value (excludes amounts for incidental expenses). The corresponding treasury shares book value was ¥932 million (\$6,235 thousand) for 627 thousand shares for the year ended March 31, 2025 and ¥301 million for 336 thousand shares for the year ended March 31, 2024.



Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kobe Steel, Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2025 and 2024, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of the Group’s judgment on whether to recognize an impairment loss on long-lived assets used by Kobe Steel's aluminum rolled products business

The key audit matter	How the matter was addressed in our audit
<p>Property, plant and equipment of ¥1,047,127 million and intangible assets of ¥50,170 million were recognized in the consolidated balance sheets of the Group for the current fiscal year. As described in Note 2, “Summary of Significant Accounting Policies, (20) Significant accounting estimates, Impairment of long-lived assets” to the consolidated financial statements, included therein were property, plant and equipment of ¥34,984 million and intangible assets of ¥3,017 million used by the aluminum rolled products business of Kobe Steel, Ltd. (“the Company”), in total, accounting for approximately 1% of total assets in the consolidated financial statements.</p> <p>While these long-lived assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.</p> <p>The Company’s aluminum rolled products business has recognized recurring operating losses for several consecutive years, primarily due to delays in expanding sales for beverage can and automotive panel materials and passing on procurement cost increases to sales prices, which presented impairment indicators. Accordingly, the Group performed an impairment test during the current fiscal year. In the impairment testing, undiscounted future cash flows were estimated based on the business plan prepared by management, which reflected</p>	<p>The primary procedures we performed to assess the appropriateness of the Group’s judgment with respect to whether an impairment loss should be recognized on long-lived assets used by the Company’s aluminum rolled products business included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Group’s internal controls relevant to determining whether to recognize an impairment loss on long-lived assets.</p> <p>(2) Assessment of the appropriateness of estimated undiscounted future cash flows</p> <p>We inquired of the personnel responsible for the business department and the accounting department about the basis on which their assumptions were developed in order to assess the appropriateness of the key assumptions adopted by management in preparing the business plan that formed the basis for estimating undiscounted future cash flows. In addition, we:</p> <ul style="list-style-type: none"> ● assessed the feasibility of increased sales volume by obtaining a forecast report on market trends, etc. published by an external organization, examining the consistency of the Company’s demand forecasts with it, and inspecting materials on the progress of sales expansion measures; and ● assessed the feasibility of cost reductions through the promotion of restructuring by inspecting the relevant minutes of the board of directors’ meetings and other documents, which described the progress of cost reduction efforts.

<p>key assumptions such as increased sales volume as a result of sales and market expansions and cost reductions through the promotion of restructuring. These assumptions involved a high degree of uncertainty, and management’s judgment thereon had a significant effect on the estimated undiscounted future cash flows.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Group’s judgment as to whether an impairment loss should be recognized on long-lived assets used by the Company’s aluminum rolled products business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.</p>	
--	--

Appropriateness of the amount of gain on bargain purchase arising from the acquisition of shares of Kansai Coke and Chemicals Company, Limited

The key audit matter	How the matter was addressed in our audit
<p>As described in Note 23, “Business Combination” to the consolidated financial statements, the Company acquired additional shares of Kansai Coke and Chemicals Company, Limited. in the current fiscal year, making it a consolidated subsidiary. As a result of this business combination, for the current fiscal year, assets acquired of ¥114,807 million and liabilities assumed of ¥74,875 million were recognized in the consolidated balance sheets, whereas a gain on bargain purchase of ¥16,708 million and a gain on step acquisitions of ¥313 million were recognized in the consolidated statements of income. The gain on bargain purchase is material in the consolidated financial statements.</p> <p>Gain on bargain purchase is recognized when the acquisition cost is less than the net amount allocated to identifiable assets acquired and liabilities assumed. However, if gain on bargain purchase is expected to arise, it is necessary to review whether all identifiable assets and liabilities have been identified and whether the acquisition cost has been appropriately allocated to those</p>	<p>The primary procedures we performed to assess the appropriateness of the amount of gain on bargain purchase arising from the business combination included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of internal controls related to the calculation of the amount of gain on bargain purchase arising from the business combination.</p> <p>(2) Assessment of the appropriateness of the amount of gain on bargain purchase arising from the business combination</p> <ul style="list-style-type: none"> ● In order to understand the transaction overview, the process of determining the acquisition cost, and the factors behind the occurrence of gain on bargain purchase, we inspected the relevant minutes of the board of directors’ meetings and the share transfer agreement and inquired of the personnel responsible for the business department and the accounting department. ● We inquired of the personnel responsible for the accounting department about the completeness of identifiable assets and liabilities and inspected the

assets and liabilities.

In addition, the allocation of the acquisition cost, which is based on the fair value of identifiable assets and liabilities, requires a high degree of expertise in valuation, including the selection of methods for estimating fair value.

We, therefore, determined that our assessment of the appropriateness of the amount of gain on bargain purchase arising from the business combination was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.

relevant documents, such as the investigation report prepared by the experts that management used.

- We evaluated the competence, ability, and objectivity of the external experts used by management to calculate the fair value, which served as the basis for allocating the acquisition cost to identifiable assets and liabilities. We also involved valuation specialists within our firm and domestic network firms to assist in our assessment of the appropriateness of the work performed by the experts, including the reasonableness of the prerequisites (e.g., selection of methods for estimating fair value) and valuation results.
- We examined through recalculation whether the acquisition cost was allocated to the assets acquired and liabilities assumed based on the fair value as of the acquisition date, and whether the amount by which the acquisition cost was less than the net amount was recognized as gain on bargain purchase.

Other Information

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

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

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

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

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

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

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in Notes to Consolidated Financial Statements 32, “Fee-related Information,” of the Annual Report.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

Hisaki Nakajima

Designated Engagement Partner

Certified Public Accountant

Ken Tsukamoto

Designated Engagement Partner

Certified Public Accountant

Tomoyuki Haruna

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

June 18, 2025

Notes to the Reader of Independent Auditor's Report:

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