Financial Performance (Consolidated)

Operating Results

Net Sales

Net sales totaled ¥212,469 million (US$1,893 million), down ¥10,831 million, or 4.9% year on year. This was due to lower sales in the Steel and Energy Products Business, which contrasted with higher sales in the Industrial Machinery Products Business.

Operating Income

Operating income fell ¥2,082 million, or 14.4%, to ¥12,340 million (US$109 million, and the operating income margin edged down 0.7 point, to 5.8%.

Loss Attributable to Owners of Parent

Loss attributable to owners of parent was ¥4,968 million (US$44 million), compared with ¥16,600 million (US$147 million) in the previous fiscal year. This equates to loss of ¥67.61 for the year on a per-share basis.

Sales by Region

The Japanese market accounted for sales of ¥103,575 million (US$923 million), the Chinese market for ¥40,852 million (US$364 million), with all other markets accounting for ¥68,041 million (US$606 million).

Cash Flow

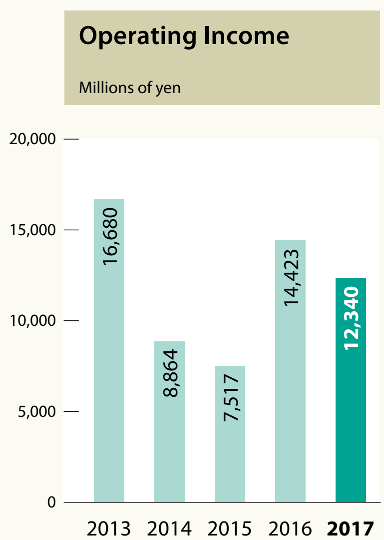
At year-end, cash and cash equivalents stood at ¥58,671 million (US$522 million), down ¥2,787 million from a year earlier.

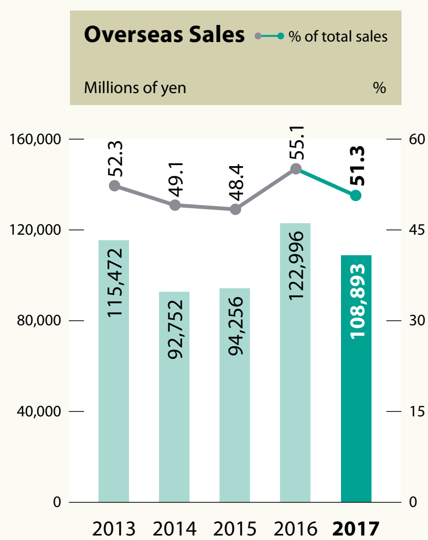
Cash Flow from Operating Activities

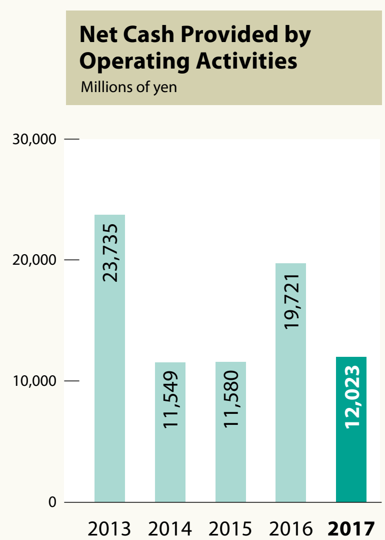
Net cash provided by operating activities amounted to ¥12,023 million, compared with ¥19,721 million in the previous year. This was mainly because depreciation and impairment loss exceeded the loss before income taxes.

Cash Flow from Investing Activities

Net cash used in investing activities totaled ¥13,580 million, compared with ¥12,135 million in the previous year. This was due mainly to the purchase of property, plant and equipment and intangible assets.





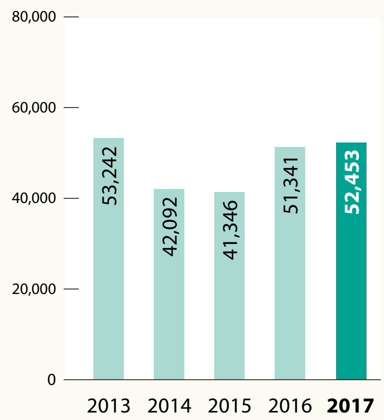


Cash Flow from Financing Activities

Net cash used in financing activities was ¥1,203 million, compared with net cash provided by financing activities of ¥4,788 million in the previous year. The main factors were cash dividends paid and repayments of finance lease obligations, which contrasted with an increase in proceeds from long-term loans payable.

Interest-Bearing Debt

Millions of yen



Financial Position

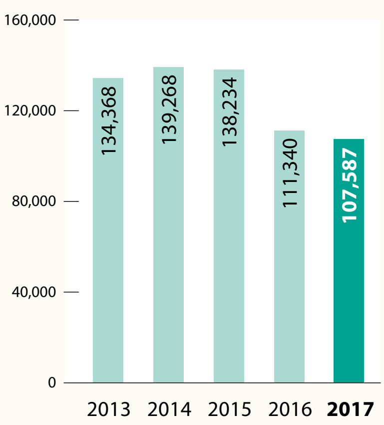
As of March 31, 2017, total assets amounted to ¥275,315 million (US$2,454 million), down ¥17,823 million from a year earlier. This was due primarily to a decline in property, plant and equipment stemming from impairment treatment of fixed assets owned by the Muroran Plant, as well as decreases in cash and deposits, notes and accounts receivable, and other current assets.

Total liabilities stood at ¥167,727 million (US$1,495 million), down ¥14,070 million from a year earlier. This was due mainly to a decrease in current liabilities, including advances received and provision for loss on the wind power generator business. Interest-bearing debt was ¥52,453 million (US$467 million), up ¥1,112 million from a year earlier.

Net assets amounted to ¥107,587 million (US$958 million), down ¥3,753 million. This was due mainly to a decline in retained earnings stemming from a loss attributable to owners of parent.

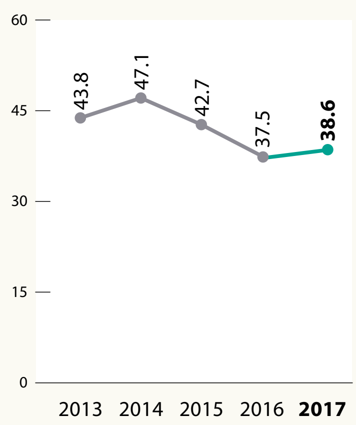
Net Assets

Millions of yen



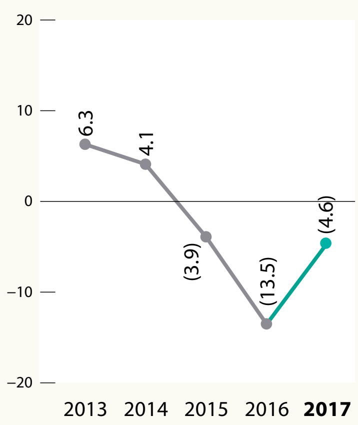
Equity Ratio

%



ROE

%



The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
Assets	2016	**2017**	**2017**
Current assets:			
Cash on hand and in banks (Notes 6, 16 and 18)	¥ 62,018	**¥ 59,801**	**$ 533,033**
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	257	**237**	**2,112**
Trade (Note 18)	52,493	**49,194**	**438,488**
Other	286	**292**	**2,603**
Less allowance for doubtful accounts	(248)	**(140)**	**(1,248)**
Inventories (Note 5)	67,195	**66,152**	**589,643**
Deferred tax assets (Note 22)	7,120	**6,473**	**57,697**
Other current assets	6,451	**4,555**	**40,601**
Total current assets	195,574	**186,565**	**1,662,938**
Property, plant and equipment, at cost (Notes 8 and 9):			
Land	10,334	**9,721**	**86,648**
Buildings and structures	77,287	**71,132**	**634,032**
Machinery and equipment	134,348	**133,623**	**1,191,042**
Leased assets	3,206	**2,863**	**25,519**
Construction in progress	3,530	**235**	**2,095**
	228,707	**217,577**	**1,939,362**
Less accumulated depreciation	(179,991)	**(185,343)**	**(1,652,046)**
Property, plant and equipment, net	48,715	**32,233**	**287,307**
Intangible assets	1,676	**1,655**	**14,752**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	1,002	**1,002**	**8,931**
Investment securities (Notes 18 and 19)	29,939	**33,941**	**302,531**
Long-term loans receivable	63	**53**	**472**
Retirement benefit asset (Note 21)	1,872	**2,472**	**22,034**
Deferred tax assets (Note 22)	12,157	**15,041**	**134,067**
Other assets	2,707	**2,805**	**25,002**
Less allowance for doubtful accounts	(573)	**(455)**	**(4,056)**
Total investments and other assets	47,171	**54,860**	**488,992**
Total assets	¥ 293,138	**¥ 275,315**	**$ 2,454,007**

Liabilities and net assets	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars (Note 4) 2017
Current liabilities:			
Short-term borrowings (Notes 11 and 18)	¥ 12,569	**¥ 11,908**	**$ 106,141**
Current portion of long-term debt (Notes 11 and 18)	940	**4,789**	**42,687**
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	107	**153**	**1,364**
Trade (Note 18)	53,727	**47,590**	**424,191**
Other	1,461	**1,348**	**12,015**
Advances received for products	18,984	**17,004**	**151,564**
Accrued income taxes (Note 22)	1,456	**866**	**7,719**
Provision for loss on wind power generator business	8,687	**4,655**	**41,492**
Other current liabilities	20,540	**20,072**	**178,911**
Total current liabilities	118,475	**108,390**	**966,129**
Long-term liabilities:			
Long-term debt (Notes 11 and 18)	37,831	**35,755**	**318,700**
Accrued retirement benefits			
For directors and audit & supervisory board members	108	**115**	**1,025**
Retirement benefit liability (Note 21)	11,315	**10,620**	**94,661**
Deferred tax liabilities (Note 22)	230	**175**	**1,560**
Other long-term liabilities	13,836	**12,671**	**112,942**
Total long-term liabilities	63,322	**59,337**	**528,897**
Net assets:			
Shareholders' equity (Note 15)			
Common stock:			
Authorized — 200,000,000 shares			
Issued — 74,292,607 shares	19,694	**19,694**	**175,541**
Capital surplus	5,467	**5,467**	**48,730**
Retained earnings	84,554	**77,748**	**693,003**
Treasury stock, at cost (801,480 shares in 2017 and 3,995,515 shares in 2016)	(2,302)	**(2,308)**	**(20,572)**
Total shareholders' equity	107,413	**100,601**	**896,702**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	3,830	**6,381**	**56,877**
Unrealized gain (loss) from hedging instruments	337	**(301)**	**(2,683)**
Translation adjustments	51	**(170)**	**(1,515)**
Remeasurement of retirement benefit plans	(1,609)	**(211)**	**(1,881)**
Total accumulated other comprehensive income	2,609	**5,698**	**50,789**
Non-controlling interests	1,318	**1,287**	**11,472**
Total net assets	111,340	**107,587**	**958,971**
Total liabilities and net assets	¥293,138	**¥275,315**	**$2,454,007**

See notes to consolidated financial statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	**2017**	**2017**
Net sales	¥223,301	**¥212,469**	**$1,893,832**
Cost of sales (Note 12)	179,197	**170,695**	**1,521,481**
Gross profit	44,103	**41,773**	**372,342**
Selling, general and administrative expenses (Note 12)	29,680	**29,432**	**262,341**
Operating income	14,423	**12,340**	**109,992**
Other income (expenses):			
Interest and dividend income	772	**653**	**5,820**
Interest expense	(345)	**(273)**	**(2,433)**
Impairment loss (Note 9)	(35,447)	**(17,874)**	**(159,319)**
Other, net (Note 13)	(1,451)	**(687)**	**(6,124)**
	(36,472)	**(18,181)**	**(162,055)**
Loss before income taxes	(22,049)	**(5,841)**	**(52,063)**
Income taxes (Note 22):			
Current	3,357	**2,819**	**25,127**
Deferred	(8,996)	**(3,706)**	**(33,033)**
Loss (Note 28)	(16,409)	**(4,954)**	**(44,157)**
Profit attributable to non-controlling interests	191	**14**	**125**
Loss attributable to shareholders of The Japan Steel Works, Ltd.	¥ (16,600)	**¥ (4,968)**	**$ (44,282)**

See notes to consolidated financial statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	**2017**	**2017**
Loss	¥(16,409)	**¥(4,954)**	**$(44,157)**
Other comprehensive income:			
Unrealized holding gain (loss) on securities	(5,364)	**2,551**	**22,738**
Unrealized gain (loss) from hedging instruments	531	**(638)**	**(5,687)**
Translation adjustments	(229)	**(251)**	**(2,237)**
Remeasurement of retirement benefit plans	(1,231)	**1,398**	**12,461**
Total other comprehensive income (Note 14)	(6,294)	**3,059**	**27,266**
Comprehensive income	¥(22,703)	**¥(1,894)**	**$(16,882)**
Total comprehensive income attributable to:			
Shareholders of The Japan Steel Works, Ltd.	¥(22,831)	**¥(1,879)**	**$(16,748)**
Non-controlling interests	¥ 127	**¥ (14)**	**$ (125)**

See notes to consolidated financial statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

For the years ended March 31, 2017 and 2016

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 15)	Total shareholders' equity	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Remeasurement benefit plans adjustments (Note 21)	Total accumulated other comprehensive income	Non-controlling interest	Total net assets
Balance at April 1, 2015	¥19,694	¥5,425	¥103,330	¥ (731)	¥127,718	¥ 9,195	¥(194)	¥ 239	¥ (399)	¥ 8,839	¥1,676	¥138,234
Changes during the year												
Cash dividends paid			(1,653)		(1,653)							(1,653)
Loss attributable to shareholders of The Japan Steel Works, Ltd.			(16,600)		(16,600)							(16,600)
Purchase of shares of consolidated subsidiaries		45			45							45
Purchases of treasury stock				(2,940)	(2,940)							(2,940)
Disposal of treasury stock		(525)		1,368	842							842
Transfer of loss on disposal of treasury shares		521	(521)		—							—
Net changes in items other than those in shareholders' equity						(5,364)	531	(187)	(1,210)	(6,230)	(358)	(6,588)
Total changes during the year	—	41	(18,775)	(1,571)	(20,305)	(5,364)	531	(187)	(1,210)	(6,230)	(358)	(26,894)
Balance at March 31, 2016	¥19,694	¥5,467	¥ 84,554	¥(2,302)	¥107,413	¥ 3,830	¥ 337	¥ 51	¥(1,609)	¥ 2,609	¥1,318	¥111,340
Balance at April 1, 2016	¥19,694	¥5,467	¥ 84,554	¥(2,302)	¥107,413	¥ 3,830	¥ 337	¥ 51	¥(1,609)	¥ 2,609	¥1,318	¥111,340
Changes during the year												
Cash dividends paid			(1,837)		(1,837)							(1,837)
Loss attributable to shareholders of The Japan Steel Works, Ltd.			(4,968)		(4,968)							(4,968)
Purchase of shares of consolidated subsidiaries					—							—
Purchases of treasury stock				(5)	(5)							(5)
Disposal of treasury stock		(0)		0	0							0
Transfer of loss on disposal of treasury shares		0	(0)		—							—
Net changes in items other than those in shareholders' equity						2,551	(638)	(222)	1,398	3,089	(31)	3,058
Total changes during the year	—	—	(6,806)	(5)	(6,811)	2,551	(638)	(222)	1,398	3,089	(31)	(3,753)
Balance at March 31, 2017	¥19,694	¥5,467	¥ 77,748	¥(2,308)	¥100,601	¥ 6,381	¥(301)	¥(170)	¥ (211)	¥ 5,698	¥1,287	¥107,587

Thousands of U.S. dollars (Note 4)

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 15)	Total shareholders' equity	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Remeasurement benefit plans adjustments (Note 21)	Total accumulated other comprehensive income	Non-controlling interest	Total net assets
Balance at April 1, 2016	$175,541	$48,730	$753,668	$(20,519)	$957,420	$34,139	$ 3,004	$ 455	$(14,342)	$23,255	$11,748	$992,424
Changes during the year												
Cash dividends paid			(16,374)		(16,374)							(16,374)
Loss attributable to shareholders of The Japan Steel Works, Ltd.			(44,282)		(44,282)							(44,282)
Purchase of shares of consolidated subsidiaries					—							—
Purchases of treasury stock				(45)	(45)							(45)
Disposal of treasury stock		(0)		0	0							0
Transfer of loss on disposal of treasury shares		0	(0)		—							—
Net changes in items other than those in shareholders' equity						22,738	(5,687)	(1,979)	12,461	27,534	(276)	27,257
Total changes during the year	—	—	(60,665)	(45)	(60,710)	22,738	(5,687)	(1,979)	12,461	27,534	(276)	(33,452)
Balance at March 31, 2017	$175,541	$48,730	$693,003	$(20,572)	$896,702	$56,877	$(2,683)	$(1,515)	$ (1,881)	$50,789	$11,472	$958,971

See notes to consolidated financial statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	**2017**	**2017**
Operating activities			
Loss before income taxes	¥(22,049)	**¥ (5,841)**	**$ (52,063)**
Depreciation and amortization	10,843	**8,058**	**71,825**
Impairment loss	35,447	**17,874**	**159,319**
Interest and dividend income	(772)	**(653)**	**(5,820)**
Interest expense	345	**273**	**2,433**
Equity in losses of affiliates	0	**0**	**0**
Gain on sales of property, plant and equipment and intangible assets	(112)	**(78)**	**(695)**
Loss on disposal of tangible and intangible assets	892	**150**	**1,337**
Gain on sales of investment securities	(54)	**—**	**—**
Decrease in provision for loss on wind power generator business	(4,515)	**(4,032)**	**(35,939)**
Changes in operating assets and liabilities:			
Trade assets (Note 18)	(11,637)	**(122)**	**(1,087)**
Trade liabilities	11,557	**(2,987)**	**(26,624)**
Inventories (Note 5)	2,363	**1,022**	**9,110**
Other	122	**1,393**	**12,416**
Subtotal	22,431	**15,056**	**134,201**
Interest and dividends received	771	**660**	**5,883**
Interest paid	(336)	**(273)**	**(2,433)**
Income taxes paid	(3,144)	**(3,420)**	**(30,484)**
Net cash provided by operating activities	19,721	**12,023**	**107,166**
Investing activities			
Investments into time deposits	(964)	**(1,001)**	**(8,922)**
Proceeds from withdrawal of time deposits	757	**545**	**4,858**
Increase in tangible and intangible assets	(9,976)	**(13,348)**	**(118,977)**
Decrease in tangible and intangible assets	322	**131**	**1,168**
Proceeds from sale of investment securities	839	**0**	**0**
Purchases of investment securities	(11)	**(345)**	**(3,075)**
Reimbursement of long-term deposits on contracts	(378)	**(67)**	**(597)**
Decrease in short-term loans receivable	0	**0**	**0**
Collection of long-term loans receivable	14	**10**	**89**
Payments for transfer of business	(531)	**—**	**—**
Purchase of investments in subsidiaries	(2,293)	**—**	**—**
Other	87	**494**	**4,403**
Net cash used in investing activities	(12,135)	**(13,580)**	**(121,045)**
Financing activities (Notes 11 and 18)			
Net increase (decrease) in short-term borrowings	313	**(660)**	**(5,883)**
Increase in long-term debt	30,900	**2,308**	**20,572**
Decrease in long-term debt	(11,105)	**(320)**	**(2,852)**
Redemption of bonds	(10,000)	**—**	**—**
Cash dividends paid	(1,653)	**(1,837)**	**(16,374)**
Acquisition of treasury stock	(2,940)	**(5)**	**(45)**
Repayments of finance lease obligations	(724)	**(673)**	**(5,999)**
Other	(1)	**(16)**	**(143)**
Net cash provided by (used in) financing activities	4,788	**(1,203)**	**(10,723)**
Effect of exchange rate changes on cash and cash equivalents	(68)	**(26)**	**(232)**
(Decrease) increase in cash and cash equivalents	12,306	**(2,787)**	**(24,842)**
Cash and cash equivalents at beginning of the year	49,152	**61,458**	**547,803**
Cash and cash equivalents at end of the year (Notes 16 and 18)	¥ 61,458	**¥ 58,671**	**$ 522,961**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The Japan Steel Works, Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

As of March 31, 2017, the numbers of consolidated subsidiaries, and subsidiaries and affiliates accounted for by the equity method were 32 and 1 (32 and 1 in 2016), respectively.

Certain foreign subsidiaries are consolidated on the basis of fiscal periods ended December 31, which differ from that of the Company. However, the necessary adjustments have been made if the effect of the difference is material.

Investments in subsidiaries and affiliates which are neither consolidated nor accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written them down.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies accounted for by the equity method have been amortized by the straight-line method over five years after acquisition and are included in selling, general and administrative expenses.

(b) Foreign currency translation

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding Non-controlling interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments and Non-controlling interests in the consolidated financial statements.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates of exchange in effect at the respective transaction dates.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and differences arising from the translation are included in the consolidated statements of income.

(c) Cash equivalents

Short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value are considered to be cash equivalents.

(d) Inventories

Real estate held for sale, finished products and work in process are stated at the lower of cost or net realizable value determined principally by the specific identification method. Raw materials are stated at the lower of cost or replacement cost determined principally by the moving average method.

(e) Investment securities

Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(f) Allowance for doubtful accounts

The allowance for doubtful accounts is provided for possible bad debts at an amount estimated based on the historical experience with bad debts on normal receivables plus an additional allowance for specific uncollectible amounts determined by reference to the collectability of individual doubtful accounts.

(g) Provision for warranties for completed construction

The Company provides a provision for warranties for completed construction by estimating losses on possible future claims.

(h) Provision for loss on construction contracts

The Company provides a provision for loss on construction contracts, which has not been delivered by the fiscal year end, by estimating the amount of total losses anticipated in the following fiscal year and thereafter to be incurred, when the amounts can be reasonably estimated.

(i) Provision for loss on wind power generator business

The Company provides a provision for loss on wind power generator business by estimating the amount of total losses caused by the defects of certain parts used in wind power generators.

(j) Property, plant and equipment and depreciation
Depreciation of property, plant and equipment is calculated by the declining-balance method based on the estimated useful lives and the residual value determined by the Company, except for certain buildings which are depreciated by the straight-line method.

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to profit. The estimate useful lives of the assets are as follows:

Buildings and structures:	6 to 65 years
Machinery, equipment and vehicles:	3 to 20 years

(k) Leases and depreciation
Finance lease transactions which do not stipulate the transfer of ownership of the leased assets to the lessee are accounted for as purchase and sales transactions.

With regard to the depreciation method of leased assets, the straight-line method is applied using the lease period as the estimated useful life and a residual value of zero.

(l) Retirement benefit
The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Prior service cost is being amortized as incurred by the straight-line method over ten years, which is shorter than the average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over ten years, which is shorter than the average remaining years of service of the employees participating in the plans.

Certain subsidiaries use a simplified method in the calculation of their retirement benefit obligation.

(m) Income taxes
Deferred tax assets and liabilities have been recognized in the consolidated balance sheets with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(n) Research and development expenses
Research and development expenses are charged to income when incurred.

(o) Revenue and cost recognition
Revenues on sales of products are generally recognized at the time of shipment.

Revenues and costs, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method is applied to contracts for which the percentage of completion cannot be reliably estimated.

(p) Derivative financial instruments
Derivative financial instruments are carried at fair value. Gain or loss on derivatives designated as hedging instruments is deferred as a component of net assets until the loss or gain on the underlying hedged items is recognized. Foreign currency receivables and payables are translated at the applicable forward foreign exchange rates when certain conditions are met. In addition, the related interest differential paid or received under interest-rate swaps utilized as hedging instruments is recognized over the terms of the swap agreements as an adjustment to the interest expense of the underlying hedged items when certain conditions are met.

(q) Consumption tax
Accounting treatment of consumption tax is the tax exclusion method.

(r) Provision for directors' bonuses
Provision for directors' bonuses is provided based on estimated amounts to be paid in the subsequent period that are applicable to the current period.

(s) Provision for directors' retirement benefits
Provision for directors' retirement benefits is provided based on estimated amounts determined by internal rules.

(t) Accounting changes
The Company's domestic consolidated subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No.32, June 17, 2016) as a result of revisions to the Corporate Tax Act of Japan. Accordingly, the depreciation method for both facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method. The effect of this adoption on the accompanying consolidated financial statements for the year ended March 31, 2017 is immaterial.

3. Additional Information

The Company and its domestic consolidated subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 of Mar 28, 2016) effective from April 1, 2016.

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollars is included solely for convenience, as a matter of arithmetic computation only, at ¥112.19 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2017. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

5. Inventories

Inventories at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Real estate held for sale	¥ 283	**¥ 278**	**$ 2,478**
Finished products	1,703	**2,080**	**18,540**
Work in process	58,878	**58,037**	**517,310**
Raw materials and supplies	6,328	**5,755**	**51,297**
Total	¥67,195	**¥66,152**	**$589,643**

Work in process related to construction contracts of which a loss is anticipated to be incurred was offset with a provision for loss on construction contracts of ¥191 million ($1,702 thousand) at March 31, 2017 and ¥172 million at March 31, 2016.

6. Assets pledged as collateral

The assets pledged as collateral for issuance of Performance Bond at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Time deposit	—	**¥96**	**$856**

Note: The assets pledged as collateral were no corresponding obligations at March 31, 2017.

7. Depreciation

Depreciation expense on property, plant and equipment for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Depreciation expense	¥10,669	**¥7,858**	**$70,042**

8. Advanced Depreciation

Accumulated advanced depreciation related to government grants received has been deducted directly from the acquisition costs of certain tangible fixed assets (plant, machinery and equipment). Such accumulated depreciation at March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Accumulated advanced depreciation expense	¥1,283	**¥1,298**	**$11,570**

9. Impairment Loss

Current fiscal year (From April 1, 2016 to March 31, 2017)

The Group recorded an impairment loss on the following groups of assets in the current fiscal year:

Use	Asset type	Location
Steel and Energy Products: Business assets	Buildings, structures, machinery and equipment, land, construction in progress, etc.	Muroran, Hokkaido
Steel and Energy Products: Business assets at investee subsidiary	Buildings, structures, machinery and equipment, land, etc.	Muroran, Hokkaido and Guangdong, China

(1) Grouping of assets

The Company and its consolidated subsidiaries (hereinafter collectively known as the "Group") determine whether to recognize an impairment loss and measures the loss by grouping assets based on the smallest units used in management accounting that generate cash flows which are largely independent and whose revenue and expenditures are identified on an ongoing basis.

However, the Group determines whether to recognize impairment and measures the impairment on an individual asset basis if the asset is idle and not expected to be used in the future.

(2) Circumstances that led to the recognition of the impairment loss

Carrying amounts of non-current assets were reduced to recoverable amounts and the reduced amounts were recognized in extraordinary losses as impairment loss because investment amounts were no longer expected to be recovered due to a decrease in profitability.

Breakdown of the impairment loss is as follows:

Buildings and structures	¥ 8,882 million	$ 79,169 thousand
Machinery, equipment and vehicles	6,761	60,264
Tools, furniture and fixtures	352	3,138
Land	576	5,134
Leased assets (property, plant and equipment)	336	2,995
Construction in progress	898	8,004
Leased assets (intangible assets)	8	71
Other (intangible assets)	57	508
Total	¥17,874	$159,319

(3) Calculation method for recoverable amounts

Recoverable amounts of the groups of assets are calculated at value in use. It is evaluated by memorandum value.

Prior fiscal year (From April 1, 2015 to March 31, 2016)
The Group recorded an impairment loss on the following groups of assets in the prior fiscal year:

Use	Asset type	Location
Steel and Energy Products: Business assets	Buildings, structures, machinery and equipment, land, construction in progress, etc.	Muroran, Hokkaido
Steel and Energy Products: Business assets at investee subsidiary	Machinery and equipment, etc.	Muroran, Hokkaido and Guangdong, China

(1) Grouping of assets
The Company and its consolidated subsidiaries (hereinafter collectively known as the "Group") determine whether to recognize an impairment loss and measures the loss by grouping assets based on the smallest units used in management accounting that generate cash flows which are largely independent and whose revenue and expenditures are identified on an ongoing basis.

However, the Group determines whether to recognize impairment and measures the impairment on an individual asset basis if the asset is idle and not expected to be used in the future.

(2) Circumstances that led to the recognition of the impairment loss
Carrying amounts of non-current assets were reduced to recoverable amounts and the reduced amounts were recognized in extraordinary losses as impairment loss because investment amounts were no longer expected to be recovered due to a decrease in profitability.

Breakdown of the impairment loss is as follows:

Buildings and structures	¥19,744 million
Machinery, equipment and vehicles	10,764
Tools, furniture and fixtures	401
Land	770
Leased assets (property, plant and equipment)	232
Construction in progress	3,439
Leased assets (intangible assets)	16
Other (intangible assets)	79
Total	¥35,447

(3) Calculation method for recoverable amounts
Recoverable amounts of the groups of assets are calculated at value in use. Future cash flows are discounted at 7.52%.

10. Contingent Liabilities

Contingent liabilities at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
As endorsers of trade notes receivable:			
Endorsed to other	¥ 75	**¥ 87**	**$ 775**
As guarantors of loans:			
Muroran Environmental Plant Service Co., Ltd.	421	**358**	**3,191**
Obligation to guarantee uncollected receivables of leasing companies	62	**42**	**374**
Gotsu Wind Power Co., Ltd	1,107	**978**	**8,717**
Employees and other	50	**25**	**223**

11. Short-Term Borrowings and Long-Term Debt

All short-term borrowings, with interest at annual rates ranging from 0.3073% to 1.4750% at March 31, 2017 and 0.3490% to 1.4750% at March 31, 2016, were unsecured.

Long-term debt at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Loans from banks and insurance companies with interest at annual rates ranging from 0.0030% to 1.0960%	¥37,127	**¥39,116**	**$348,659**
Less those maturing within one year	(320)	**(4,215)**	**(37,570)**
Lease obligations	1,644	**1,428**	**12,728**
Less those maturing within one year	(620)	**(574)**	**(5,116)**
Long-term indebtedness reflected in the consolidated balance sheets	¥37,831	**¥35,755**	**$318,700**

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2017 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Year ending March 31,	Long-term loans		Lease obligations	
2018	¥ 4,215	$ 37,570	¥574	$5,116
2019	132	1,177	400	3,565
2020	60	535	274	2,442
2021	5,000	44,567	131	1,168
2022	1,800	16,044	40	357
2023 and thereafter	27,908	248,757	7	62

12. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Research and development expenses	¥4,292	**¥4,237**	**$37,766**

13. Other Income (Expenses)—Other, Net

The details of "Other, net" in "Other income (expenses)" for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Foreign exchange loss	¥ (205)	**¥ (91)**	**$ (811)**
Equity in losses of affiliates	(0)	**(0)**	**(0)**
Gain on sales of property, plant and equipment	117	**93**	**829**
Gain on sales of investment securities	126	**—**	**—**
Compensation expenses	(23)	**(272)**	**(2,424)**
Loss on sales or disposal of property, plant and equipment	(892)	**(150)**	**(1,337)**
Other, net	(573)	**(266)**	**(2,371)**
Total	¥(1,451)	**¥(687)**	**$(6,124)**

14. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2017 and 2016:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥(8,031)	**¥ 3,655**	**$32,579**
Reclassification adjustments for gains and losses realized in net income	6	**—**	**—**
The amount of unrealized holding gain (loss) on securities before tax effect	(8,024)	**3,655**	**32,579**
Tax effect	2,660	**(1,104)**	**(9,840)**
Unrealized holding gain (loss) on securities	(5,364)	**2,551**	**22,738**
Unrealized gain (loss) from hedging instruments:			
Amount arising during the year	774	**(921)**	**(8,209)**
Tax effect	(242)	**282**	**2,514**
Unrealized gain (loss) from hedging instruments	531	**(638)**	**(5,687)**
Translation adjustments:			
Amount arising during the year	(229)	**(251)**	**(2,237)**
Translation adjustments	(229)	**(251)**	**(2,237)**
Remeasurement benefits plans adjustments:			
Amount arising during the year	(2,122)	**1,023**	**9,118**
Reclassification adjustments for gains and losses realized in net income	381	**1,004**	**8,949**
The amount of unrealized holding gain (loss) on securities before tax effect	(1,741)	**2,028**	**18,076**
Tax effect	509	**(629)**	**(5,607)**
Remeasurement benefits plans adjustments	(1,231)	**1,398**	**12,461**
Total other comprehensive income	¥(6,294)	**¥ 3,059**	**$27,266**

15. Supplementary Information for Consolidated Statement of Changes in Net Assets

Year ended March 31, 2017

(a) Information regarding the number and type of shares issued and treasury stock:

	Number of shares			
	Year ended March 31, 2016	Increase during the year	Decrease during the year	Year ended March 31, 2017
Shares issued: Common stock	**371,463,036**	—	**297,170,429**	**74,292,607**
Treasury stock: Common stock (Note 1 and 2)	**3,995,515**	**5,589**	**3,199,624**	**801,480**

Notes: 1. Decrease of 297,170,429 ordinary shares held in shares was attributable to carry out the share consolidation at the ratio of 5 shares to 1 share effective, October 1, 2016.
2. Increase of 5,589 ordinary shares held in treasury was attributable to purchase of less than one share unit.
3. Decrease of 3,199,508 ordinary shares held in treasury was attributable to carry out the share consolidation at the ratio of 5 shares to 1 share effective, October 1, 2016, and sale of 116 shares resulting from the sale of shares to shareholders at their request.

(b) Dividends

(i) Dividends paid to shareholders

① Resolution: Annual general meeting of shareholders held on June 24, 2016
Type of shares: Common stock
Total amount of dividends: ¥918 million ($8,183 thousand)
Dividends per share: ¥2.5 ($0.022)
Cut-off date: March 31, 2016
Effective date: June 27, 2016

② Resolution: Meeting of Board of Directors held on November 7, 2016
Type of shares: Common stock
Total amount of dividends: ¥918 million ($8,183 thousand)
Dividends per share: ¥2.5 ($0.022)
Cut-off date: September 30, 2016
Effective date: December 7, 2016

(ii) Dividends of which the cut-off date was in the year ended March 31, 2016, but the effective date is in the following fiscal year

Resolution: Annual general meeting of shareholders held on June 27, 2017
Type of shares: Common stock
Total amount of dividends: ¥918 million ($8,183 thousand)
Dividends per share: ¥12.5 ($0.111)
Cut-off date: March 31, 2017
Effective date: June 28, 2017
Source of dividends: Retained earnings

Note: The Company carried out the share consolidation at the ratio of 5 shares to 1 share effective October 1, 2016. In accordance with this, cash dividends per share of which record date is March 31, 2017 is based on the share consolidation.

Year ended March 31, 2016

(a) Information regarding the number and type of shares issued and treasury stock:

	Number of shares			
	Year ended March 31, 2015	Increase during the year	Decrease during the year	Year ended March 31, 2016
Shares issued: Common stock	**371,463,036**	—	—	**371,463,036**
Treasury stock: Common stock (Note 1 and 2)	**1,192,297**	**5,177,789**	**2,374,571**	**3,995,515**

Notes: 1. Increase of 5,177,789 ordinary shares held in treasury was attributable to purchase of 5,173,000 shares under a resolution approved at the Board of Directors meeting on May 26, 2015, purchase of 4,782 shares that was less than one share unit, and acquisition of 7 shares resulting from fractional shares arising from an exchange of shares in making Meiki Co.,Ltd. a wholly owned subsidiary of the Company.
2. Decrease of 2,374,571 ordinary shares held in treasury attributable to the distribution of 2,373,831 treasury shares resulting from the exchange of shares for making Meiki Co.,Ltd. a wholly owned subsidiary of the Company, and sale of 740 shares resulting from the sale of shares to shareholders at their request.

(b) Dividends

(i) Dividends paid to shareholders

① Resolution:	Annual general meeting of shareholders held on June 24, 2015
Type of shares:	Common stock
Total amount of dividends:	¥740 million
Dividends per share:	¥2
Cut-off date:	March 31, 2015
Effective date:	June 25, 2015

② Resolution:	Meeting of Board of Directors held on November 2, 2015
Type of shares:	Common stock
Total amount of dividends:	¥912 million
Dividends per share:	¥2.5
Cut-off date:	September 30, 2015
Effective date:	December 3, 2015

(ii) Dividends of which the cut-off date was in the year ended March 31, 2016, but the effective date is in the following fiscal year

Resolution:	Annual general meeting of shareholders held on June 24, 2016
Type of shares:	Common stock
Total amount of dividends:	¥918 million
Dividends per share:	¥2.5
Cut-off date:	March 31, 2016
Effective date:	June 27, 2016
Source of dividends:	Retained earnings

16. Cash Flow Information

(a) Cash and cash equivalents

The reconciliation between cash and cash equivalents in the accompanying consolidated statements of cash flows and cash on hand and in banks in the accompanying consolidated balance sheets at March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Cash on hand and in banks in the consolidated balance sheet	¥62,018	**¥59,801**	**$533,033**
Other current assets	322	**189**	**1,685**
Time deposits with maturities of more than three months	(881)	**(1,320)**	**(11,766)**
Cash and cash equivalents in the consolidated statement of cash flows	¥61,458	**¥58,671**	**$522,961**

(b) Significant transactions without cash flows

Assets and liabilities corresponding to finance lease transactions that have been recorded by the Company and its domestic consolidated subsidiaries at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Lease assets	¥581	**¥438**	**$3,904**
Lease obligations	631	**465**	**4,145**

17. Leases

Year ended March 31, 2017

Future minimum lease payments subsequent to March 31, 2017 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	**¥132**	**$1,177**
2019 and thereafter	**195**	**1,738**
Total	**¥327**	**$2,915**

Year ended March 31, 2016

Future minimum lease payments subsequent to March 31, 2016 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen
2017	¥186
2018 and thereafter	284
Total	¥470

18. Financial Instruments

Overview

(a) Policy for financial instruments

In consideration of plans for operations and capital investment, the Company and its consolidated subsidiaries (collectively, the "Group") utilize funds provided by operating cash flows first. The Group uses bond issuances and bank borrowings in order to raise additional funds, if needed. The Company manages temporary cash surpluses through low-risk financial assets. The Company uses derivatives for the purpose of reducing risks and does not enter into derivative contracts for speculative or trading purposes.

(b) Types of financial instruments and related risk

Trade receivables – trade notes and accounts receivable – are exposed to credit risk in relation to customers. In addition, the Company is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. The foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contracts, if needed.

Investment securities are exposed to market risk. These securities are mainly composed of the shares of common stock of companies with which the Company has business relationships.

Trade payables – trade notes and accounts payable – have payment due dates within one year. Since the Company is exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, forward foreign exchange contracts are arranged to reduce the risk, if needed.

Loans payable are used to raise funds mainly in connection with capital investments. The repayment dates of the long-term debts extend up to nine years from the balance sheet date. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk and foreign currency exchange risk. However, to reduce such risk and fix the interest payments for long-term debt with variable rates, the Company utilizes interest rate swap transactions and interest-rate currency swaps as hedging instruments.

Regarding derivatives, the Company enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Company also enters into interest rate swap transactions and interest-rate currency swaps to reduce the fluctuation risk of interest payments for long-term debt with variable rates.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities is found in Note 2 (p).

(c) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Company for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Company is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties. The consolidated subsidiaries also manage credit risk using the Company's internal policies and methods.

The Company also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a high credit-rating.

(ii) Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Company identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts to hedge such risk. In order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Company may also enter into interest rate swap transactions and interest-rate currency swaps.

For investment securities, the Company periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Company continuously evaluates whether securities should be maintained taking into account their fair values and relationships with the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority. Monthly reports including actual transaction data are submitted to top management for their review. The consolidated subsidiaries also conduct derivative transactions using the Company's internal policies.

(iii) Monitoring of liquidity risk (the risk that the Company may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Company prepares and updates its cash flow plans on a timely basis to manage liquidity risk. The consolidated subsidiaries manage the liquidity risk using cash flow plans and report to the Company periodically.

(d) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no available quoted market price, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 18 Derivative Transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2017 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note (ii) below).

Year ended March 31, 2017

	Millions of yen		
	Carrying amount	**Estimated fair value**	**Difference**
Assets			
Cash on hand and in banks	**¥ 59,801**	**¥ 59,801**	**¥ —**
Trade notes and accounts receivable	**49,420**	**49,420**	**(0)**
Securities:			
Other securities	**32,787**	**32,787**	**—**
Total assets	**¥142,009**	**¥142,009**	**¥ (0)**
Liabilities			
Trade notes and accounts payable	**¥ 47,744**	**¥ 47,744**	**¥ —**
Short-term borrowings	**11,908**	**11,908**	**—**
Current portion of long-term debt	**4,215**	**4,235**	**20**
Long-term debt	**34,901**	**35,385**	**484**
Total liabilities	**¥ 98,768**	**¥ 99,274**	**¥505**
Derivatives (*)	**¥ (472)**	**¥ (472)**	**—**

	Thousands of U.S. dollars		
	Carrying amount	**Estimated fair value**	**Difference**
Assets			
Cash on hand and in banks	**$ 533,033**	**$ 533,033**	**$ —**
Trade notes and accounts receivable	**440,503**	**440,503**	**(0)**
Securities:			
Other securities	**292,245**	**292,245**	**—**
Total assets	**$1,265,790**	**$1,265,790**	**$ (0)**
Liabilities			
Trade notes and accounts payable	**$ 425,564**	**$ 425,564**	**$ —**
Short-term borrowings	**106,141**	**106,141**	**—**
Current portion of long-term debt	**37,570**	**37,748**	**178**
Long-term debt	**311,088**	**315,402**	**4,314**
Total liabilities	**$ 880,364**	**$ 884,874**	**$4,501**
Derivatives (*)	**$ (4,207)**	**$ (4,207)**	**—**

(*) The value of assets and liabilities arising from derivatives is shown at net value, with the amount in parentheses representing net liability position.

Year ended March 31, 2016

	Millions of yen		
	Carrying amount	**Estimated fair value**	**Difference**
Assets			
Cash on hand and in banks	¥ 62,018	¥ 62,018	¥—
Trade notes and accounts receivable	52,738	52,738	(0)
Securities:			
Other securities	29,121	29,121	—
Total assets	¥143,878	¥143,877	¥ (0)
Liabilities			
Trade notes and accounts payable	¥ 53,835	¥ 53,835	¥—
Short-term borrowings	12,569	12,569	—
Current portion of long-term debt	320	322	2
Long-term debt	36,807	36,881	73
Total liabilities	¥103,531	¥103,608	¥76
Derivatives (*)	¥ 486	¥ 486	—

(*) The value of assets and liabilities arising from derivatives is shown at net value, with the amount in parentheses representing net liability position.

(i) Method to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

Cash on hand and in banks

The carrying amount is used for bank deposits without maturities, because the fair value approximates the carrying value. The fair value of time deposits in banks with maturities is calculated based on the present value of the total principal and interest discounted at a rate supposing a newly made deposit.

Trade notes and accounts receivables

The fair value is calculated by categories of the remaining periods of the receivables based on the present value using discount rates determined by the period to maturity and credit risk.

Securities

The carrying amount is used for other securities with maturities, because the fair value approximates the carrying amount.

Quoted market price is used for other securities.

Liabilities

Trade notes and accounts payable and short-term borrowings

The carrying amount is used for these items because the fair value approximates the carrying amount.

Current portion of long-term debt and long-term debt

The fair values are calculated by applying a discount rate, based on the assumed interest rate if a similar new debt is issued, to the total of the principal and interest. The current portion of long-term debt and long-term debt with variable interest rates are subject to the special treatment of interest rate swaps or the integral treatment of interest rate currency swaps and is calculated by applying a discount rate, based on the assumed interest rate if a similar new debt is issued, to the total of the principal and interest including that of the interest rate swap.

Derivative Transactions

Please refer to Note 18, Derivative Transactions, of the notes to the consolidated financial statements.

(ii) Financial instruments for which it is extremely difficult to determine the fair value

		Millions of yen	Thousands of U.S. dollars
	2016	**2017**	**2017**
Unlisted stocks	¥1,217	**¥1,552**	**$13,834**

Because the fair values of these financial instruments are extremely difficult to determine, given that they do not have quoted market prices and future cash flows cannot be estimated, they are not included in "Securities" in the preceding table.

(iii) Redemption schedule for receivables and securities with maturities at March 31, 2017 and 2016.

Year ended March 31, 2017

			Millions of yen
	Due in one year or less	**Due after one year through five years**	**Due after five years**
Cash on hand and in banks	**¥ 59,801**	**¥ —**	**—**
Trade notes and accounts receivable	**49,188**	**232**	**—**
Total	**¥108,989**	**¥232**	**—**

			Thousands of U.S. dollars
	Due in one year or less	**Due after one year through five years**	**Due after five years**
Cash on hand and in banks	**$533,033**	**$ —**	**—**
Trade notes and accounts receivable	**438,435**	**2,068**	**—**
Total	**$971,468**	**$2,068**	**—**

Year ended March 31, 2016

			Millions of yen
	Due in one year or less	**Due after one year through five years**	**Due after five years**
Cash on hand and in banks	¥ 62,018	¥ —	—
Trade notes and accounts receivable	52,576	162	—
Total	¥114,594	¥162	—

(iv) The redemption schedule for long-term debt

Year ended March 31, 2017

		Millions of yen
	Long-term loans	**Lease obligations**
Due in 1 year or less	**¥ 4,215**	**¥574**
Due after 1 year through 2 years	**132**	**400**
Due after 2 years through 3 years	**60**	**274**
Due after 3 years through 4 years	**5,000**	**131**
Due after 4 years through 5 years	**1,800**	**40**
Due after 5 years	**27,908**	**7**

	Long-term loans	**Lease obligations**
Due in 1 year or less	**$ 37,570**	**$5,116**
Due after 1 year through 2 years	**1,177**	**3,565**
Due after 2 years through 3 years	**535**	**2,442**
Due after 3 years through 4 years	**44,567**	**1,168**
Due after 4 years through 5 years	**16,044**	**357**
Due after 5 years	**248,757**	**62**

Year ended March 31, 2016

	Long-term loans	Lease obligations
	Millions of yen	
Due in 1 year or less	¥ 320	¥620
Due after 1 year through 2 years	3,175	482
Due after 2 years through 3 years	1,092	306
Due after 3 years through 4 years	40	181
Due after 4 years through 5 years	5,000	49
Due after 5 years	27,500	3

19. Securities

Other securities:

March 31, 2017

	Acquisition cost	Carrying amount	Unrealized gain (loss)
	Millions of yen		
Carrying amount exceeding the acquisition cost:			
Stocks	**¥13,379**	**¥24,189**	**¥10,809**
Carrying amount not exceeding the acquisition cost:			
Stocks	**9,835**	**8,194**	**(1,640)**
Total	**¥23,215**	**¥32,384**	**¥ 9,168**

	Acquisition cost	Carrying amount	Unrealized gain (loss)
	Thousands of U.S. dollars		
Carrying amount exceeding the acquisition cost:			
Stocks	**$119,253**	**$215,607**	**$ 96,345**
Carrying amount not exceeding the acquisition cost:			
Stocks	**87,664**	**73,037**	**(14,618)**
Total	**$206,926**	**$288,653**	**$ 81,719**

March 31, 2016

	Acquisition cost	Carrying amount	Unrealized gain (loss)
	Millions of yen		
Carrying amount exceeding the acquisition cost:			
Stocks	¥12,987	¥21,432	¥ 8,445
Carrying amount not exceeding the acquisition cost:			
Stocks	10,217	7,283	(2,934)
Total	¥23,204	¥28,716	¥ 5,511

When their fair values have declined by 50% or more, impairment losses are recorded on those securities. When their fair values have declined by 30% up to 50%, impairment losses are recorded on those securities on an individual basis to the values considered to be recoverable.

20. Derivative Transactions

(a) Derivatives not subject to hedge accounting

Year ended March 31, 2017
None applicable

Year ended March 31, 2016
None applicable

(b) Derivatives subject to hedge accounting

The contract amounts or the amount corresponding to principal as specified by the contract as of the date of the closing of the consolidated accounts is shown below by type of hedge accounting method.

(i) Currency-related transactions

Year ended March 31, 2017

					Millions of yen
Hedge accounting method	**Type of derivative**	**Principal items hedged**	**Contract amount**	**Over one year**	**Fair value**
Allocation method	Foreign exchange forward contracts	Accounts receivable			
	Sell: U.S. dollars		**¥13,716**	**¥1,690**	**¥(411)**
	Euros		**689**	**174**	**6**
	Thai baht		**3**	**—**	**(0)**
	JPY		**10**	**—**	**(0)**
	Foreign exchange forward contracts	Accounts payable			
	Buy: U.S. dollars		**¥ 82**	**¥ 23**	**¥ 0**
	Euros		**272**	**—**	**0**
	Sterling pound		**359**	**236**	**(68)**

					Thousands of U.S. dollars
Hedge accounting method	**Type of derivative**	**Principal items hedged**	**Contract amount**	**Over one year**	**Fair value**
Allocation method	Foreign exchange forward contracts	Accounts receivable			
	Sell: U.S. dollars		**$122,257**	**$15,064**	**$(3,663)**
	Euros		**6,141**	**1,551**	**53**
	Thai baht		**27**	**—**	**(0)**
	JPY		**89**	**—**	**(0)**
	Foreign exchange forward contracts	Accounts payable			
	Buy: U.S. dollars		**$ 731**	**$ 205**	**$ 0**
	Euros		**2,424**	**—**	**0**
	Sterling pound		**3,200**	**2,104**	**(606)**

Note: Calculation of fair value is based on the forward exchange rates.

Year ended March 31, 2016

					Millions of yen
Hedge accounting method	**Type of derivative**	**Principal items hedged**	**Contract amount**	**Over one year**	**Fair value**
Allocation method	Foreign exchange forward contracts	Accounts receivable			
	Sell: U.S. dollars		¥13,805	¥210	¥587
	Euros		715	158	17
	Sterling pound		—	—	—
	Foreign exchange forward contracts	Accounts payable			
	Buy: U.S. dollars		¥ 922	—	¥ (52)
	Euros		388	—	(21)
	Sterling pound		758	—	(44)
	Swiss franc		—	—	—

Note: Calculation of fair value is based on the forward exchange rates

(ii) Interest-related transactions

Year ended March 31, 2017

Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Over one year	Fair value
			Millions of yen		
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Long-term borrowings	**¥29,000**	**¥25,000**	**(*)**
Integral treatment for interest rate currency swaps: (Special treatment and allocation method)	Receivable USD and floating rate/ payable JPY and fixed rate	Long-term borrowings	**708**	**708**	**(*)**

Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Over one year	Fair value
			Thousands of U.S. dollars		
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Long-term borrowings	**$258,490**	**$222,836**	**(*)**
Integral treatment for interest rate currency swaps: (Special treatment and allocation method)	Receivable USD and floating rate/ payable JPY and fixed rate	Long-term borrowings	**6,311**	**6,311**	**(*)**

(*) Interest rate swaps subject to the special treatment for interest rate swaps and interest rate currency swaps subject to integral treatment for interest rate currency swaps are accounted for together with the long-term debt, accordingly the fair value of the interest rate swaps is included in the fair value of the corresponding long-term debt.

Note: Calculation of fair value is based on the stated price by financial institutions.

Year ended March 31, 2016

Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Over one year	Fair value
			Millions of yen		
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Long-term borrowings	¥29,000	¥29,000	(*)

(*) Since interest rate swap contracts accounted for by the special treatment for interest rate swaps are treated together with the long-term borrowings subject to hedging, the estimated fair value of such interest rate swap contracts is included in the estimated fair value of the corresponding long-term borrowings.

Note: Calculation of fair value is based on the stated price by financial institutions.

21. Retirement Benefit Plans

The Company and its consolidated subsidiaries have either funded or unfunded defined benefit plans and/or defined contribution plans.

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e. lump-sum payment plans, defined benefit plans, welfare pension fund and tax-qualified pension plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The changes in the retirement benefit obligation for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at the beginning of the year	¥20,489	**¥21,011**	**$187,281**
Service cost	1,030	**1,153**	**10,277**
Interest cost	197	**109**	**972**
Actuarial gain and loss	1,097	**(627)**	**(5,589)**
Retirement benefit paid	(1,804)	**(1,518)**	**(13,531)**
Balance at the end of the year	¥21,011	**¥20,128**	**$179,410**

The changes in plan assets for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at the beginning of the year	¥16,101	**¥14,729**	**$131,286**
Expected return on plan assets	322	**294**	**2,621**
Actuarial gain and loss	(1,025)	**396**	**3,530**
Contributions by the Company	422	**467**	**4,163**
Retirement benefits paid	(1,091)	**(918)**	**(8,183)**
Balance at the end the year	¥14,729	**¥14,969**	**$133,425**

The changes in retirement benefit liability accounted for using the simplified method for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at the beginning of the year	¥3,436	**¥3,161**	**$28,175**
Retirement benefit expenses	686	**646**	**5,758**
Retirement benefit paid	(757)	**(629)**	**(5,607)**
Contributions	(203)	**(187)**	**(1,667)**
Balance at the end the year	¥3,161	**¥2,989**	**$26,642**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2017 and 2016 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Funded retirement benefit obligation	¥ 20,145	**¥ 19,201**	**$ 171,147**
Plan assets at the value	(15,769)	**(16,079)**	**(143,319)**
	4,375	**3,121**	**27,819**
Unfunded retirement benefit obligation	5,067	**5,026**	**44,799**
Net liability for retirement benefits in the balance sheet	9,442	**8,148**	**72,627**
Retirement benefit liability	11,315	**10,620**	**94,661**
Retirement benefit assets	(1,872)	**(2,472)**	**(22,034)**
Net liability for retirement benefits in the balance sheet	¥ 9,442	**¥ 8,148**	**$ 72,627**

The components of retirement benefit expense for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Service cost	¥1,030	**¥1,153**	**$10,277**
Interest cost	197	**109**	**972**
Expected return on plan assets	(322)	**(294)**	**(2,621)**
Amortization of actuarial gain and loss	397	**1,019**	**9,083**
Simplified method for retirement benefit expenses	702	**646**	**5,758**
Other	49	**39**	**348**
Retirement benefit expense	¥2,054	**¥2,673**	**$23,826**

The components of retirement benefits plans adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Actuarial gain and loss	¥(1,741)	**¥2,028**	**$18,076**
Total	¥(1,741)	**¥2,028**	**$18,076**

The components of retirement benefits plans adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Unrecognized actuarial gain and loss	¥(2,359)	**¥(331)**	**$(2,950)**
Total	¥(2,359)	**¥(331)**	**$(2,950)**

The fair value of plan assets, by major category, as a percentage of total plan as of March 31, 2017 and 2016 as follows:

March 31,	2016	**2017**
Bonds	31%	**30%**
Stocks	38	**42**
Cash on hand and in banks	0	**0**
General account	20	**18**
Other	11	**10**
Total	100%	**100%**

Retirement benefit trust set for the lump-sum and corporate pension plans accounts for 19% and 17% of the total plan assets, for the years ended March 31, 2017 and 2016, respectively.

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans are as follows:

March 31,	2016	**2017**
Discount rates	0.59%	**0.68%**
Expected rates of return on plan assets	2.00	**2.00**

Contributions made to defined contribution plans for the years ended March 31, 2017 and 2016 were ¥59 million ($526 thousand) and ¥61 million, respectively.

22. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Deferred tax assets:			
Accrued enterprise taxes	¥ 176	**¥ 138**	**$ 1,230**
Accrued bonuses	951	**912**	**8,129**
Depreciation	1,081	**685**	**6,106**
Amortization of long-term prepaid expenses	105	**105**	**936**
Loss on revaluation of inventory items	1,018	**1,036**	**9,234**
Loss on revaluation of financial instruments	193	**194**	**1,729**
Impairment loss	11,026	**15,350**	**136,821**
Retirement benefit liability	4,921	**4,363**	**38,889**
Provision for warranties for completed construction	670	**884**	**7,879**
Provision for loss on construction contracts	390	**911**	**8,120**
Provision for loss on wind power generator business	2,667	**1,429**	**12,737**
Less allowance for doubtful accounts	216	**155**	**1,382**
Asset retirement obligations	393	**400**	**3,565**
Percentage-of-completion method	544	**483**	**4,305**
Tax loss carry forwards	2,217	**2,327**	**20,742**
Unrealized loss on investment securities	886	**500**	**4,457**
Deferred loss on hedges	100	**172**	**1,533**
Unrealized gain on intercompany transactions	720	**677**	**6,034**
Other	704	**793**	**7,068**
Gross deferred tax assets	28,986	**31,525**	**280,997**
Valuation allowance	(4,194)	**(4,288)**	**(38,221)**
Total deferred tax assets	24,792	**27,236**	**242,767**
Deferred tax liabilities:			
Reserve for advanced depreciation	1,342	**1,279**	**11,400**
Reserve for special depreciation	181	**51**	**455**
Net defined benefit asset	937	**765**	**6,819**
Disposal cost with asset retirement obligations	232	**230**	**2,050**
Unrealized gain on investment securities	2,579	**3,298**	**29,397**
Deferred gain on hedges	250	**39**	**348**
Other	221	**232**	**2,068**
Total deferred tax liabilities	5,744	**5,897**	**52,563**
Net deferred tax assets	¥19,048	**¥21,338**	**$190,195**

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the statutory tax rates for the years ended March 31, 2017 and 2016 were as follows:

2016	2017
No reconciliation items are applicable for the year as the Company recorded net loss before income taxes	No reconciliation items are applicable for the year as the Company recorded net loss before income taxes

23. Business Combinations

None applicable

24. Asset Retirement Obligations

The following table presents the changes in asset retirement obligations for the years ended March 31, 2017 and 2016:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Balance at beginning of year	¥1,295	**¥1,307**	**$11,650**
Liabilities incurred due to the acquisition of property, plant and equipment	—	**16**	**143**
Accretion expense	21	**21**	**187**
Liabilities settled	(2)	**(23)**	**(205)**
Other	(6)	**(1)**	**(9)**
Balance at end of year	¥1,307	**¥1,320**	**$11,766**

25. Investment and Rental Properties

The Company has omitted the disclosure of investment and rental properties due to immateriality for the years ended March 31, 2017 and 2016.

26. Segment Information

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Steel and Energy Products segment includes steel castings and forgings, steel plates, pressure vessels and steel structures. The Industrial Machinery Products segment includes injection molding machines, film and sheet machinery, blow molding machines, magnesium injection molding machines, waste treatment equipment and manufacturing equipment for electronic products. The Real Estate and Other Businesses segment includes regional development.

Millions of yen

	Reportable segments					
Year ended March 31, 2017	**Steel and Energy Products**	**Industrial Machinery Products**	**Real Estate and Other Businesses**	**Total**	**Adjustments and Eliminations**	**Consolidated**
Sales and operating income:						
Sales to third parties	**¥51,207**	**¥159,378**	**¥ 1,883**	**¥212,469**	**¥ —**	**¥212,469**
Intra-segment sales and transfers	**5,551**	**858**	**3,751**	**10,161**	**(10,161)**	**—**
Total sales	**56,759**	**160,236**	**5,635**	**222,630**	**(10,161)**	**212,469**
Operating income	**¥ (2,794)**	**¥ 15,183**	**¥ 959**	**¥ 13,349**	**¥ (1,008)**	**¥ 12,340**
Assets, depreciation, and capital expenditures						
Total assets	**¥37,561**	**¥123,743**	**¥11,878**	**¥173,183**	**¥102,131**	**¥275,315**
Depreciation and amortization	**4,142**	**3,418**	**206**	**7,767**	**91**	**7,858**
Capital expenditures	**4,574**	**4,742**	**44**	**9,361**	**140**	**9,502**

Thousands of U.S. dollars

Year ended March 31, 2017	Reportable segments: Steel and Energy Products	Reportable segments: Industrial Machinery Products	Reportable segments: Real Estate and Other Businesses	Total	Adjustments and Eliminations	Consolidated
Sales and operating income:						
Sales to third parties	**$456,431**	**$1,420,608**	**$ 16,784**	**$1,893,832**	**$ —**	**$1,893,832**
Intra-segment sales and transfers	**49,479**	**7,648**	**33,434**	**90,570**	**(90,570)**	**—**
Total sales	**505,919**	**1,428,256**	**50,227**	**1,984,401**	**(90,570)**	**1,893,832**
Operating income	**$ (24,904)**	**$ 135,333**	**$ 8,548**	**$ 118,986**	**$ (8,985)**	**$ 109,992**
Assets, depreciation, and capital expenditures						
Total assets	**$334,798**	**$1,102,977**	**$105,874**	**$1,543,658**	**$910,340**	**$2,454,007**
Depreciation and amortization	**36,920**	**30,466**	**1,836**	**69,231**	**811**	**70,042**
Capital expenditures	**40,770**	**42,268**	**392**	**83,439**	**1,248**	**84,696**

Notes: 1. Adjustments and eliminations for segment profit of ¥1,008 million ($8,985 thousand) include elimination of inter-segment profit on inventories and corporate general administration expense which are not allocable to a reportable segment.
2. Adjustments and eliminations for segment assets of ¥102,131 million ($910,340 thousand) include offset of inter-segment debt and credit, and corporate assets which are not allocable to a reportable segment.
3. Adjustments and eliminations for depreciation and amortization of ¥91 million ($811 thousand) include depreciation and amortization for corporate assets. Adjustments and eliminations for capital expenditures of ¥140 million ($1,248 thousand) include capital expenditures for corporate assets.

Millions of yen

Year ended March 31, 2016	Reportable segments: Steel and Energy Products	Reportable segments: Industrial Machinery Products	Reportable segments: Real Estate and Other Businesses	Total	Adjustments and Eliminations	Consolidated
Sales and operating income:						
Sales to third parties	¥74,854	¥144,358	¥ 4,087	¥223,301	¥ —	¥223,301
Intra-segment sales and transfers	4,684	1,883	3,362	9,930	(9,930)	—
Total sales	79,539	146,242	7,449	233,232	(9,930)	223,301
Operating income	¥ 699	¥ 12,391	¥ 2,018	¥ 15,109	¥ (685)	¥ 14,423
Assets, depreciation, and capital expenditures						
Total assets	¥60,256	¥124,383	¥12,055	¥196,694	¥96,443	¥293,138
Depreciation and amortization	7,294	3,009	271	10,576	92	10,669
Capital expenditures	9,053	4,940	67	14,062	(51)	14,010

Notes: 1. Adjustments and eliminations for segment profit of ¥685 million include elimination of inter-segment profit on inventories and corporate general administration expense which are not allocable to a reportable segment.
2. Adjustments and eliminations for segment assets of ¥96,443 million include offset of inter-segment debt and credit, and corporate assets which are not allocable to a reportable segment.
3. Adjustments and eliminations for depreciation and amortization of ¥92 million include depreciation and amortization for corporate assets. Adjustments and eliminations for capital expenditures of ¥51 million include capital expenditures for corporate assets.

(a) Product and service information

Year ended March 31, 2017	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
				Millions of yen
Sales to third parties	**¥51,207**	**¥159,378**	**¥1,883**	**¥212,469**

Year ended March 31, 2017	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
				Thousands of U.S. dollars
Sales to third parties	**$456,431**	**$1,420,608**	**$16,784**	**$1,893,832**

Year ended March 31, 2016	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
				Millions of yen
Sales to third parties	¥74,854	¥144,358	¥4,087	¥223,301

(b) Geographical information

(i) Sales

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Japan	¥100,304	**¥103,575**	**$ 923,211**
China	30,299	**40,852**	**364,132**
Others	92,697	**68,041**	**606,480**
Consolidated	¥223,301	**¥212,469**	**$1,893,832**

Note: Net sales information above is based on customer location.

(ii) Tangible assets

The Company has omitted the disclosure of tangible assets by country or region as of March 31, 2017 and 2016 because the amount of tangible assets in Japan accounted for more than 90% of the carrying amount in the consolidated balance sheet.

(c) Significant customer information

The Company has omitted the disclosure of significant customer information for the years ended March 31, 2017 and 2016 because no individual customer accounted for more than 10% of net sales in the consolidated statement of income.

(d) Information on loss on impairment of fixed assets

Impairment losses on fixed assets by reportable segment for the years ended March 31, 2017 and 2016 are summarized as follows:

Year ended March 31, 2017	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
				Millions of yen
Impairment loss	**¥17,874**	**—**	**—**	**¥17,874**

Year ended March 31, 2017	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
				Thousands of U.S. dollars
Impairment loss	**$159,319**	**—**	**—**	**$159,319**

Year ended March 31, 2016	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
				Millions of yen
Impairment loss	¥35,447	—	—	¥35,447

(e) Amortization and balance of goodwill

The following table presents the amortization and balance of negative goodwill arising from business combinations on or prior to March 31, 2010 as of and for the years ended March 31, 2017 and 2016 by reportable segment:

Millions of yen

Year ended March 31, 2017	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
Amortization	—	¥199	—	—	¥199
Balance as of March 31	—	657	—	—	657

Thousands of U.S. dollars

Year ended March 31, 2017	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
Amortization	—	$1,774	—	—	$1,774
Balance as of March 31	—	5,856	—	—	5,856

Millions of yen

Year ended March 31, 2016	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
Amortization	—	¥174	—	—	¥174
Balance as of March 31	—	912	—	—	912

(f) Information on gain on negative goodwill

Year ended March 31, 2017
None applicable

Year ended March 31, 2016
None applicable

27. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the meeting of shareholders, or by the Board of Directors if certain conditions are met.

28. Amounts per Share

Profit (loss) attributable to owners of parent per share is calculated based on the Profit (loss) attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Net assets per share are calculated based on the number of shares of common stock outstanding at year end. Amounts per share at March 31, 2017 and 2016 and for the years then ended were as follows:

	Yen		U.S. dollars
	2016	2017	2017
Profit (loss) attributable to owners of parent	¥ (226.62)	¥ (67.61)	$ (0.60)
Net assets	1,497.04	1,446.44	12.89

Note: The Company carried out the share consolidation at the ratio of 5 shares to 1 share effective October 1, 2016. In accordance with this, net assets per share and profit (loss) attributable to owners of parent per share are calculated based on the assumption that the share consolidation had been carried out at the beginning of fiscal 2016.

29. Subsequent Events

(Significant subsequent events)

None applicable

Independent Auditor's Report

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Building a better working world

Independent Auditor's Report

The Board of Directors
The Japan Steel Works, Ltd.

We have audited the accompanying consolidated financial statements of The Japan Steel Works, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Japan Steel Works, Ltd. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 29, 2017
Tokyo, Japan