

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2026
(Under Japanese GAAP)



May 11, 2026

Company name: Kobe Steel, Ltd.
 Listing: Tokyo Stock Exchange / Nagoya Stock Exchange
 Securities code: 5406
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 Scheduled date of annual general meeting of shareholders: June 23, 2026
 Scheduled date to commence dividend payments: June 5, 2026
 Scheduled date to file annual securities report: June 18, 2026
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (available only in Japanese)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2026 (from April 1, 2025–March 31, 2026)

(1) Consolidated operating results

(Percentage indicates year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2026	2,436,581	(4.6)	129,883	(18.2)	121,336	(22.8)	93,717	(22.0)
March 31, 2025	2,555,031	0.5	158,721	(15.0)	157,192	(2.3)	120,180	9.7

Note: Comprehensive income For the fiscal year ended March 31, 2026: 138,491 million yen [(1.6)%]
 For the fiscal year ended March 31, 2025: 140,689 million yen [(21.6)%]

	Basic earnings per share	Diluted earnings 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)
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2026	237.80	—	7.7	4.2	5.3
March 31, 2025	304.64	—	10.8	5.4	6.2

Reference: Equity in income of affiliates For the fiscal year ended March 31, 2026: 14,120 million yen
 For the fiscal year ended March 31, 2025: 11,774 million yen

Note: Diluted earnings per share is not presented because there are nopotentially dilutive securities.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2026	2,865,184	1,330,453	44.0	3,189.56
March 31, 2025	2,891,053	1,237,059	40.2	2,941.14

Reference: Equity capital As of March 31, 2026: 1,261,325 million yen
 As of March 31, 2025: 1,161,797 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 period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2026	201,683	(73,659)	(162,410)	189,028
March 31, 2025	148,261	(113,873)	(96,227)	219,872

2. Cash dividends

	Cash dividends per share					Total amount of dividends	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q	2Q	3Q	4Q	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2025	-	45.00	-	55.00	100.00	39,606	32.8	3.6
Fiscal year ended March 31, 2026	-	40.00	-	40.00	80.00	31,605	33.6	2.6
Fiscal year ended March 31, 2027 (Forecast)	-	40.00	-	40.00	80.00		31.8	

3. Consolidated earnings forecast for fiscal 2026 (April 1, 2026-March 31, 2027)

(Percentage indicates year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	1,240,000	5.0	60,000	(4.1)	45,000	(22.0)	35,000	(44.3)	88.40
Full year	2,560,000	5.1	150,000	15.5	120,000	(1.1)	100,000	6.7	251.80

Note: For more information, please refer to the Financial Results for Fiscal 2025 and Forecast for Fiscal 2026, announced today.

Basic earnings per share reflects the impact of the issuance of new shares related to the “Notice Concerning Execution of Share Exchange Agreement (Simplified Share Exchange) for Making KOBELCO WIRE COMPANY, LTD. a Wholly Owned Subsidiary of Kobe Steel, Ltd.” announced today.

Notes

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: None

Excluded: One company (Nippon Koshuha Steel Co., Ltd)

(2) Changes in accounting policies, changes in accounting estimates and restatement

- Changes in accounting policies due to revisions to accounting standards and other regulations:	None
- Changes in accounting policies due to other reasons:	None
- Changes in accounting estimates:	None
- Restatement:	None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2026	396,345,963 shares
As of March 31, 2025	396,345,963 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2026	892,930 shares
As of March 31, 2025	1,331,320 shares

(iii) Average number of shares outstanding during the period

As of March 31, 2026	394,087,533 shares
As of March 31, 2025	394,488,793 shares

Reference: Overview of non-consolidated operating results and earnings forecast

1. Non-consolidated operating results for fiscal 2025 (April 1, 2025-March 31, 2026)

(Percentage indicates year-on-year changes.)

Fiscal year ended	Net sales		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2026	1,330,807	(3.3)	46,121	(57.8)	59,002	(43.1)	149.57
March 31, 2025	1,375,958	3.7	109,169	25.0	103,721	58.3	262.27

2. Non-consolidated earnings forecast for fiscal 2026 (April 1, 2026-March 31, 2027)

(Percentage indicates year-on-year changes.)

Full year	Net sales		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	1,400,000	5.2	50,000	8.4	50,000	(15.3)	125.77

Note: Basic earnings per share reflects the impact of the issuance of new shares related to the “Notice Concerning Execution of Share Exchange Agreement (Simplified Share Exchange) for Making KOBELCO WIRE COMPANY, LTD. a Wholly Owned Subsidiary of Kobe Steel, Ltd.” announced today.

Explanation on the appropriate use of the forecast and other special notes

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.

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1. Overview of Operating Results and Other Items

(1) Overview of Operating Results

Fiscal 2025 Consolidated Operating Results

During fiscal 2025, the Japanese economy continued on a gradual recovery trend, with signs of improvement in personal consumption and corporate production activities, while export-related industries were affected by U.S. trade policies. As for overseas economies, the U.S. economy remained resilient, supported mainly by steady personal consumption and capital investment, despite the impact of high prices and tight monetary policy. Europe showed a gradual recovery trend, primarily in the service sector. In China, economic recovery remained moderate, reflecting the prolonged downturn in the real estate market and sluggish growth in personal consumption.

Under these circumstances, the Company worked to enhance earning power and pursue growth, as set forth in the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), while continuing efforts to pass through rising costs and curb cost increases through self-help efforts.

As a result, fiscal 2025 consolidated net sales decreased by 118.4 billion yen year on year to 2,436.5 billion yen. Operating profit decreased by 28.8 billion yen year on year to 129.8 billion yen, due to factors such as increased costs centered on fixed costs, a reduction in gains from time lags in fuel cost adjustments in the electric power segment, a decrease in temporary gains related to electricity selling prices (resulting from differences between the benchmark selling price of coal and the purchase price), and a decline in net sales due to the extended periodic inspection of Kobe Power Plant No. 3 unit, despite an increase in net sales from the progress of existing orders in the machinery segment. Ordinary profit decreased by 35.8 billion yen year on year to 121.3 billion yen, due to the decrease in operating profit and the elimination of compensation income related to the engine certification problem in Europe in the construction machinery segment, which had been recorded in fiscal 2024. Extraordinary income and losses resulted in a loss of 0.4 billion yen, as the gains from the sale of strategic shareholdings and land were offset by the recognition of impairment losses on non-current assets in the aluminum flat rolled product business. As a result, profit attributable to owners of parent decreased by 26.4 billion yen year on year to 93.7 billion yen.

The operating results for each business segment in fiscal 2025 are as follows.

Steel & Aluminum

(Steel)

Sales volume of steel products decreased year on year due to sluggish construction demand caused by labor shortages and rising construction costs. Selling prices also declined year on year, despite progress in passing through rising costs, due mainly to lower raw material prices. As a result, net sales decreased by 10.1% year on year to 822.2 billion yen. Ordinary profit decreased by 20.4 billion yen year on year to 3.8 billion yen, due to lower sales volumes, a deterioration in metal spreads, increased costs centered on fixed costs, and a worsening of inventory valuation.

(Aluminum)

Sales volume decreased year on year due to the reclassification of Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. from a consolidated subsidiary to an affiliate, while selling prices increased year on year, primarily due to higher base metal prices. As a result, net sales decreased by 13.4% year on year to 174.6 billion yen. Ordinary loss worsened by 0.3 billion yen year on year to a loss of 0.9 billion yen, due to a reduction in inventory valuation gains, despite progress in price pass-through and cost improvements.

In the overall Steel & Aluminum segment, net sales decreased by 10.7% year on year to 996.9 billion yen, and ordinary profit decreased by 20.7 billion yen year on year to 2.8 billion yen.

Advanced Materials

Sales volume increased year on year in the steel casting and forgings business, supported by steady demand in the shipbuilding sector, while sales volume declined in the aluminum extrusion and suspension business due to sluggish automotive demand. As a result, net sales increased by 5.0% year on year to 332.8 billion yen. Ordinary profit decreased by 2.0 billion yen year on year to 8.7 billion yen, due to declining sales volume mainly in the automotive sector and a reduction in inventory valuation gains, despite progress in price pass-through.

Welding

Sales volume of welding materials remained at a similar level year on year in both domestic and overseas markets. Selling prices increased year on year due to progress in price pass-through. As a result, net sales increased by 2.7% year on year to 96.4 billion yen, and ordinary profit increased by 0.6 billion yen year on year to 5.8 billion yen, despite higher labor and other fixed costs.

Machinery

Orders increased by 2.9% year on year to 270.1 billion yen, mainly due to strong demand for isostatic pressing (IP) equipment, and order backlog totaled 241.2 billion yen. Net sales increased by 6.6% year on year to 282.7 billion yen. Ordinary profit increased by 14.1 billion yen year on year to 46.7 billion yen, due to higher net sales and improved profitability resulting from an increase in service contracts.

Engineering

Orders decreased by 19.8% year on year to 132.1 billion yen, reflecting the absence of multiple large projects recorded in the waste treatment-related business in fiscal 2024. Order backlog totaled 386.0 billion yen. Net sales increased by 10.9% year on year to 193.8 billion yen due to the progress of existing orders, while ordinary profit decreased by 3.4 billion yen year on year to 12.6 billion yen due to factors such as changes in project composition.

Construction Machinery

Unit sales of hydraulic excavators increased year on year due to a recovery in demand in Europe, China, and Southeast Asia, while unit sales of crawler cranes decreased year on year due to factors such as a decline in domestic demand caused by rising prices. Ordinary profit decreased by 6.4 billion yen year on year to 12.3 billion yen, due mainly to the elimination of compensation income related to the engine certification problem.

Electric Power

Sales volume decreased year on year due to the extended periodic inspection of Kobe Power Plant No. 3 unit. Electricity selling prices also declined year on year, reflecting fluctuations in thermal coal prices. As a result, net sales decreased by 21.5% year on year to 203.2 billion yen. Ordinary profit decreased by 17.5 billion yen year on year to 34.7 billion yen, due to lower net sales, a reduction in gains from time lags in fuel cost adjustments at Kobe Power Plants No. 3 and 4 units, and a decrease in temporary gains related to electricity selling prices at the Kobe Power Plants No. 1 to 4 units.

Other Businesses

Net sales decreased by 34.0% year on year to 5.8 billion yen, while ordinary profit increased by 1.2 billion yen year on year to 5.0 billion yen.

Dividends for Fiscal 2025

Kobe Steel determines dividends taking its financial condition, business performance, future capital needs, and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle. Based on this policy, the year-end dividend for fiscal 2025 will be 40 yen per share (80 yen annually).

Outlook for Fiscal 2026

The Japanese economy is expected to maintain a gradual recovery trend, primarily driven by steady personal consumption amid ongoing improvements in employment and income conditions. Meanwhile, the global economy is expected to remain resilient, with the United States at the forefront; however, uncertainties persist regarding geopolitical developments in the Middle East and U.S. trade policies.

Under these circumstances, the Company forecasts net sales of approximately 2,560.0 billion yen, operating profit of approximately 150.0 billion yen, ordinary profit of approximately 120.0 billion yen, and profit attributable to owners of parent of approximately 100.0 billion yen, reflecting an expected recovery in sales volume mainly in the materials businesses and the construction machinery business, cost improvements, and an improvement in inventory valuation.

The outlook incorporates a potential downside risk of 10.0 billion yen to profit due to the situation in the Middle East. This encompasses effects on exports to the region, procurement of raw materials for aluminum-related businesses, higher crude oil prices, and increases in fuel and energy costs.

Regarding the outlook for fiscal 2026, the Company assumes the status of each segment as follows.

Steel & Aluminum

(Steel)

Sales volume of steel products is expected to remain at a similar level year on year. With regard to selling prices, the Company will continue to promote the pass-through of increases in raw material prices as well as rising costs, such as labor and logistics costs. Net sales are also expected to remain at a similar level year on year, while ordinary profit is expected to increase due to cost improvements and improvements in inventory valuation, despite an anticipated deterioration in metal spreads.

(Aluminum)

Sales volume of aluminum flat rolled products is expected to increase year on year, driven mainly by increased demand in the beverage can stock and IT/semiconductor sectors. Net sales are also projected to increase, reflecting both higher sales volume and progress in price pass-through. Ordinary profit (loss) is also anticipated to improve year on year, due to cost improvements and lower depreciation expenses.

Advanced Materials

Sales volume is expected to increase year on year, primarily due to a demand recovery in the semiconductor sector and continued strong demand in the aircraft sector. Despite a projected increase in costs centered on fixed costs, both net sales and ordinary profit are expected to increase due to higher sales volume and progress in price pass-through.

Welding

Sales volume of welding materials is expected to increase year on year, driven by a recovery in demand in both domestic and overseas markets. Net sales and ordinary profit are expected to increase, primarily due to higher sales volume.

Machinery

Orders and net sales are expected to remain at a similar level year on year, while ordinary profit is expected to decrease due to factors such as a decline in unit sales and increased costs centered on fixed costs.

Engineering

Orders are expected to increase, reflecting anticipated orders for multiple projects mainly in the direct reduction iron (DRI)-related business and waste treatment-related business. Net sales are expected to remain at a similar level year on year, while ordinary profit is expected to decrease due to factors such as changes in project mix

Construction Machinery

Unit sales of hydraulic excavators is expected to increase year on year, driven by a recovery in demand in North America, Europe, and China. Unit sales of crawler cranes is also anticipated to increase, supported by a recovery in North America. Despite an anticipated increase in costs centered on fixed costs, net sales and ordinary profit are both expected to increase due to higher unit sales.

Electric Power

Sales volume of electricity is expected to increase year on year, supported by an increase in operating days due to a reduction in the impact of the extended periodic inspection of Kobe Power Plant No. 3 unit. Electricity selling prices are expected to decline year on year, reflecting assumptions regarding thermal coal market prices. Net sales are expected to increase due to the reduced impact of the extended periodic inspection of Kobe Power Plant No. 3 unit. Meanwhile, ordinary profit is expected to decrease due to factors such as the elimination of gains from time lags in fuel cost adjustments and the elimination of temporary gains related to electricity selling prices.

(2) Financial Condition

Total assets at the end of fiscal 2025 amounted to 2,865.1 billion yen, roughly the same level at the end of fiscal 2024. Liabilities decreased by 119.2 billion yen to 1,534.7 billion yen, compared to the end of fiscal 2024, due to the repayment of borrowings, among other factors. Net assets increased by 93.3 billion yen to 1,330.4 billion yen, compared to the end of fiscal 2024, mainly due to the recording of profit attributable to owners of parent. As a result, the equity-to-asset ratio at the end of fiscal 2025 was 44.0%, up 3.8 points from the end of fiscal 2024.

Cash flow from operating activities for fiscal 2025 amounted to an inflow of 201.6 billion yen, mainly due to the recording of profit before income taxes, while cash flow from investing activities resulted in an outflow of 73.6 billion yen, primarily due to expenditures for the purchase of property, plant and equipment and intangible assets. As a result, free cash flow amounted to an inflow of 128.0 billion yen. Cash flow from financing activities resulted in an outflow of (162.4) billion yen due to the repayment of borrowings, and cash and cash equivalents at the end of fiscal 2025 decreased by 30.8 billion yen to 189.0 billion yen, compared to the end of fiscal 2024.

The balance of interest-bearing debt at the end of fiscal 2025 decreased by 116.4 billion yen to 769.9 billion yen compared to the end of the fiscal 2024.

Cash flow indicators are as follows:

	FY2021	FY2022	FY2023	FY2024	FY2025
Equity-to-asset ratio	29.9%	31.8%	36.2%	40.2%	44.0%
Equity-to-asset ratio at market price	8.6%	14.5%	27.9%	23.7%	26.1%
Ratio of cash flow to interest-bearing debt (years)	5.8	7.7	4.3	6.0	3.8
Interest coverage ratio (times)	12.5	9.0	14.0	10.7	14.7

Notes:

- Each indicator is calculated from the consolidated financial figures.
- Each indicator is calculated by the following formula:
Equity-to-asset ratio = Shareholders' equity / total assets
Equity-to-asset ratio at market price = Market capitalization / total assets
(Market capitalization was calculated by multiplying the share price at the end of term by the number of outstanding shares at the end of term.)
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

Kobe Steel Group adopts the Japanese accounting standards. We are examining the differences between the International Financial Reporting Standards (IFRS) and the Japanese accounting standards and studying the impact of the adoption of IFRS on the Group.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2024 Ended March 31, 2025	FY2025 Ended March 31, 2026
Current Assets		
Cash and deposits	220,122	189,233
Notes receivable - trade	22,492	18,401
Accounts receivable - trade	346,900	365,741
Contract assets	35,039	48,541
Merchandise and finished goods	265,939	256,049
Work in process	172,738	169,624
Raw materials and supplies	283,426	264,552
Other	75,030	79,432
Allowance for doubtful accounts	(5,435)	(5,102)
Total current assets	1,416,256	1,386,473
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	286,849	276,047
Machinery, equipment and vehicles, net	535,498	504,752
Tools, furniture and fixtures, net	16,978	18,675
Land	166,797	164,364
Construction in progress	41,004	57,060
Total property, plant and equipment	1,047,127	1,020,901
Intangible assets		
Software	37,572	45,887
Other	12,597	11,793
Total intangible assets	50,170	57,680
Investments and other assets		
Investment securities	214,144	215,448
Long-term loans receivable	1,990	1,591
Deferred tax assets	48,040	39,605
Retirement benefit asset	27,147	49,739
Other	108,174	116,261
Allowance for doubtful accounts	(21,998)	(22,517)
Total investments and other assets	377,498	400,129
Total non-current assets	1,474,796	1,478,711
Total assets	2,891,053	2,865,184

LIABILITIES	FY2024 Ended March 31, 2025	FY2025 Ended March 31, 2026
Current liabilities		
Notes and accounts payable - trade	365,655	363,837
Short-term borrowings	190,327	143,700
Commercial papers	—	26,000
Current portion of bonds payable	35,000	10,000
Lease liabilities	31,846	6,005
Accounts payable - other	50,553	57,655
Income taxes payable	10,630	11,866
Contract liabilities	75,541	78,987
Provision for bonuses	27,576	27,133
Provision for product warranties	20,527	19,680
Provision for loss on construction contracts	6,080	5,795
Provision for dismantlement related expenses	1,227	1,939
Provision for loss on joint venture agreement	138	395
Other	99,445	97,855
Total current liabilities	914,551	850,853
Non-current liabilities		
Bonds payable	130,000	135,000
Long-term borrowings	479,192	428,373
Lease liabilities	19,966	20,838
Deferred tax liabilities	11,245	19,483
Deferred tax liabilities for land revaluation	3,256	3,256
Retirement benefit liability	58,187	45,067
Provision for dismantlement related expenses	10,119	8,351
Provision for loss on joint venture agreement	7,553	6,741
Other	19,920	16,766
Total non-current liabilities	739,441	683,877
Total liabilities	1,653,993	1,534,731
NET ASSETS		
Shareholders' equity		
Share capital	250,930	250,930
Capital surplus	119,861	123,920
Retained earnings	632,946	689,112
Treasury shares	(2,010)	(1,288)
Total shareholders' equity	1,001,727	1,062,674
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,885	48,959
Deferred gains or losses on hedges	(743)	4,534
Revaluation reserve for land	4,958	4,959
Foreign currency translation adjustment	69,485	74,870
Remeasurements of defined benefit plans	38,483	65,325
Total accumulated other comprehensive income	160,069	198,650
Non-controlling interests	75,262	69,128
Total net assets	1,237,059	1,330,453
Total liabilities and net assets	2,891,053	2,865,184

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(In millions of yen)

	FY2024	FY2025
	Ended March 31, 2025	Ended March 31, 2026
Net sales	2,555,031	2,436,581
Cost of sales	2,131,813	2,033,357
Gross profit	423,218	403,224
Selling, general and administrative expenses		
Transportation costs	62,275	64,625
Salaries and allowances	57,501	60,404
Research and development expenses	25,121	25,963
Other	119,598	122,347
Total selling, general and administrative expenses	264,496	273,340
Operating profit	158,721	129,883
Non-operating income		
Interest income	2,630	3,144
Dividend income	5,155	5,183
Seconded employees' reimbursement	3,211	3,914
Foreign exchange gains	—	2,954
Share of profit of entities accounted for using equity method	11,774	14,120
Other	27,451	12,848
Total non-operating income	50,223	42,166
Non-operating expenses		
Interest expenses	13,911	13,404
Seconded employees' salaries	9,731	10,691
Foreign exchange losses	4,080	—
Dismantlement expenses	8,744	11,454
Other	15,283	15,163
Total non-operating expenses	51,752	50,713
Ordinary profit	157,192	121,336
Extraordinary income		
Gain on sale of investment securities	—	21,867
Gain on sale of non-current assets	5,459	7,072
Gain on bargain purchase	16,708	—
Gain on step acquisitions	313	—
Total extraordinary losses	22,481	28,939
Extraordinary losses		
Impairment losses	27,401	24,158
Loss on sale of shares of subsidiaries and associates	—	5,243
Dismantling and removal costs	11,180	—
Total extraordinary losses	38,581	29,402
Profit before income taxes	141,091	120,873

	FY2024	FY2025
	Ended March 31, 2025	Ended March 31, 2026
Income taxes		
Income taxes - current	34,150	22,222
Income taxes - deferred	(13,858)	817
Total income taxes	20,292	23,039
Profit	120,799	97,833
Profit attributable to non-controlling interests	618	4,115
Profit attributable to owners of parent	120,180	93,717

Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2024 Ended March 31, 2025	FY2025 Ended March 31, 2026
Profit	120,799	97,833
Other comprehensive income		
Valuation difference on available-for-sale securities	(21,709)	1,266
Deferred gains or losses on hedges	6,165	5,266
Revaluation reserve for land	(92)	—
Foreign currency translation adjustment	25,697	6,003
Remeasurements of defined benefit plans, net of tax	10,900	27,078
Share of other comprehensive income of entities accounted for using equity method	(1,070)	1,043
Total other comprehensive income	19,890	40,658
Comprehensive Income	140,689	138,491
Comprehensive income attributable to		
Owners of parent	137,704	132,297
Non-controlling interests	2,985	6,193

(3) Consolidated Statements of Changes in Net Assets

FY2024 (April 1, 2024 – March 31, 2025)

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	250,930	116,325	548,951	(1,847)	914,360
Changes during period					
Dividends of surplus			(35,646)		(35,646)
Profit attributable to owners of parent			120,180		120,180
Purchase of treasury shares				(800)	(800)
Disposal of treasury shares			(0)	156	156
Change in ownership interest of parent due to transactions with non-controlling interests		3,407			3,407
Change of scope of consolidation and equity method			(196)		(196)
Change in shares of parent owned by subsidiaries, etc.		128		481	609
Reversal of revaluation reserve for land			(343)		(343)
Net changes in items other than shareholders' equity					
Total changes during period	—	3,536	83,994	(162)	87,367
Balance at end of period	250,930	119,861	632,946	(2,010)	1,001,727

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	70,610	(6,911)	4,707	45,950	27,845	142,202	70,784	1,127,346
Changes during period								
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 subsidiaries, etc.								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	17,866	4,478	22,345
Total changes during period	(22,725)	6,167	251	23,534	10,638	17,866	4,478	109,713
Balance at end of period	47,885	(743)	4,958	69,485	38,483	160,069	75,262	1,237,059

FY2025 (April 1, 2025—March 31, 2026)

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	250,930	119,861	632,946	(2,010)	1,001,727
Changes during period					
Dividends of surplus			(37,549)		(37,549)
Profit attributable to owners of parent			93,717		93,717
Share exchanges		658		3,185	3,843
Purchase of treasury shares				(3,164)	(3,164)
Disposal of treasury shares		0		730	730
Change in ownership interest of parent due to transactions with non-controlling interests		3,365			3,365
Change in shares of parent owned by entities accounted for using equity method		35		70	105
Change in treasury shares arising from change in equity in entities accounted for using equity method				(99)	(99)
Reversal of revaluation reserve for land			(1)		(1)
Net changes in items other than shareholders' equity					
Total changes during period	—	4,059	56,166	721	60,947
Balance at end of period	250,930	123,920	689,112	(1,288)	1,062,674

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	47,885	(743)	4,958	69,485	38,483	160,069	75,262	1,237,059
Changes during period								
Dividends of surplus								(37,549)
Profit attributable to owners of parent								93,717
Share exchanges								3,843
Purchase of treasury shares								(3,164)
Disposal of treasury shares								730
Change in ownership interest of parent due to transactions with non-controlling interests								3,365
Change in shares of parent owned by entities accounted for using equity method								105
Change in treasury shares arising from change in equity in entities accounted for using equity method								(99)
Reversal of revaluation reserve for land								(1)
Net changes in items other than shareholders' equity	1,074	5,278	1	5,384	26,841	38,580	(6,134)	32,446
Total changes during period	1,074	5,278	1	5,384	26,841	38,580	(6,134)	93,393
Balance at end of period	48,959	4,534	4,959	74,870	65,325	198,650	69,128	1,330,453

(4) Consolidated Statements of Cash Flows

(In millions of yen)

	FY2024 Ended March 31, 2025	FY2025 Ended March 31, 2026
Cash flows from operating activities		
Profit before income taxes	141,091	120,873
Depreciation	122,439	123,948
Increase (decrease) in retirement benefit liability	8,417	8,170
Interest and dividend income	(7,785)	(8,328)
Interest expenses	13,911	13,404
Loss (gain) on sale of investment securities	(2,429)	(22,752)
Loss (gain) on sale of shares of subsidiaries and associates	(0)	5,243
Share of loss (profit) of entities accounted for using equity method	(11,774)	(14,120)
Loss (gain) on sale of property, plant and equipment	(5,111)	(7,040)
Loss on retirement of property, plant and equipment	3,763	3,138
Impairment losses	27,401	24,158
Gain on bargain purchase	(16,708)	—
Loss (gain) on step acquisitions	(313)	—
Increase (decrease) in provision for dismantlement related expenses	9,357	(1,056)
Increase (decrease) in provision for loss on joint venture agreement	(1,553)	(554)
Decrease (increase) in trade receivables	25,686	(25,932)
Net decrease (increase) in lease receivables and investments in leases	322	(2,686)
Decrease (increase) in inventories	(11,201)	19,965
Increase (decrease) in trade payables	(84,330)	(4,690)
Increase (decrease) in accrued consumption taxes	(12,719)	(5,193)
Decrease (increase) in accounts receivable - other	4,844	3,353
Increase (decrease) in deposits received	14,284	(4,884)
Other, net	(5,058)	(6,284)
Subtotal	212,534	218,732
Interest and dividends received	17,908	20,137
Interest paid	(13,872)	(13,685)
Income taxes paid	(68,309)	(23,501)
Net cash provided by (used in) operating activities	148,261	201,683
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(113,266)	(124,435)
Proceeds from sale of property, plant and equipment and intangible assets	4,898	10,682
Purchase of investment securities	(4,731)	(2,636)
Proceeds from sale of investment securities	2,289	32,239
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(7,352)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	105
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	637	10,094
Decrease (increase) in short-term loans receivable	(505)	171
Long-term loan advances	(178)	(226)
Proceeds from collection of long-term loans receivable	4,545	633
Other, net	(210)	(289)
Net cash provided by (used in) investing activities	(113,873)	(73,659)

	FY2024	FY2025
	Ended March 31, 2025	Ended March 31, 2026
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(49,091)	(13,199)
Proceeds from issuance of commercial papers	—	26,000
Proceeds from long-term borrowings	73,735	58,475
Repayments of long-term borrowings	(126,101)	(144,969)
Proceeds from issuance of bonds	50,000	15,000
Redemption of bonds	—	(35,000)
Repayments of finance lease liabilities	(8,822)	(29,834)
Proceeds from sale and leaseback transactions	3,692	5,665
Purchase of treasury shares	(801)	(3,164)
Dividends paid	(35,568)	(37,468)
Dividends paid to non-controlling interests	(2,546)	(2,105)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(2,647)	(1,765)
Proceeds from disposal of treasury shares of subsidiaries	1,922	—
Other, net	0	(43)
Net cash provided by (used in) financing activities	(96,227)	(162,410)
Effect of exchange rate change on cash and cash equivalents	7,844	3,542
Net increase (decrease) in cash and cash equivalents	(53,995)	(30,844)
Cash and cash equivalents at beginning of period	278,728	219,872
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(4,860)	—
Cash and cash equivalents at end of period	219,872	189,028

(5) Notes to Consolidated Financial Statements

Notes on Premise of a Going Concern

None

Notes on Segment Information

1. Overview of Reportable Segments

Our Group's reportable segments are defined as components for which separate financial information is available and that are reviewed regularly by the Board of Directors in determining the allocation of management resources and evaluating operating performance.

The Company has business units based on products and services (some of which are operated by subsidiaries), and each business unit and subsidiary formulates and implements domestic and international business strategies.

The Group has seven reportable segments based on the products and services provided by business units and subsidiaries: 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 Materials

Steel castings and forgings, aluminum-alloy and magnesium-alloy castings and forgings, titanium and titanium alloy, aluminum-alloy forgings and machined products, aluminum extrusions and machined 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 materials

Engineering

Various plants (direct reduction ironmaking, pelletizing, petrochemical, nuclear power-related, water treatment, waste treatment, etc.), urban transit systems, pharmaceutical and fine chemical machinery

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

Others

High-pressure gas cylinder manufacturing, and general trading company

2. Methods Used to Calculate Sales, Profit (Loss), Assets and Other Items of Reportable Segments

The accounting methods used for the reported business segments are generally the same as those adopted for the preparation of the consolidated financial statements. Profit (loss) of each reportable segment is based on ordinary profit (loss). Intersegment sales prices are based on prices applicable to transactions with third parties.

Segment Information

(In millions of yen)

		FY2024 Ended March 31, 2025	FY2025 Ended March 31, 2026
Sales to outside customers:	Steel & Aluminum	1,078,015	961,469
	Advanced Materials	304,353	320,218
	Welding	93,222	95,610
	Machinery	251,644	269,014
	Engineering	172,389	191,521
	Construction Machinery	387,858	389,472
	Electric Power	258,807	203,201
	Other Businesses	7,439	4,083
	Adjustment	1,301	1,989
	Total	2,555,031	2,436,581
Intersegment sales:	Steel & Aluminum	38,145	35,447
	Advanced Materials	12,776	12,651
	Welding	689	853
	Machinery	13,512	13,727
	Engineering	2,459	2,376
	Construction Machinery	179	88
	Electric Power	—	—
	Other Businesses	1,488	1,810
	Adjustment	(69,251)	(66,956)
	Total	—	—
Total sales:	Steel & Aluminum	1,116,160	996,917
	Advanced Materials	317,129	332,869
	Welding	93,911	96,463
	Machinery	265,157	282,741
	Engineering	174,848	193,898
	Construction Machinery	388,038	389,560
	Electric Power	258,807	203,201
	Other Businesses	8,928	5,894
	Adjustment	(67,949)	(64,966)
	Total	2,555,031	2,436,581
Ordinary profit (loss):	Steel & Aluminum	23,658	2,885
	Advanced Materials	10,705	8,704
	Welding	5,242	5,861
	Machinery	32,580	46,703
	Engineering	16,100	12,627
	Construction Machinery	18,792	12,366
	Electric Power	52,310	34,764
	Other Businesses	3,827	5,090
	Adjustment	(6,023)	(7,666)
	Total	157,192	121,336

		FY2024	FY2025
		Ended March 31, 2025	Ended March 31, 2026
Assets:	Steel & Aluminum	1,203,027	1,168,557
	Advanced Materials	279,094	307,354
	Welding	95,860	106,616
	Machinery	270,873	290,940
	Engineering	179,501	202,383
	Construction Machinery	387,658	407,505
	Electric Power	375,260	359,085
	Other Businesses	44,478	46,401
	Adjustment	55,297	(23,660)
	Total	2,891,053	2,865,184
Depreciation:	Steel & Aluminum	61,829	61,481
	Advanced Materials	8,775	9,661
	Welding	2,425	2,498
	Machinery	6,939	7,290
	Engineering	2,651	2,893
	Construction Machinery	12,443	11,063
	Electric Power	24,771	24,275
	Other Businesses	309	218
	Adjustment	2,293	4,565
	Total	122,439	123,948
Amortization of goodwill:	Steel & Aluminum	4	—
	Advanced Materials	—	—
	Welding	73	73
	Machinery	498	375
	Engineering	—	—
	Construction Machinery	—	—
	Electric Power	—	—
	Other Businesses	—	—
	Adjustment	—	—
	Total	575	449
Interest income	Steel & Aluminum	625	607
	Advanced Materials	87	117
	Welding	582	624
	Machinery	642	808
	Engineering	986	1,459
	Construction Machinery	1,559	1,387
	Electric Power	69	90
	Other Businesses	4	8
	Adjustment	(1,927)	(1,958)
	Total	2,630	3,144

		FY2024 Ended March 31, 2025	FY2025 Ended March 31, 2026
Interest expense:	Steel & Aluminum	4,729	5,004
	Advanced Materials	3,884	3,824
	Welding	40	37
	Machinery	583	419
	Engineering	122	89
	Construction Machinery	2,655	2,812
	Electric Power	5,544	4,491
	Other Businesses	63	55
	Adjustment	(3,712)	(3,329)
	Total	13,911	13,404
Equity in income (loss) of equity method companies:	Steel & Aluminum	8,233	9,675
	Advanced Materials	(28)	129
	Welding	26	(0)
	Machinery	283	102
	Engineering	(570)	(491)
	Construction Machinery	541	625
	Electric Power	—	—
	Other Businesses	3,867	4,998
	Adjustment	(579)	(919)
	Total	11,774	14,120
Investments in equity method companies:	Steel & Aluminum	89,231	105,899
	Advanced Materials	904	1,033
	Welding	1,340	1,324
	Machinery	1,315	360
	Engineering	6,156	7,408
	Construction Machinery	9,049	9,642
	Electric Power	—	—
	Other Businesses	31,340	33,922
	Adjustment	(6,201)	(6,987)
	Total	133,137	152,604
Capital expenditures:	Steel & Aluminum	57,264	68,050
	Advanced Materials	13,276	11,978
	Welding	2,274	4,049
	Machinery	8,591	15,640
	Engineering	3,161	3,046
	Construction Machinery	19,433	13,287
	Electric Power	2,450	8,890
	Other Businesses	295	406
	Adjustment	9,144	3,211
	Total	115,893	128,562

Notes:

1. “Other Businesses” includes business segments that are not part of the reportable segments and encompasses business companies under the head office.
2. Adjustments as of March 31, 2025 and 2026 are as follows:

Segment profit (loss)

Millions of yen

	FY2024		FY2025	
	Ended March 31, 2025		Ended March 31, 2026	
Companywide profit (loss)	¥	(658)	¥	(6,828)
Other adjustments		(5,365)		(838)
Total	¥	(6,023)	¥	(7,666)

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

Assets

Millions of yen

	FY2024		FY2025	
	Ended March 31, 2025		Ended March 31, 2026	
Companywide assets	¥	307,631	¥	272,802
Other adjustments		(252,334)		(296,463)
Total	¥	55,297	¥	(23,660)

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

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.

Notes on Per Share Information

	Yen	Yen
	Net assets per share	Basic earnings per share
For the year ended March 31, 2026	3,189.56	237.80
For the year ended March 31, 2025	2,941.14	304.64

Notes:

- Diluted earnings per share is not presented because there are no potentially dilutive securities.
- The basis of calculating basic earnings per share is as follows.

	FY2024 Ended March 31, 2025	FY2025 Ended March 31, 2026
Profit attributable to owners of parent (Millions of yen)	120,180	93,717
Amount not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common shares (Millions of yen)	120,180	93,717
Average number of common shares during the period (Thousands of shares)	394,489	394,088
Overview of potential shares not included in the calculation of diluted earnings per share due to lack of dilutive effect	Zero Coupon Convertible Bonds due 2028, resolved at its Board of Directors meeting held on 28 November 2023 (10,685,130 common shares)	Zero Coupon Convertible Bonds due 2028, resolved at its Board of Directors meeting held on 28 November 2023 (11,297,903 common shares)
	Zero Coupon Convertible Bonds due 2030, resolved at its Board of Directors meeting held on 28 November 2023 (11,169,689 common shares)	Zero Coupon Convertible Bonds due 2030, resolved at its Board of Directors meeting held on 28 November 2023 (11,810,279 common shares)

3. In calculating net assets per share and basic earnings per share, the shares held by the Board Benefit Trust (BBT), which are recorded as treasury shares in shareholders' equity, are included in the number of treasury shares that are excluded from the number of treasury shares at the end of the period and the average number of shares outstanding during the period.

The number of excluded treasury shares at the end of fiscal 2025 in calculating net assets per share was 136,000 shares (627,000 shares in fiscal 2024), and the average number of excluded shares outstanding during fiscal 2025 in calculating basic earnings per share was 287,000 shares (598,000 shares in fiscal 2024).

Notes on Significant Subsequent Events

None