Consolidated 10-Year Summary

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Change 2021/2020	2021
	Millions of yen											Thousands of U.S. dollars (Note 1)
For the year												
Net sales	¥ 1,864,691	¥ 1,685,529	¥ 1,824,699	¥ 1,886,895	¥ 1,822,806	¥ 1,695,864	¥ 1,881,158	¥ 1,971,870	¥ 1,869,836	**¥ 1,705,566**	**(8.8)** %	**$ 15,405,713**
Cost of sales	1,635,862	1,510,512	1,537,250	1,581,528	1,548,384	1,465,577	1,595,230	1,704,972	1,638,738	**1,482,378**	**(9.5)**	**13,389,742**
Operating income	60,555	11,235	114,548	119,460	68,446	9,749	88,914	48,283	9,864	**30,399**	**208.2**	**274,578**
Ordinary income (loss)	33,780	(18,146)	85,044	101,688	28,928	(19,104)	71,149	34,629	(8,080)	**16,188**	**-**	**146,223**
Net income (loss) attributable to owners of the parent	(14,248)	(26,976)	70,192	86,550	(21,556)	(23,045)	63,188	35,940	(68,008)	**23,234**	**-**	**209,864**
Cash flows from operating activities	39,486	45,402	194,294	153,078	97,933	141,716	190,833	67,137	27,040	**194,799**	**620.4**	**1,759,542**
Cash flows from investing activities	(85,267)	(123,513)	(62,105)	(73,674)	(104,619)	(137,834)	(161,598)	(28,603)	(218,987)	**(141,853)**	**-**	**(1,281,303)**
Cash flows from financing activities	(40,233)	127,644	(138,502)	(156,027)	93,883	16,546	(66,599)	(9,562)	140,589	**118,444**	**(15.8)**	**1,069,862**
Capital expenditures	96,085	114,936	101,403	103,522	109,941	160,297	128,654	133,472	239,817	**185,092**	**(22.8)**	**1,671,862**
Depreciation	118,038	106,725	82,936	89,882	94,812	96,281	102,032	102,590	105,347	**100,857**	**(4.3)**	**910,998**
Research and development expenses	31,437	30,763	28,494	29,920	29,843	30,102	32,015	34,495	35,891	**31,008**	**(13.6)**	**280,087**
At year end:												
Total assets (Note 3)	2,159,512	2,226,997	2,288,637	2,300,242	2,261,135	2,310,436	2,352,115	2,384,973	2,411,192	**2,582,874**	**7.1**	**23,330,085**
Net assets	571,258	569,923	734,679	851,785	745,493	729,405	790,985	803,313	716,369	**769,375**	**7.4**	**6,949,467**
Outside debt	746,471	907,657	748,138	650,992	776,073	789,633	726,014	724,222	784,478	**785,761**	**0.2**	**7,097,472**
Outside debt, including IPP project financing	810,172	959,180	787,246	677,448	789,494	796,928	738,866	760,365	906,639	**987,809**	**9.0**	**8,922,490**
Per share data:												
Net income (loss) (yen/U.S. dollars) (Note 2)	¥ (4.75)	¥ (8.99)	¥ 22.63	¥ 23.81	¥ (59.35)	¥ (63.54)	¥ 174.43	¥ 99.20	¥ (187.55)	**¥ 64.05**	**-**	**$ 0.58**
Net assets (yen/U.S. dollars) (Note 2)	171.84	170.63	184.11	213.70	1,903.80	1,860.37	2,049.95	2,041.29	1,811.10	**1,958.57**	**8.1**	**17.69**
Cash dividends (yen/U.S. dollars) (Note 2)	1.00	-	4.00	4.00	2.00	-	30.00	20.00	-	**10.00**	**-**	**0.09**
											Points	
Ratios:												
Operating income ratio (%)	3.2	0.7	6.3	6.3	3.8	0.6	4.7	2.4	0.5	**1.8**	**1.3**	
Ordinary income ratio (%)	1.8	(1.1)	4.7	5.4	1.6	(1.1)	3.8	1.8	(0.4)	**0.9**	**1.3**	
ROA (%) (Note 3)	1.5	(0.8)	3.8	4.4	1.3	(0.8)	3.1	1.5	(0.3)	**0.6**	**0.9**	
ROE (%)	(2.7)	(5.3)	11.9	12.0	(2.9)	(3.4)	8.9	4.8	(9.7)	**3.4**	**13.1**	
Equity ratio (%)	23.9	23.0	29.2	33.8	30.6	29.2	31.6	31.0	27.2	**27.5**	**0.3**	
Debt/equity ratio (times)	1.4	1.8	1.1	0.9	1.1	1.2	1.0	1.0	1.2	**1.1**	**(0.1)**	
Dividend payout ratio (%)	-	-	17.7	16.8	-	-	17.2	20.2	-	**15.6**	**15.6**	
Number of shares issued (in thousands)	3,115,061	3,115,061	3,643,642	3,643,642	3,643,642	364,364	364,364	364,364	364,364	**364,364**	**-**	
Number of employees	35,496	36,018	36,019	36,420	36,338	36,951	37,436	39,341	40,831	**40,517**	**(314)**	

Notes:

1. For convenience only, U.S. dollar amounts in this report have been translated from Japanese yen amounts at the rate of ¥110.71 to US$1.00, the rate of exchange prevailing on March 31, 2021.
2. Kobe Steel, Ltd. carried out a share consolidation at a ratio of 10 shares to 1 share effective on October 1, 2016. Therefore, per share data takes into account this share consolidation.
3. The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective April 1, 2018."Total assets " and "ROA" figures for 2018 are after retrospective application of the concerned accounting standard.

Consolidated Balance Sheets

Kobe Steel, Ltd. and Consolidated Subsidiaries
At March 31, 2021 and 2020

ASSETS	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Current assets:			
Cash and deposits (Notes 7 and 23)	¥ **262,346**	¥ 146,045	$ **2,369,667**
Notes and accounts receivable:			
Trade and finance	**287,103**	297,884	**2,593,292**
Unconsolidated subsidiaries and affiliates	**39,459**	44,765	**356,419**
Other	**26,063**	38,753	**235,411**
Allowance for doubtful accounts	**(2,428)**	(3,225)	**(21,931)**
	350,197	378,177	**3,163,191**
Securities (Notes 5 and 23)	**55,200**	-	**498,600**
Merchandise and finished goods	**169,718**	184,415	**1,532,994**
Work-in-process (Note 8)	**122,115**	137,567	**1,103,014**
Raw materials and supplies	**158,442**	174,328	**1,431,149**
Other	**38,162**	45,945	**344,708**
Total current assets	**1,156,180**	1,066,477	**10,443,323**
Property, plant and equipment (Note 7):			
Land (Note 9)	**134,962**	139,518	**1,219,055**
Buildings and structures	**762,567**	761,319	**6,887,973**
Machinery and equipment	**2,510,761**	2,498,444	**22,678,722**
Construction in progress	**240,124**	139,974	**2,168,942**
	3,648,414	3,539,255	**32,954,692**
Less accumulated depreciation	**(2,569,794)**	(2,523,280)	**(23,211,944)**
Total property, plant and equipment	**1,078,620**	1,015,975	**9,742,748**
Intangible assets	**36,566**	32,665	**330,281**
Investments and other assets:			
Investments in securities (Note 5)	**80,805**	64,717	**729,878**
Investments in and advances to unconsolidated subsidiaries and affiliates	**121,657**	118,208	**1,098,880**
Long-term loans receivable	**3,623**	4,054	**32,729**
Deferred tax assets (Note 19)	**69,262**	72,534	**625,619**
Net defined benefit asset (Note 25)	**19,457**	18,427	**175,744**
Other	**35,158**	56,506	**317,575**
Allowance for doubtful accounts	**(18,454)**	(38,371)	**(166,692)**
Total investments and other assets	**311,508**	296,075	**2,813,733**
Total non-current assets	**1,426,694**	1,344,715	**12,886,762**
	¥ **2,582,874**	¥ 2,411,192	$ **23,330,085**

LIABILITIES AND NET ASSETS	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Current liabilities:			
Short-term borrowings (Note 7)	¥ **72,845**	¥ 93,277	$ **657,977**
Current portion of long-term debt (Note 7)	**109,532**	99,007	**989,357**
Notes and accounts payable:			
Trade	**334,435**	342,424	**3,020,823**
Construction	**67,014**	41,790	**605,309**
Unconsolidated subsidiaries and affiliates	**51,457**	57,583	**464,794**
Other	**15,980**	10,588	**144,339**
	468,886	452,385	**4,235,265**
Advances from customers	**36,459**	36,635	**329,315**
Customers' and employees' deposits	**13,832**	15,091	**124,941**
Income and enterprise taxes payable	**9,588**	7,143	**86,601**
Provision for loss on construction contracts (Note 8)	**18,563**	16,953	**167,671**
Provision for dismantlement related expenses	**-**	2,315	**-**
Provision for customer compensation expenses	**1,398**	2,055	**12,623**
Other	**84,646**	88,211	**764,580**
Total current liabilities	**815,749**	813,072	**7,368,330**
Long-term liabilities:			
Long-term debt (Note 7)	**805,433**	714,355	**7,275,156**
Lease obligations	**59,970**	18,418	**541,687**
Net defined benefit liability (Note 25)	**84,136**	94,518	**759,967**
Provision for environmental measures	**1,799**	3,000	**16,251**
Provision for dismantlement related expenses	**1,620**	1,959	**14,637**
Deferred tax liabilities (Note 19)	**9,890**	12,624	**89,334**
Other	**34,902**	36,877	**315,256**
Total long-term liabilities	**997,750**	881,751	**9,012,288**
Contingent liabilities (Notes 11 and 12)			
Net assets:			
Stockholders' equity:			
Common stock (Notes 13 and 22)	**250,930**	250,930	**2,266,553**
Authorized — 600,000,000 shares			
Issued — 364,364,210 shares			
Capital surplus (Note 13)	**102,229**	102,350	**923,394**
Retained earnings (Note 13)	**368,892**	345,661	**3,332,058**
Treasury stock, at cost (Note 22):	**(2,261)**	(2,262)	**(20,425)**
1,670,210 shares in 2021 and 1,666,949 shares in 2020			
	719,790	696,679	**6,501,580**
Accumulated other comprehensive income (Note 21):			
Unrealized gains on securities, net of taxes	**15,757**	1,484	**142,330**
Unrealized losses on hedging derivatives, net of taxes	**(13,765)**	(15,873)	**(124,334)**
Land revaluation differences, net of taxes (Note 9)	**(3,406)**	(2,995)	**(30,768)**
Foreign currency translation adjustments	**(4,569)**	(1,984)	**(41,267)**
Remeasurements of defined benefit plans, net of taxes	**(3,445)**	(20,430)	**(31,116)**
	(9,428)	(39,798)	**(85,155)**
Non-controlling interests	**59,013**	59,488	**533,042**
Total net assets	**769,375**	716,369	**6,949,467**
	¥ **2,582,874**	¥ 2,411,192	$ **23,330,085**

See accompanying notes.

Consolidated Statements of Operations

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales	¥ **1,705,566**	¥ 1,869,836	$ **15,405,713**
Cost of sales (Note 14)	**(1,482,378)**	(1,638,738)	**(13,389,743)**
Gross profit	**223,188**	231,098	**2,015,970**
Selling, general and administrative expenses (Note 16)	**(192,789)**	(221,234)	**(1,741,392)**
Operating income	**30,399**	9,864	**274,578**
Non-operating income (expenses):			
Interest and dividend income	**4,890**	7,317	**44,166**
Interest expense	**(11,526)**	(9,187)	**(104,112)**
Seconded employees' salaries, net of reimbursement	**(5,403)**	(6,534)	**(48,805)**
Equity in income of equity method companies	**666**	5,959	**6,017**
Subsides for employment	**3,425**	-	**30,941**
Dismantlement expense	**(4,603)**	(5,650)	**(41,578)**
Other, net (Note 5)	**(1,660)**	(9,849)	**(14,984)**
	(14,211)	(17,944)	**(128,355)**
Ordinary income (loss)	**16,188**	(8,080)	**146,223**
Extraordinary income (loss):			
Gain on sale of fixed assets (Note 17)	**9,901**	-	**89,425**
Gain on step acquisitions (Note 20)	**3,260**	-	**29,442**
Gain on sales of investment securities	**2,909**	7,587	**26,280**
Loss on impairment (Note 18)	**(13,509)**	(49,982)	**(122,022)**
Loss on valuation of investment securities (Note 5)	**-**	**(15,090)**	**-**
	2,561	(57,485)	**23,125**
Income (loss) before income taxes and non-controlling interests	**18,749**	(65,565)	**169,348**
Income taxes (Note 19):			
Current	**9,586**	10,268	**86,582**
Deferred	**(13,490)**	(7,505)	**(121,854)**
	(3,904)	2,763	**(35,272)**
Income (loss) before non-controlling interests	**22,653**	(68,328)	**204,620**
Net income (loss) attributable to non-controlling interests	**(581)**	(320)	**(5,244)**
Net income (loss) attributable to owners of the parent	¥ **23,234**	¥ (68,008)	$ **209,864**

	Yen		U.S. dollars (Note 1)
Per share	2021	2020	2021
Net income (loss)	¥ **64.05**	¥ (187.55)	$ **0.58**
Cash dividends applicable to the year	**10.00**	-	**0.09**

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Income (loss) before non-controlling interests	¥ **22,653**	¥ (68,328)	$ **204,620**
Other comprehensive income:			
Unrealized gains (losses) on securities, net of taxes	**13,262**	(5,350)	**119,790**
Unrealized gains (losses) on hedging derivatives, net of taxes	**3,234**	(2,543)	**29,209**
Land revaluation differences, net of taxes	**(793)**	793	**(7,162)**
Foreign currency translation adjustments	**(4,464)**	(2,069)	**(40,318)**
Remeasurements of defined benefit plans, net of taxes	**17,439**	(1,818)	**157,519**
Share of other comprehensive gains and losses related to equity method companies	**2,637**	(2,636)	**23,818**
Total other comprehensive income (Note 21)	**31,315**	(13,623)	**282,856**
Total comprehensive income	¥ **53,968**	¥ (81,951)	$ **487,476**
Total comprehensive income attributed to:			
Stockholders of the parent interests	¥ **53,605**	¥ (81,595)	$ **484,194**
Non-controlling interests	**363**	(356)	**3,282**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Kobe Steel, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Thousands	Millions of yen										
	Number of shares of common stock	Common stock (Note 13)	Capital surplus (Note 13)	Retained earnings (Note 13)	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes	Non-controlling interests	Total
Balance at April 1, 2019	364,364	¥ 250,930	¥ 102,219	¥ 415,321	¥ (2,614)	¥ 7,105	¥ (14,031)	¥ (3,406)	¥ 2,705	¥ (18,652)	¥ 63,736	¥ 803,313
Dividends of surplus				(3,641)								(3,641)
Net income attributable to owners of the parent				(68,008)								(68,008)
Purchase of treasury stock					(5)							(5)
Disposal of treasury stock				(1)	357							356
Changes in stockholders interest due to transaction with non-controlling interests			131									131
Increase (decrease) due to changes in scope of consolidation				1,990								1,990
Net changes in items other than stockholders' equity						(5,621)	(1,842)	411	(4,689)	(1,778)	(4,248)	(17,767)
Net changes during the year		-	131	(69,660)	352	(5,621)	(1,842)	411	(4,689)	(1,778)	(4,248)	(86,944)
Balance at April 1, 2020	364,364	¥ 250,930	¥ 102,350	¥ 345,661	¥ (2,262)	¥ 1,484	¥ (15,873)	¥ (2,995)	¥ (1,984)	¥ (20,430)	¥ 59,488	¥ 716,369
Dividends of surplus												-
Net income attributable to owners of the parent				23,234								23,234
Purchase of treasury stock					(2)							(2)
Disposal of treasury stock				(1)	1							-
Changes in stockholders interest due to transaction with non-controlling interests			(121)									(121)
Increase (decrease) due to changes in scope of consolidation				(2)								(2)
Change in treasury shares arising from change in equity in entities accounted for using equity method-treasury stock					2							2
Net changes in items other than stockholders' equity						14,273	2,108	(411)	(2,585)	16,985	(475)	29,895
Net changes during the year		-	(121)	23,231	1	14,273	2,108	(411)	(2,585)	16,985	(475)	53,006
Balance at March 31, 2021	364,364	¥ 250,930	¥ 102,229	¥ 368,892	¥ (2,261)	¥ 15,757	¥ (13,765)	¥ (3,406)	¥ (4,569)	¥ (3,445)	¥ 59,013	¥ 769,375

	Thousands	Thousands of U.S. dollars (Note 1)										
	Number of shares of common stock	Common stock (Note 13)	Capital surplus (Note 13)	Retained earnings (Note 13)	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes	Non-controlling interests	Total
Balance at April 1, 2020	364,364	$ 2,266,553	$ 924,489	$ 3,122,214	$ (20,429)	$ 13,415	$ (143,375)	$ (27,056)	$ (17,921)	$ (184,539)	$ 537,329	$ 6,470,680
Dividends of surplus												-
Net income attributable to owners of the parent				209,864								209,864
Purchase of treasury stock					(26)							(26)
Disposal of treasury stock				(10)	11							1
Changes in stockholders interest due to transaction with non-controlling interests			(1,095)									(1,095)
Increase (decrease) due to changes in scope of consolidation				(10)								(10)
Change in treasury shares arising from change in equity in entities accounted for using equity method-treasury stock					19							19
Net changes in items other than stockholders' equity						128,915	19,041	(3,712)	(23,346)	153,423	(4,287)	270,034
Net changes during the year		-	(1,095)	209,844	4	128,915	19,041	(3,712)	(23,346)	153,423	(4,287)	478,787
Balance at March 31, 2021	364,364	$ 2,266,553	$ 923,394	$ 3,332,058	$ (20,425)	$ 142,330	$ (124,334)	$ (30,768)	$ (41,267)	$ (31,116)	$ 533,042	$ 6,949,467

See accompanying notes.

Consolidated Statements of Cash Flows

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Cash flows from operating activities:			
Income (loss) before income taxes	¥ **18,749**	¥ (65,565)	$ **169,348**
Depreciation	**100,857**	105,347	**910,998**
Increase (decrease) in allowance for doubtful accounts	**(20,696)**	(5,254)	**(186,942)**
Increase (decrease) in liabilities for retirement benefits	**18,232**	13,165	**164,682**
Interest and dividend income	**(4,890)**	(7,317)	**(44,166)**
Interest expense	**11,526**	9,187	**104,112**
Loss (income) on sale of securities	**(4,452)**	(8,727)	**(40,212)**
Equity in loss (income) of equity method companies	**(666)**	(5,959)	**(6,017)**
Loss (income) on sale of plant and equipment	**(9,900)**	(41)	**(89,425)**
Loss on disposal of plant and equipment	**1,391**	1,727	**12,565**
Gain on step acquisitions	**(3,260)**	-	**(29,442)**
Loss on impairment	**13,509**	49,982	**122,022**
Loss on write-down of investments in securities	**-**	15,120	**-**
Decrease (increase) in trade receivables from customers	**39,485**	26,530	**356,652**
Decrease (increase) in lease receivables and investment assets	**5,688**	1,670	**51,381**
Decrease (increase) in inventories	**40,929**	(25,328)	**369,698**
Increase (decrease) in trade payables to customers	**(12,583)**	(59,360)	**(113,655)**
Income (decrease) in accrued consumption taxes	**14,634**	(4,006)	**132,181**
Other	**101**	(4,807)	**911**
Subtotal	**208,654**	36,364	**1,884,691**
Cash received for interest and dividends	**6,806**	11,089	**61,476**
Cash paid for interest	**(11,701)**	(9,106)	**(105,689)**
Cash paid for income taxes	**(8,960)**	(11,307)	**(80,936)**
Net cash provided by operating activities	**194,799**	27,040	**1,759,542**
Cash flows from investing activities:			
Purchase of property, plant and equipment and other assets	**(173,222)**	(245,386)	**(1,564,645)**
Proceeds from sale of property, plant and equipment and other assets	**13,362**	2,617	**120,692**
Purchase of investments in securities	**(1,287)**	(1,191)	**(11,625)**
Proceeds from sale of investments in securities	**5,264**	24,436	**47,549**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(668)**	(618)	**(6,038)**
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	**13,719**	-	**123,920**
Decrease (increase) in short-term loans receivable	**(912)**	(0)	**(8,242)**
Payments for long-term loans receivable	**(220)**	(150)	**(1,985)**
Proceeds from collection of long-term loans receivable	**940**	806	**8,491**
Other	**1,171**	499	**10,580**
Net cash used in investing activities	**(141,853)**	(218,987)	**(1,281,303)**
Cash flows from financing activities:			
Decrease (increase) in short-term borrowings	**(25,333)**	36,967	**(228,819)**
Proceeds from long-term borrowings	**202,588**	197,708	**1,829,895**
Repayment of long-term borrowings	**(71,345)**	(63,556)	**(644,429)**
Repayment of bonds	**(30,215)**	(22,215)	**(272,920)**
Proceeds from sale and leaseback transactions	**51,844**	7,301	**468,287**
Repayment of finance lease obligations	**(8,492)**	(8,207)	**(76,709)**
Payment of dividends	**(53)**	(3,730)	**(477)**
Payment of dividends to non-controlling interests	**(777)**	(2,651)	**(7,016)**
Other	**227**	(1,028)	**2,050**
Net cash provided by (used in) financing activities	**118,444**	140,589	**1,069,862**
Effect of exchange rate changes on cash and cash equivalents	**150**	(932)	**1,357**
Increase (decrease) in cash and cash equivalents	**171,540**	(52,290)	**1,549,458**
Cash and cash equivalents at beginning of year	**145,659**	197,217	**1,315,676**
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	**9**	732	**80**
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	**103**	-	**929**
Cash and cash equivalents at end of year (Note 23)	**¥ 317,311**	¥ 145,659	**$ 2,866,143**

See accompanying notes.

Notes to Consolidated Financial Statements

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2021 and 2020

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, 2021, which was ¥110.71 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, 2021, the accounts of 175 (175 in 2020) subsidiaries have been included in the consolidated financial statements. Intercompany transactions and accounts have been eliminated.

76 (76 in 2020) 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, 2021, 38 (38 in 2020) affiliates were accounted for by the equity method.

The difference between the cost of an investment in a subsidiary and the equity in the net assets of the subsidiary at the date of acquisition, if considered significant, is amortized over the estimated number of years when the amortization period can be determined or over five years when it cannot. When the difference is small, it is recognized as expense when incurred.

When the Company's share of the net losses of an affiliate exceeds the adjusted cost of the investment, the Company discontinues applying the equity method and the investment is reduced to zero. Losses in excess of the amounts due from the investee are recorded in other payables when the losses are expected to be shared by the Company.

(2) Securities

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

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

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

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

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

(4) Provision for Loss on Construction Contracts

To provide for future losses on construction contracts, mainly for steel castings and forgings as well as titanium products 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 fiscal year 2020.

(5) Provision for Environmental Measures

For the cost of PCB waste treatment required by "Act on Special Measures Concerning Promotion of Proper Treatment of Polychlorinated Biphenyl (PCB) Wastes" and others, provision is made at an estimated amount at the end of the fiscal year.

(6) Provision for Dismantlement Related Expenses

For expenses expected to arise from dismantlement of equipment in relation to construction of the power station at Kobe Works, provision is made at an estimated amount at the end of the fiscal year.

(7) Provision for Customer Compensation Expenses

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

(8) Inventories

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

(9) Depreciation

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

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

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

(10) Income Taxes

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

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

(11) Employees' Severance and Retirement Benefits

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

Prior service cost is recognized in expenses using the straight-line method over mainly 22 years, which is within the average of the estimated remaining service years of employees. Actuarial gains and losses are recognized in expenses using the straight-line method over mainly 22 years for those accrued in 2020, mainly 18 years for those accrued in 2019, mainly 20 years for those accrued in 2018, 2017 and 2016, mainly 19 years for those accrued in 2015, mainly 18 years for those accrued in 2014, mainly 17 years for those accrued in 2013 and 2012, mainly 16 years for those accrued in 2011 and 2010, mainly 15 years for those accrued in 2009 and mainly 14 years for those accrued in 2008 and 2007, all of which are within the average of the estimated remaining service years of employees commencing with the following period.

Prior service cost and actuarial differences that are yet to be recognized in profit or loss are recognized within accumulated other comprehensive income (remeasurements of defined benefit plans, net of taxes) in net assets after adjusting for tax effects.

(12) Translation of Foreign Currencies

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates as of 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 as of 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" under net assets and "Non-controlling interests".

(13) Basis for recognition of revenue and expenses

Revenue and expenses under construction contracts are recognized by applying the percentage of completion method when the outcome of the contract up to the end of the fiscal year can be estimated reliably (with the estimate of percentage of completion based on the cost-to-cost method), or when it cannot be estimated reliably, by applying the completed contract method.

(14) Derivatives

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

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

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

Method of assessment of hedge effectiveness

(Hedging relationships to which "Practical Solution on the Treatment of Hedge Accounti for Financial Instruments that Reference LIBOR" is applied)

Of the above hedging relationships, the Company and its subsidiaries have applied the exception set out in the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR "(PITF No.40, September 29, 2020) to all of those hedging relationships that are within the scope of the Practical Solution. The details of the hedging relationships to which the Practical Solution is applied are as

Method for hedge accounting: deferred hedge accounting

Hedging instruments: Interest rate swap contracts

Hedged items: Long-term borrowings

Type of hedge transaction: cash flow hedge

(15)Accounting for consumption taxes

The tax-exclusion method is applied for consumption tax and local consumption tax.

(16) Application of consolidated taxation system

A consolidated taxation system is applied.

(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) Treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

With regards to the transition to the group tax sharing system instituted by the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020), and the items for which the nonconsolidated taxation system has been reviewed in line with the transition to the group tax sharing system, in accordance with Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Practical Issues Task Force (PITF) No. 39, March 31, 2020), the Company and some of its domestic consolidated subsidiaries have applied the provisions of the pre-amendment tax law to deferred tax assets and liabilities, instead of the provisions of Paragraph 44 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018).

(19) Reclassifications

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

(20) Significant accounting estimates

(a) Impairment of long-lived assets

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

In the fiscal year under review, the Group recorded impairment losses of ¥13,509 million ($122,022 thousand).

A breakdown thereof is provided in Note 18 (Loss on Impairment).

In addition, the carrying amounts of long-lived assets at the end of the fiscal year under review was¥1,115,186 million ($10,073,029 thousand) , plant and equipment and ¥36,566 million ($330,281 thousand) for intangible assets , including multiple asset groups for which the Group did not recognize an impairment loss despite there being an impairment indicator.

The main asset groups to which this applies were as follows.

< Construction Machinery Business >

The Group judged that there was an impairment indicator for long-lived assets used in the businesses of Kobelco Construction Machinery Co., Ltd., a subsidiary of the Company within the construction machinery segment, as a result of recurring operating losses caused by increasing competitive pressures in global markets, worsening profitability of exports caused by foreign exchange fluctuations, a decline in demand resulting from the COVID-19 pandemic, and other factors. In future business plans, the Group has incorporated certain assumptions such as improved unit sales prices as well as increased sales volume by capturing overseas demand expected to expand particularly in emerging countries. The undiscounted future cash flows estimated based on business plans formulated under these assumptions exceeded the book value of the long-lived assets of ¥58,632 million ($529,602 thousand) , which consist of ¥55,292 million ($499,430 thousand) for property, plant and equipment and ¥3,340 million recognize ($30,172 thousand) for intangible assets, and therefore the Group did notan impairment loss. If there are significant changes to the assumptions for these estimates, such as a large divergence between assumptions set when estimates were made and actual results, and future cash flows underperform as a result, the Group may recognize an impairment loss in the next consolidated fiscal year.

(b) Deferred tax assets

The Group recorded ¥69,262 million ($625,619 thousand) in "Deferred tax assets" under "Investments and other assets" in "non-current assets" on the consolidated balance sheets to the extent that deductible temporary differences and tax losses carryforwards are expected to reduce future taxable income.*

The Group has estimated taxable income over a certain future period based on the Medium-Term Management Plan and other business plans that management has judged to be appropriate, and has also made judgments about when specific deductible temporary differences are expected to be reversed. As such, the Group has judged that the possibility of recovery is high for deferred tax assets pertaining to deductible temporary differences expected to be reversed within a certain period, etc. In addition, the Group formulates business plans based on the assumptions provided in "Additional Information, Approach to the impact of the COVID-19 outbreak when forming accounting estimates."

If projections of future taxable income fluctuate significantly as a result of the renewed expansion of the impact of the COVID-19 outbreak, an emergence of uncertainties that impact the Group's demand fields, i.e., a prolonging of the global semiconductor shortage, or other factors, and the recoverability of deferred tax assets fluctuates significantly as a result, there may be a material impact on the recorded amount of deferred tax assets in the next consolidated fiscal year.

*The amount before offsetting with deferred tax liabilities was ¥97,413 million ($879,891 thousand).

Of this amount, ¥54,742 million ($494,465 thousand) was held by the company and its certain domestic subsidiaries that file a consolidated tax return.

(21) Unapplied Accounting Standards
(Accounting Standard for Revenue Recognition, etc.)
Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) and Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Implementation Guidance No. 19, March 31, 2020).

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

(b) Effective Dates
Effective from April 1, 2021 (scheduled)

(c) Effect of Application of the Standards
The Company and its consolidated subsidiaries are in the process of measuring the effects of the standards on the consolidated financial statements.

(Accounting Standard for Fair Value Measurement" etc.)
Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019), Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Implementation Guidance No. 31, July 4, 2019) and Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Implementation Guidance No. 19, March 31, 2020).

(a) Summary of the Standards
ASBJ announced these standards following the move of the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States, which have provided detailed guidance of almost the same contents for fair value measurement (IFRS 13 Fair Value Measurement by IFRS and Topic 820 Fair Value Measurement of Accounting Standards Codification by U.S. GAAP).
ASBJ developed these standards based on basically all the policies of IFRS 13 because they considered that it enhanced the comparability of financial statements of companies in Japan and abroad. They added some alternative approaches in consideration of domestic business practice, without damaging the comparability.

(b) Effective Dates
Effective from April 1, 2021 (scheduled)

(c) Effect of Application of the Standards
The Company and its consolidated subsidiaries are currently determining the effects of the standards on the consolidated financial statements.

3. Leases

Operating Leases
Future minimum lease payments as lessee under operating leases at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Due within one year	¥ **4,423**	¥ 4,343	$ **39,953**
Due after one year	**31,231**	32,516	**282,094**
	¥ **35,654**	¥ 36,859	$ **322,047**

Future minimum lease fees receivable as lessor under operating leases at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Due within one year	¥ **79**	¥ 74	$ **710**
Due after one year	**164**	158	**1,486**
	¥ **243**	¥ 232	$ **2,196**

4. Financial Instruments

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

Financial Instruments, Exposure to Risk and Policies and Processes for Managing Risk
Notes and accounts receivable are exposed to the credit risks of customers. In order to manage these risks, the Group regularly monitors whether due dates are properly met for each customer and evaluates the credit standing of major customers based on credit management policies. Accounts receivable denominated in foreign currencies are exposed to the risk of changes in foreign currency exchange rates. In order to hedge these risks, the Group utilizes forward currency exchange contracts.
Investments in securities consist principally of the listed shares of customers and are exposed to the risk of change in quoted market prices. Quoted market prices for securities are regularly monitored and reported to the Board of Directors, and management evaluates the effectiveness of holding the securities taking into consideration the customer relationship.
Notes and accounts payable and borrowings are exposed to liquidity risk. The Group makes adequate financial plans to manage the risk. Floating rate long-term borrowings are exposed to the additional risk of change in interest rates. In order to manage the risk, the Group enters into interest rate swap agreements. Furthermore, accounts payable denominated in foreign currencies are exposed to the risk of changes in foreign currency exchange rates. The Group uses forward currency exchange contracts, non-deliverable forward 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, 2021 and 2020 were as follov

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2021			2020			**2021**
	Carrying amount	**Fair value**	**Difference**	Carrying amount	Fair value	Difference	**Difference**
Cash and deposits	¥ **262,346**	¥ **262,346**	¥ **-**	¥ 146,045	¥ 146,045	¥ -	$ **-**
Notes and accounts receivable—trade	**287,103**	**287,103**	**-**	297,884	297,884	-	**-**
Securities:							
Available-for-sale securities (Negotiable certificates of deposit)	**55,200**	**55,200**	**-**	-	-	-	**-**
Investments in securities:							
Securities of affiliates	**11,784**	**13,407**	**1,623**	13,467	12,218	(1,249)	**14,659**
Available-for-sale securities	**68,862**	**68,862**	**-**	52,914	52,914	-	**-**
Notes and accounts payable—trade	**334,435**	**334,435**	**-**	(342,424)	(342,424)	-	**-**
Short-term borrowings and current portion of long-term debt	**(161,804)**	**(166,346)**	**(4,542)**	(162,069)	(165,870)	(3,801)	**(41,028)**
Bonds included in current portion of long-term debt	**(20,573)**	**(20,705)**	**(132)**	(30,215)	(30,196)	19	**(1,192)**
Bonds included in long-term debt	**(61,050)**	**(61,109)**	**(59)**	(81,623)	(81,552)	71	**(529)**
Long-term borrowings included in long-term debt	**(744,383)**	**(700,878)**	**43,505**	(632,733)	(609,799)	22,934	**392,961**
Lease obligations	**(59,970)**	**(58,524)**	**1,446**	(18,417)	(17,394)	1,023	**13,059**
Derivative transactions:							
Hedge accounting not applied	**(1,149)**	**(1,149)**	**-**	(437)	(437)	-	-
Hedge accounting applied	**(17,830)**	**(17,830)**	**-**	(22,283)	(22,283)	-	-

Notes:
1. Liabilities are presented with parentheses ( ).

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

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

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

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

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

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

Long-term borrowings and Lease obligations (long-term liabilities)
The fair values are determined based on the present value by discounting the sum of principal and interest by the assumed rate which would be applied if a similar new borrowing or lease payments 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 principal and interest, including the differential paid or received under the swap agreements, by the reasonably estimated rate which would be applied if a similar new borrowing were entered into.

Derivative transactions
See Note 6.

Financial instruments whose fair values are difficult to estimate at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Non-listed equity securities	¥ **91,770**	¥ 82,299	$ **828,920**

The aggregate annual maturities of financial assets at March 31, 2021 and 2020 were as follows:

Cash and deposits

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Due within 1 year	¥ **262,346**	¥ 146,045	$ **2,369,667**
Due after 1 year through 5 years	**-**	-	**-**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **262,346**	¥ 146,045	$ **2,369,667**

Notes and accounts receivable—trade

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Due within 1 year	¥ **283,799**	¥ 281,413	$ **2,563,446**
Due after 1 year through 5 years	**3,304**	16,471	**29,846**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **287,103**	¥ 297,884	$ **2,593,292**

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Due within 1 year	¥ **55,200**	¥ -	$ **498,600**
Due after 1 year through 5 years	**-**	-	**-**
Due after 5 years through 10 years	**-**	-	**-**
Due after 10 years	**-**	-	**-**
	¥ **55,200**	¥ -	$ **498,600**

The aggregate annual maturities of bonds at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Due within 1 year	¥ **20,573**	¥ 30,215	$ **185,823**
Due after 1 year through 2 years	**25,150**	20,573	**227,170**
Due after 2 years through 3 years	**900**	25,150	**8,129**
Due after 3 years through 4 years	**-**	900	**-**
Due after 4 years through 5 years	**35,000**	-	**316,142**
Due after 5 years	**-**	35,000	**-**
	¥ **81,623**	¥ 111,838	$ **737,264**

The aggregate annual maturities of long-term borrowings at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Due within 1 year	¥ **88,959**	¥ 68,792	$ **803,534**
Due after 1 year through 2 years	**59,359**	87,893	**536,164**
Due after 2 years through 3 years	**125,699**	51,437	**1,135,392**
Due after 3 years through 4 years	**108,282**	112,984	**978,066**
Due after 4 years through 5 years	**119,070**	75,063	**1,075,515**
Due after 5 years	**331,973**	305,355	**2,998,578**
	¥ **833,342**	¥ 701,524	$ **7,527,249**

The aggregate annual maturities of lease obligations at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Due within 1 year	¥ **9,389**	¥ 5,470	$ **84,808**
Due after 1 year through 2 years	**12,654**	3,000	**114,299**
Due after 2 years through 3 years	**8,366**	7,205	**75,569**
Due after 3 years through 4 years	**8,139**	2,819	**73,514**
Due after 4 years through 5 years	**28,039**	2,408	**253,269**
Due after 5 years	**2,772**	2,986	**25,036**
	¥ **69,359**	¥ 23,888	$ **626,495**

The aggregate annual maturities of other interest bearing debt at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Due within 1 year	¥ **27,340**	¥ 23,291	$ **246,957**
Due after 1 year through 2 years	**753**	697	**6,797**
Due after 2 years through 3 years	**235**	647	**2,124**
Due after 3 years through 4 years	**146**	148	**1,316**
Due after 4 years through 5 years	**54**	61	**490**
Due after 5 years	**16**	24	**141**
	¥ **28,544**	¥ 24,868	$ **257,825**

5. Securities

The following tables summarize available-for-sale securities at March 31, 2021 and 2020.

	Millions of yen				
	2021			2020	
	Carrying amount	**Acquisition cost**	**Difference**	Carrying amount	Acquisition c
Available-for-sale securities					
Securities with available carrying amount exceeding acquisition cost:					
Equity securities	¥ **68,207**	¥ **48,279**	¥ **19,928**	¥ 16,728	¥ 8,78
Other	**-**	**-**	**-**	-	
	68,207	**48,279**	**19,928**	16,728	8,78
Securities with available carrying amount not exceeding acquisition cost:					
Other securities:					
Equity securities	**655**	**803**	**(148)**	36,186	43,08
Other	**-**	**-**	**-**	-	
	655	**803**	**(148)**	36,186	43,08
	¥ **68,862**	¥ **49,082**	¥ **19,780**	¥ 52,914	¥ 51,87

Unlisted stocks and others (¥11,943 million ($107,874 thousand) for the year ended March 31, 2021 and ¥11,803 million for the year ended March 31, 202
table because they do not have market prices.

Sales of available-for-sale securities for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Sales	¥ **5,332**	¥ 23,036	$ **48,166**
Gains on sales	**1,857**	7,603	**16,776**
Losses on sales	**(277)**	(4)	**(2,504)**

The Company and the Group have recognized loss on valuation of investments in securities classified as other securities of ¥15,091 million ($138,662 thous
of ¥26 million ($242 thousand) for the year ended March 31, 2020.

5. Securities

The following tables summarize available-for-sale securities at March 31, 2021 and 2020.

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2021			2020			**2021**
	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	¥ 68,207	¥ 48,279	¥ 19,928	¥ 16,728	¥ 8,788	¥ 7,940	$ 179,999
Other	-	-	-	-	-	-	-
	68,207	48,279	19,928	16,728	8,788	7,940	179,999
Securities with available carrying amount not exceeding acquisition cost:							
Other securities:							
Equity securities	655	803	(148)	36,186	43,082	(6,896)	(1,339)
Other	-	-	-	-	-	-	-
	655	803	(148)	36,186	43,082	(6,896)	(1,339)
	¥ 68,862	¥ 49,082	¥ 19,780	¥ 52,914	¥ 51,870	¥ 1,044	$ 178,660

Unlisted stocks and others (¥11,943 million ($107,874 thousand) for the year ended March 31, 2021 and ¥11,803 million for the year ended March 31, 2020) 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Sales	¥ 5,332	¥ 23,036	$ 48,166
Gains on sales	1,857	7,603	16,776
Losses on sales	(277)	(4)	(2,504)

The Company and the Group have recognized loss on valuation of investments in securities classified as other securities of ¥15,091 million ($138,662 thousand) and securities of affiliates of ¥26 million ($242 thousand) for the year ended March 31, 2020.

6. Derivative Transactions

Derivative transactions for which hedge accounting is not applied

Forward currency exchange contracts outstanding at March 31, 2021 and 2020 were as follows:

	Millions of yen								Thousands of U.S. dollars (Note 1)
	2021				2020				**2021**
	Contracted amount	**Over one year**	**Fair value**	**Recognized gain (loss)**	Contracted amount	Over one year	Fair value	Recognized gain (loss)	**Fair value**
Foreign currency exchange contracts									
To sell foreign currencies:									
U.S. dollars	¥ 13,273	¥ 7,810	¥ (307)	¥ (307)	¥ 16,962	¥ -	¥ 25	¥ 25	$ (2,776)
Others	9,809	-	(389)	(389)	5,981	-	(66)	(66)	(3,516)
To buy foreign currencies:									
U.S. dollars	4,917	-	(152)	(152)	11,894	-	(243)	(243)	(1,375)
Others	8,079	-	(301)	(301)	4,763	-	(128)	(128)	(2,711)
				¥ (1,149)				¥ (412)	

Notes:
1. Foreign currency exchange contracts
The fair values are estimated by multiplying the contracted foreign currency amount by the forward rate.

Commodity forward contracts outstanding at March 31, 2021 and 2020 were as follows:

	Millions of yen								Thousands of U.S. dollars (Note 1)
	2021				2020				**2021**
	Contracted amount	**Over one year**	**Fair value**	**Recognized gain (loss)**	Contracted amount	Over one year	Fair value	Recognized gain (loss)	**Fair value**
Commodity forward contracts									
To buy commodities	¥ -	¥ -	¥ -	¥ -	¥ 142	¥ -	¥ (25)	¥ (25)	$ -
				¥ -				¥ (25)	$ -

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

Derivative transactions for which hedge accounting is applied

Forward currency exchange contracts and currency options outstanding at March 31, 2021 and 2020 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2021			2020			**2021**
	Contracted amount	**Over one year**	**Fair value**	Contracted amount	Over one year	Fair value	**Fair value**
Hedges for which the "deferred hedge" method is applied							
Foreign currency exchange contracts							
To sell foreign currencies:							
U.S. dollars	¥ 12,964	¥ 2,497	¥ (611)	¥ 33,286	¥ 6,225	¥ (446)	$ (5,522)
Others	23,930	2,141	(481)	15,541	2,648	168	(4,348)
To buy foreign currencies:							
U.S. dollars	2,427	442	111	5,217	570	88	1,002
Others	5,977	34	119	6,289	1,318	(135)	1,074
Foreign currency options							
To sell foreign currency options:							
Call							
U.S. dollars	73	-	(0)	-	-	-	(0)
	[0]			[-]			
To buy foreign currency options:							
Put							
U.S. dollars	73	-	(0)	-	-	-	(0)
	[0]			[-]			
Hedges for which the "assigning" method is applied							
Foreign currency exchange contracts							
To sell foreign currencies:							
U.S. dollars	¥ 23,910	¥ 523	¥ -	¥ 27,710	¥ 220	¥ -	$ -
Others	24,095	1,269	-	24,089	499	-	-
To buy foreign currencies:							
U.S. dollars	433	29	-	1,054	-	-	-
Others	9,103	-	-	773	-	-	-

Notes:
1. Foreign currency exchange contracts
The fair values are estimated by multiplying the contracted foreign currency amount by the forward rate.
2. Foreign currency options
The fair values are estimated by obtaining quotes from counterparty banks.
3. Hedges for which the "assigning" method is applied
For certain accounts receivable and accounts payable denominated in foreign currencies for which foreign currency exchange contracts are used to hedge foreign currency fluctuations, the fair values are included in the fair values of the hedged accounts receivable and accounts payable.
4. Option premiums are presented below the contracted amount with brackets [ ].
Foreign currency options are zero cost options in which option premiums are not paid or received.

Interest rate swap agreements outstanding at March 31, 2021 and 2020 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2021			2020			**2021**
	Contracted amount	**Over one year**	**Fair value**	Contracted amount	Over one year	Fair value	**Fair value**
Hedges for which the "deferred hedge" method is applied							
Interest rate swap agreements							
To receive floating and pay fixed rates	¥ 267,480	¥ 261,130	¥ (18,821)	¥ 299,430	¥ 261,950	¥ (20,562)	$ (170,001)
Hedges for which the "exceptional" method is applied							
Interest rate swap agreements							
To receive floating and pay fixed rates	¥ 67,140	¥ 48,840	¥ -	¥ 70,382	¥ 67,500	¥ -	$ -

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

Commodity forward contracts outstanding at March 31, 2021 and 2020 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2021			2020			**2021**
	Contracted amount	**Over one year**	**Fair value**	Contracted amount	Over one year	Fair value	**Fair value**
Hedges for which the "deferred hedge" method is applied							
Commodity forward contracts							
To sell commodities	¥ 2,577	¥ -	¥ (311)	¥ 1,944	¥ -	¥ 248	$ (2,812)
To buy commodities	6,661	-	2,165	14,132	1,688	(1,643)	19,554

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

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Bank loans (average rate: 1.42% in 2021 and 1.49% in 2020)	¥ **72,845**	¥ 93,277	$ **657,977**

Long-term debt at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
0.04% to 1.23% yen bonds, due 2021 through 2025	¥ **81,623**	¥ 111,838	$ **737,264**
Loans, principally from banks and insurance companies, due 2020 through 2036	**833,342**	701,524	**7,527,249**
	914,965	813,362	**8,264,513**
Less current portion	**109,532**	99,007	**989,357**
	¥ **805,433**	¥ 714,355	$ **7,275,156**

The aggregate annual maturities of long-term debt at March 31, 2021 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2021	**2021**
Due within 1 year	¥ **109,532**	$ **989,357**
Due after 1 year through 2 years	**84,509**	**763,335**
Due after 2 years through 3 years	**126,599**	**1,143,521**
Due after 3 years through 4 years	**108,282**	**978,066**
Due after 4 years through 5 years	**154,070**	**1,391,656**
Due after 5 years	**331,973**	**2,998,578**
	¥ **914,965**	$ **8,264,513**

At March 31, 2021 and 2020, assets pledged as collateral for short-term borrowings and long-term debt were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2021		2020		**2021**	
Assets pledged as collateral:						
Property, plant and equipment, net of accumulated depreciation	¥ **206,372**	¥ **[72,807]**	¥ 136,777	¥ [77,429]	$ **1,864,076**	$ **[657,638]**
Other assets	**43,260**	**[19,738]**	30,317	[15,684]	**390,749**	**[178,289]**
	¥ **249,632**	¥ **[92,545]**	¥ 167,094	¥ [93,113]	$ **2,254,825**	$ **[835,927]**
Secured short-term borrowings and long-term borrowings:	¥ **203,591**	¥ **[61,363]**	¥ 123,305	¥ [46,906]	$ **1,838,960**	$ **[554,266]**
	¥ **203,591**	¥ **[61,363]**	¥ 123,305	¥ [46,906]	$ **1,838,960**	$ **[554,266]**

Notes:
1. 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 ¥4,171 million ($37,679 thousand) for the year ended March 31, 2021 and ¥4,560 million for the year ended March 31, 2020. These amounts were included in "Work-in-process."

9. Land Revaluation

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

The excess of the carrying amounts of the revalued land over the fair values at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Revaluation date	**2021**	2020	**2021**
March 31, 2001	¥ **2,833**	¥ 1,825	$ **25,588**
March 31, 2002	**(4,413)**	(4,410)	**(39,861)**
	¥ **(1,580)**	¥ (2,585)	$ **(14,273)**

10. Commitment Line

The unexercised portion of facilities based on commitment line contracts at March 31, 2021 and 2020 wa as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Total commitment line available	¥ **152,779**	¥ 156,268	$ **1,379,993**
Less amount utilized	**-**	30,000	**-**
	¥ **152,779**	¥ 126,268	$ **1,379,993**

11. Contingent Liabilities Regarding Notes and Loans Guaranteed

Contingent liabilities regarding notes and loans guaranteed at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Trade notes discounted	¥ **205**	¥ 422	$ **1,852**
Trade notes endorsed	**87**	99	**782**
Guarantees of loans:			
Related parties	**17,525**	15,575	**158,294**
Others	**312**	613	**2,821**
	¥ **18,129**	¥ 16,709	$ **163,749**

Guarantees of loans include contingent guarantees and letters of awareness of ¥269 million ($2,428 thousand) for the year ended March 31, 2021, of which ¥6,037 million ($54,530 thousand) was covered by reassurances from other companies and ¥280 million for the year ended March 31, 2020, of which ¥68 million was covered by reassurances from other companies.

Kobelco Construction Machinery (China) Co., Ltd., which is a consolidated subsidiary of the Company, sells construction machinery to customers through sales agents or leasing companies. Sales agents pledge guarantees to buy up construction machinery pledged as collateral at the amounts of the balance on bank loans or future minimum lease payments.
Kobelco Construction Machinery (China) Co., Ltd. pledges reassurances for these guarantees. The balances of the reassurances were ¥15,092 million ($136,322 thousand) for the year ended March 31, 2021 and ¥14,488 million for the year ended March 31, 2020.

12. Contingent Liabilities Regarding Repurchase Obligations Accompanying Securitization of Receivables

Contingent liabilities regarding repurchase obligations accompanying securitization of receivables at March 31, 2021 and 2020 were as follows:

Millions of yen		Thousands of U.S. dollars (Note 1)
2021	2020	**2021**
¥ **5,485**	¥ 3,538	$ **49,540**

13. Net Assets

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

The Japanese Corporate Law ("the Law") became effective on May 1, 2006. The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.
Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.
The Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, generally with a resolution of the shareholders' meeting, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or be capitalized.
Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.
The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

14. Cost of Sales

Gain/Loss on the write-down of inventories included in the cost of sales was ¥3,520 million ($31,794 thousand) gain for the year ended March 31, 2021 and ¥3,396 million loss for the year ended March 31, 2020.

The provision for loss on construction contracts included in the cost of sales was ¥11,795 million ($106,539 thousand) for the year ended March 31, 2021 and ¥13,101 million for the year ended March 31, 2020.

15. Research and Development Expenses

Research and development expenses included in cost of sales and selling, general and administrative expenses were ¥31,008 millio ($280,087 thousand) for the year ended March 31, 2021 and ¥35,891 million for the year ended March 31, 2020.

16. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2021 and 2020 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Freight	¥ **45,956**	¥ 54,813	$ **415,098**
Employees' compensation	**43,792**	46,359	**395,560**
Research and development expenses	**17,028**	18,765	**153,811**
Welfare and legal welfare expenses	**11,662**	12,719	**105,338**
Commission fees	**11,067**	12,629	**99,960**
Rent expenses	**10,066**	10,623	**90,927**
Travel expenses	**2,709**	7,368	**24,471**
Depreciation	**4,928**	5,557	**44,511**
Provision for bonuses	**4,762**	4,947	**43,016**
Directors' salaries	**3,491**	3,946	**31,530**
Others	**37,328**	43,508	**337,170**
	¥ **192,789**	¥ 221,234	$ **1,741,392**

17. Gain on sale of fixed assets

Gain on sale of fixed assets was due to the sale of land, etc.

18. Loss on Impairment

The Company and the Group recorded loss on impairment of ¥13,509 million ($122,023 thousand) on the below asset groups for the fiscal year ended March 31, 2021. The breakdown of loss on impairment is as follows: buildings and structures of ¥1,587 million ($14,332 thousand), machinery and equipment of ¥6,631 million ($59,896 thousand), land of ¥4,111 million ($37,130 thousand), construction in progress of ¥966 million ($8,723 thousand) and intangible assets of ¥214 million ($1,941 thousand).

Use	Location and number	Type	Millions of yen	Thousands of U.S. dollars (Note 1)
			2021	**2021**
Assets for manufacturing special steel products (Nippon Koshuha Steel Co., Ltd.)	Imizu-shi, Toyama Prefecture 1 case	Machinery and equipment, etc.	¥ **9,788**	$ **88,414**
Assets to be disposed of	Nada-ku, Kobe-shi and another location 2 cases in total	Machinery and equipment, etc.	**1,534**	**13,854**
Assets for titanium business*	Takasago-shi, Hyogo Prefecture and another location 2 cases in total	Machinery and equipment, etc.	**1,218**	**11,003**
Assets for other businesses, etc.	Takasago-shi, Hyogo Prefecture and other locations 5 cases in total	Machinery and equipment, etc.	**969**	**8,751**
			¥ **13,509**	$ **122,022**

*Includes assets for manufacturing forged titanium products, assets for manufacturing pure titanium and jointly used assets

The Company and the Group conduct grouping per business location for business assets to recognize loss on impairment in principle, while considering the status of ongoing management of profit and loss and cash-generating units. In addition, idle assets are grouped individually.
The recoverable value of an asset is measured based on its value in use, etc., which is obtained by discounting the future cash flows mainly using a discount rate of 6%.
The circumstances that led to the recognition of loss on impairment by each major asset group are as follows:

(1) Assets for manufacturing special steel products (Nippon Koshuha Steel Co., Ltd.)
Book values of ¥17,193 million ($155,301 thousand) were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥9,788 million ($88,414 thousand) under extraordinary losses due to a general worsening of demand conditions across the product sectors of tool steel, special alloy, bearing steel.

(2) Assets to be disposed of
Book values of ¥1,653 million ($14,929 thousand) were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥1,534 million ($13,854 thousand) under extraordinary losses due to the decision to partially dispose of facilities belonging to Kobe Wire Rod & Bar Plan etc.

(3) Assets for titanium business
Book values of ¥1,218 million ($11,003 thousand) were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥1,218 million ($11,003 thousand) under extraordinary losses due to the decrease in profitability resulting from equipment productivity continuously being at a low level.

(4) Assets for other business, etc.
Book values of ¥1,008 million ($9,109 thousand) were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥970 million ($8,750 thousand) under extraordinary losses due to the decrease in profitability resulting from the deterioration of the order environment and other factors.

The Company and the Group recorded loss on impairment of ¥49,982 million on the below asset groups for the fiscal year ended March 31, 2020. The breakdown of loss on impairment is as follows: buildings and structures of ¥11,703 million, machinery and equipment of ¥29,918 million, land of ¥4,799 million, construction in progress of ¥2,867 million and intangible assets of ¥695 million.

Use	Location and number	Type		Millions of yen 2020
Assets for titanium business*	Takasago-shi, Hyogo Prefecture and another location 2 cases in total	Machinery and equipment, etc	¥	13,470
Assets for manufacturing steel castings and forgings	Takasago-shi, Hyogo Prefecture 1 case	Machinery and equipment, etc.		10,811
Assets for manufacturing aluminum forgings for suspensions (Japan)	Inabe-shi, Mie Prefecture 1 case	Machinery and equipment, etc.		6,763
Assets for manufacturing aluminum forgings for suspensions (United States)	Kentucky, United States 1 case	Machinery and equipment, etc.		6,607
Assets for manufacturing aluminum castings and forgings	Inabe-shi, Mie Prefecture 1 case	Machinery and equipment, etc		4,293
Assets for other business, etc.	Chuo-ku, Kobe-shi and other locations 13 cases in total	Machinery and equipment, etc.		8,038
			¥	49,982

*Includes assets for manufacturing forged titanium products, assets for manufacturing pure titanium and jointly used assets

The Company and the Group conduct grouping per business location for business assets to recognize loss on impairment in principle, while considering the status of ongoing management of profit and loss and cash-generating units. In addition, idle assets are grouped individually.
The recoverable value of an asset is measured based on its value in use, etc., which is obtained by discounting the future cash flows mainly using a discount rate of 6% to 10%.
The circumstances that led to the recognition of loss on impairment by each major asset group are as follows:

(1) Assets for titanium business
Book values of ¥13,470 million were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥13,470 million under extraordinary losses due to the decrease in profitability resulting from equipment productivity continuously falling below expectations.

(2) Assets for manufacturing steel castings and forgings
Book values of ¥22,607 million were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥10,811 million under extraordinary losses due to the decrease in profitability resulting from slumping demand for shipbuilding and other factors.

(3) Assets for manufacturing aluminum forgings for suspensions (Japan)
Book values of ¥10,314 million were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥6,763 million under extraordinary losses due to the decrease in profitability resulting from productivity deterioration associated with changes in product mix.

(4) Assets for manufacturing aluminum forgings for suspensions (United States)
Book values of ¥20,935 million were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥6,607 million under extraordinary losses due to the decrease in profitability resulting from the supply capacity decline associated with equipment troubles and the related cost increase.

(5) Assets for manufacturing aluminum castings and forgings
Book values of ¥8,176 million were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥4,293 million under extraordinary losses due to the decrease in profitability resulting from productivity deterioration associated with changes in the product mix.

(6) Assets for other business, etc.
Book values of ¥10,129 million were reduced to the respective recoverable values, and the reductions were recorded as loss on impairment of ¥8,038 million under extraordinary losses due to the decrease in profitability resulting from the deterioration of the order environment and other factors.

19. Income Taxes

Significant components of the Group's deferred income tax assets and liabilities at March 31, 2021 and 2020 were as follows:

		Millions of yen				Thousands of U.S. dollars (Note 1)
		2021		2020		2021
Deferred income tax assets:						
Tax loss carryforwards	¥	37,676	¥	25,691	$	340,314
Net defined benefit liability		24,871		28,317		224,653
Impairment loss		21,831		20,579		197,187
Unrealized profit		13,105		13,537		118,368
Accrued bonuses to employees		6,181		6,433		55,828
Provision for loss on construction contracts		5,761		5,176		52,036
Unrealized losses on hedging derivatives		5,337		6,093		48,205
Provision for product warranties		5,110		5,306		46,159
Other		36,474		49,173		329,461
Total deferred income tax assets		156,346		160,305		1,412,211
Valuation allowance related to tax loss carryforwards		(19,282)		(15,965)		(174,171)
Valuation allowance related to total deductible temporary difference, etc.		(39,651)		(56,698)		(358,150)
Valuation allowance		(58,933)		(72,663)		(532,321)
Deferred income tax assets		97,413		87,642		879,890
Deferred income tax liabilities:						
Gain on return of assets from retirement benefit trust		8,030		8,030		72,529
Unrealized gains on securities		5,824		2,239		52,607
Land revaluation		3,251		2,458		29,367
Special tax purpose reserve		2,262		1,777		20,436
Other		18,674		13,228		168,666
Total deferred income tax liabilities		38,041		27,732		343,605
Net deferred income tax assets	¥	59,372	¥	59,910	$	536,285

Amount of tax loss carryforwards and related deferred tax assets by tax loss carryforwards for the year ended March 31, 2021 and 2020 were as follows:

Tax loss carryforwards (Note 1)		Millions of yen				Thousands of U.S. dollars (Note 1)
		2021		2020		2021
Due within 1 year		5,124		3,229		46,288
Due after 1 year through 2 years		1,860		5,215		16,804
Due after 2 years through 3 years		833		1,967		7,528
Due after 3 years through 4 years		1,044		1,040		9,426
Due after 4 years through 5 years		5,108		508		46,134
Due after 5 years		23,707		13,732		214,134
	¥	37,676	¥	25,691	$	340,314

Valuation allowance		Millions of yen				Thousands of U.S. dollars (Note 1)
		2021		2020		2021
Due within 1 year		(4,614)		(2,386)		(41,673)
Due after 1 year through 2 years		(1,733)		(4,731)		(15,655)
Due after 2 years through 3 years		(539)		(1,914)		(4,870)
Due after 3 years through 4 years		(723)		(984)		(6,535)
Due after 4 years through 5 years		(4,586)		(500)		(41,427)
Due after 5 years		(7,087)		(5,450)		(64,011)
	¥	(19,282)	¥	(15,965)	$	(174,171)

Deferred tax assets		Millions of yen				Thousands of U.S. dollars (Note 1)
		2021		2020		2021
Due within 1 year		511		843		4,614
Due after 1 year through 2 years		127		484		1,149
Due after 2 years through 3 years		294		53		2,659
Due after 3 years through 4 years		320		56		2,892
Due after 4 years through 5 years		521		8		4,707
Due after 5 years		16,621		8,282		150,122
	¥	18,394	¥	9,726	$	166,143

The reconciliation of the statutory tax rate and the effective tax rate for the years ended March 31, 2021 and 2020 were as follows:

	2021		2020	
Aggregate statutory income tax rate in Japan	**30.6**	%	30.6	%
Nondeductible entertainment expenses	**2.9**		-	
Exclusion of dividends received	**(1.3)**		-	
Equity in income (loss) of equity method companies	**(3.6)**		-	
Loss (inocome) on step acquipment	**(5.3)**		-	
Decrease in valuation allowance	**(33.6)**		-	
Differences in normal tax rates of subsidiaries	**(5.3)**		-	
Tax deduction	**(3.7)**		-	
Other	**(1.5)**		-	
Effective income tax rate	**(20.8)**	%	-	%

The reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2020 was not disclosed because a loss before income taxes was recorded for the year.

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

20. Business Combination

Business Combination through Acquisition
(1) Outline of the business combination
①Name and business of the acquired company
Acquired company name: Wuxi Compressor Co., Ltd.
Business of the acquired company: Design, manufacture and sales of compressors

②Objectives of the business combination
In response to the growing demand for non-standard compressors in China, Kobelco (China) Holdings Co., Ltd., a 100% subsidiary of the company acquired a 44.35% equity share of Wuxi Compressor from Wuxi Victor Group Co., Ltd. in 2011. With Kobe Steel's equity participation, Wuxi Compressor began to improve its manufacturing, design and sale capabilities. Kobe Steel reached an agreement with Wuxi Victor to acquire an additional 25.65% equity in Wuxi Compressor, making it a 70.00% owned subsidiary of Kobe Steel.

③Date of the business combination
April 2, 2020

④Legal method of the business combination
Share acquisition with cash as consideration.

⑤Name of the company after the business combination
No changes were made to the name of the company after the business combination.

⑥Acquired ratio of voting rights
Ratio of voting right before acquisition: 44.35%
Ratio of voting right acquired: 25.65%
Ratio of voting right after acquisition: 70.00%

⑦Primary reasons for determining the acquiring company
The company has substantial control over the decision-making body of Wuxi Compressor, because Kobelco (China) Holding Co., Ltd., a 100% subsidiary of the company, owns a majority of Wuxi Compressor's voting rights.

(2) Period of the business performance of the acquired company included in the consolidated statement of operations
Business results of Wuxi Compressor from April 1, 2020 to December 31, 2020 were included in the accompanying consolidated financial statements as the company's fiscal year end date is December 31, three-months earlier than that of the company.
Also, the business results of Wuxi Compressor from January 1, 2020 to March 31, 2020 were included in Equity in the income of equity method companies, as Wuxi Compressor is accounted for by the equity method.

(3) The acquisition cost of the acquired company and its breakdown by type of consideration
Market value of shares of Wuxi compressor held immediately prior to the business combination on the date of business combination: ¥1,191 million ($10,760 thousand)
Consideration for acquisition (Cash and deposits): ¥689 million ($6,223 thousand)
Total acquisition cost: ¥1,880 million ($16,983 thousand)

(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: ¥3,260 million ($29,442 thousand)

(5) The amount and the source of goodwill
①The amount of goodwill: ¥2,758 million ($24,912 thousand)
②The cause of goodwill: As the acquisition cost exceeded the market value of net assets on the date of business combination, the difference was recognized as goodwill.
③Method and period for amortization of goodwill: straight-line depreciation over 10 years

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

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2021		2021	
Current assets	¥	**10,659**	$	**96,277**
Non-current assets		**1,364**		**12,324**
Total assets	¥	**12,023**	$	**108,601**
Current liabilities		**13,246**		**119,648**
Long-term liabilities		**21**		**192**
Total liabilities	¥	**13,267**	$	**119,840**

Business Divestiture
(1) Outline of the business divestiture
①Name of purchasing companies: MARUICHI STEEL TUBE LTD.

②Description of the divested business
Consolidated subsidiaries: Kobelco Steel Tube Co.,Ltd.
Business of the divested companies: Production and sale of seamless stainless steel tubes, precision tubes and specialty tubes and production of titanium welded tubes.

③Objectives of the business divestiture
Kobelco Steel Tube, as a member of the Maruichi Steel Tube Group, would be able to strengthen its profitability from a new perspective and undertake global development utilizing overseas locations. The transfer would be an effective way to further expand and grow Kobelco Steel Tube's business in the future.

④Date of the business divestiture
April 1, 2020

⑤Other information on the business divestiture including the legal form thereof
(A)Legal form: A partial share transfer of Kobelco Steel Tube for which only cash was received as consideration
(B)Transfer price: ¥13,725 million ($123,970 thousand)
(C)Number of shares to be transferred and situation of shares held before and after transfer
(a) No. of shares held before transfer: 105,000 shares (Ownership ratio of voting rights:100%)
(b) No. of shares to be transfer: 105,000 shares
(c) No. of shares held after transfer:0 share
Due to this share transfer, Kobelco Steel Tube was excluded from the consolidated subsidiaries.

(2) Outline of the accounting treatment applied
①Amount of transfer gain/loss: ¥2,909 million ($26,280 thousand)

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

	Millions of yen		Thousands of U.S. dollars	
	2021		2021	
Current assets	¥	**14,028**	$	**126,713**
Non-current assets		**6,843**		**61,812**
Total assets	¥	**20,871**	$	**188,525**
Current liabilities		**8,449**		**76,313**
Long-term liabilities		**1,715**		**15,491**
Total liabilities	¥	**10,164**	$	**91,804**

③Accounting treatment
The difference between the transfer price and book values of Kobelco Steel Tube's shares in the consolidated financial statements was recognized as "Gain on sale of investment securities" in Extraordinary income (loss).

(3) Reportable segments including the divested business: Advanced Materials

(4) Estimated effect of profit/loss of the divested business on the consolidated statements of operations
As a result of the sale, at the beginning of the current consolidated fiscal year, the profit and loss of the divested businesses were not included in the consolidated statements of operations.

21. Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects for each component of other comprehensive income for the years ended March 31, 2021 and 2020 were as

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Unrealized gains (losses) on securities:			
Unrealized gains (losses) arising during the period	¥ **19,822**	¥ (14,779)	$ **179,040**
Less reclassification adjustment included in net income	**(1,046)**	8,000	**(9,440)**
	18,776	(6,779)	**169,600**
Tax effects	**(5,514)**	1,429	**(49,810)**
	13,262	(5,350)	**119,790**
Unrealized gains (losses) on hedging derivatives:			
Unrealized gains (losses) arising during the period	**5,056**	(5,409)	**45,671**
Less reclassification adjustment included in net income	**(996)**	1,370	**(9,002)**
Adjustments of acquisition cost for assets	**546**	353	**4,931**
	4,606	(3,686)	**41,600**
Tax effects	**(1,372)**	1,143	**(12,391)**
	3,234	(2,543)	**29,209**
Land revaluation differences, net of taxes:			
Unrealized losses arising during the period	**-**	-	**-**
Less reclassification adjustment included in net income	**-**	-	**-**
	-	-	**-**
Tax effects	**(793)**	793	**(7,162)**
	(793)	793	**(7,162)**
Foreign currency translation adjustments:			
Translation adjustments arising during the period	**(4,464)**	(2,101)	**(40,318)**
Less reclassification adjustment included in net income	**-**	32	**-**
	(4,464)	(2,069)	**(40,318)**
Remeasurements of defined benefit plans:			
Unrealized gains (losses) arising during the period	**18,566**	(7,166)	**167,703**
Less reclassification adjustment included in net income	**4,861**	4,674	**43,902**
	23,427	(2,492)	**211,605**
Tax effects	**(5,988)**	674	**(54,086)**
	17,439	(1,818)	**157,519**
Share of other comprehensive income related to equity method companies:			
Unrealized gains (losses) arising during the period	**4,137**	(2,679)	**37,371**
Less reclassification adjustment included in net income	**(1,500)**	43	**(13,553)**
	2,637	(2,636)	**23,818**
Total other comprehensive income	¥ **31,315**	¥ (13,623)	$ **282,856**

22. Consolidated Statements of Changes in Net Assets

Changes in the number of shares issued and outstanding during the years ended March 31, 2021 and 2020 were as follows:

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

Changes in the number of shares of treasury stock outstanding during the years ended March 31, 2021 and 2020 were as follows:

	Number of shares
Treasury stock outstanding	
Balance at March 31, 2019	2,055,945
Increase due to purchase of odd-lot stock	7,341
Decrease due to BBT	(395,800)
Decrease due to sale of odd-lot stock	(537)
Balance at March 31, 2020	1,666,949
Increase due to purchase of odd-lot stock	5,630
Decrease in equity ratio in affiliates accounted for by the equity method	(1,866)
Decrease due to sale of odd-lot stock	(503)
Balance at March 31, 2021	1,670,210

There were no dividend payments during the year ended March 31, 2021.

Dividends for which the record date belongs to the year ended March 31, 2021, and the operative date is the year ending March 31, 2022 were as follows:

Decision	Kind of stock	Millions of yen / Thousands of U.S. dollars (Note 1) Total payments	Yen/ U.S. dollars (Note 1) Cash dividends per share	Record date	Operative date
At the Board of Directors' meeting held on May 17, 2021	Common stock	¥3,641 $32,807	¥10.0 $0.09	31-Mar-21	24-Jun-21

23. 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Cash and deposits in the consolidated balance sheets	¥ **262,346**	¥ 146,045	$ **2,369,667**
Time deposits due over three months	**(235)**	(386)	**(2,124)**
Certificates of deposit included in the securities account	**55,200**	-	**498,600**
Cash and cash equivalents in the consolidated statements of cash flows	¥ **317,311**	¥ 145,659	$ **2,866,143**

Notes to Consolidated Financial Statements

Kobe Steel, Ltd. and Consolidated Subsidiaries

Years ended March 31, 2021 and 2020

24. Related Party Transactions

Transactions of the Company with related parties for the year ended March 31, 2021 consisted of the following:

Millions of yen / thousands of U.S. dollars (Note 1)

Category	Name	Paid-in capital	Content of business	Percentage of ownership	Transactions: Description of transactions	Transactions: Amount	Resulting accounting balance: Account	Resulting accounting balance: Amount
Affiliate	Shinsho Corporation	¥5,650 million	Trades iron and steel, nonferrous metals, machinery	13.33% directly and 1.04% indirectly (21.56%)	Sales of our products	¥176,272 $1,592,192	Accounts receivable	¥11,505 $103,924
					Purchases of raw materials and materials for equipment	¥252,818 $2,283,602	Accounts payable	¥21,971 $198,456
Affiliate	Kansai Coke and Chemicals Co., Ltd.	¥6,000 million	Produces and sells industrial chemical products such as coke	24.00% directly	Sales of coal	¥44,211 $399,338	Accounts receivable	¥6,231 $56,286
					Purchases of coke	¥60,603 $547,400	Accounts payable	¥12,395 $111,958

Transactions of the Company with related parties for the year ended March 31, 2020 consisted of the following:

Millions of yen

Category	Name	Paid-in capital	Content of business	Percentage of ownership	Transactions: Description of transactions	Transactions: Amount	Resulting accounting balance: Account	Resulting accounting balance: Amount
Affiliate	Shinsho Corporation	¥5,650 million	Trades iron and steel, nonferrous metals, machinery	13.33% directly and 1.04% indirectly (21.56%)	Sales of our products	¥201,266	Accounts receivable	¥12,071
					Purchases of raw materials and materials for equipment	¥326,697	Accounts payable	¥19,077
Affiliate	Kansai Coke and Chemicals Co., Ltd.	¥6,000 million	Produces and sells industrial chemical products such as coke	24.00% directly	Sales of coal	¥68,276	Accounts receivable	¥6,890
					Purchases of coke	¥80,380	Accounts payable	¥20,079

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 which were eliminated in the consolidation process with consolidated subsidiaries via Shinsho Corporation.
3. Consumption taxes were not included in the amount of the transactions but were included in the amount of the resulting account balances.
4. The number in parentheses is the percentage of shareholders who agree with the Company when exercising voting rights.

25. 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, 2021 and 2020 consisted of the following:

Defined Benefit Retirement Plans

(1) Changes in projected benefit obligation

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Balance at beginning of year	¥ 165,393	¥ 159,857	$ 1,493,932
Service costs	11,590	11,868	104,684
Interest cost on projected benefit obligation	364	345	3,290
Actuarial differences arising during the period	271	151	2,449
Unrecognized prior service cost arising during the period	(11,768)	-	(106,294)
Amount of payment of retirement benefits	(7,688)	(7,529)	(69,447)
Increase (decrease) due to change in scope of consolidation	(2,269)	121	(20,497)
Increase due to transfer	711	-	6,427
Adjustment from the simplified method to the principle method	485	539	4,382
Other	20	41	179
Balance at end of year	¥ 157,109	¥ 165,393	$ 1,419,105

(2) Changes in plan assets

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Balance at beginning of year	¥ 89,302	¥ 97,062	$ 806,629
Expected return on plan assets	213	309	1,923
Actuarial differences arising during the period	7,283	(6,944)	65,785
Amount of contribution by the employer	2,542	1,884	22,959
Amount of payment of retirement benefits	(6,329)	(2,997)	(57,165)
Increase (decrease) due to change in scope of consolidation	(610)	-	(5,507)
Other	29	(12)	258
Balance at end of year	¥ 92,430	¥ 89,302	$ 834,882

(3) Reconciliation from projected benefit obligations and plan assets to net defined benefit liability and asset

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Funded projected benefit obligation	¥ 117,348	¥ 125,296	$ 1,059,954
Plan assets	(92,430)	(89,302)	(834,882)
	24,918	35,994	225,072
Unfunded projected benefit obligation	39,761	40,097	359,151
Net of defined benefit liability and asset	64,679	76,091	584,223
Net defined benefit liability	84,136	94,518	759,967
Net defined benefit asset	(19,457)	(18,427)	(175,744)
Net of defined benefit liability and asset	¥ 64,679	¥ 76,091	$ 584,223

(4) Breakdown of severance and retirement benefit expenses

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Service costs	¥ 11,590	¥ 11,868	$ 104,684
Interest cost on projected benefit obligation	364	345	3,290
Expected return on plan assets	(213)	(309)	(1,923)
Amortization of actuarial differences	3,945	3,818	35,632
Amortization of prior service cost	550	785	4,971
Adjustment from the simplified method to the principle method	485	539	4,382
Gain on return of assets from retirement benefits trust	-	-	-
Other	2	85	15
Severance and retirement benefit expenses on defined benefit retirement plans	¥ 16,723	¥ 17,131	$ 151,051

(5) Breakdown of remeasurements of defined benefit plans

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Prior service cost	¥ 12,318	¥ 785	$ 111,263
Actuarial differences	11,109	(3,277)	100,343
Total	¥ 23,427	¥ (2,492)	$ 211,606

(6) Accumulated breakdown of remeasurements of defined benefit plans

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Unrecognized prior service cost	¥ (6,612)	¥ 5,706	$ (59,726)
Unrecognized actuarial differences	10,657	21,766	96,260
Total	¥ 4,045	¥ 27,472	$ 36,534

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

	2021	2020
Stock	31 %	29 %
General account of insurance company	40	41
Bonds	23	24
Other	6	6
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, 2021 and 2020 were as follows:

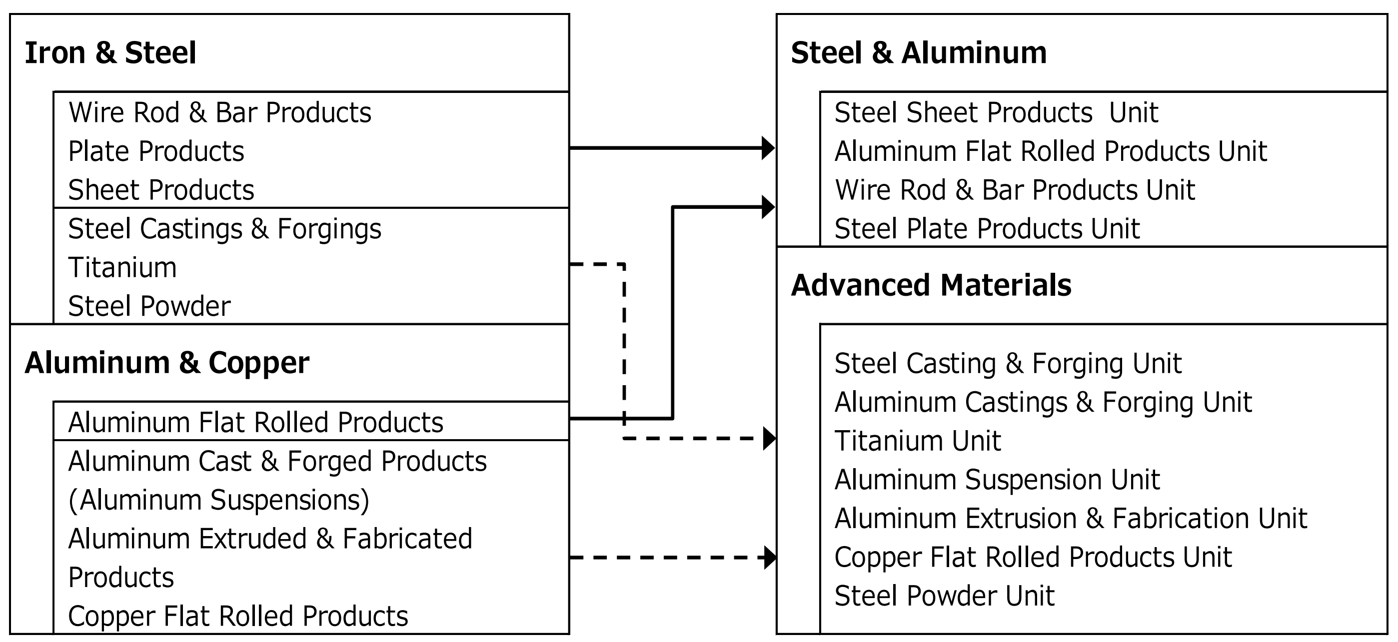
	2021	2020
Discount rates	mainly 0.0%	mainly 0.0%
Long-term expected rate of return	mainly 0.1%	mainly 0.3%

26. 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.
From the fiscal year ended March 31, 2021, the Company changed reportable segments and reorganized the "Iron & Steel" and "Aluminum & Copper" segments into the "Steel & Aluminum" and "Advanced Materials" segments, focusing on materials and parts (Please see the chart below).
Due to this reorganization, from fiscal year ended March 31, 2021, the reportable segments became "Steel & Aluminum," "Advanced Materials," "Welding," "Machinery," "Engineering," "Construction Machinery" and "Electric Power."
Segment information for the fiscal year ended March 31, 2020 is based on the reportable segments after the reorganization.

Note:
Due to this reorganization, the Company introduced a business unit system for each product. "Steel & Aluminum" consists of 4 units and "Advanced Materials" consists of 7 units.

〔Until March 31, 2020〕 **〔From April 1, 2020〕**



The main products and services of the reportable segments are as follows:
Steel & Aluminum: wire rod & bar products, steel sheets, heavy plates and aluminum sheets
Advanced Material: steel castings and forgings, aluminum castings and forgings, titanium, suspensions, aluminum extrusions, copper rolled products and steel powder
Welding: welding materials, welding robots, welding power sources, welding robot 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, physical vapor deposition systems, metalworking machinery, compressors, refrigeration compressors, heat pumps, plants and internal combustion engines
Engineering: various plants and equipment, civil engineering, advanced urban transit systems, chemical and food processing equipment
Construction Machinery: hydraulic excavators, mini excavators, wheel loaders, crawler cranes, rough terrain cranes and work vessels
Electric Power: power supply
Other: special alloys and other new materials, material analysis and testing, high-pressured gas cylinder manufacturing, superconducting products and general trading company business

(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 income (loss).
Intersegment sales prices are based on prices applicable to transactions with third parties.

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

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2021	2020	2021
Sales to outside customers:	Steel & Aluminum	¥ 667,145	¥ 740,922	$ 6,026,060
	Advanced Materials	229,844	286,487	2,076,087
	Welding	69,239	82,642	625,407
	Machinery	170,403	156,937	1,539,180
	Engineering	132,534	137,804	1,197,123
	Construction Machinery	333,127	360,796	3,009,006
	Electric Power	80,440	75,678	726,584
	Other Businesses	21,508	25,537	194,282
	Total sales to outside customers	¥ 1,704,240	¥ 1,866,803	$ 15,393,729
Intersegment sales:	Steel & Aluminum	¥ 29,176	¥ 39,314	$ 263,540
	Advanced Materials	8,286	10,641	74,844
	Welding	779	1,129	7,033
	Machinery	4,915	9,003	44,400
	Engineering	3,605	3,732	32,564
	Construction Machinery	52	73	470
	Electric Power	-	-	-
	Other Businesses	6,306	8,134	56,950
	Total intersegment sales	¥ 53,119	¥ 72,026	$ 479,801
Total sales:	Steel & Aluminum	¥ 696,321	¥ 780,236	$ 6,289,600
	Advanced Materials	238,130	297,128	2,150,931
	Welding	70,018	83,771	632,440
	Machinery	175,318	165,940	1,583,580
	Engineering	136,139	141,536	1,229,687
	Construction Machinery	333,179	360,869	3,009,476
	Electric Power	80,440	75,678	726,584
	Other Businesses	27,814	33,671	251,232
	Total segment sales	1,757,359	1,938,829	15,873,530
	Adjustment	1,327	3,033	11,984
	Elimination	(53,120)	(72,026)	(479,801)
	Consolidated net sales	¥ 1,705,566	¥ 1,869,836	$ 15,405,713
Segment income (loss):	Steel & Aluminum	¥ (22,657)	¥ (16,510)	$ (204,651)
	Advanced Materials	(12,186)	(25,287)	(110,068)
	Welding	1,771	2,924	16,000
	Machinery	11,465	9,628	103,554
	Engineering	4,444	5,764	40,140
	Construction Machinery	12,773	7,530	115,372
	Electric Power	20,662	8,954	186,633
	Other Businesses	4,231	3,332	38,216
	Total segment income (loss)	20,503	(3,665)	185,196
	Adjustment	(4,315)	(4,415)	(38,973)
	Consolidated ordinary income	¥ 16,188	¥ (8,080)	$ 146,223
Assets:	Steel & Aluminum	¥ 1,000,311	¥ 1,022,415	$ 9,035,420
	Advanced Materials	256,075	277,152	2,313,027
	Welding	77,613	79,630	701,051
	Machinery	181,383	184,787	1,638,366
	Engineering	123,811	139,006	1,118,338
	Construction Machinery	334,682	341,043	3,023,052
	Electric Power	321,323	251,683	2,902,382
	Other Businesses	56,136	54,875	507,048
	Total segment assets	2,351,334	2,350,591	21,238,684
	Adjustment	231,540	60,601	2,091,401
	Total	¥ 2,582,874	¥ 2,411,192	$ 23,330,085
Depreciation:	Steel & Aluminum	¥ 57,279	¥ 56,006	$ 517,379
	Advanced Materials	10,277	15,794	92,826
	Welding	2,432	2,428	21,963
	Machinery	5,288	5,676	47,762
	Engineering	1,692	1,898	15,281
	Construction Machinery	12,881	12,904	116,352
	Electric Power	8,438	7,700	76,221
	Other Businesses	576	1,206	5,211
	Total segment depreciation	98,863	103,612	892,995
	Adjustment	1,994	1,735	18,003
	Total	¥ 100,857	¥ 105,347	$ 910,998
Amortization of goodwill:	Steel & Aluminum	¥ -	¥ -	$ -
	Advanced Materials	-	-	-
	Welding	73	73	662
	Machinery	289	87	2,610
	Engineering	3	3	24
	Construction Machinery	-	-	-
	Electric Power	-	-	-
	Other Businesses	-	-	-
	Total segment amortization of goodwill	365	163	3,296
	Adjustment	(3)	(3)	(23)
	Total	¥ 362	¥ 160	$ 3,273

Interest income:	Steel & Aluminum	¥	**249**	¥	311	$	**2,253**
	Advanced Materials		**44**		13		**393**
	Welding		**316**		346		**2,855**
	Machinery		**140**		80		**1,263**
	Engineering		**309**		341		**2,787**
	Construction Machinery		**1,805**		2,638		**16,306**
	Electric Power		**5**		6		**49**
	Other Businesses		**2**		1		**13**
	Total segment interest income		**2,870**		3,736		**25,919**
	Adjustment		**(673)**		(535)		**(6,071)**
	Total	¥	**2,197**	¥	3,201	$	**19,848**
Interest expense:	Steel & Aluminum	¥	**4,882**	¥	4,430	$	**44,098**
	Advanced Materials		**1,701**		1,934		**15,366**
	Welding		**28**		31		**257**
	Machinery		**408**		320		**3,683**
	Engineering		**77**		52		**694**
	Construction Machinery		**1,940**		2,333		**17,520**
	Electric Power		**3,314**		1,554		**29,931**
	Other Businesses		**56**		56		**508**
	Total segment interest expense		**12,406**		10,710		**112,057**
	Adjustment		**(880)**		(1,523)		**(7,945)**
	Total	¥	**11,526**	¥	9,187	$	**104,112**
Equity in income (loss) of equity method companies:	Steel & Aluminum	¥	**(1,367)**	¥	3,171	$	**(12,348)**
	Advanced Materials		**(1,475)**		342		**(13,325)**
	Welding		**38**		29		**346**
	Machinery		**(78)**		140		**(701)**
	Engineering		**429**		382		**3,878**
	Construction Machinery		**1,422**		83		**12,841**
	Electric Power		**-**		-		**-**
	Other Businesses		**2,162**		2,133		**19,521**
	Total segment equity in income (loss) of		**1,131**		6,280		**10,212**
	Adjustment		**(465)**		(321)		**(4,195)**
	Total	¥	**666**	¥	5,959	$	**6,017**
Investments in equity method companies:	Steel & Aluminum	¥	**80,186**	¥	79,628	$	**724,292**
	Advanced Materials		**6,765**		9,209		**61,105**
	Welding		**1,312**		1,285		**11,848**
	Machinery		**732**		732		**6,614**
	Engineering		**2,179**		1,893		**19,684**
	Construction Machinery		**7,196**		832		**64,995**
	Electric Power		**-**		-		**-**
	Other Businesses		**24,362**		23,172		**220,052**
	Total segment investments in equity method companies		**122,732**		116,751		**1,108,590**
	Adjustment		**(2,948)**		(1,817)		**(26,632)**
	Total	¥	**119,784**	¥	114,934	$	**1,081,958**
Capital expenditures:	Steel & Aluminum	¥	**69,267**	¥	62,447	$	**625,659**
	Advanced Materials		**14,258**		27,099		**128,790**
	Welding		**2,157**		2,653		**19,484**
	Machinery		**4,177**		4,811		**37,729**
	Engineering		**1,672**		1,810		**15,105**
	Construction Machinery		**10,448**		13,548		**94,372**
	Electric Power		**81,173**		123,549		**733,207**
	Other Businesses		**847**		1,448		**7,641**
	Total segment capital expenditures		**183,999**		237,365		**1,661,987**
	Adjustment		**1,093**		2,452		**9,875**
	Total	¥	**185,092**	¥	239,817	$	**1,671,862**

Notes:
Details about adjustments at March 31, 2021 and 2020 were as follows:

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

Segment income (loss)

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2021		2020		**2021**
Companywide profit (loss)	¥	**(2,872)**	¥	(294)	$	**(25,946)**
Other adjustments		**(1,443)**		(4,121)		**(13,027)**
Total	¥	**(4,315)**	¥	(4,415)	$	**(38,973)**

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 U.S. dollars (Note 1)	
		2021		2020		**2021**
Companywide assets	¥	**394,691**	¥	248,391	$	**3,565,089**
Other adjustments		**(163,151)**		(187,790)		**(1,473,688)**
Total	¥	**231,540**	¥	60,601	$	**2,091,401**

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.

Interest expense
Adjustment is related mainly to financial liabilities which are not allocated to reportable segments or other businesses.

Equity in income (loss) of equity method companies
Adjustment is related mainly to the income (loss) of affiliates which is not allocated to reportable segments or other businesses.

Investments in equity method companies
Adjustment is related mainly to intersegment transactions.

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

Related Information

(1) Information by Geographic Area

(a) Net sales

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2021		2020		**2021**
Japan	¥	**1,131,881**	¥	1,215,982	$	**10,223,834**
China		**167,854**		160,933		**1,516,159**
Others		**405,831**		492,921		**3,665,720**
Total	¥	**1,705,566**	¥	1,869,836	$	**15,405,713**

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

(2) Information by Major Customer

Net sales

		Millions of yen				Thousands of U.S. dollars (Note 1)	
	Related segment		**2021**		2020		**2021**
Shinsho Corporation	Iron & Aluminum, etc.	¥	**215,576**	¥	262,540	$	**1,947,209**

(3) Impairment Loss by Reportable Segments

		Millions of yen				Thousands of U.S. dollars (Note 1)	
			2021		2020		**2021**
Impairment loss	Steel & Aluminum	¥	**11,317**	¥	188	$	**102,219**
	Advanced Materials		**1,815**		44,063		**16,395**
	Welding		**110**		-		**996**
	Machinery		**160**		2,622		**1,449**
	Engineering		**-**		-		**-**
	Construction Machinery		**1**		41		**3**
	Electric Power		**-**		-		**-**
	Other Businesses		**106**		3,068		**960**
	Total segment impairment loss		**13,509**		49,982		**122,022**
	Adjustment		**-**		-		**-**
	Total	¥	**13,509**	¥	49,982	$	**122,022**

(4) Amortization and Balance of Goodwill by Reportable Segments

		Millions of yen				Thousands of U.S. dollars (Note 1)	
			2021		2020		**2021**
Amortization of goodwill	Steel & Aluminum	¥	**-**	¥	-	$	**-**
	Advanced Materials		**-**		-		**-**
	Welding		**73**		73		**662**
	Machinery		**289**		87		**2,610**
	Engineering		**3**		3		**24**
	Construction Machinery		**-**		-		**-**
	Electric Power		**-**		-		**-**
	Other Businesses		**-**		-		**-**
	Total segment Amortization of goodwill		**365**		163		**3,296**
	Adjustment		**(3)**		(3)		**(23)**
	Total		**362**		160		**3,273**
Balance at the end of the period	Steel & Aluminum		**-**		-		**-**
	Advanced Materials		**-**		-		**-**
	Welding		**489**		562		**4,416**
	Machinery		**2,987**		409		**26,977**
	Engineering		**7**		10		**66**
	Construction Machinery		**-**		-		**-**
	Electric Power		**-**		-		**-**
	Other Businesses		**-**		-		**-**
	Total segment balance of goodwill		**3,483**		981		**31,459**
	Adjustment		**(7)**		(10)		**(66)**
	Total	¥	**3,476**	¥	971	$	**31,393**

(5) Gain from Negative Goodwill by Reportable Segments

No gain on negative goodwill was recognized for the year ended March 31, 2021 or 2020.

27. Net Income (Loss) Per Share

The basis of calculating net income (loss) per share for the years ended March 31, 2021 and 2020 was as follows:

		Millions of yen	Thousands of shares		Yen		U.S. dollars (Note 1)
		Net income (loss) attributable to owners of the parent	Weighted average number of shares		Net income (loss) per share		Net income (loss) per share
For the year ended March 31, 2021							
Net income attributable to common stockholders	¥	**23,234**	**362,695**	¥	**64.05**	$	**0.58**
For the year ended March 31, 2020							
Net loss attributable to common stockholders	¥	(68,008)	362,601	¥	(187.55)	$	(1.69)

Notes:
1. Diluted net income per share is not presented for the fiscal years ended March 31, 2021 and 2020 as potential common stock did not exist.
2. The shares held by the Board Benefit Trust (BBT) are recorded under net assets as treasury stock.
In calculating net income (loss) per share, the number of shares of treasury stock excluded from the weighted-average number of shares issued during the fiscal year includes the number of shares held by the BBT (758 thousand of shares for the year ended March 31, 2021 and 857 thousand of shares for the year ended March 31, 2020).

28. Additional Information

Introduction of Board Benefit Trust for Directors (BBT)

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

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

(a) Overview of transactions

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

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

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

(b) Kobe Steel stock remaining in the Trust

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

The corresponding treasury stock’s book value was ¥681 million ($6,153 thousand) for 758 thousand shares for the year ended March 31, 2021 and ¥681 million for 758 thousand shares for the year ended March 31, 2020.

Approach to the impact of the COVID-19 outbreak when forming accounting estimates

It is difficult to forecast how the novel coronavirus infection will spread in future, when it will recede, etc., but when forming accounting estimates of the recoverability of deferred tax assets and other factors, the Group has assumed that, based on information available at the time of writing, the impact of the decline in production and order volume on the Group has largely been resolved, with the exception of certain demand fields, such as the industrial machinery sector, where the recovery in appetites for capital investment has been delayed, and the aircraft sector, where the market is expected to perform poorly for some years.

Independent auditor's report

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

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, 2021 and 2020, the consolidated statements of operations , 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, 2021 and 2020, and its consolidated financial performance and 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 Kobelco Construction Machinery Co., Ltd.	
The key audit matter	**How the matter was addressed in our audit**
Property, plant and equipment of ¥1,078,620 million and intangible assets of ¥36,566 million were recognized in the consolidated balance sheet of Kobe Steel, Ltd.and its consolidated subsidiaries (hereinafter collectively referred to as the "Group") as of March 31, 2021. As described in Note 2 "Summary of Significant Accounting Policies, Siginificant accounting estimates, (a) Impairment of fixed assets" to the consolidated financial statements, included therein were property, plant and equipment of ¥55,292 million and intangible assets of ¥3,340 million used by Kobelco Construction Machinery Co., Ltd. (hereinafter referred to as "Kobelco Construction Machinery") within the construction machinery segment, in total, accounting for approximately 2% of total assets in the consolidated financial statements. 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. Kobelco Construction Machinery has recognized recurring operating losses for some consecutive years, primarily due to increasing competitive pressures in global markets, worsening profitability of exports caused by foreign exchange fluctuations, and a decline in demand resulting from the COVID-19 pandemic, indicating impairment. 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 key assumptions such as improved unit sales prices as well as increased sales volume by capturing overseas demand expected to expand particularly in emerging countries. These assumptions involved a high degree of uncertainty, and management's judgment thereon had a significant effect on the estimated undiscounted future cash flows.	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 Kobelco Construction Machinery included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Group's internal controls relevant to determining impairment losses to be recognized. In this assessment, we focused our testing on internal controls designed to prevent and/or detect the use of unreasonable key assumptions in the business plan. **(2) Assessment of the reasonableness of estimated undiscounted future cash flows** In order to assess the reasonableness of key assumptions adopted by management in preparing the business plan that formed the basis for estimating undiscounted future cash flows, we inquired of management and the personnel responsible for accounting at Kobelco Construction Machinery about the basis on which those assumptions were developed. In addition, we: ● assessed the feasibility of improved sales prices considering the results of past similar measures; ● compared the projected sales volume with our own forecast, developed referencing regional market outlook reports on relevant businesses published by external organizations; and ● after considering the results of the procedures above as well as our own assessment of the past business plan, including the causes of any variances with actual results, independently developed future cash flow projections by incorporating the effect of specific uncertainties into the business plan and then assessed whether there was any potential effect on the determination of an impairment loss to be recognized.

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 Kobelco Construction Machinery 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.	

Appropriateness of the Group's judgment on the recoverability of deferred tax assets of the consolidated tax-return group

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of Kobe Steel, Ltd. and its consolidated subsidiaries (hereinafter collectively referred to as the "Group"), deferred tax assets of ¥69,262 million were recognized for the current fiscal year. As described in Note 2 "Summary of Significant Accounting Policies, Siginificant accounting estimates, (b) Deferred tax assets" to the consolidated financial statements,, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥97,413 million. Of this amount, the gross deferred tax assets held by Kobe Steel, Ltd. and certain domestic subsidiaries of Kobe Steel, Ltd. that file a consolidated tax return (hereinafter, collectively referred to as the "consolidated tax-return group") accounted for ¥54,742 million, representing approximately 2% of total assets in the consolidated financial statements. Deferred tax assets are recognized to the extent that deductible temporary differences and tax loss carryforwards are expected to reduce future taxable income. As the consolidated tax-return group files a consolidated tax return, the Group determines the recoverability of deferred tax assets concerning corporation tax and local corporation tax considering the amount of the consolidated taxable income of the consolidated tax-return group. The estimated future taxable income to be generated in the taxable income projections of the consolidated tax-return group, which was used to determine the recoverability of the deferred tax assets, was based on the business plan prepared by management. Accordingly, there was a high degree of estimation uncertainty because the estimate involved significant management judgment on key assumptions, such as increased demand and orders in the main businesses resulting from the ease of the COVID-19 outbreak, among others.	The primary procedures we performed to assess whether the Group's judgment on the recoverability of deferred tax assets of the consolidated tax-return group was appropriate included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the taxable income projections, including the development of the business plan. In this assessment, we focused our testing on internal controls designed to prevent and/or detect the use of unreasonable key assumptions in the business plan. **(2) Assessment of the reasonableness of the estimated future taxable income to be generated in the taxable income projections of the consolidated tax-return group.** We inquired of management and the personnel responsible for accounting regarding the basis for key assumptions used to estimate the amount of future taxable income to be generated in the taxable income projections prepared by the consolidated tax-return group, in order to assess the reasonableness of those assumptions, which were important for management's judgment on the recoverability of deferred tax assets. In addition, we: ● assessed whether the estimated taxable income to be generated under the taxable income projections of the consolidated tax-return group was consistent with the business plan, which formed the basis for the taxable income projections; ● analyzed the achievement of past taxable income projections of the consolidated tax-return group including the causes of any differences from actual taxable income, and compared the estimated future taxable income with our own estimate that incorporated

We, therefore, determined that our assessment of the appropriateness of the Group's judgment on the recoverability of deferred tax assets of the consolidated tax-return group 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.	specific uncertainties reflecting the achievement of past taxable income projections; and ● assessed the reasonableness of key assumptions included in the increased demand and orders in the main businesses resulting from the ease of the COVID-19 outbreak by evaluating the achievement of the business plan for the current fiscal year as well as the causes of any variances with actual results and comparing management's sales forecast with the research reports on the market outlook published by external organizations.

Responsibilities of Management andthe 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.
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- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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, related safeguards.

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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

Daisuke Harada

Designated Engagement Partner

Certified Public Accountant

Sakurako Ohtsuki

Designated Engagement Partner

Certified Public Accountant

Ken Tsukamoto

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

June 23, 2021

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.