Financial Performance (Consolidated)

Operating Results

Net Sales

Net sales totaled ¥212,957 million (US$2,004 million), up ¥487 million, or 0.2%, year on year. This was due to higher sales in the Industrial Machinery Products Business, offsetting lower sales in the Steel and Energy Products Business.

Operating Income

Operating income increased ¥8,977 million, or 72.8%, to ¥21,318 million (US$200 million), and the operating income margin increased 4.2 percentage points to 10.0%.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent was ¥10,712 million (US$100 million), compared with a loss attributable to owners of parent of ¥4,968 million in the previous fiscal year. This equates to profit per share of ¥145.77 for the year.

Sales by Region

The Japanese market accounted for sales of ¥104,757 million (US$986 million), the Chinese market for ¥48,043 million (US$452 million), with all other markets accounting for ¥60,156 million (US$566 million).

Cash Flow

At year-end, cash and cash equivalents stood at ¥77,879 million (US$733 million), an increase of ¥19,208 million from a year earlier.

Cash Flow from Operating Activities

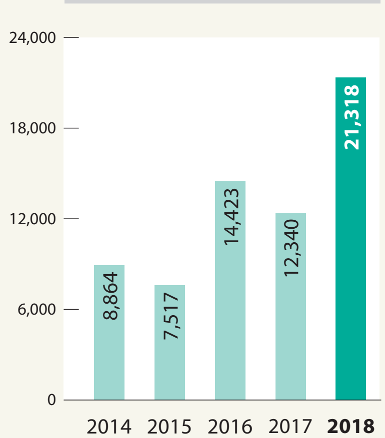
Net cash provided by operating activities amounted to ¥26,712 million (US$251 million), compared with ¥12,023 million in the previous fiscal year, due mainly to profit before income taxes and provision for business restructuring.

Cash Flow from Investing Activities

Net cash used in investing activities totaled ¥5,077 million (US$47 million), compared with ¥13,580 million in the previous fiscal year. This was due mainly to an increase in tangible and intangible assets.

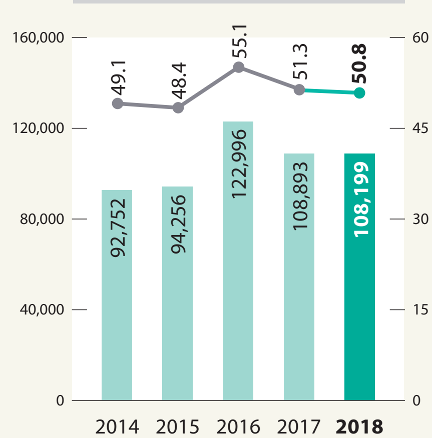
Operating Income

Millions of yen



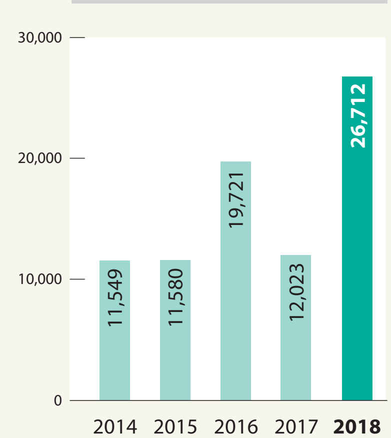
Overseas Sales % of total sales

Millions of yen %



Net Cash Provided by Operating Activities

Millions of yen



Cash Flow from Financing Activities

Net cash used in financing activities was ¥2,457 million (US$23 million), attributable primarily to cash dividends paid, compared with net cash used in financing activities of ¥1,203 million in the previous fiscal year.

Financial Position

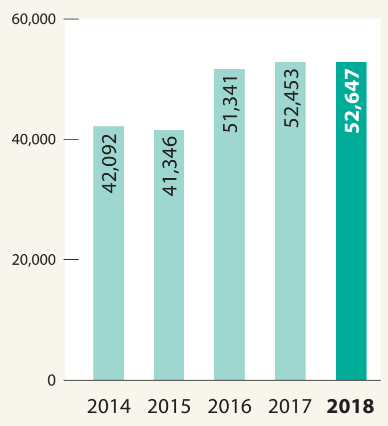
As of March 31, 2018, total assets amounted to ¥297,433 million (US$2,799 million), up ¥22,118 million from a year earlier. This was due primarily to an increase in cash on hand and in banks, notes and accounts receivable, and other current assets.

Total liabilities stood at ¥178,833 million (US$1,683 million), up ¥11,105 million from a year earlier. This was due mainly to an increase in current liabilities, including advances received for products and provision for business restructuring. Interest-bearing debt was ¥52,647 million (US$495 million), up ¥193 million from a year earlier.

Net assets amounted to ¥118,600 million (US$1,116 million), up ¥11,013 million, due mainly to an increase in retained earnings.

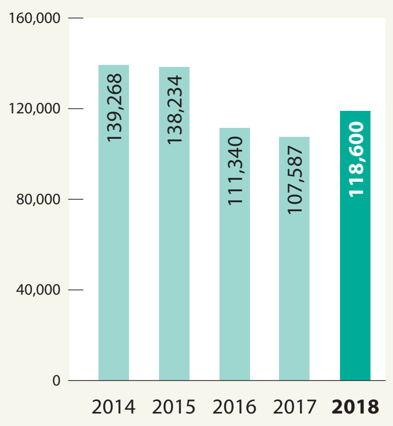
Interest-Bearing Debt

Millions of yen



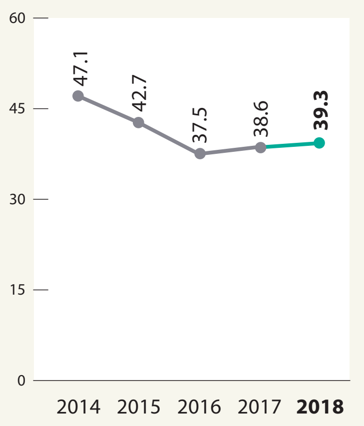
Net Assets

Millions of yen



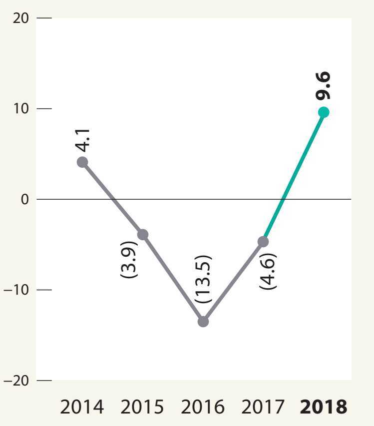
Equity Ratio

%



ROE

%



The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2017 and 2018

Assets	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars (Note 3) 2018
Current assets:			
Cash on hand and in banks (Notes 5, 15 and 18)	¥ 59,801	**¥ 79,032**	**$ 743,901**
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	237	**485**	**4,565**
Trade (Note 18)	49,194	**54,061**	**508,857**
Other	292	**757**	**7,125**
Less allowance for doubtful accounts	(140)	**(142)**	**(1,337)**
Inventories (Note 4)	66,152	**62,160**	**585,090**
Deferred tax assets (Note 22)	6,473	**7,376**	**69,428**
Other current assets	4,555	**4,947**	**46,564**
Total current assets	186,565	**208,679**	**1,964,223**
Property, plant and equipment, at cost (Notes 7 and 9):			
Land	9,721	**10,059**	**94,682**
Buildings and structures	71,132	**71,536**	**673,343**
Machinery and equipment	133,623	**134,319**	**1,264,298**
Leased assets	2,863	**2,701**	**25,424**
Construction in progress	235	**288**	**2,711**
	217,577	**218,905**	**2,060,476**
Less accumulated depreciation	(185,343)	**(185,865)**	**(1,749,482)**
Property, plant and equipment, net	32,233	**33,040**	**310,994**
Intangible assets	1,655	**1,774**	**16,698**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	1,002	**1,144**	**10,768**
Investment securities (Notes 18 and 19)	33,941	**34,129**	**321,244**
Long-term loans receivable	53	**293**	**2,758**
Retirement benefit asset (Note 21)	2,472	**2,736**	**25,753**
Deferred tax assets (Note 22)	15,041	**12,907**	**121,489**
Other assets	2,805	**3,131**	**29,471**
Less allowance for doubtful accounts	(455)	**(402)**	**(3,784)**
Total investments and other assets	54,860	**53,939**	**507,709**
Total assets	¥ 275,315	**¥ 297,433**	**$ 2,799,633**

Liabilities and net assets	2017 (Millions of yen)	2018 (Millions of yen)	2018 (Thousands of U.S. dollars (Note 3))
Current liabilities:			
Short-term borrowings (Notes 11 and 18)	¥ 11,908	**¥ 12,004**	**$ 112,989**
Current portion of long-term debt (Notes 11 and 18)	4,789	**625**	**5,883**
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	153	**137**	**1,290**
Trade (Note 18)	47,590	**54,819**	**515,992**
Other	1,348	**1,184**	**11,145**
Advances received for products	17,004	**18,863**	**177,551**
Accrued income taxes (Note 22)	866	**2,296**	**21,611**
Provision for loss on wind power generator business	4,655	**9,754**	**91,811**
Provision for business restructuring	—	**6,389**	**60,137**
Other current liabilities	20,072	**9,342**	**87,933**
Total current liabilities	108,390	**115,418**	**1,086,389**
Long-term liabilities:			
Long-term debt (Notes 11 and 18)	35,755	**40,016**	**376,657**
Accrued retirement benefits			
For directors and corporate auditors	115	**75**	**706**
Retirement benefit liability (Note 21)	10,620	**10,046**	**94,559**
Deferred tax liabilities (Note 22)	175	**168**	**1,581**
Other long-term liabilities	12,671	**13,107**	**123,372**
Total long-term liabilities	59,337	**63,414**	**596,894**
Net assets:			
Shareholders' equity (Note 15)			
Common stock:			
Authorized — 200,000,000 shares			
Issued — 74,292,607 shares	19,694	**19,694**	**185,373**
Capital surplus	5,467	**5,467**	**51,459**
Retained earnings	77,748	**86,256**	**811,898**
Treasury stock, at cost (802,503 shares in 2018 and 801,480 shares in 2017)	(2,308)	**(2,310)**	**(21,743)**
Total shareholders' equity	100,601	**109,107**	**1,026,986**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	6,381	**7,269**	**68,421**
Unrealized gain (loss) from hedging instruments	(301)	**305**	**2,871**
Translation adjustments	(170)	**(21)**	**(197)**
Remeasurement of retirement benefit plans	(211)	**370**	**3,483**
Total accumulated other comprehensive income	5,698	**7,923**	**74,576**
Non-controlling interests	1,287	**1,569**	**14,768**
Total net assets	107,587	**118,600**	**1,116,340**
Total liabilities and net assets	¥275,315	**¥297,433**	**$2,799,633**

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 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	**2018**	**2018**
Net sales	¥212,469	**¥212,957**	**$2,004,490**
Cost of sales (Note 12)	170,695	**163,455**	**1,538,545**
Gross profit	41,773	**49,501**	**465,936**
Selling, general and administrative expenses (Note 12)	29,432	**28,182**	**265,267**
Operating income	12,340	**21,318**	**200,659**
Other income (expenses):			
Interest and dividend income	653	**827**	**7,784**
Interest expense	(273)	**(258)**	**(2,428)**
Impairment loss (Note 9)	(17,874)	**(1,352)**	**(12,726)**
Other, net (Note 13)	(687)	**(5,642)**	**(53,106)**
	(18,181)	**(6,426)**	**(60,486)**
Income before income taxes	(5,841)	**14,892**	**140,173**
Income taxes (Note 22):			
Current	2,819	**3,633**	**34,196**
Deferred	(3,706)	**307**	**2,890**
Income (Note 28)	(4,954)	**10,951**	**103,078**
Profit attributable to non-controlling interests	14	**238**	**2,240**
Income attributable to shareholders of The Japan Steel Works, Ltd.	¥ (4,968)	**¥ 10,712**	**$ 100,828**

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 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	**2018**	**2018**
Income	¥(4,954)	**¥10,951**	**$103,078**
Other comprehensive income:			
Unrealized holding gain (loss) on securities	2,551	**887**	**8,349**
Unrealized gain (loss) from hedging instruments	(638)	**606**	**5,704**
Translation adjustments	(251)	**203**	**1,911**
Remeasurement of retirement benefit plans	1,398	**597**	**5,619**
Total other comprehensive income (Note 14)	3,059	**2,295**	**21,602**
Comprehensive income	¥(1,894)	**¥13,246**	**$124,680**
Total comprehensive income attributable to:			
Shareholders of The Japan Steel Works, Ltd.	¥(1,879)	**¥12,937**	**$121,771**
Non-controlling interests	¥ (14)	**¥ 308**	**$ 2,899**

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 2018

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, 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)
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
Balance at April 1, 2017	**¥19,694**	**¥5,467**	**¥77,748**	**¥(2,308)**	**¥100,601**	**¥6,381**	**¥(301)**	**¥(170)**	**¥ (211)**	**¥5,698**	**¥1,287**	**¥107,587**
Changes during the year												
Cash dividends paid			**(2,204)**		**(2,204)**							**(2,204)**
Income attributable to shareholders of The Japan Steel Works, Ltd.			**10,712**		**10,712**							**10,712**
Purchases of treasury stock				**(2)**	**(2)**							**(2)**
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						**887**	**606**	**149**	**581**	**2,225**	**282**	**2,507**
Total changes during the year	**—**	**—**	**8,508**	**(2)**	**8,505**	**887**	**606**	**149**	**581**	**2,225**	**282**	**11,013**
Balance at March 31, 2018	**¥19,694**	**¥5,467**	**¥86,256**	**¥(2,310)**	**¥109,107**	**¥7,269**	**¥ 305**	**¥ (21)**	**¥ 370**	**¥7,923**	**¥1,569**	**¥118,600**

Thousands of U.S. dollars (Note 3)

	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, 2017	**$185,373**	**$51,459**	**$731,815**	**$(21,724)**	**$ 946,922**	**$60,062**	**$(2,833)**	**$(1,600)**	**$(1,986)**	**$53,633**	**$12,114**	**$1,012,679**
Changes during the year												
Cash dividends paid			**(20,745)**		**(20,745)**							**(20,745)**
Income attributable to shareholders of The Japan Steel Works, Ltd.			**100,828**		**100,828**							**100,828**
Purchases of treasury stock				**(19)**	**(19)**							**(19)**
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						**8,349**	**5,704**	**1,402**	**5,469**	**20,943**	**2,654**	**23,598**
Total changes during the year	**—**	**—**	**80,083**	**(19)**	**80,055**	**8,349**	**5,704**	**1,402**	**5,469**	**20,943**	**2,654**	**103,662**
Balance at March 31, 2018	**$185,373**	**$51,459**	**$811,898**	**$(21,743)**	**$1,026,986**	**$68,421**	**$ 2,871**	**$ (198)**	**$ 3,483**	**$74,576**	**$14,768**	**$1,116,340**

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 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	**2018**	**2018**
Operating activities			
Income before income taxes	¥ (5,841)	**¥14,892**	**$140,173**
Depreciation and amortization	8,058	**4,308**	**40,550**
Impairment loss	17,874	**1,352**	**12,726**
Interest and dividend income	(653)	**(827)**	**(7,784)**
Interest expense	273	**258**	**2,428**
Equity in losses of affiliates	0	**0**	**0**
Gain on sales of property, plant and equipment and intangible assets	(78)	**(1)**	**(9)**
(Gain) loss on sales of investment securities	—	**(789)**	**(7,427)**
Loss on disposal of tangible and intangible assets	150	**273**	**2,570**
Gain on sales of investment securities	—	**—**	**—**
Increase (decrease) in provision for warranties for completed construction	717	**(1,027)**	**(9,667)**
Increase (decrease) in provision for loss on construction contracts	1,699	**(2,184)**	**(20,557)**
Decrease in provision for loss on wind power generator business	(4,032)	**(1,289)**	**(12,133)**
Increase in provision for business restructuring	—	**6,389**	**60,137**
Changes in operating assets and liabilities:			
Trade assets (Note 18)	(122)	**(2,848)**	**(26,807)**
Trade liabilities	(2,987)	**6,101**	**57,427**
Inventories (Note 4)	1,022	**3,994**	**37,594**
Other	(1,023)	**(250)**	**(2,353)**
Subtotal	15,056	**28,351**	**266,858**
Interest and dividends received	660	**827**	**7,784**
Interest paid	(273)	**(257)**	**(2,419)**
Income taxes paid	(3,420)	**(2,207)**	**(20,774)**
Net cash provided by operating activities	12,023	**26,712**	**251,431**
Investing activities			
Investments into time deposits	(1,001)	**(607)**	**(5,713)**
Proceeds from withdrawal of time deposits	545	**657**	**6,184**
Increase in tangible and intangible assets	(13,348)	**(6,549)**	**(61,643)**
Decrease in tangible and intangible assets	131	**76**	**715**
Proceeds from sale of investment securities	0	**1,869**	**17,592**
Purchases of investment securities	(345)	**(12)**	**(113)**
Reimbursement of long-term deposits on contracts	(67)	**(89)**	**(838)**
Decrease in short-term loans receivable	0	**(1)**	**(9)**
Payments of long-term loans receivable	—	**(300)**	**(2,824)**
Collection of long-term loans receivable	10	**50**	**471**
Purchase of investments in subsidiaries	—	**(147)**	**(1,384)**
Other	494	**(22)**	**(207)**
Net cash used in investing activities	(13,580)	**(5,077)**	**(47,788)**
Financing activities (Notes 11 and 18)			
Net increase (decrease) in short-term borrowings	(660)	**96**	**904**
Increase in long-term debt	2,308	**4,500**	**42,357**
Decrease in long-term debt	(320)	**(4,215)**	**(39,674)**
Cash dividends paid	(1,837)	**(2,204)**	**(20,745)**
Acquisition of treasury stock	(5)	**(2)**	**(19)**
Repayments of finance lease obligations	(673)	**(621)**	**(5,845)**
Other	(16)	**(9)**	**(85)**
Net cash provided by (used in) financing activities	(1,203)	**(2,457)**	**(23,127)**
Effect of exchange rate changes on cash and cash equivalents	(26)	**30**	**282**
(Decrease) increase in cash and cash equivalents	(2,787)	**19,208**	**180,798**
Cash and cash equivalents at beginning of the year	61,458	**58,671**	**552,250**
Cash and cash equivalents at end of the year (Notes 16 and 18)	¥ 58,671	**¥77,879**	**$733,048**

The accompanying notes are an integral part of these statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

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, 2018, the numbers of consolidated subsidiaries, and subsidiaries and affiliates accounted for by the equity method were 31 and 1 (32 and 1 in 2017), respectively.

JSW Plastics Machinery, Inc. was consolidated subsidiary in the previous fiscal year was absorbed by Japan Steel Works America, Inc. in accordance with the merger.

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) Provision for business restructuring

The Company provides a provision for the anticipated losses on wind power generators sold in previous years in order to restructure the wind power generator business.

(k) 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

(l) Intangible fixed assets

Amortization of intangible fixed assets is calculated using the straight-line method.

Software products for internal use are amortized mainly over the estimated useful lives of five years.

(m) 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.

(n) 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.

(o) 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.

(p) Research and development expenses

Research and development expenses are charged to income when incurred.

(q) 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.

(r) 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.

(s) Consumption tax

Accounting treatment of consumption tax is the tax exclusion method.

(t) 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.

(u) Provision for directors' retirement benefits

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

(v) Standards issued but not yet effective

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

(1) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of adoption
The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of adoption of accounting standard and implementation guidance
The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

3. 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 ¥106.24 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2018. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

4. Inventories

Inventories at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Real estate held for sale	¥ 278	**¥ 277**	**$ 2,607**
Finished products	2,080	**2,027**	**19,079**
Work in process	58,037	**54,663**	**514,524**
Raw materials and supplies	5,755	**5,191**	**48,861**
Total	¥66,152	**¥62,160**	**$585,090**

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 ¥750 million ($7,059 thousand) at March 31, 2018 and ¥191 million at March 31, 2017.

5. Assets pledged as collateral

The assets pledged as collateral for issuance of Performance Bond at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Time deposit	¥96	**¥106**	**$998**

Note: The assets pledged as collateral have no corresponding obligations at March 31, 2018.

6. Depreciation

Depreciation expense on property, plant and equipment for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Depreciation expense	¥7,858	**¥4,097**	**$38,564**

7. 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, 2018 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Accumulated advanced depreciation expense	¥1,298	**¥1,306**	**$12,293**

8. Notes Receivable and Notes Payable Maturing at Fiscal Year-End

Although March 31, 2018 was a bank holiday, notes maturing on that date were accounted for as if they were settled on their maturity date. The corresponding amounts of notes receivable and notes payable maturing on March 31, 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Trade notes and accounts receivable	¥—	**¥ 293**	**$ 2,758**
Trade notes and accounts payable	¥—	**¥1,592**	**$14,985**
Other current liabilities	¥—	**¥ 242**	**$ 2,278**
Endorsed trade notes receivable	¥—	**¥ 3**	**$ 28**

9. Impairment Loss

Current fiscal year (From April 1, 2017 to March 31, 2018)

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	Structures, machinery and equipment, tools, furniture and fixtures, construction in progress, etc.	Muroran, Hokkaido
Steel and Energy Products: Business assets at investee subsidiary	Vehicles, construction in progress, 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	¥ 145 million	$ 1,365 thousand
Machinery, equipment and vehicles	718	6,758
Tools, furniture and fixtures	129	1,214
Construction in progress	174	1,638
Other (intangible assets)	184	1,732
Total	¥1,352	$12,726

(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, 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
Machinery, equipment and vehicles	6,761
Tools, furniture and fixtures	352
Land	576
Leased assets (property, plant and equipment)	336
Construction in progress	898
Leased assets (intangible assets)	8
Other (intangible assets)	57
Total	¥17,874

(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.

10. Contingent Liabilities

Contingent liabilities at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
As endorsers of trade notes receivable:			
Endorsed to other	¥ 87	¥ 92	$ 866
As guarantors of loans:			
Muroran Environmental Plant Service Co., Ltd.	358	305	2,871
Obligation to guarantee uncollected receivables of leasing companies	42	8	75
Gotsu Wind Power Co., Ltd	978	849	7,991
Employees and other	25	13	122

11. Short-Term Borrowings and Long-Term Debt

All short-term borrowings, with interest at annual rates ranging from 0.2454% to 1.4750% at March 31, 2018 and 0.3073% to 1.4750% at March 31, 2017, were unsecured.

Long-term debt at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Loans from banks and insurance companies with interest at annual rates ranging from 0.1934% to 0.9600%	¥39,116	¥39,401	$370,868
Less those maturing within one year	(4,215)	(132)	(1,242)
Lease obligations	1,428	1,241	11,681
Less those maturing within one year	(574)	(493)	(4,640)
Long-term indebtedness reflected in the consolidated balance sheets	¥35,755	¥40,016	$376,657

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2018 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	
2019	¥ 132	$ 1,242	¥493	$4,640
2020	60	565	366	3,445
2021	5,000	47,063	218	2,052
2022	1,800	16,943	114	1,073
2023	15,700	147,779	43	405
2024 and thereafter	16,708	157,267	4	38

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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Research and development expenses	¥4,237	¥4,369	$41,124

13. Other Income (Expenses)—Other, Net

The details of "Other, net" in "Other income (expenses)" for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Foreign exchange loss	¥ (91)	¥ (115)	$ (1,082)
Equity in losses of affiliates	(0)	(0)	(0)
Gain on sales of property, plant and equipment	93	30	282
Gain on sales of investment securities	—	791	7,445
Compensation expenses	(272)	(150)	(1,412)
Loss on sales or disposal of property, plant and equipment	(165)	(302)	(2,843)
Provision for business restructuring	—	(6,389)	(60,137)
Other, net	(251)	490	4,612
Total	¥(687)	¥(5,642)	$(53,106)

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, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ 3,655	**¥2,050**	**$19,296**
Reclassification adjustments for gains and losses realized in net income	—	**(793)**	**(7,464)**
The amount of unrealized holding gain (loss) on securities before tax effect	3,655	**1,257**	**11,832**
Tax effect	(1,104)	**(369)**	**(3,473)**
Unrealized holding gain (loss) on securities	2,551	**887**	**8,349**
Unrealized gain (loss) from hedging instruments:			
Amount arising during the year	(921)	**874**	**8,227**
Tax effect	282	**(267)**	**(2,513)**
Unrealized gain (loss) from hedging instruments	(638)	**606**	**5,704**
Translation adjustments:			
Amount arising during the year	(251)	**203**	**1,911**
Translation adjustments	(251)	**203**	**1,911**
Remeasurement benefits plans adjustments:			
Amount arising during the year	1,023	**767**	**7,220**
Reclassification adjustments for gains and losses realized in net income	1,004	**95**	**894**
The amount of unrealized holding gain (loss) on securities before tax effect	2,028	**863**	**8,123**
Tax effect	(629)	**(265)**	**(2,494)**
Remeasurement benefits plans adjustments	1,398	**597**	**5,619**
Total other comprehensive income	¥ 3,059	**¥2,295**	**$21,602**

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

Year ended March 31, 2018

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

	Number of shares			
	Year ended March 31, 2017	Increase during the year	Decrease during the year	Year ended March 31, 2018
Shares issued: Common stock	74,292,607	—	—	74,292,607
Treasury stock: Common stock (Notes 1 and 2)	801,480	1,055	32	802,503

Notes: 1. The increase in treasury stock – common stock of 1,055 was due to the acquisition of fractional shares of less than one unit.
2. The decrease in treasury stock – common stock of 32 was due to sales of fractional shares of less than one unit.

(b) Dividends

(i) Dividends paid to shareholders

① Resolution: Annual general meeting of shareholders held on June 27, 2017
Type of shares: Common stock
Total amount of dividends: ¥918 million ($8,641 thousand)
Dividends per share: ¥12.5 ($0.118)
Cut-off date: March 31, 2017
Effective date: June 28, 2017

② Resolution: Meeting of Board of Directors held on November 6, 2017
Type of shares: Common stock
Total amount of dividends: ¥1,286 million ($12,105 thousand)
Dividends per share: ¥17.5 ($0.165)
Cut-off date: September 30, 2017
Effective date: December 6, 2017

(ii) Dividends of which the cut-off date was in the year ended March 31, 2017, but the effective date is in the following fiscal year

Resolution: Annual general meeting of shareholders held on June 26, 2018
Type of shares: Common stock
Total amount of dividends: ¥1,469 million ($13,827 thousand)
Dividends per share: ¥20.0 ($0.188)
Cut-off date: March 31, 2018
Effective date: June 27, 2018
Source of dividends: Retained earnings

Note: Dividends per share include ¥2.5 ($0.024) dividend commemorative 110th anniversary dividend.

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 (Notes 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
Dividends per share: ¥2.5
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
Dividends per share: ¥2.5
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
Dividends per share: ¥12.5
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.

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, 2018 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Cash on hand and in banks in the consolidated balance sheet	¥59,801	**¥79,032**	**$743,901**
Other current assets	189	**156**	**1,468**
Time deposits with maturities of more than three months	(1,320)	**(1,309)**	**(12,321)**
Cash and cash equivalents in the consolidated statement of cash flows	¥58,671	**¥77,879**	**$733,048**

(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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Lease assets	¥438	**¥402**	**$3,784**
Lease obligations	465	**433**	**4,076**

17. Leases

Year ended March 31, 2018

Future minimum lease payments subsequent to March 31, 2018 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	**¥ 72**	**$ 678**
2020 and thereafter	**145**	**1,365**
Total	**¥217**	**$2,043**

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
2018	¥132
2019 and thereafter	195
Total	¥327

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 20 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, 2018 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, 2018

Millions of yen

	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	¥ 79,032	¥ 79,032	¥ —
Trade notes and accounts receivable	54,542	54,541	(0)
Securities:			
Other securities	32,589	32,589	—
Total assets	¥166,164	¥166,163	¥ (0)
Liabilities			
Trade notes and accounts payable	¥ 54,957	¥ 54,957	¥ —
Short-term borrowings	12,004	12,004	—
Current portion of long-term debt	132	145	12
Long-term debt	39,268	39,860	591
Total liabilities	¥106,362	¥106,967	¥604
Derivatives (*)	¥ 436	¥ 436	—

Thousands of U.S. dollars

	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	$ 743,901	$ 743,901	$ —
Trade notes and accounts receivable	513,385	513,375	(0)
Securities:			
Other securities	306,749	306,749	—
Total assets	$1,564,044	$1,564,034	$ (0)
Liabilities			
Trade notes and accounts payable	$ 517,291	$ 517,291	$ —
Short-term borrowings	112,989	112,989	—
Current portion of long-term debt	1,242	1,365	112
Long-term debt	369,616	375,188	5,563
Total liabilities	$1,001,148	$1,006,843	$5,685
Derivatives (*)	$ 4,104	$ 4,104	—

(*) 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, 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	32,389	32,389	—
Total assets	¥141,611	¥141,611	¥ (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)	—

(*) 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 20, 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
	2017	**2018**	**2018**
Unlisted stocks	¥1,950	**¥2,081**	**$19,588**

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, 2018 and 2017.

Year ended March 31, 2018

	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	**¥ 79,032**	**¥ —**	**—**
Trade notes and accounts receivable	**53,980**	**561**	**—**
Total	**¥133,012**	**¥561**	**—**

	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	**$ 743,901**	**$ —**	**—**
Trade notes and accounts receivable	**508,095**	**5,280**	**—**
Total	**$1,251,995**	**$5,280**	**—**

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	—

(iv) The redemption schedule for long-term debt

Year ended March 31, 2018

	Long-term loans (Millions of yen)	Lease obligations (Millions of yen)
Due in 1 year or less	**¥ 132**	**¥493**
Due after 1 year through 2 years	**60**	**366**
Due after 2 years through 3 years	**5,000**	**218**
Due after 3 years through 4 years	**1,800**	**114**
Due after 4 years through 5 years	**15,700**	**43**
Due after 5 years	**16,708**	**4**

	Long-term loans (Thousands of U.S. dollars)	Lease obligations (Thousands of U.S. dollars)
Due in 1 year or less	**$ 1,242**	**$4,640**
Due after 1 year through 2 years	**565**	**3,445**
Due after 2 years through 3 years	**47,063**	**2,052**
Due after 3 years through 4 years	**16,943**	**1,073**
Due after 4 years through 5 years	**147,779**	**405**
Due after 5 years	**157,267**	**38**

Year ended March 31, 2017

	Long-term loans (Millions of yen)	Lease obligations (Millions of yen)
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

19. Securities

Other securities:

March 31, 2018

	Acquisition cost (Millions of yen)	Carrying amount (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Carrying amount exceeding the acquisition cost:			
Stocks	**¥13,441**	**¥25,824**	**¥12,382**
Carrying amount not exceeding the acquisition cost:			
Stocks	**8,721**	**6,765**	**(1,956)**
Total	**¥22,163**	**¥32,589**	**¥10,425**

	Acquisition cost (Thousands of U.S. dollars)	Carrying amount (Thousands of U.S. dollars)	Unrealized gain (loss) (Thousands of U.S. dollars)
Carrying amount exceeding the acquisition cost:			
Stocks	**$126,515**	**$243,072**	**$116,547**
Carrying amount not exceeding the acquisition cost:			
Stocks	**82,088**	**63,677**	**(18,411)**
Total	**$208,613**	**$306,749**	**$ 98,127**

March 31, 2017

	Acquisition cost (Millions of yen)	Carrying amount (Millions of yen)	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	9,840	8,199	(1,640)
Total	¥23,220	¥32,389	¥ 9,168

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, 2018
None applicable

Year ended March 31, 2017
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, 2018

				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		**¥10,853**	**¥1,258**	**¥473**
		Euros		**1,688**	**185**	**11**
		Canadian dollars		**75**	**—**	**5**
		Thai baht		**33**	**—**	**(1)**
		JPY		**31**	**—**	**2**
	Foreign exchange forward contracts		Accounts payable			
	Buy:	U.S. dollars		**¥ 617**	**¥ —**	**¥ (22)**
		Euros		**852**	**—**	**(5)**
		Sterling pound		**255**	**125**	**(27)**

				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		**$102,155**	**$11,841**	**$4,452**
		Euros		**15,889**	**1,741**	**104**
		Canadian dollars		**706**	**—**	**47**
		Thai baht		**311**	**—**	**(9)**
		JPY		**292**	**—**	**19**
	Foreign exchange forward contracts		Accounts payable			
	Buy:	U.S. dollars		**$ 5,808**	**$ —**	**$ (207)**
		Euros		**8,020**	**—**	**(47)**
		Sterling pound		**2,400**	**1,177**	**(254)**

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

Year ended March 31, 2017

Hedge accounting method	Type of derivative		Principal items hedged	Contract amount	Over one year	Fair value
						Millions of yen
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)

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

(ii) Interest-related transactions

Year ended March 31, 2018

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	**¥25,000**	**¥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	**$235,316**	**$235,316**	**(*)**
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	**6,664**	**6,664**	**(*)**

(*) 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, 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	(*)

(*) 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.

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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Balance at the beginning of the year	¥21,011	**¥20,128**	**$189,458**
Service cost	1,153	**1,119**	**10,533**
Interest cost	109	**120**	**1,130**
Actuarial gain and loss	(627)	**(237)**	**(2,231)**
Retirement benefits paid	(1,518)	**(1,338)**	**(12,594)**
Balance at the end of the year	¥20,128	**¥19,792**	**$186,295**

The changes in plan assets for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Balance at the beginning of the year	¥14,729	**¥14,969**	**$140,898**
Expected return on plan assets	294	**299**	**2,814**
Actuarial gain and loss	396	**529**	**4,979**
Contributions by the Company	467	**479**	**4,509**
Retirement benefits paid	(918)	**(760)**	**(7,154)**
Balance at the end the year	¥14,969	**¥15,517**	**$146,056**

The changes in retirement benefit liability accounted for using the simplified method for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Balance at the beginning of the year	¥3,161	**¥2,989**	**$28,134**
Retirement benefit expenses	646	**592**	**5,572**
Retirement benefits paid	(629)	**(361)**	**(3,398)**
Contributions	(187)	**(185)**	**(1,741)**
Balance at the end the year	¥2,989	**¥3,034**	**$28,558**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Funded retirement benefit obligation	¥ 19,201	**¥ 19,587**	**$ 184,366**
Plan assets at the value	(16,079)	**(16,717)**	**(157,351)**
	3,121	**2,869**	**27,005**
Unfunded retirement benefit obligation	5,026	**4,439**	**41,783**
Net liability for retirement benefits in the balance sheet	8,148	**7,309**	**68,797**
Retirement benefit liability	10,620	**10,046**	**94,559**
Retirement benefit assets	(2,472)	**(2,736)**	**(25,753)**
Net liability for retirement benefits in the balance sheet	¥ 8,148	**¥ 7,309**	**$ 68,797**

The components of retirement benefit expense for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost	¥1,153	**¥1,119**	**$10,533**
Interest cost	109	**120**	**1,130**
Expected return on plan assets	(294)	**(299)**	**(2,814)**
Amortization of actuarial gain and loss	1,004	**95**	**894**
Simplified method for retirement benefit expenses	646	**592**	**5,572**
Other	39	**45**	**424**
Retirement benefit expense	¥2,658	**¥1,674**	**$15,757**

The components of retirement benefits plans adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Actuarial gain and loss	¥2,028	**¥863**	**$8,123**
Total	¥2,028	**¥863**	**$8,123**

The components of retirement benefits plans adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized actuarial gain and loss	¥(331)	**¥531**	**$4,998**
Total	¥(331)	**¥531**	**$4,998**

The fair value of plan assets, by major category, as a percentage of total plan as of March 31, 2018 and 2017 as follows:

March 31,	2017	2018
Bonds	30%	**29%**
Stocks	42	**44**
Cash on hand and in banks	0	**0**
General account	18	**16**
Other	10	**11**
Total	100%	**100%**

Retirement benefit trust set for the lump-sum and corporate pension plans accounts for 20% and 19% of the total plan assets, for the years ended March 31, 2018 and 2017, 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,	2017	2018
Discount rates	0.68%	**0.62%**
Expected rates of return on plan assets	2.00	**2.00**

Contributions made to defined contribution plans for the years ended March 31, 2018 and 2017 were ¥68 million ($640 thousand) and ¥59 million, respectively.

22. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Deferred tax assets:			
Accrued enterprise taxes	¥ 138	**¥ 184**	**$ 1,732**
Accrued bonuses	912	**955**	**8,989**
Depreciation	685	**938**	**8,829**
Amortization of long-term prepaid expenses	105	**105**	**988**
Loss on revaluation of inventory items	1,036	**1,656**	**15,587**
Loss on revaluation of financial instruments	194	**189**	**1,779**
Impairment loss	15,350	**13,589**	**127,909**
Retirement benefit liability	4,363	**4,381**	**41,237**
Provision for warranties for completed construction	884	**528**	**4,970**
Provision for loss on construction contracts	911	**239**	**2,250**
Provision for loss on wind power generator business	1,429	**1,026**	**9,657**
Provision for business restructuring	—	**1,948**	**18,336**
Less allowance for doubtful accounts	155	**133**	**1,252**
Asset retirement obligations	400	**416**	**3,916**
Percentage-of-completion method	483	**16**	**151**
Tax loss carry forwards	2,327	**2,189**	**20,604**
Unrealized loss on investment securities	500	**596**	**5,610**
Deferred loss on hedges	172	**26**	**245**
Unrealized gain on intercompany transactions	677	**499**	**4,697**
Other	1,423	**1,158**	**10,900**
Gross deferred tax assets	32,155	**30,782**	**289,740**
Valuation allowance	(4,918)	**(4,132)**	**(38,893)**
Total deferred tax assets	27,236	**26,650**	**250,847**
Deferred tax liabilities:			
Reserve for advanced depreciation	1,279	**1,220**	**11,483**
Reserve for special depreciation	51	**—**	**—**
Net defined benefit asset	765	**839**	**7,897**
Disposal cost with asset retirement obligations	230	**233**	**2,193**
Unrealized gain on investment securities	3,298	**3,764**	**35,429**
Deferred gain on hedges	39	**160**	**1,506**
Other	232	**316**	**2,974**
Total deferred tax liabilities	5,897	**6,534**	**61,502**
Net deferred tax assets	¥21,338	**¥20,116**	**$189,345**

Change in deferred tax assets and deferred tax liabilities due to reduction in corporate income tax rate

On December 22, 2017, the Tax Cuts and Jobs Act was enacted in the United States, effectively lowering the federal corporate income tax rate effective for the periods beginning on or after January 1, 2018. Consequently, the federal corporate income tax rate applicable to the Company's consolidated subsidiaries in the U.S. was reduced from 35% to 21%.

The effect of this change in tax rate is minor.

	2017	**2018**
Statutory tax rates	Since loss before income taxes is recorded, it is not stated.	**30.7%**
Effect of:		
Permanent differences (Expense)		**0.9**
Permanent differences (Benefits)		**(0.5)**
Tax credit		**(2.1)**
Evaluation reserve amount		**(5.3)**
Retained earnings of overseas subsidiaries		**1.0**
Tax effect not recognized on unrealized income		**0.5**
Other		**1.3**
Effective tax rates		**26.5%**

23. Business Combinations

Transaction under common control

(a) Outline of the transaction

Combination between Japan Steel Works America, Inc. and JSW Plastics Machinery, Inc.

1. Name and business of companies
   Name of surviving company: Japan Steel Works America, Inc.
   Business: Sales of products, Procurement, Technical service, Market research, Information gathering, etc.
   Name of absorbed company: JSW Plastics Machinery, Inc.
   Business: Sales of injection molding machines, Parts sales, Technical service
2. Date of business combination
   December 31, 2017
3. Legal form of business combination
   Absorption-type merger with Japan Steel Works America, Inc. as the surviving company
4. Name of company after business combination
   Japan Steel Works America, Inc.
5. Purpose of transaction
   The purpose is to merge two US sales subsidiaries, strengthen the sales force of the industrial machinery division, integrate common functions and strengthen the profitability of the group.

(b) Outline of the accounting treatment

The Company treated the transaction as transaction under common control based on Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ), Statement No, 21 issued) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No, 10, issued).

24. Asset Retirement Obligations

The following table presents the changes in asset retirement obligations for the years ended March 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Balance at beginning of year	¥1,307	**¥1,320**	**$12,425**
Liabilities incurred due to the acquisition of property, plant and equipment	16	**35**	**329**
Accretion expense	21	**22**	**207**
Liabilities settled	(23)	**(15)**	**(141)**
Other	(1)	**2**	**19**
Balance at end of year	¥1,320	**¥1,364**	**$12,839**

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, 2018 and 2017.

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, 2018	**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	**¥40,891**	**¥170,267**	**¥ 1,797**	**¥212,957**	**¥ —**	**¥212,957**
Intra-segment sales and transfers	**3,868**	**1,002**	**3,702**	**8,572**	**(8,572)**	**—**
Total sales	**44,759**	**171,270**	**5,500**	**221,530**	**(8,572)**	**212,957**
Operating income	**¥ (1,544)**	**¥ 23,834**	**¥ 820**	**¥ 23,109**	**¥ (1,790)**	**¥ 21,318**
Assets, depreciation, and capital expenditures						
Total assets	**¥40,381**	**¥128,153**	**¥11,755**	**¥180,290**	**¥117,143**	**¥297,433**
Depreciation and amortization	**274**	**3,493**	**207**	**3,976**	**120**	**4,097**
Capital expenditures	**2,992**	**3,318**	**55**	**6,366**	**69**	**6,436**

Thousands of U.S. dollars

Year ended March 31, 2018	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	**$384,893**	**$1,602,664**	**$ 16,915**	**$2,004,490**	**$ —**	**$2,004,490**
Intra-segment sales and transfers	**36,408**	**9,431**	**34,846**	**80,685**	**(80,685)**	**—**
Total sales	**421,301**	**1,612,105**	**51,770**	**2,085,184**	**(80,685)**	**2,004,490**
Operating income	**$ (14,533)**	**$ 224,341**	**$ 7,718**	**$ 217,517**	**$ (16,849)**	**$ 200,659**
Assets, depreciation, and capital expenditures						
Total assets	**$380,092**	**$1,206,259**	**$110,646**	**$1,697,007**	**$1,102,626**	**$2,799,633**
Depreciation and amortization	**2,579**	**32,878**	**1,948**	**37,425**	**1,130**	**38,564**
Capital expenditures	**28,163**	**31,231**	**518**	**59,921**	**649**	**60,580**

Notes: 1. Adjustments and eliminations for segment profit of ¥1,790 million ($16,849 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 ¥117,143 million ($1,102,626 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 ¥120 million ($1,130 thousand) include depreciation and amortization for corporate assets. Adjustments and eliminations for capital expenditures of ¥69 million ($649 thousand) include capital expenditures for corporate assets.

Millions of yen

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	¥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

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.

(a) Product and service information

Year ended March 31, 2018	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
				Millions of yen
Sales to third parties	¥40,891	¥170,267	¥1,797	¥212,957

Year ended March 31, 2018	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
				Thousands of U.S. dollars
Sales to third parties	$384,893	$1,602,664	$16,915	$2,004,490

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

(b) Geographical information

(i) Sales

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Japan	¥103,575	¥104,757	$ 986,041
China	40,852	48,043	452,212
Others	68,041	60,156	566,227
Consolidated	¥212,469	¥212,957	$2,004,490

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, 2018 and 2017 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, 2018 and 2017 are summarized as follows:

Year ended March 31, 2018	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
				Millions of yen
Impairment loss	¥1,352	—	—	¥1,352

Year ended March 31, 2018	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
				Thousands of U.S. dollars
Impairment loss	$12,726	—	—	$12,726

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

(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, 2018 and 2017 by reportable segment:

Year ended March 31, 2018	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
					Millions of yen
Amortization	—	¥211	—	—	¥211
Balance as of March 31	—	509	—	—	509

Year ended March 31, 2018	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
					Thousands of U.S. dollars
Amortization	—	$1,986	—	—	$1,986
Balance as of March 31	—	4,791	—	—	4,791

					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

(f) Information on gain on negative goodwill

Year ended March 31, 2018
None applicable

Year ended March 31, 2017
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, 2018 and 2017 and for the years then ended were as follows:

		Yen	U.S. dollars
	2017	**2018**	**2018**
Profit (loss) attributable to owners of parent	¥ (67.61)	**¥ 145.77**	**$ 1.37**
Net assets	1,446.44	**1,592.47**	**14.99**

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

Building a better working world

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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, 2018, 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, 2018, 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 3.

Ernst & Young ShinNihon LLC

June 28, 2018
Tokyo, Japan