Financial Performance (Consolidated)

Operating Results

Net Sales

Net sales increased ¥28,626 million, or 14.7% year on year, to ¥223,301 million (US$1,981 million), owing to increases in the Steel and Energy Products Business and the Industrial Machinery Products Business.

Operating Income

Operating income increased ¥6,906 million, or 91.9%, to ¥14,423 million (US$128 million). The operating income margin stood at 6.5%, a 2.6 percentage-point up compared with the previous year.

Loss Attributable to Owners of Parent

Loss attributable to owners of parent was ¥16,600 million (US$147 million), compared with ¥5,327 million (US$47 million) in the previous fiscal year. This equates to loss of ¥45.32 for the year on a per-share basis.

Sales by Region

The Japanese market accounted for sales of ¥100,304 million (US$890 million), the Chinese market for ¥30,299 million (US$268 million), with all other markets accounting for ¥92,697 million (US$822 million).

Operating Results

At year-end, cash and cash equivalents stood at ¥61,458 million (US$545 million), increase ¥12,306 million from a year earlier.

Cash Flow from Operating Activities

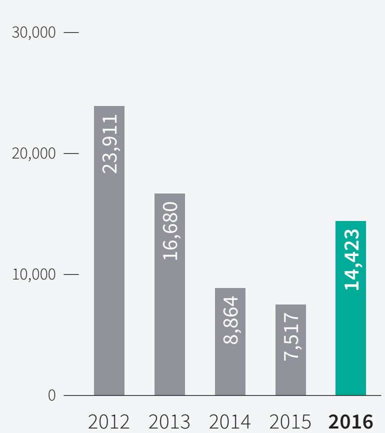
Net cash provided by operating activities amounted to ¥19,721 million, compared with ¥11,580 million in the previous year. This was mainly because depreciation and impairment loss exceeded the loss before income taxes.

Cash Flow from Investing Activities

Net cash used in investing activities totaled ¥12,135 million, from ¥2,675 million in the previous year. Main factors included purchase of property, plant and equipment and intangible assets, purchase of shares of subsidiaries, and payments for transfer of business.

Operating Income

Millions of yen

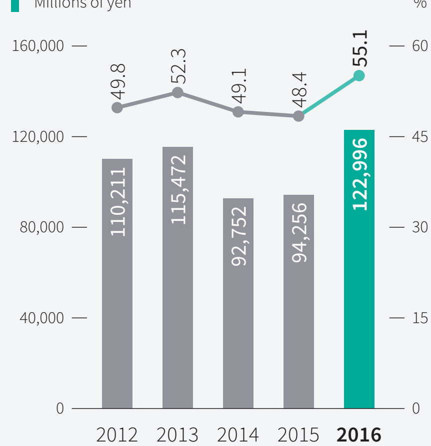


Overseas Sales

% of total sales

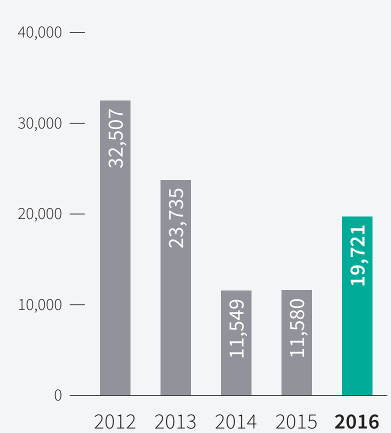
Millions of yen

%



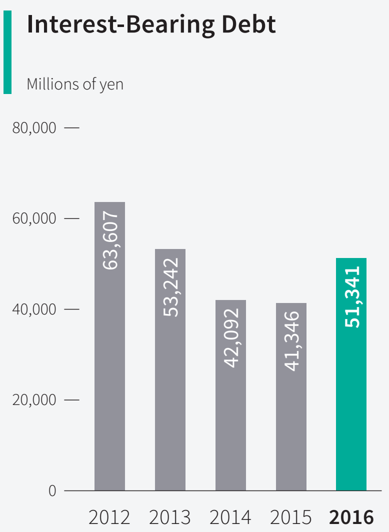
Net Cash Provided by Operating Activities

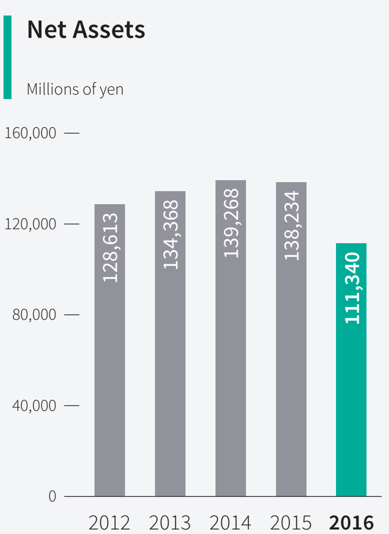
Millions of yen

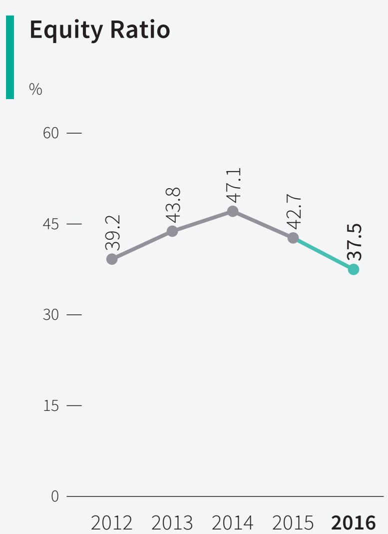


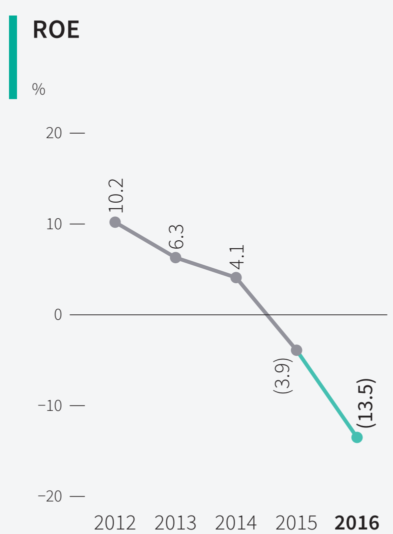
Cash Flow from Financing Activities

Net cash provided by financing activities was ¥4,788 million, compared with ¥2,964 million in net cash used in the previous year. The main factor was proceeds from long-term loans payable, which contrasted with repayments of long-term loans payable, redemption of bonds, and purchase of treasury shares.









Financial Position

As of March 31, 2016, total assets amounted to ¥293,138 million, down ¥26,529 million from a year earlier. This was due primarily to a decline in property, plant and equipment stemming from impairment treatment of non-current assets owned by the Muroran Plant. By contrast, there was an increase in cash and deposits.

Total liabilities stood at ¥181,797 million, up ¥365 million from a year earlier. This was due mainly to an increase in non-current liabilities such as long-term loans payable, which contrasted with decreases in advances received, provision for loss on wind power generator business, and other current liabilities. Interest-bearing debt was ¥51,341 million, up ¥9,994 million from a year earlier.

Net assets amounted to ¥111,340 million, down ¥26,894 million from a year earlier. This was due mainly to a decline in retained earnings stemming from a loss attributable to owners of parent.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2016 and 2015

Assets	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars (Note 3) 2016
Current assets:			
Cash on hand and in banks (Notes 14 and 16)	¥ 49,176	**¥ 62,018**	**$ 550,390**
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	204	**257**	**2,281**
Trade (Note 16)	56,482	**52,493**	**465,859**
Other	179	**286**	**2,538**
Less allowance for doubtful accounts	(157)	**(248)**	**(2,201)**
Inventories (Note 4)	68,327	**67,195**	**596,335**
Deferred tax assets (Note 20)	9,235	**7,120**	**63,188**
Other current assets	7,529	**6,451**	**57,251**
Total current assets	190,976	**195,574**	**1,735,659**
Property, plant and equipment, at cost (Notes 6 and 7):			
Land	10,897	**10,334**	**91,711**
Buildings and structures	97,770	**77,287**	**685,898**
Machinery and equipment	142,464	**134,348**	**1,192,297**
Leased assets	3,711	**3,206**	**28,452**
Construction in progress	1,404	**3,530**	**31,328**
	256,248	**228,707**	**2,029,704**
Less accumulated depreciation	(174,270)	**(179,991)**	**(1,597,364)**
Property, plant and equipment, net	81,978	**48,715**	**432,330**
Intangible assets	710	**1,676**	**14,874**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	1,003	**1,002**	**8,892**
Investment securities (Notes 16 and 17)	38,731	**29,939**	**265,699**
Long-term loans receivable	74	**63**	**559**
Retirement benefit asset (Note 19)	3,063	**1,872**	**16,613**
Deferred tax assets (Note 20)	1,002	**12,157**	**107,890**
Other assets	2,714	**2,707**	**24,024**
Less allowance for doubtful accounts	(588)	**(573)**	**(5,085)**
Total investments and other assets	46,002	**47,171**	**418,628**
Total assets	¥ 319,667	**¥ 293,138**	**$ 2,601,509**

Liabilities and net assets	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars (Note 3) 2016
Current liabilities:			
Short-term borrowings (Notes 9 and 16)	¥ 12,255	**¥ 12,569**	**$ 111,546**
Current portion of long-term debt (Notes 9 and 16)	21,768	**940**	**8,342**
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	80	**107**	**950**
Trade (Note 16)	42,337	**53,727**	**476,810**
Other	2,563	**1,461**	**12,966**
Advances received for products	34,697	**18,984**	**168,477**
Accrued income taxes (Note 20)	1,171	**1,456**	**12,922**
Provision for loss on wind power generator business	13,203	**8,687**	**77,094**
Other current liabilities	17,439	**20,540**	**182,286**
Total current liabilities	145,520	**118,475**	**1,051,429**
Long-term liabilities:			
Long-term debt (Notes 9 and 16)	7,322	**37,831**	**335,738**
Accrued retirement benefits			
For directors and corporate auditors	109	**108**	**958**
Retirement benefit liability (Note 19)	10,857	**11,315**	**100,417**
Deferred tax liabilities (Note 20)	3,064	**230**	**2,041**
Other long-term liabilities	14,559	**13,836**	**122,790**
Total long-term liabilities	35,912	**63,322**	**561,963**
Net assets:			
Shareholders' equity (Note 13)			
Common stock:			
Authorized —1,000,000,000 shares			
Issued — 371,463,036 shares	19,694	**19,694**	**174,778**
Capital surplus	5,425	**5,467**	**48,518**
Retained earnings	103,330	**84,554**	**750,390**
Treasury stock, at cost (3,995,515 shares in 2016 and 1,192,297 shares in 2015)	(731)	**(2,302)**	**(20,430)**
Total shareholders' equity	127,718	**107,413**	**953,257**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	9,195	**3,830**	**33,990**
Unrealized gain (loss) from hedging instruments	(194)	**337**	**2,991**
Translation adjustments	239	**51**	**453**
Remeasurement of retirement benefit plans	(399)	**(1,609)**	**(14,279)**
Total accumulated other comprehensive income	8,839	**2,609**	**23,154**
Non-controlling interests	1,676	**1,318**	**11,697**
Total net assets	138,234	**111,340**	**988,108**
Total liabilities and net assets	¥319,667	**¥293,138**	**$2,601,509**

The accompanying notes are an integral part of these statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	**2016**	**2016**
Net sales	¥194,674	**¥223,301**	**$1,981,727**
Cost of sales (Note 10)	159,188	**179,197**	**1,590,318**
Gross profit	35,486	**44,103**	**391,400**
Selling, general and administrative expenses (Note 10)	27,969	**29,680**	**263,401**
Operating income	7,517	**14,423**	**128,000**
Other income (expenses):			
Interest and dividend income	718	**772**	**6,851**
Interest expense	(264)	**(345)**	**(3,062)**
Impairment loss (Note 7)	(805)	**(35,447)**	**(314,581)**
Provision for loss on wind power generator business	(15,967)	**—**	**—**
Other, net (Note 11)	3,277	**(1,451)**	**(12,877)**
	(13,041)	**(36,472)**	**(323,678)**
Loss before income taxes	(5,523)	**(22,049)**	**(195,678)**
Income taxes (Note 20):			
Current	3,534	**3,357**	**29,792**
Deferred	(3,945)	**(8,996)**	**(79,837)**
Loss (Note 26)	(5,112)	**(16,409)**	**(145,625)**
Profit attributable to non-controlling interests	215	**191**	**1,695**
Loss attributable to shareholders of The Japan Steel Works, Ltd.	¥ (5,327)	**¥ (16,600)**	**$ (147,320)**

The accompanying notes are an integral part of these statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	**2016**	**2016**
Loss	¥(5,112)	**¥(16,409)**	**$(145,625)**
Other comprehensive income:			
Unrealized holding gain (loss) on securities	4,902	**(5,364)**	**(47,604)**
Unrealized gain (loss) from hedging instruments	(64)	**531**	**4,712**
Translation adjustments	358	**(229)**	**(2,032)**
Remeasurement of retirement benefit plans	617	**(1,231)**	**(10,925)**
Total other comprehensive income (Note 12)	5,814	**(6,294)**	**(55,857)**
Comprehensive income	¥ 701	**¥(22,703)**	**$(201,482)**
Total comprehensive income attributable to:			
Shareholders of The Japan Steel Works, Ltd.	¥ 487	**¥(22,831)**	**$(202,618)**
Non-controlling interests	¥ 213	**¥ 127**	**$ 1,127**

The accompanying notes are an integral part of these statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

For the years ended March 31, 2016 and 2015

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 13)	Total shareholders' equity	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Remeasurement benefit plans adjustments (Note 19)	Total accumulated other comprehensive income	Non-controlling interest	Total net assets
Balance at April 1, 2014	¥19,694	¥5,425	¥110,635	¥(730)	¥135,026	¥4,293	¥(130)	¥ (96)	¥(1,042)	¥3,024	¥1,218	¥139,268
Cumulative effect of change in accounting principle (Note 2)			(555)		(555)							(555)
Restated balance at April 1, 2014	19,694	5,425	110,080	(730)	134,471	4,293	(130)	(96)	(1,042)	3,024	1,218	138,713
Changes during the year												
Cash dividends paid			(1,666)		(1,666)							(1,666)
Loss attributable to shareholders of The Japan Steel Works, Ltd.			(5,327)		(5,327)							(5,327)
Purchases of treasury stock				(1)	(1)							(1)
Disposal of treasury stock		(0)		0	0							0
Changes in the scope of consolidation			242		242							242
Net changes in items other than those in shareholders' equity						4,902	(64)	335	642	5,815	457	6,273
Total changes during the year	—	(0)	(6,750)	(1)	(6,752)	4,902	(64)	335	642	5,815	457	(478)
Balance at March 31, 2015	¥19,694	¥5,425	¥103,330	¥(731)	¥127,718	¥9,195	¥(194)	¥239	¥ (399)	¥8,839	¥1,676	¥138,234
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**
Cumulative effect of change in accounting principle (Note 2)												**—**
Restated 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)**		**—**							**—**
Changes in the scope of consolidation					**—**							**—**
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**

Thousands of U.S. dollars (Note 3)

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 13)	Total shareholders' equity	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Remeasurement benefit plans adjustments (Note 19)	Total accumulated other comprehensive income	Non-controlling interest	Total net assets
Balance at April 1, 2015	$174,778	$48,145	$ 917,022	$ (6,487)	$1,133,458	$ 81,603	$(1,722)	$ 2,121	$ (3,541)	$ 78,443	$14,874	$1,226,784
Cumulative effect of change in accounting principle (Note 2)												—
Restated balance at April 1, 2015	174,778	48,145	917,022	(6,487)	1,133,458	81,603	(1,722)	2,121	(3,541)	78,443	14,874	1,226,784
Changes during the year												
Cash dividends paid			(14,670)		(14,670)							(14,670)
Loss attributable to shareholders of The Japan Steel Works, Ltd.			(147,320)		(147,320)							(147,320)
Purchase of shares of consolidated subsidiaries		399			399							399
Purchases of treasury stock				(26,092)	(26,092)							(26,092)
Disposal of treasury stock		(4,659)		12,141	7,472							7,472
Transfer of loss on disposal of treasury shares		4,624	(4,624)		—							—
Changes in the scope of consolidation					—							—
Net changes in items other than those in shareholders' equity						(47,604)	4,712	(1,660)	(10,738)	(55,289)	(3,177)	(58,466)
Total changes during the year	—	364	(166,622)	(13,942)	(180,201)	(47,604)	4,712	(1,660)	(10,738)	(55,289)	(3,177)	(238,676)
Balance at March 31, 2016	$174,778	$48,518	$ 750,390	$(20,430)	$ 953,257	$ 33,990	$ 2,991	$ 453	$(14,279)	$ 23,154	$11,697	$ 988,108

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	**2016**	**2016**
Operating activities			
Loss before income taxes	¥ (5,523)	**¥(22,049)**	**$(195,678)**
Depreciation and amortization	10,936	**10,843**	**96,228**
Impairment loss	805	**35,447**	**314,581**
Interest and dividend income	(718)	**(772)**	**(6,851)**
Interest expense	264	**345**	**3,062**
Equity in (earnings) losses of affiliates	0	**0**	**0**
(Gain) loss on sales of property, plant and equipment	(6)	**(112)**	**(994)**
Loss on disposal of tangible and intangible assets	343	**892**	**7,916**
(Gain) loss on sales of investment securities	(2,214)	**(54)**	**(479)**
Gain on bargain purchase	(218)	**—**	**—**
Gain on settlement of long-term guarantee deposited	(709)	**—**	**—**
Increase (decrease) in provision for loss on wind power generator business	13,203	**(4,515)**	**(40,069)**
Loss on sales of shares of subsidiaries and associates	55	**—**	**—**
Changes in operating assets and liabilities:			
Trade assets (Note 16)	3,834	**(11,637)**	**(103,275)**
Trade liabilities	(151)	**11,557**	**102,565**
Inventories (Note 4)	(2,714)	**2,363**	**20,971**
Other	(1,860)	**122**	**1,083**
Subtotal	15,325	**22,431**	**199,068**
Interest and dividends received	712	**771**	**6,842**
Interest paid	(255)	**(336)**	**(2,982)**
Income taxes paid	(4,201)	**(3,144)**	**(27,902)**
Net cash provided by operating activities	11,580	**19,721**	**175,018**
Investing activities			
Investments into time deposits	(6)	**(964)**	**(8,555)**
Proceeds from withdrawal of time deposits	14	**757**	**6,718**
Increase in tangible and intangible assets	(5,392)	**(9,976)**	**(88,534)**
Decrease in tangible and intangible assets	260	**322**	**2,858**
Proceeds from sale of investment securities	2,835	**839**	**7,446**
Purchases of investment securities	(11)	**(11)**	**(98)**
Reimbursement of long-term deposits on contracts	(192)	**(378)**	**(3,355)**
(Increase) decrease in short-term loans receivable	215	**0**	**0**
Collection of long-term loans receivable	13	**14**	**124**
Payments for transfer of business	(200)	**(531)**	**(4,712)**
Purchase of investments in subsidiaries	(56)	**(2,293)**	**(20,350)**
Proceeds of investments in subsidiaries	3	**—**	**—**
Other	(159)	**87**	**772**
Net cash used in investing activities	(2,675)	**(12,135)**	**(107,694)**
Financing activities (Notes 9 and 16)			
Net increase (decrease) in short-term borrowings	(37)	**313**	**2,778**
Increase in long-term debt	2,250	**30,900**	**274,228**
Decrease in long-term debt	(2,712)	**(11,105)**	**(98,553)**
Redemption of bonds	—	**(10,000)**	**(88,747)**
Cash dividends paid	(1,668)	**(1,653)**	**(14,670)**
Acquisition of treasury stock	(1)	**(2,940)**	**(26,092)**
Repayments of finance lease obligations	(803)	**(724)**	**(6,425)**
Other	8	**(1)**	**(9)**
Net cash provided by (used in) financing activities	(2,964)	**4,788**	**42,492**
Effect of exchange rate changes on cash and cash equivalents	415	**(68)**	**(603)**
(Decrease) increase in cash and cash equivalents	6,356	**12,306**	**109,212**
Cash and cash equivalents at beginning of the year	42,297	**49,152**	**436,209**
Increase in cash and cash equivalents resulting from merger	498	**—**	**—**
Cash and cash equivalents at end of the year (Notes 14 and 16)	¥49,152	**¥ 61,458**	**$ 545,421**

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, 2016, the numbers of consolidated subsidiaries, and subsidiaries and affiliates accounted for by the equity method were 32 and 1 (31 and 1 in 2015), respectively. SM PLATEK Co.,LTD. is included as a consolidated company due to the acquisition of its shares in the current fiscal year.

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

Property, plant and equipment is stated on the basis of cost. Depreciation of property, plant and equipment is determined by the declining-balance method over the estimated useful lives of the respective assets, except for buildings to which the straight-line method is applied.

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred.

(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 and its domestic consolidated subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of Sep 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of Sep 13, 2013), and others effective from April 1, 2015. As a result, any change resulting from the Company's ownership interests in its subsidiary when the Company retains control over the subsidiary is accounted for as capital surplus, and acquisition related costs are expensed in the year in which the costs are incurred. For any business combinations on or after the beginning of the current fiscal year, subsequent adjustment to the provisional amount recognized based on the purchase price allocation is reflected in the consolidated financial statements for the period in which the business combination occured. In addition, the presentation method of profit (loss) was amended and "minority interests" was changed to "non-controlling interests." To reflect these changes in presentation, reclassifications have been made to the consolidated financial statements for the prior fiscal year presented herein.

The aforementioned accounting standards are applied prospectively from the beginning of the current fiscal year, according to the transitional treatment provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations and Paragraph 44-5 (4) of the Consolidation Accounting Standard.

The effect of these changes on operating income, ordinary income and loss before income taxes for the current fiscal year, and capital surplus as of the end of the current fiscal year is immaterial.

In the consolidated statement of cash flows for the current fiscal year, cash flows from the purchase or sale of shares in subsidiaries that do not result in change in scope of consolidation are presented under "Cash flows from financing activities," whereas cash flows concerning the costs related to the purchase of shares in subsidiaries that result in a change in the scope of consolidation or the expenses incurred in relation to purchase or sales of shares in subsidiaries that do not result in change in scope of consolidation are presented under "Cash flows from operating activities."

The effect on the amounts per share is immaterial.

(u) Standards issued but not yet effective

Implementation Guidance on Recoverability of Deferred Tax Assets

On March 28, 2016, the ASBJ issued "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26)

(1) Overview

Regarding the treatment of the recoverability of deferred tax assets, a review was conducted on the framework of Japanese Institute of Certified Public Accountants Audit Committee Report No. 66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets," whereby companies are categorized into five categories and deferred tax assets are estimated based on each of these categories.

(Revisions on category requirements and deferred tax assets to be recorded)

- Treatment of companies that do not satisfy any of the requirements for (Category 1) through (Category 5)
- Category Requirements for (Category 2) and (Category 3)
- Treatment related to future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2)
- Treatment related to the reasonably estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)
- Treatment in cases where a company satisfies the category requirements for (Category 4) but qualify as (Category 2) and (Category 3)

(2) Scheduled date of adoption

The Company expects to adopt the revised implementation guidance from the fiscal year beginning on or after April 1, 2016.

(3) Impact of adopting revised accounting standards and guidance

The Company is currently evaluating the effect of adopting this revised 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 ¥112.68 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2016. 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, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Real estate held for sale	¥ 6	**¥ 283**	**$ 2,512**
Finished products	2,096	**1,703**	**15,114**
Work in process	60,988	**58,878**	**522,524**
Raw materials and supplies	5,234	**6,328**	**56,159**
Total	¥68,327	**¥67,195**	**$596,335**

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 ¥172 million ($1,526 thousand) at March 31, 2016 and ¥791 million at March 31, 2015.

5. Depreciation

Depreciation expense on property, plant and equipment for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Depreciation expense	¥11,008	**¥10,669**	**$94,684**

6. 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, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Accumulated advanced depreciation expense	¥1,286	**¥1,283**	**$11,386**

7. Impairment Loss

Current fiscal year (From April 1, 2015 to March 31, 2016)

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	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	$175,222 thousand
Machinery, equipment and vehicles	10,764	95,527
Tools, furniture and fixtures	401	3,559
Land	770	6,834
Leased assets (property, plant and equipment)	232	2,059
Construction in progress	3,439	30,520
Leased assets (intangible assets)	16	142
Other (intangible assets)	79	701
Total	¥35,447	$314,581

(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%.

Prior fiscal year (From April 1, 2014 to March 31, 2015)

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 at investee subsidiary	Buildings, leased assets, etc.	Muroran, Hokkaido
Steel and Energy Products: Business assets at investee subsidiary	Machinery	Guangdong, China

(1) Grouping of assets

The Group determines whether to recognize an impairment loss and measure the loss by grouping assets based on the smallest unit 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 for asset groups that generate operating cash flows that are continually negative or expected to be continually negative were reduced to recoverable amounts and the reduced amounts were recognized in extraordinary losses as impairment loss.

Breakdown of the impairment loss is as follows:

Buildings and structures	¥383 million
Machinery, equipment and vehicles	272
Tools, furniture and fixtures	9
Leased assets (property, plant and equipment)	132
Other (intangible assets)	8
Total	805

(3) Calculation method for recoverable amounts

Recoverable amounts are calculated based on value in use. Value in use is calculated based on future cash flows. A description of discount rates is omitted because undiscounted future cash flows are negative.

8. Contingent Liabilities

Contingent liabilities at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
As endorsers of trade notes receivable:			
Endorsed to other	¥ 68	**¥ 75**	**$ 666**
As guarantors of loans:			
Muroran Environmental Plant Service Co., Ltd.	473	**421**	**3,736**
Obligation to guarantee uncollected receivables of leasing companies	—	**62**	**550**
Gotsu Wind Power Co., Ltd	1,236	**1,107**	**9,824**
Employees and other	95	**50**	**444**

9. Short-Term Borrowings and Long-Term Debt

All short-term borrowings, with interest at annual rates ranging from 0.3490% to 1.4750% at March 31, 2016 and 0.4218% to 1.5293% at March 31, 2015, were unsecured.

Long-term debt at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Loans from banks and insurance companies with interest at annual rates ranging from 0.1007% to 1.2500%	¥ 17,332	**¥37,127**	**$329,491**
Less those maturing within one year	(11,105)	**(320)**	**2,840**
Lease obligations	1,758	**1,644**	**14,590**
Less those maturing within one year	(663)	**(620)**	**5,502**
0.48% straight bonds, due 2015	10,000	**—**	**—**
Less those maturing within one year	(10,000)	**—**	**—**
Long-term indebtedness reflected in the consolidated balance sheets	¥ 7,322	**¥37,831**	**$335,738**

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2016 are summarized as follows:

Year ending March 31,	Long-term loans		Lease obligations	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2017	¥ 320	$ 2,840	¥620	$5,502
2018	3,175	28,177	482	4,278
2019	1,092	9,691	306	2,716
2020	40	355	181	1,606
2021	5,000	44,373	49	435
2022 and thereafter	27,500	244,054	3	27

10. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Research and development expenses	¥4,104	**¥4,292**	**$38,090**

11. Other Income (Expenses) – Other, Net

The details of "Other, net" in "Other income (expenses)" for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Foreign exchange gain (loss)	¥ 357	**¥ (205)**	**$ (1,819)**
Gain on settlement of long-term guarantee deposited	709	**—**	**—**
Amortization of negative goodwill	71	**—**	**—**
Commission fee	(310)	**—**	**—**
Non-deductible consumption tax	(135)	**(40)**	**(355)**
Equity in losses of affiliates	(0)	**(0)**	**(0)**
Gain on sales of property, plant and equipment	6	**117**	**1,038**
Gain on sales of investment securities	2,214	**126**	**1,118**
Gain on bargain purchase	218	**—**	**—**
Loss on sales or disposal of property, plant and equipment	(343)	**(892)**	**(7,916)**
Loss on valuation of subsidiaries and associates	(55)	**—**	**—**
Loss on business of subsidiaries and associates	(6)	**—**	**—**
Other, net	551	**(557)**	**(4,943)**
Total	¥3,277	**¥(1,451)**	**$(12,877)**

12. 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, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ 7,399	**¥(8,031)**	**$(71,723)**
Reclassification adjustments for gains and losses realized in net income	(502)	**6**	**53**
The amount of unrealized holding gain (loss) on securities before tax effect	6,897	**(8,024)**	**(71,211)**
Tax effect	(1,994)	**2,660**	**23,607**
Unrealized holding gain (loss) on securities	4,902	**(5,364)**	**(47,604)**
Unrealized gain (loss) from hedging instruments:			
Amount arising during the year	(86)	**774**	**6,869**
Tax effect	21	**(242)**	**(2,148)**
Unrealized gain (loss) from hedging instruments	(64)	**531**	**4,712**
Translation adjustments:			
Amount arising during the year	358	**(229)**	**(2,032)**
Translation adjustments	358	**(229)**	**(2,032)**
Remeasurement benefits plans adjustments:			
Amount arising during the year	458	**(2,122)**	**(18,832)**
Reclassification adjustments for gains and losses realized in net income	545	**381**	**3,381**
The amount of unrealized holding gain (loss) on securities before tax effect	1,004	**(1,741)**	**(15,451)**
Tax effect	(386)	**509**	**4,517**
Remeasurement benefits plans adjustments	617	**(1,231)**	**(10,925)**
Total other comprehensive income	¥5,814	**¥(6,294)**	**$(55,857)**

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

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 ($6,567 thousand)
Dividends per share: ¥2 ($0.018)
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 ($8,094 thousand)
Dividends per share: ¥2.5 ($0.022)
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 ($8,147 thousand)
Dividends per share:	¥2.5 ($0.022)
Cut-off date:	March 31, 2016
Effective date:	June 27, 2016
Source of dividends:	Retained earnings

Year ended March 31, 2015

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

	Number of shares			
	Year ended March 31, 2014	Increase during the year	Decrease during the year	Year ended March 31, 2015
Shares issued:				
Common stock	371,463,036	—	—	371,463,036
Treasury stock:				
Common stock (Note 1 and 2)	1,189,350	3,350	403	1,192,297

Notes: 1. The increase in treasury stock – common stock of 3,350 was due to the acquisition of fractional shares of less than one unit.
2. The decrease in treasury stock – common stock of 403 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 25, 2014
Type of shares:	Common stock
Total amount of dividends:	¥925 million
Dividends per share:	¥2.5
Cut-off date:	March 31, 2014
Effective date:	June 26, 2014

② Resolution:	Meeting of Board of Directors held on November 4, 2014
Type of shares:	Common stock
Total amount of dividends:	¥740 million
Dividends per share:	¥2
Cut-off date:	September 30, 2014
Effective date:	December 5, 2014

(ii) Dividends of which the cut-off date was in the year ended March 31, 2015, but the effective date is in the following fiscal year

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
Source of dividends:	Retained earnings

14. 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, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Cash on hand and in banks in the consolidated balance sheet	¥49,176	**¥62,018**	**$550,390**
Other current assets	—	**322**	**2,858**
Time deposits with maturities of more than three months	(24)	**(881)**	**(7,819)**
Cash and cash equivalents in the consolidated statement of cash flows	¥49,152	**¥61,458**	**$545,421**

(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, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Lease assets	¥485	**¥581**	**$5,156**
Lease obligations	522	**631**	**5,600**

15. Leases

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	Thousands of U.S. dollars
2017	**¥186**	**$1,651**
2018 and thereafter	**284**	**2,520**
Total	**¥470**	**$4,171**

Year ended March 31, 2015

Future minimum lease payments subsequent to March 31, 2015 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen
2016	¥2,348
2017 and thereafter	2,328
Total	¥4,676

16. 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 and bonds are used to raise funds mainly in connection with capital investments. The repayment dates of the long-term debts extend up to seven years from the balance sheet date. Long-term debt with variable interest rates is exposed to interest rate fluctuation 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 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 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.

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, 2016 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, 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
Current portion of bonds	—	—	—
Long-term debt	36,807	36,881	73
Total liabilities	¥103,531	¥103,608	¥76
Derivatives (*)	¥ 486	¥ 486	—

	Thousands of U.S. dollars		
	Carrying amount	**Estimated fair value**	**Difference**
Assets			
Cash on hand and in banks	$ 550,390	$ 550,390	$ —
Trade notes and accounts receivable	468,033	468,033	0
Securities:			
Other securities	258,440	258,440	—
Total assets	$1,276,873	$1,276,864	$ 0
Liabilities			
Trade notes and accounts payable	$ 477,769	$ 477,769	$ —
Short-term borrowings	111,546	111,546	—
Current portion of long-term debt	2,840	2,858	18
Current portion of bonds			
Long-term debt	326,651	327,307	648
Total liabilities	$ 918,805	$ 919,489	$674
Derivatives (*)	$ 4,313	$ 4,313	—

(*) 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, 2015

	Millions of yen		
	Carrying amount	**Estimated fair value**	**Difference**
Assets			
Cash on hand and in banks	¥ 49,176	¥ 49,176	¥ —
Trade notes and accounts receivable	56,678	56,675	(2)
Securities:			
Other securities	37,408	37,408	—
Total assets	¥143,263	¥143,261	¥ (2)
Liabilities			
Trade notes and accounts payable	¥ 42,418	¥ 42,418	¥ —
Short-term borrowings	12,255	12,255	—
Current portion of long-term debt	11,105	11,118	13
Bonds	10,000	10,014	14
Long-term debt	6,227	6,301	74
Total liabilities	¥ 82,006	¥ 82,108	¥101
Derivatives (*)	¥ (288)	¥ (288)	—

(*) 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, bonds 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 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
	2015	**2016**	**2016**
Unlisted stocks	¥1,722	**¥1,217**	**$10,800**

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, 2016 and 2015.

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**	**—**

	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	**$ 550,390**	**$ —**	**—**
Trade notes and accounts receivable	**466,596**	**1,438**	**—**
Total	**$1,016,986**	**$1,438**	**—**

Year ended March 31, 2015

	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	¥ 49,176	¥ —	—
Trade notes and accounts receivable	56,050	628	—
Total	¥105,226	¥628	—

(iv) The redemption schedule for long-term debt

Year ended March 31, 2016

	Millions of yen		
	Bonds	Long-term loans	Lease obligations
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

	Thousands of U.S. dollars		
	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	$—	$ 2,840	$5,502
Due after 1 year through 2 years	—	28,177	4,278
Due after 2 years through 3 years	—	9,691	2,716
Due after 3 years through 4 years	—	355	1,606
Due after 4 years through 5 years	—	44,373	435
Due after 5 years	—	244,054	27

Year ended March 31, 2015

	Millions of yen		
	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	¥10,000	¥11,105	¥663
Due after 1 year through 2 years	—	240	495
Due after 2 years through 3 years	—	4,095	342
Due after 3 years through 4 years	—	52	180
Due after 4 years through 5 years	—	40	71
Due after 5 years	—	1,800	5

17. Securities

Other securities:

March 31, 2016

	Millions of yen		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
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

	Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeding the acquisition cost:			
Stocks	$115,256	$190,202	$ 74,947
Carrying amount not exceeding the acquisition cost:			
Stocks	90,673	64,634	(26,038)
Total	$205,928	$254,846	$ 48,908

March 31, 2015

	Millions of yen		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeding the acquisition cost:			
Stocks	¥16,672	¥30,882	¥14,210
Carrying amount not exceeding the acquisition cost:			
Stocks	6,800	6,126	(674)
Total	¥23,472	¥37,008	¥13,536

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.

18. Derivative Transactions

(a) Derivatives not subject to hedge accounting

Year ended March 31, 2016
None applicable

Year ended March 31, 2015
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, 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		—	—	—

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		$122,515	$1,864	$5,209
		Euros		6,345	1,402	151
		Sterling pound		—	—	—
	Foreign exchange forward contracts		Accounts payable			
	Buy:	U.S. dollars		$ 8,182	—	$ (461)
		Euros		3,443	—	(186)
		Sterling pound		6,727	—	(390)
		Swiss franc		—	—	—

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

Year ended March 31, 2015

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		¥16,857	¥2,764	¥(1,413)
		Euros		1,419	11	54
		Sterling pound		277	—	(8)
	Foreign exchange forward contracts		Accounts payable			
	Buy:	U.S. dollars		¥11,815	—	¥1,178
		Euros		1,014	—	(96)
		Sterling pound		157	—	(2)
		Swiss franc		13	—	0

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

(ii) Interest-related transactions

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**	**(*)**

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	**$257,366**	**$257,366**	**(*)**

(*) 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.

Year ended March 31, 2015

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	Current portion of long-term borrowings Long-term borrowings	¥4,000	¥4,000	(*)

(*) 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.

19. 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, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Balance at the beginning of the year	¥19,819	**¥20,489**	**$181,834**
Cumulative effect of change in accounting principle	840	**—**	**—**
Restated balance at the beginning of the year	20,659	**20,489**	**181,834**
Service cost	972	**1,030**	**9,141**
Interest cost	244	**197**	**1,748**
Actuarial gain and loss	528	**1,097**	**9,736**
Retirement benefit paid	(1,915)	**(1,804)**	**(16,010)**
Balance at the end of the year	¥20,489	**¥21,011**	**$186,466**

The changes in plan assets for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Balance at the beginning of the year	¥15,524	**¥16,101**	**$142,891**
Expected return on plan assets	310	**322**	**2,858**
Actuarial gain and loss	987	**(1,025)**	**(9,097)**
Contributions by the Company	429	**422**	**3,745**
Retirement benefits paid	(1,149)	**(1,091)**	**(9,682)**
Balance at the end the year	¥16,101	**¥14,729**	**$130,715**

The changes in retirement benefit liability accounted for using the simplified method for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Balance at the beginning of the year	¥3,729	**¥3,436**	**$30,493**
Retirement benefit expenses	470	**686**	**6,088**
Retirement benefit paid	(606)	**(757)**	**(6,718)**
Contributions	(193)	**(203)**	**(1,802)**
Other	36	**—**	**—**
Balance at the end the year	¥3,436	**¥3,161**	**$28,053**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2016 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Funded retirement benefit obligation	¥ 19,668	**¥ 20,145**	**$ 178,781**
Plan assets at the value	(17,013)	**(15,769)**	**(139,945)**
	2,655	**4,375**	**38,827**
Unfunded retirement benefit obligation	5,138	**5,067**	**44,968**
Net liability for retirement benefits in the balance sheet	7,793	**9,442**	**83,795**
Retirement benefit liability	10,857	**11,315**	**100,417**
Retirement benefit assets	(3,063)	**(1,872)**	**(16,613)**
Net liability for retirement benefits in the balance sheet	¥ 7,793	**¥ 9,442**	**$ 83,795**

The components of retirement benefit expense for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Service cost	¥ 972	**¥1,030**	**$ 9,141**
Interest cost	244	**197**	**1,748**
Expected return on plan assets	(310)	**(322)**	**(2,858)**
Amortization of actuarial gain and loss	380	**397**	**3,523**
Amortization of prior service cost	180	**—**	**—**
Simplified method for retirement benefit expenses	470	**702**	**6,230**
Other	48	**49**	**435**
Retirement benefit expense	¥1,986	**¥2,054**	**$18,229**

The components of retirement benefits plans adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Prior service cost	¥ 180	**¥ —**	**$ —**
Actuarial gain and loss	823	**(1,741)**	**(15,451)**
Total	¥1,004	**¥(1,741)**	**$(15,451)**

The components of retirement benefits plans adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrecognized prior service cost	¥ —	¥ —	$ —
Unrecognized actuarial gain and loss	(618)	(2,359)	(20,935)
Total	¥(618)	¥(2,359)	$(20,935)

The fair value of plan assets, by major category, as a percentage of total plan as of March 31, 2016 and 2015 as follows:

March 31,	2015	2016
Bonds	28%	31%
Stocks	41	38
Cash on hand and in banks	0	0
General account	16	20
Other	15	11
Total	100%	100%

Retirement benefit trust set for the lump-sum and corporate pension plans accounts for 17% and 19% of the total plan assets, for the years ended March 31, 2016 and 2015, 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,	2015	2016
Discount rates	1.09%	0.59%
Expected rates of return on plan assets	2.00	2.00

Contributions made to defined contribution plans for the years ended March 31, 2016 and 2015 were ¥61 million ($541 thousand) and ¥32 million, respectively.

20. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Deferred tax assets:			
Accrued enterprise taxes	¥ 142	¥ 176	$ 1,562
Accrued bonuses	996	951	8,440
Depreciation	913	1,081	9,594
Amortization of long-term prepaid expenses	111	105	932
Loss on revaluation of inventory items	798	1,018	9,034
Loss on revaluation of financial instruments	214	193	1,713
Impairment loss	46	11,026	97,852
Retirement benefit liability	4,558	4,921	43,672
Provision for warranties for completed construction	724	670	5,946
Provision for loss on construction contracts	486	390	3,461
Provision for loss on wind power generator business	4,295	2,667	23,669
Less allowance for doubtful accounts	195	216	1,917
Asset retirement obligations	410	393	3,488
Percentage-of-completion method	948	544	4,828
Tax loss carry forwards	2,142	2,217	19,675
Unrealized loss on investment securities	215	886	7,863
Deferred loss on hedges	506	100	887
Unrealized gain on intercompany transactions	688	720	6,390
Other	570	704	6,248
Gross deferred tax assets	18,927	28,986	257,242
Valuation allowance	(3,576)	(4,194)	(37,220)
Total deferred tax assets	15,390	24,792	220,021
Deferred tax liabilities:			
Reserve for advanced depreciation	1,479	1,342	11,910
Reserve for special depreciation	411	181	1,606
Net defined benefit asset	984	937	8,316
Disposal cost with asset retirement obligations	250	232	2,059
Unrealized gain on investment securities	4,568	2,579	22,888
Deferred gain on hedges	413	250	2,219
Other	110	221	1,961
Total deferred tax liabilities	8,217	5,744	50,976
Net deferred tax assets	¥ 7,173	¥19,048	$169,045

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, 2016 and 2015 were as follows:

2015	**2016**
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

Adjustment of deferred tax liabilities and deferred tax assets due to change in the corporate tax rate

In accordance with the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 13 of 2016) enacted by the Diet on March 29, 2016, the reduction of income tax rates and other amendments will take effect from the fiscal year beginning on or after April 1, 2016. As a result, the statutory tax rate used for calculating deferred tax assets and liabilities has been changed from 32.1% to 30.7% for the temporary differences expected to be realized or settled in the fiscal years beginning on April 1, 2016 and April 1, 2017, and 30.5% for the temporary differences expected to be realized or settled in the fiscal years beginning on or after April 1, 2018, respectively.

These tax rate changes resulted in a decrease of deferred tax assets after offsetting deferred tax liabilities by ¥866 million, deferred tax liabilities after offsetting deferred tax assets by ¥1 million, remeasurement of retirement benefit plans by ¥31 million and increase of deferred income taxes by ¥929 million, unrealized holding gain (loss) on securities by ¥88 million and unrealized gain (loss) from hedging instruments by ¥6 million.

21. Business Combinations

Transaction under common control

1. Outline of transaction

Meiki Co.,Ltd. became a wholly owned subsidiary through share exchange

① Name and business of companies

Combining company: The Japan Steel Works, Ltd.
Business: Steel and energy products business; industrial machinery products business; and real estate and other businesses
Combined company: Meiki Co.,Ltd.
Business: Manufacture and sale of plastic injection molding machines, hot presses, molds, peripheral equipment, etc.

② Date of business combination
March 1, 2016

③ Legal form of business combination
Share exchange between the Company as parent of the wholly owned subsidiary and Meiki Co.,Ltd. as the wholly owned subsidiary

④ Name of company after business combination
Company names remain unchanged

⑤ Purpose of transaction
The Company intends to maximize synergies between the two companies by making Meiki Co.,Ltd. a wholly owned subsidiary.

2. Outline of accounting treatment

The Company treated the transaction as a transaction with a non-controlling-interest shareholder under the classification of transactions under common control, based on Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ), Statement No. 21 issued on September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued on September 13, 2013).

3. Additional acquisition of shares in subsidiaries

① Breakdown by acquisition cost and type of consideration

Consideration for acquisition: Ordinary shares of the Company	**¥842 million**
Acquisition cost	**¥842 million**

② Exchange ratio by type of shares and calculation method and the number of shares issued

a) Exchange ratio by type of shares

	The Company (parent of wholly owned subsidiary in share exchange)	Meiki Co.,Ltd. (wholly owned subsidiary in share exchange)
Exchange ratio of shares	**1**	**0.21**

b) Calculation method for exchange ratio of shares

To ensure fairness and adequacy, the Company and Meiki Co.,Ltd. determined the exchange ratio of shares above after a series of discussions based on calculations by SMBC Nikko Securities Inc. and Mizuho Securities Co., Ltd. requested by the Company and Meiki Co.,Ltd.

c) The number of shares issued

2,373,831 shares

Shares of the Company issued in the share exchange are treasury stocks held by the Company and no new shares were issued.

4. Matters regarding changes in equity of the Company related to transactions with non-controlling shareholders

① Key factors causing changes in capital surplus

Additional acquisition of shares in subsidiaries

② Increased capital surplus amounts through transactions with non-controlling shareholders

¥45 million

22. Asset Retirement Obligations

The following table presents the changes in asset retirement obligations for the years ended March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Balance at beginning of year	¥1,271	**¥1,295**	**$11,493**
Liabilities incurred due to the acquisition of property, plant and equipment	—	**—**	**—**
Accretion expense	20	**21**	**186**
Liabilities settled	(17)	**(2)**	**(18)**
Other	19	**(6)**	**(53)**
Balance at end of year	¥1,295	**¥1,307**	**$11,599**

23. Investment and Rental Properties

The Company has omitted the disclosure of investment and rental properties due to immateriality for the years ended March 31, 2016 and 2015.

24. 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, 2016	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	¥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

Thousands of U.S. dollars

	Reportable segments					
Year ended March 31, 2016	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	$664,306	$1,281,132	$ 36,271	$1,981,727	$ —	$1,981,727
Intra-segment sales and transfers	41,569	16,711	29,837	88,126	(88,126)	—
Total sales	705,884	1,297,852	66,108	2,069,862	(88,126)	1,981,727
Operating income	$ 6,203	$ 109,966	$ 17,909	$ 134,088	$ (6,079)	$ 128,000
Assets, depreciation, and capital expenditures						
Total assets	$534,753	$1,103,860	$106,984	$1,745,598	$855,902	$2,601,509
Depreciation and amortization	64,732	26,704	2,405	93,859	816	94,684
Capital expenditures	80,343	43,841	595	124,796	(453)	124,334

Notes: 1. Adjustments and eliminations for segment profit of ¥685 million ($6,079 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 ¥96,443 million ($855,902 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 ¥92 million ($816 thousand) include depreciation and amortization for corporate assets.
Adjustments and eliminations for capital expenditures of ¥51 million ($453 thousand) include capital expenditures for corporate assets.

Millions of yen

Year ended March 31, 2015	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	¥ 66,215	¥126,363	¥ 2,095	¥194,674	¥ —	¥194,674
Intra-segment sales and transfers	5,093	1,379	3,446	9,919	(9,919)	—
Total sales	71,308	127,743	5,542	204,593	(9,919)	194,674
Operating income	¥ (3,900)	¥ 11,370	¥ 962	¥ 8,433	¥ (915)	¥ 7,517
Assets, depreciation, and capital expenditures						
Total assets	¥111,415	¥108,440	¥13,097	¥232,953	¥86,713	¥319,667
Depreciation and amortization	8,043	2,563	291	10,898	109	11,008
Capital expenditures	3,474	4,414	72	7,960	31	7,992

Notes: 1. Adjustments and eliminations for segment profit of ¥915 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 ¥86,713 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 ¥109 million include depreciation and amortization for corporate assets.
Adjustments and eliminations for capital expenditures of ¥31 million include capital expenditures for corporate assets.

(a) Product and service information

Millions of yen

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

Thousands of U.S. dollars

Year ended March 31, 2016	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties	**$664,306**	**$1,281,132**	**$36,271**	**$1,981,727**

Millions of yen

Year ended March 31, 2015	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties	¥66,215	¥126,363	¥2,095	¥194,674

(b) Geographical information

(i) Sales

	Millions of yen 2015	Millions of yen **2016**	Thousands of U.S. dollars **2016**
Japan	¥100,417	**¥100,304**	**$ 890,167**
China	29,131	**30,299**	**268,894**
Others	65,125	**92,697**	**822,657**
Consolidated	¥194,674	**¥223,301**	**$1,981,727**

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, 2016 and 2015 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, 2016 and 2015 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, 2016 and 2015 are summarized as follows:

Millions of yen

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

Thousands of U.S. dollars

Year ended March 31, 2016	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Impairment loss	$314,581	—	—	$314,581

Millions of yen

Year ended March 31, 2015	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Impairment loss	¥805	—	—	¥805

(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, 2016 and 2015 by reportable segment:

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

Thousands of U.S. dollars

Year ended March 31, 2016	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
Amortization	—	$1,544	—	—	$1,544
Balance as of March 31	—	8,094	—	—	8,094

Millions of yen

Year ended March 31, 2015	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and Eliminations	Total
Amortization	—	¥71	—	—	¥71
Balance as of March 31	—	—	—	—	—

(f) Information on gain on negative goodwill

Year ended March 31, 2016

None applicable

Year ended March 31, 2015

In the Industrial Machinery Products segment, JSW AFTY Co., Ltd., a consolidated subsidiary takes over retail deposition business from MES AFTY Co., Ltd. This resulted in a gain on negative goodwill of ¥218 million in the fiscal year ended March 31, 2015.

25. 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.

26. 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, 2016 and 2015 and for the years then ended were as follows:

	Yen		U.S. dollars
	2015	**2016**	**2016**
Profit (loss) attributable to owners of parent	¥ (14.39)	**¥ (45.32)**	**$(0.40)**
Net assets	368.81	**299.41**	**2.66**

27. Subsequent Events

(Significant subsequent events)

On May 16, 2016, the Board of Directors resolved to submit proposals to the 90th general meeting of shareholders scheduled on June 24, 2016 to change the number of share units, consolidate shares and partially amend the articles of incorporation.

(1) Purpose of consolidating shares

The "Action Plan for Consolidating Trading Units" announced by all domestic stock exchanges aims to consolidate share trading units for ordinary shares of all listed companies in Japan to 100 share trading units.

Consequently, the Company, which is listed on Tokyo Stock Exchange and Nagoya Stock Exchange, will change the trading unit of shares from 1,000 to 100 and every 5 shares will be consolidated into 1 share in order to maintain level of investment units of at least ¥50,000 but less than ¥500,000 that is recommended by the stock exchanges.

(2) Details of consolidating shares

① Type and ratio of shares to be consolidated
Every 5 ordinary shares of the Company will be consolidated into 1 share

② Effective date of consolidation of shares
October 1, 2016

(3) Effect on amounts per share

Amounts per share for the current fiscal year shown below are calculated as if the consolidation of shares had been carried out at the beginning of the period:

① Net assets per share: ¥1,497.04
② Loss per share: (¥226.62)

INDEPENDENT AUDITOR'S REPORT

EY
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, 2016, 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, 2016, 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 24, 2016
Tokyo, Japan