

## Kobe Steel's Consolidated Financial Results for Fiscal 2019 (April 1, 2019 – March 31, 2020)

May 11, 2020

Company name: Kobe Steel, Ltd.  
 Code number: 5406  
 Stock exchanges listed: Tokyo and Nagoya, Japan  
 Website: <https://www.kobelco.co.jp/english/>  
 Representative: Mitsugu Yamaguchi, President, CEO and Representative Director  
 Annual shareholders meeting: June 24,2020  
 Securities report submission: June 24,2020  
 Dividend payments begin: ---  
 Supplemental information available: Yes  
 IR Briefing: Yes (in Japanese only)  
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(Sums of less than 1 million yen have been omitted.)

### 1. FY2019 Consolidated results (April 1, 2019–March 31, 2020)

#### (1) Consolidated operating results

(% of change from the corresponding period of the previous year)

	Net sales		Operating income		Ordinary income (loss)		Net income (loss) attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2019	1,869,835	(5.2)	9,863	(79.6)	(8,079)	—	(68,008)	—
FY2018	1,971,869	4.8	48,282	(45.7)	34,629	(51.3)	35,940	(43.1)

Note: Comprehensive income(loss) FY2019: (81,950) million yen [—] FY2018: 14,782 million yen [(78.5%)]

	Net income (loss) per share	Diluted net income per share	Ratio of net income to equity (ROE)	Ratio of ordinary income to total assets (ROA)	Ratio of operating income to net sales (ROS)
	Yen	Yen	%	%	%
FY2019	(187.55)	—	(9.7)	(0.3)	0.5
FY2018	99.20	—	4.8	1.5	2.4

Reference: Equity in income of affiliates FY2019 5,959 million yen FY2018 5,864 million yen

#### (2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2019	2,411,191	716,369	27.2	1,811.10
FY2018	2,384,973	803,312	31.0	2,041.29

Reference: Equity capital FY2019: 656,881 million yen FY2018: 739,576 million yen

#### (3) Consolidated Cash flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY2019	27,040	(218,986)	140,589	145,658
FY2018	67,136	(28,603)	(9,561)	197,216

## 2. Dividends

	Annual dividends					Total amount of dividends	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q	2Q	3Q	4Q	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2018	—	10.00	—	10.00	20.00	7,282	20.2	1.0
FY2019	—	0.00	—	0.00	0.00	0	—	0.0
FY2020 Forecast	—	—	—	—	—		—	

Dividends for fiscal 2020 are undetermined.

## 3. Consolidated earnings forecast for FY2020 (April 1, 2020–March 31, 2021)

The earnings forecasts for fiscal 2020 are not presented because the outlook has not been determined due to the difficulty of formulating reasonably accurate estimates at this time.

For further details, please refer to page 5 “Outlook for Fiscal 2020”

### Notes

- (1) Changes in the number of material subsidiaries in this fiscal year  
(Changes in specified subsidiaries due to changes in scope of consolidation): No
- (2) Changes in accounting policies, estimates and restatement on the preparation of consolidated financial statements
- Changes in accounting policies due to revised accounting standards: No
  - Other changes: No
  - Changes in accounting estimates: No
  - Restatement: No

### (3) Number of issued shares (common stock)

	FY2019	FY2018
Number of issued shares (including treasury stock)	364,364,210 shares	364,364,210 shares
Number of shares of treasury stock	1,666,949 shares	2,055,945 shares
Average number of shares	362,601,426 shares	362,294,895 shares

### **Explanation on the Appropriate Use of the Forecast and Other Special Items**

The above forecast is based on currently available information as of today.

Actual results may differ considerably due to various changeable conditions in the future.

The basis for dividend payments is continuous and stable distribution. Factors taken into overall consideration are the company's financial condition, business performance, future capital requirements and other issues. As the outlook for many of these factors is unclear at this time, Kobe Steel is unable to make a dividend forecast for the fiscal year ending March 2021. When it becomes possible to make a forecast, Kobe Steel will promptly make an announcement.

## 1. Overview of Operating Results and Other Items

### Fiscal 2019 Consolidated Operating Results

Sluggishness was seen in Japan's economy in fiscal 2019 (April 1, 2019–March 31, 2020) centered on the manufacturing industry owing to a decline in personal spending affected by natural disasters and the increase of the consumption tax rate, along with the continued slump in exports from the slowdown in the world economy, although it had been on a moderate recovery supported by increased personal spending from improvements in employment and income conditions and by firm corporate capital investments. Overseas economies also saw a slowdown in economic growth from the impact of U.S.-China trade friction and other factors. Toward the end of fiscal 2019, economic conditions worsened significantly with a plunge in demand both in Japan and overseas, affected by the outbreak of the novel coronavirus infection.

In this economic environment, the Kobe Steel Group recorded a year-on-year increase of ordinary income in the Machinery and Electric Power segments. However, ordinary income decreased year on year in the Welding, Engineering, and Construction Machinery segments, while ordinary loss was posted in the Iron & Steel segment and the Aluminum & Copper segment.

As a result, consolidated net sales in fiscal 2019 decreased 102 billion yen year on year to 1,869.8 billion yen. Operating income decreased 38.4 billion yen year on year to 9.8 billion yen. Ordinary income worsened 42.7 billion yen year on year to ordinary loss of 8.0 billion yen. As for extraordinary income and loss, Kobe Steel posted a gain on the sale of investment securities, but recorded impairment loss on fixed assets and loss on the valuation of investment securities, resulting in extraordinary loss of 57.4 billion yen. Net income attributable to owners of the parent decreased 103.9 billion yen, compared with the previous year, to net loss attributable to owners of the parent of 68.0 billion yen.

Conditions in the business segments for fiscal 2019 follow below.

#### Iron & Steel

The sales volume of steel products decreased year on year as demand fell mainly for automobiles overseas, impacted by U.S.-China trade friction, and affected by the outbreak of the novel coronavirus infection toward the end of fiscal 2019. Sales prices were similar year on year, as a portion of the prices rose in Japan on account of higher main raw materials prices and other factors, while export prices decreased due to a softening in the market.

Sales of steel castings and forgings decreased year on year owing to lower sales volume as demand worsened. Sales of titanium products increased year on year as sales expanded in the aircraft sector and other factors.

As a result, consolidated segment sales for fiscal 2019 decreased 4.0% year on year to 723.7 billion yen. Ordinary loss worsened 26.0 billion yen year on year to 21.3 billion yen due to lower sales volume for steel products and steel castings and forgings, along with a worsened product mix and the posting of an allowance for anticipated future loss owing to decreasing profitability in the aircraft sector of the titanium business.

#### Welding

The sales volume of welding materials in Japan was similar to the previous year as demand was firm in the first half of the fiscal year, but was affected by lower demand for architectural steel frames, automobiles, and construction machinery in the second half of the fiscal year. The sales volume overseas decreased year on year owing to continued sluggish demand in Southeast Asia centered on Thailand and Indonesia, although demand rose in LNG shipbuilding in the Republic of Korea.

Sales of welding systems increased year on year as domestic demand for the renewal of facilities for architectural steel frames and construction machinery continued to remain firm.

As a result, consolidated segment sales for fiscal 2019 came to 83.7 billion yen, similar to the previous fiscal year. Ordinary income decreased 0.7 billion yen year on year, to 2.9 billion yen due to the lower sales volume of welding materials.

### **Aluminum & Copper**

The sales volume of aluminum rolled products decreased year on year as demand declined for automobiles and semiconductors and in the IT field, although demand for can stock for beverage cans was similar year on year.

The sales volume of copper rolled products decreased year on year due to a decrease in demand for copper strip used in automotive terminals and semiconductors, along with a decrease in overseas demand for copper tubes in the second half of the fiscal year.

As a result, consolidated segment sales for fiscal 2019 decreased 7.1% year on year to 333.4 billion yen. Ordinary loss worsened 18.9 billion yen year on year to ordinary loss of 20.4 billion yen owing to the impact of equipment trouble at an overseas subsidiary and other factors, in addition to lower sales volume, increased fixed costs, and the worsening of the impact from inventory valuation.

### **Machinery**

Orders in fiscal 2019 decreased 11.7% year on year to 151.6 billion yen owing to the posting of several large orders in fiscal 2018, although demand remained firm in the petrochemical sector. The backlog of orders at the end of fiscal 2019 stood at 155.1 billion yen.

Consolidated segment sales for fiscal 2019 decreased 3.2% year on year to 165.9 billion yen owing to the posting of sales from large orders of compressors for the petrochemical sector in the previous fiscal year. Ordinary income increased 8.4 billion yen year on year to 9.6 billion yen owing to improved profitability, higher sales of after-sales services, improvement in plant operating rates, and other factors.

### **Engineering**

Consolidated orders in fiscal 2019 came to 116.9 billion yen, down 4.7% from the previous year, which saw orders for several large projects in the waste treatment business. The backlog of orders at the end of fiscal 2019 stood at 145.5 billion yen.

Owing to the progress of existing orders, consolidated segment sales for fiscal 2019 decreased 6.7% year on year to 141.5 billion yen. Ordinary income decreased 0.8 billion yen year on year to 5.7 billion yen.

### **Construction Machinery**

Unit sales of hydraulic excavators on the whole decreased year on year as overseas unit sales decreased year on year along with a decline in demand centered on Southeast Asia due to delays in infrastructure construction and other factors, although unit sales rose in Japan and China owing to firm capital investments and higher government-led public investments respectively.

Unit sales of crawler cranes decreased year on year as competition from overseas manufacturers intensified mainly in Southeast Asia, despite an increase in Japan backed by steady demand.

As a result, consolidated segment sales for fiscal 2019 decreased year on year by 6.5% to 360.8 billion yen owing to a decrease in unit sales, along with changes in the sales composition of hydraulic excavators and the impact of the high yen on the exchange rate of the euro. Ordinary income declined 18.0 billion yen year on year to 7.5 billion yen owing to a decrease in sales and in the reversal of allowance for doubtful receivables year on year.

### **Electric Power**

The amount of electricity sold was higher year on year owing to the start of the No. 1 unit of the Moka Power Plant in October 2019 and the No. 2 unit of the Moka Power Plant in March 2020. The unit price of electricity decreased year on year, affected by a market fall in the price of coal for power generation.

As a result, consolidated segment sales for fiscal 2019 were similar to the previous fiscal year at 75.6 billion yen. However, ordinary income improved 9.2 billion yen to 8.9 billion yen year on year with the operation of the Moka Power Plant and the posting of expenses in the previous fiscal year for arranging project finance for new power generation projects in the city of Kobe.

### **Other Businesses**

Consolidated Segment sales for fiscal 2019 decreased 20.0%, compared with the previous fiscal year, to 33.6 billion yen. Ordinary income increased 0.9 billion yen, compared with previous fiscal year, to 3.3 billion yen.

## Outlook for fiscal 2020

The current situation of the business environment surrounding the Kobe Steel Group is directly and indirectly being affected by the worldwide spread of the novel coronavirus infection, and there is concern that it will worsen significantly.

With the suspension of operations at overseas locations such as in India and Malaysia, the Kobe Steel Group's business activities have been impacted by the coronavirus. Since it is extremely difficult to estimate when the outbreak will end and make a reasonable assessment on what impact it will have on the business results of the Kobe Steel Group at this time, Kobe Steel has not been able to make a forecast for fiscal 2020. When it becomes possible to make a forecast, Kobe Steel will promptly make an announcement.

### \* Definition of Ordinary Income (Loss)

Ordinary income (loss) under accounting principles generally accepted in Japan (Japanese GAAP) is a category of income (loss) that comes after operating income (expenses) and non-operating income (expenses), but before extraordinary income and loss. It is also called "pretax recurring profit" or simply "pretax profit."

## Financial Condition

Total assets at the end of the consolidated fiscal year increased 26.2 billion yen, year on year, to 2,411.1 billion yen owing to an increase in tangible fixed assets because of the construction of the electric power plants of Kobelco Power Moka, Inc. and Kobelco Power Kobe No. 2, Inc. Liabilities increased 113.1 billion yen year on year to 1,694.8 billion yen due to the issuance of long-term borrowings for financing of the startup of electric power plants. In addition, net assets decreased 86.9 billion yen, year on year, to 716.3 billion yen from the posting of net loss attributable to owners of the parent in fiscal 2019. From these results, the equity capital ratio at the end of fiscal 2019 was 27.2%, a decrease of 3.8 points compared with the end of the previous year.

As for cash flows, net cash provided by operating activities for fiscal 2019 amounted to 27.0 billion yen. Net cash used in investing activities came to -218.9 billion yen owing to the expenditure of 245.3 billion yen for the acquisition of fixed assets, which include the new electric power plants, despite proceeds of 24.4 billion yen from the sale of investment securities. Subsequently, free cash flow amounted to -191.9 billion yen. Net cash used in financing activities totaled -140.5 billion yen due to the issuance of long-term borrowings for the new electric power plants.

At the end of fiscal 2019, the interest-bearing debt balance, which includes IPP project finance, increased 146.2 billion yen, compared with the end of the previous year, to 906.6 billion yen.

Cash flow indicators are as follows:

### Consolidated cash flow Indicators

	FY2015	FY2016	FY2017	FY2018	FY2019
Equity capital ratio	30.6%	29.2%	31.6%	31.0%	27.2%
Equity capital ratio at market price	16.0%	16.0%	16.5%	12.7%	5.0%
Ratio of cash flow to interest-bearing debt (years)	8.1	5.6	3.9	11.3	33.5
Interest coverage ratio (times)	6.2	11.3	14.9	7.5	3.0

Notes:

- Each indicator was calculated from the consolidated financial figures.
- Equity capital ratio = Stockholders' equity / total assets
- Equity capital ratio at market price = Market capitalization / total assets  
(Market capitalization was calculated by multiplying the share price at term-end by the number of outstanding shares at term-end.)
- Ratio of cash flow to interest-bearing debt = outside debt / cash flows from operating activities
- Interest coverage ratio = Cash flows from operating activities / interest payments

## 2. Basic Approach to the Selection of Accounting Standards

Although the Kobe Steel Group has decided to apply Japanese accounting standards for the time being, it is reviewing the adoption of International Financial Reporting Standards (IFRS), including evaluating the differences between the IFRS and the Japanese accounting standards and studying the impact of the adoption of IFRS on the Kobe Steel Group.

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2018	FY2019
	Ended Mar. 31, 2019	Ended Mar. 31, 2020
<b>Current Assets</b>		
Cash and deposits	173,899	146,044
Notes and accounts receivable	343,288	332,428
Merchandise and finished goods	178,080	184,414
Work-in-process	131,198	137,567
Raw materials and supplies	167,127	174,328
Other	112,868	94,918
Allowance for doubtful accounts	(4,212)	(3,225)
Total current assets	1,102,249	1,066,476
<b>Fixed Assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	257,510	257,897
Machinery and equipment	429,209	464,296
Tools, equipment and fixtures	16,093	14,288
Land	144,459	139,518
Construction in progress	83,312	139,973
Total property, plant and equipment	930,584	1,015,974
<b>Intangible fixed assets</b>		
Software	17,897	18,611
Other	14,743	14,054
Total intangible fixed assets	32,640	32,665
<b>Investments and other assets</b>		
Investments in securities	190,008	148,680
Long-term loans receivable	5,313	4,348
Deferred tax assets	61,765	72,534
Net defined benefit asset	18,284	18,427
Other	87,712	90,456
Allowance for doubtful accounts	(43,585)	(38,370)
Total investment and other assets	319,498	296,074
Total fixed assets	1,282,723	1,344,714
<b>Total assets</b>	<b>2,384,973</b>	<b>2,411,191</b>

<b>LIABILITIES</b>	<b>FY2018</b>	<b>FY2019</b>
	<b>Ended Mar. 31, 2019</b>	<b>Ended Mar. 31, 2020</b>
<b>Current liabilities</b>		
Notes and accounts payable	455,310	395,946
Short-term borrowings	116,382	162,069
Current portion of Bonds	22,215	30,215
Accounts payable - other	49,705	54,661
Income and enterprise taxes payable	7,080	7,143
Provision for bonuses	20,803	19,424
Provision for product warranties	14,693	15,279
Provision for loss on construction contracts	10,428	16,952
Provision for loss on guarantees	2,162	1,046
Provision for dismantlement related expenses	1,611	2,314
Provision for customer compensation expenses	3,362	2,054
Other	107,970	105,962
Total current liabilities	<u>811,727</u>	<u>813,071</u>
<b>Long-term liabilities</b>		
Bonds and notes	111,837	81,622
Long-term borrowings	509,929	632,732
Deferred tax liabilities	10,355	10,165
Deferred tax liabilities on land revaluation	3,251	2,458
Net defined benefit liability	81,079	94,518
Provision for environmental measures	2,698	3,000
Provision for dismantlement related expenses	3,343	1,959
Other	47,436	55,294
Total long-term liabilities	<u>769,932</u>	<u>881,751</u>
<b>Total liabilities</b>	<u>1,581,660</u>	<u>1,694,822</u>
<b>NET ASSETS</b>		
<b>Stockholders' equity</b>		
Common stock	250,930	250,930
Capital surplus	102,218	102,350
Retained earnings	415,320	345,660
Treasury stock	(2,614)	(2,261)
Total stockholders' equity	<u>765,855</u>	<u>696,678</u>
<b>Accumulated other comprehensive income</b>		
Unrealized gains or losses on securities, net of taxes	7,105	1,485
Unrealized gains or losses on hedging derivatives, net of taxes	(14,030)	(15,873)
Land revaluation differences, net of taxes	(3,406)	(2,995)
Foreign currency translation adjustments	2,705	(1,984)
Remeasurements of defined benefit plans, net of taxes	(18,652)	(20,430)
Total accumulated other comprehensive income	<u>(26,278)</u>	<u>(39,797)</u>
<b>Non-controlling interests</b>	<u>63,736</u>	<u>59,487</u>
<b>Total net assets</b>	<u>803,312</u>	<u>716,369</u>
<b>Total liabilities and net assets</b>	<u>2,384,973</u>	<u>2,411,191</u>

## Consolidated Statements of Income

(In millions of yen)

	FY2018	FY2019
	Ended Mar. 31, 2019	Ended Mar. 31, 2020
<b>Net sales</b>	1,971,869	1,869,835
<b>Cost of sales</b>	1,704,972	1,638,738
<b>Gross profit</b>	266,897	231,097
<b>Selling, general and administrative expenses</b>		
Haulage expenses	54,911	54,813
Salaries and allowances	45,043	46,358
Research and development expenses	17,820	18,765
Other	100,839	101,297
Total selling, general and administrative expenses	218,614	221,233
<b>Operating income</b>	48,282	9,863
<b>Non-operating income</b>		
Interest income	2,715	3,201
Dividend income	4,344	4,116
Reimbursement of seconded employees' salaries	3,441	3,794
Equity in income of equity method companies	5,864	5,959
Other	17,331	11,911
Total non-operating income	33,696	28,983
<b>Non-operating expenses</b>		
Interest expense	9,153	9,186
Seconded employees' salaries	9,872	10,328
Dismantlement expenses	5,281	5,650
Other	23,041	21,761
Total non-operating expenses	47,350	46,927
<b>Ordinary income (loss)</b>	34,629	(8,079)
<b>Extraordinary Income</b>		
Gain on sale of investment securities	31,485	7,586
Gain on acquisition of subsidiary	4,892	—
Total extraordinary income	36,377	7,586
<b>Extraordinary loss</b>		
Loss on impairment	13,924	49,981
Loss on valuation of investment securities	—	15,089
Loss on disaster	3,353	—
Customer compensation expenses	2,587	—
Environmental expenses	2,154	—
Total extraordinary loss	22,020	65,071
<b>Income (loss) before income taxes and non-controlling interests</b>	48,985	(65,565)
<b>Income taxes</b>		
Current	13,994	10,267
Deferred	(3,537)	(7,504)
Total income taxes	10,457	2,762
<b>Income (loss) before non-controlling interests</b>	38,528	(68,327)
<b>Net income (loss) attributable to non-controlling interests</b>	2,587	(319)
<b>Net income (loss) attributable to owners of the parent</b>	35,940	(68,008)



## Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2018	FY2019
	Ended Mar. 31, 2019	Ended Mar. 31, 2020
<b>Income (loss) before non-controlling interests</b>	38,528	(68,327)
<b>Other comprehensive income (loss)</b>		
Unrealized gains or losses on securities, net of taxes	(9,257)	(5,348)
Unrealized gains or losses on hedging derivatives, net of taxes	(3,888)	(2,543)
Land revaluation differences, net of taxes	—	792
Foreign currency translation adjustments	(5,841)	(2,069)
Remeasurements of defined benefit plans, net of taxes	(851)	(1,817)
Share of other comprehensive gains and losses related to equity method companies	(3,905)	(2,635)
Total other comprehensive income (loss)	(23,745)	(13,622)
<b>Comprehensive Income (loss)</b>	14,782	(81,950)
Breakdown of total comprehensive income (loss) attributed to:		
Stockholders of the parent interests	13,188	(81,594)
Non-controlling interests	1,593	(355)

## Consolidated Statements of Changes in Net Assets

(In millions of yen)

FY2018 (April 1, 2018 – March 31, 2019)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of fiscal year	250,930	102,314	395,542	(2,671)	746,115
Amount of change					
Dividends of surplus			(14,565)		(14,565)
Net income (loss) attributable to owners of the parent			35,940		35,940
Purchase of treasury shares				(8)	(8)
Disposal of treasury stock			(0)	66	65
Changes in stockholders interest due to transaction with non-controlling interests		(95)			(95)
Change of scope of consolidation and equity method			(1,596)		(1,596)
Net changes other than stockholders' equity					
Total changes	-	(95)	19,777	57	19,739
Balance at the end of fiscal year	250,930	102,218	415,320	(2,614)	765,855

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains or losses on securities, net of taxes	Unrealized gains or losses on hedging derivatives, net of taxes	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total other comprehensive income		
Balance at the beginning of fiscal year	17,333	(9,913)	(3,406)	10,185	(17,726)	(3,527)	48,396	790,984
Amount of change								
Dividends of surplus								(14,565)
Net income (loss) attributable to owners of the parent								35,940
Purchase of treasury shares								(8)
Disposal of treasury stock								65
Changes in stockholders interest due to transaction with non-controlling interests								(95)
Change of scope of consolidation and equity method								(1,596)
Net changes other than stockholders' equity	(10,228)	(4,117)	-	(7,480)	(925)	(22,751)	15,339	(7,411)
Total changes	(10,228)	(4,117)	-	(7,480)	(925)	(22,751)	15,339	12,328
Balance at the end of fiscal year	7,105	(14,030)	(3,406)	2,705	(18,652)	(26,278)	63,736	803,312

## Consolidated Statements of Changes in Net Assets

(In millions of yen)

FY2019 (April 1, 2019 – March 31, 2020)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of fiscal year	250,930	102,218	415,320	(2,614)	765,855
Amount of change					
Dividends of surplus			(3,641)		(3,641)
Net income (loss) attributable to owners of the parent			(68,008)		(68,008)
Purchase of treasury shares				(4)	(4)
Disposal of treasury stock			(1)	357	356
Changes in stockholders interest due to transaction with non-controlling interests		131			131
Change of scope of consolidation and equity method			1,990		1,990
Net changes other than stockholders' equity					
Total changes	—	131	(69,660)	352	(69,176)
Balance at the end of fiscal year	250,930	102,350	345,660	(2,261)	696,678

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains or losses on securities, net of taxes	Unrealized gains or losses on hedging derivatives, net of taxes	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total other comprehensive income		
Balance at the beginning of fiscal year	7,105	(14,030)	(3,406)	2,705	(18,652)	(26,278)	63,736	803,312
Amount of change								
Dividends of surplus								(3,641)
Net income (loss) attributable to owners of the parent								(68,008)
Purchase of treasury stock								(4)
Disposal of treasury stock								356
Changes in stockholders interest due to transaction with non-controlling interests								131
Change of scope of consolidation and equity method								1,990
Net changes other than stockholders' equity	(5,620)	(1,842)	411	(4,689)	(1,778)	(13,519)	(4,248)	(17,767)
Total changes	(5,620)	(1,842)	411	(4,689)	(1,778)	(13,519)	(4,248)	(86,943)
Balance at the end of fiscal year	1,485	(15,873)	(2,995)	(1,984)	(20,430)	(39,797)	59,487	716,369

## Consolidated Statements of Cash Flows

(In millions of yen)

	FY2018 Ended Mar. 31, 2019	FY2019 Ended Mar. 31, 2020
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	48,985	(65,565)
Depreciation	102,589	105,346
Increase (decrease) in allowance for doubtful accounts	(10,281)	(5,253)
Increase (decrease) in provision for loss on construction contracts	796	6,523
Increase (decrease) in provision for dismantlement related	(7,651)	(680)
Increase (decrease) in provision for customer compensation	(221)	(1,307)
Increase (decrease) in liabilities for retirement benefits	7,549	13,164
Increase (decrease) in provision for environmental measures	1,921	861
Interest and dividend income	(7,059)	(7,317)
Interest expense	9,153	9,186
Loss (income) on sale of securities	(32,341)	(8,726)
Equity in loss (income) of equity method companies	(5,864)	(5,959)
Loss (income) on sale of plant and equipment	(1,870)	(41)
Loss on disposal of plant and equipment	2,162	1,727
Gain (loss) related to subsidiary conversion	(4,892)	—
Loss on impairment	13,924	49,981
Loss on write-down of investments in securities	214	15,120
Increase (decrease) in trade receivables from customers	(6,471)	26,530
Net decrease (increase) in lease receivables and investment assets	(4,163)	1,669
Increase (decrease) in inventories	(33,140)	(25,328)
Increase (decrease) in accounts receivable	(2,594)	2,581
Increase (decrease) in trade payables to customers	(1,377)	(59,360)
Increase (decrease) in accrued expenses	7,640	(7,778)
Other	5,349	(9,011)
Subtotal	82,357	36,363
Cash received for interest and dividends	9,904	11,089
Cash paid for interest	(9,011)	(9,105)
Cash paid for income taxes	(16,113)	(11,307)
Net cash provided by operating activities	67,136	27,040
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and other assets	(132,456)	(245,386)
Proceeds from sale of property, plant and equipment and other assets	3,774	2,616
Purchase of investments in securities	(501)	(1,190)
Proceeds from sale of investments in securities	1,272	24,435
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(618)
Proceeds from sales of investment in subsidiaries resulting in change in scope of consolidation	69,399	—
Decrease (increase) in short-term loans receivable	347	(0)
Payments for long-term loans receivable	(123)	(149)
Proceeds from collection of long-term loans receivable	31,605	805
Other	(1,920)	499
Net cash provided by investing activities	(28,603)	(218,986)

	<b>FY2018</b>	<b>FY2019</b>
	<b>Ended Mar. 31, 2019</b>	<b>Ended Mar. 31, 2020</b>
<b>Cash flows from financing activities</b>		
Decrease (increase) in short-term loans receivable	(84,935)	36,967
Proceeds from issuance of long-term borrowings	179,923	197,707
Repayment of long-term borrowings	(71,213)	(63,555)
Proceeds from issuance of bonds	1,500	—
Repayment of bonds	(14,065)	(22,215)
Proceeds from sale and leaseback transactions	4,795	7,301
Repayment of finance lease obligations	(3,405)	(8,206)
Payment of dividends	(14,509)	(3,730)
Payment of dividends to non-controlling interests	(1,355)	(2,650)
Other	(6,295)	(1,029)
Net cash provided by (used in) financing activities	(9,561)	140,589
Effect of exchange rate changes on cash and cash equivalents	(2,797)	(932)
Increase (decrease) in cash and cash equivalents	26,174	(52,290)
Cash and cash equivalents at the beginning of fiscal year	165,267	197,216
Increase of cash and cash equivalents due to share exchange	5,735	—
Increase (decrease) in cash and cash equivalents resulting in change in scope of consolidation	39	731
Cash and cash equivalents at the end of fiscal year	197,216	145,658

## Notes

### Notes on premise of a going concern

None

### Changes in presentation method

#### Consolidated Statement of Income

In the previous consolidated fiscal year, "Reversal of allowance for doubtful accounts", which was independently stated under "Non-operating income", is included in "Other" from this fiscal 2019, as it has become insignificant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated financial statements for the previous fiscal year, the amount of 5,693 million yen, which was stated in "Reversal of allowance for doubtful accounts" under "Non-operating income" has been reclassified in "Other".

In the previous consolidated fiscal year, "Commission for syndicate loan", which was independently stated under "Non-operating expenses", is included in "Other" from this fiscal 2019, as it has become insignificant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated financial statements for the previous fiscal year, the amount of 6,275 million yen, which was stated in "Commission for syndicate loan" under "Non-operating expenses" has been reclassified in "Other".

#### Consolidated Statements of Cash Flows

In the previous consolidated fiscal year, "Commission for syndicate loan", which was independently stated under "Cash flows from operating activities", is included in "Other" from this fiscal 2019, as it has become insignificant in terms of amount. In the previous consolidated fiscal year, "Increase (decrease) in provision for loss on construction contracts" and "Loss on write-down of investments in securities", which were included in "Other" under "Cash flows from operating activities", are stated independently from this fiscal year, as they have become significant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated statements of cash flows for the previous fiscal year, the amount of 6,275 million yen, which was recorded in "Commission for syndicate loan" and 84 million yen which was recorded in "Others" under "Cash flows from operating activities", has been reclassified as 796 million yen for "Increase (decrease) in provision for loss on construction contracts", as 214 million yen for "Loss on write-down of investments in securities", and as 5,349 million yen in "Other".

In the previous consolidated fiscal year, "Payment for investments in capital", which was independently stated under "Cash flows from investing activities", is included in "Other" from this fiscal 2019, as it has become insignificant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated statements of cash flows for the previous fiscal year, the amount of -40 million yen, which was recorded in "Payment for investments in capital" and -1,879 million yen which was recorded in "Others" under "Cash flows from investing activities", has been reclassified as -1,920 million yen in "Other".

In the previous consolidated fiscal year, "Payment of commission for syndicate loan", which was independently stated under "Cash flows from financing activities", is included in "Other" from this fiscal 2019, as it has become insignificant in terms of amount. In the previous consolidated fiscal year, "Proceeds from sale and leaseback transactions", which were included in "Other" under "Cash flows from financing activities", are stated independently from this fiscal year, as they have become significant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated statements of cash flows for the previous fiscal year, the amount of -6,287 million yen, which was recorded in "Payment of commission for syndicate loan" and 4,787 million yen which was recorded in "Others" under "Cash flows from financing activities", has been reclassified as 4,795 million yen for "Proceeds from sale and leaseback transactions" and as -6,295 million yen in "Other".

## Segment Information

(In millions of yen)

		FY2018	FY2019
		Ended Mar. 31, 2019	Ended Mar. 31, 2020
Sales to outside customers:	Iron & Steel	723,239	694,673
	Welding	83,320	82,641
	Aluminum & Copper	358,332	332,735
	Machinery	161,272	156,936
	Engineering	149,369	137,804
	Construction Machinery	385,964	360,796
	Electric Power	76,128	75,678
	Other Businesses	32,675	25,536
	Adjustment	1,566	3,032
	Total	<u>1,971,869</u>	<u>1,869,835</u>
Intersegment sales:	Iron & Steel	30,714	29,075
	Welding	627	1,128
	Aluminum & Copper	721	690
	Machinery	10,215	9,003
	Engineering	2,383	3,732
	Construction Machinery	112	73
	Electric Power	—	—
	Other Businesses	9,387	8,133
	Adjustment	(54,163)	(51,838)
	Total	<u>-</u>	<u>-</u>
Total sales:	Iron & Steel	753,953	723,749
	Welding	83,947	83,770
	Aluminum & Copper	359,053	333,426
	Machinery	171,488	165,940
	Engineering	151,753	141,536
	Construction Machinery	386,077	360,869
	Electric Power	76,128	75,678
	Other Businesses	42,063	33,670
	Adjustment	(52,597)	(48,805)
	Total	<u>1,971,869</u>	<u>1,869,835</u>
Ordinary income (loss):	Iron & Steel	4,733	(21,303)
	Welding	3,627	2,924
	Aluminum & Copper	(1,525)	(20,498)
	Machinery	1,207	9,628
	Engineering	6,564	5,763
	Construction Machinery	25,577	7,530
	Electric Power	(326)	8,954
	Other Businesses	2,337	3,332
	Adjustment	(7,566)	(4,411)
	Total	<u>34,629</u>	<u>(8,079)</u>