Financial Data 2016

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION

Contents

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2016

ASSETS	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	¥ 18,904	¥ 27,359	$ 167,767
Receivables (Note 12):			
Trade notes (Note 14)	57,223	49,387	507,836
Trade accounts (Notes 13 and 14)	326,696	335,224	2,899,325
Associated companies	12,713	15,240	112,823
Other	76	148	674
Allowance for doubtful receivables	(1,380)	(1,654)	(12,247)
Inventories (Notes 4 and 13)	96,614	106,275	857,419
Advances to suppliers	3,979	7,999	35,312
Deferred tax assets (Note 11)	5,210	3,837	46,237
Prepaid expenses and other current assets	5,840	6,935	51,828
Total current assets	525,878	550,754	4,667,003
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 8):			
Land	22,966	23,005	203,816
Buildings and structures	41,359	41,922	367,048
Machinery and equipment	35,251	33,739	312,841
Furniture and fixtures	9,550	9,177	84,753
Lease assets	3,125	2,810	27,733
Construction in progress	721	2,197	6,398
Total	112,974	112,852	1,002,609
Accumulated depreciation	(52,349)	(49,843)	(464,581)
Net property, plant and equipment	60,625	63,009	538,028
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 8 and 12)	34,209	35,388	303,594
Investments in and advances to associated companies (Note 12)	29,700	30,588	263,578
Long-term loans	112	156	993
Goodwill (Note 7)	136	189	1,206
Deferred tax assets (Note 11)	645	742	5,724
Other assets	13,499	16,600	119,799
Allowance for doubtful receivables	(4,143)	(4,529)	(36,767)
Total investments and other assets	74,160	79,135	658,146
TOTAL	¥ 660,664	¥ 692,899	$ 5,863,187

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2016

LIABILITIES AND EQUITY	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8, 12 and 13)	¥ **127,991**	¥ 159,943	$ **1,135,880**
Current portion of long-term debt (Notes 8, 12 and 13)	**7,552**	13,110	**67,021**
Payables (Note 12):			
Trade notes (Notes 13 and 14)	**44,182**	52,412	**392,101**
Trade accounts (Notes 13 and 14)	**169,782**	193,689	**1,506,762**
Associated companies	**3,354**	3,777	**29,765**
Other	**1,379**	1,529	**12,238**
Advances from customers	**7,192**	11,542	**63,826**
Income taxes payable (Note 11)	**4,650**	5,756	**41,267**
Accrued expenses	**8,675**	8,563	**76,987**
Asset retirement obligations	**25**	-	**221**
Deferred tax liabilities (Note 11)	**70**	60	**621**
Other	**12,850**	11,632	**114,039**
Total current liabilities	**387,707**	462,018	**3,440,779**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8, 12 and 13)	**71,626**	34,785	**635,658**
Liability for retirement benefits (Note 9)	**2,373**	2,163	**21,059**
Asset retirement obligations	**230**	434	**2,041**
Deferred tax liabilities (Note 11)	**4,047**	5,097	**35,915**
Other	**4,414**	4,706	**39,172**
Total long-term liabilities	**82,692**	47,187	**733,865**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)			
EQUITY (Notes 10 and 16):			
Common stock-authorized, 500,000,000 shares; issued, 309,578,001 shares in 2016 and 309,578,001 shares in 2015	**12,335**	12,335	**109,469**
Capital surplus	**50,649**	50,645	**449,494**
Retained earnings	**101,678**	88,668	**902,360**
Treasury stock - at cost, 431,256 shares in 2016 and 408,443 shares in 2015	**(117)**	(108)	**(1,038)**
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities (Note 3)	**4,817**	5,845	**42,749**
Deferred loss on derivatives under hedge accounting	**(1,272)**	(554)	**(11,288)**
Foreign currency translation adjustments	**5,659**	9,157	**50,221**
Defined retirement benefit plans	**(237)**	786	**(2,103)**
Total	**173,512**	166,774	**1,539,865**
Noncontrolling interests	**16,751**	16,918	**148,659**
Total equity	**190,264**	183,693	**1,688,533**
TOTAL	¥ **660,664**	¥ 692,899	$ **5,863,187**

See notes to consolidated financial statements.

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Income

March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
NET SALES (Note 14)	**¥ 1,930,845**	¥ 2,104,606	**$ 17,135,649**
COST OF SALES (Notes 4 and 14)	**1,798,981**	1,977,338	**15,965,397**
Gross profit	**131,864**	127,268	**1,170,252**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7 and 9)	**103,978**	98,598	**922,772**
Operating income	**27,885**	28,669	**247,470**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,395**	1,322	**12,380**
Interest expense	**(2,584)**	(2,630)	**(22,932)**
Purchase discount	**666**	773	**5,910**
Gain on sales of investment securities-net (Note 3)	**390**	70	**3,461**
Loss on sales of investments in associated companies	**-**	(143)	**-**
Loss on devaluation of investment securities (Note 3)	**(211)**	(234)	**(1,872)**
Impairment losses of fixed assets (Note 5)	**(289)**	(1,709)	**(2,564)**
Equity in earnings of associated companies	**2,305**	990	**20,456**
Gain on change in equity	**93**	98	**825**
Gain on negative goodwill	**-**	125	**-**
Loss on change in equity	**(111)**	-	**(985)**
Loss on liquidation of subsidiaries and affiliates (Note 6)	**(1,852)**	-	**(16,435)**
Other-net	**(642)**	1,404	**(5,697)**
Other income - net	**(842)**	67	**(7,472)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**27,043**	28,736	**239,998**
INCOME TAXES (Note 11):			
Current	**9,739**	10,411	**86,430**
Deferred	**(1,053)**	(121)	**(9,345)**
Total income taxes	**8,686**	10,290	**77,085**
NET INCOME	**18,356**	18,446	**162,903**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INERESTS	**1,027**	1,012	**9,114**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 17,329**	¥ 17,434	**$ 153,789**

PER SHARE OF COMMON STOCK (Note 2.s):	Yen		U.S. Dollars (Note 1)
Basic net income	**¥ 56.1**	¥ 56.4	**$ 0.50**
Cash dividends applicable to the year	**13.5**	12.0	**0.12**

See notes to consolidated financial statements.

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
NET INCOME	**¥ 18,356**	¥ 18,446	**$ 162,903**
OTHER COMPREHENSIVE (LOSS) INCOME (Note 16):			
Unrealized (loss) gain on available-for-sale securities	**(982)**	3,260	**(8,714)**
Deferred loss on derivatives under hedge accounting	**(721)**	(123)	**(6,398)**
Foreign currency translation adjustments	**(1,824)**	5,029	**(16,187)**
Defined retirement benefit plans	**(1,023)**	1,076	**(9,078)**
Share of other comprehensive (loss) income in associated companies	**(1,937)**	2,189	**(17,190)**
Total other comprehensive (loss) income	**¥ (6,490)**	¥ 11,432	**$ (57,596)**
COMPREHENSIVE INCOME	**¥ 11,866**	¥ 29,879	**$ 105,307**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**11,009**	27,336	**97,701**
Noncontrolling interests	**856**	2,542	**7,596**

See notes to consolidated financial statements.

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Changes in Equity

March 31, 2016

	Thousands	Millions of Yen		
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings
BALANCE, APRIL 1, 2014 (as previously reported)	309,200	¥ 12,335	¥ 50,644	¥ 74,398
Cumulative effect of accounting change				583
BALANCE, APRIL 1, 2014 (as restated)	309,200	12,335	50,644	74,982
Net income attributable to owner of the parent				17,434
Cash dividends, ¥12 per share				(3,710)
Effect of change in ownership ratio of an associated company				176
Effect of change in scope of consolidated subsidiaries				9
Change in scope of equity method				(223)
Purchase of treasury stock	(34)			
Disposal of treasury stock	3		0	
Net change in the year				
BALANCE, MARCH 31, 2015 (APRIL 1, 2015, as previously reported)	309,169	12,335	50,645	88,668
Net income attributable to owner of the parent				17,329
Cash dividends, ¥13.5 per share				(4,174)
Effect of change in ownership ratio of an associated company			4	(1)
Effect of change in scope of consolidated subsidiaries				(144)
Purchase of treasury stock	(23)			
Disposal of treasury stock	0		0	
Net change in the year				
BALANCE, MARCH 31, 2016	309,146	¥ 12,335	¥ 50,649	¥ 101,678

	Thousands of U.S. Dollars (Note 1)		
	Common Stock	Capital Surplus	Retained Earnings
BALANCE, MARCH 31, 2015 (APRIL 1, 2015 as previously reported)	$ 109,469	$ 449,458	$ 786,900
Net income attributable to owner of the parent			153,789
Cash dividends, $0.119 per share			(37,042)
Effect of change in ownership ratio of an associated company		35	(8)
Effect of change in scope of consolidated subsidiaries			(1,277)
Purchase of treasury stock			
Disposal of treasury stock		0	
Net change in the year			
BALANCE, MARCH 31, 2016	$ 109,469	449,494	$ 902,360

See notes to consolidated financial statements.

Treasury Stock	Accumulated other comprehensive income (loss): Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
Millions of Yen							
¥ (95)	¥ 2,572	¥ (428)	¥ 3,472	¥ (290)	¥ 142,609	¥ 14,945	¥ 157,554
					583		583
(95)	¥ 2,572	(428)	3,472	(290)	143,193	14,945	158,138
					17,434		17,434
					(3,710)		(3,710)
					176		176
					9		9
					(223)		(223)
(13)					(13)		(13)
0					1		1
	3,272	(126)	5,684	1,076	9,907	1,973	11,881
(108)	5,845	(554)	9,157	786	166,775	16,918	183,693
					17,329		17,329
					(4,174)		(4,174)
					3		3
					(144)		(144)
(9)					(9)		(9)
0					0		0
	(1,027)	(717)	(3,497)	(1,023)	(6,267)	(167)	(6,434)
¥ (117)	¥ 4,817	¥ (1,272)	¥ 5,659	¥ (237)	¥ 173,512	¥ 16,751	¥ 190,264

Treasury Stock	Accumulated other comprehensive income (loss): Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
Thousands of U.S. Dollars (Note 1)							
$ (958)	$ 51,872	$ (4,916)	$ 81,265	$ 6,975	$ 1,480,067	$ 150,141	$ 1,630,218
					153,789		153,789
					(37,042)		(37,042)
					26		26
					(1,277)		(1,277)
(79)					(79)		(79)
0					0		0
	(9,114)	(6,363)	(31,034)	(9,078)	(55,617)	(1,482)	(57,099)
$ (1,038)	$ 42,749	$ (11,288)	$ 50,221	$ (2,103)	$ 1,539,865	$ 148,659	$ 1,688,533

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Cash Flows

March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
OPERATING ACTIVITIES:			
Income before income taxes	¥ **27,043**	¥ 28,736	$ **239,998**
Adjustments for:			
Income taxes-paid	**(10,974)**	(10,111)	**(97,390)**
Depreciation and amortization	**5,855**	5,176	**51,961**
Equity in earnings of associated companies	**(2,305)**	(990)	**(20,456)**
Gain on negative goodwill	**-**	(125)	**-**
Reversal of provision for doubtful receivables	**(632)**	(14)	**(5,608)**
Impairment losses on fixed assets	**289**	1,709	**2,564**
(Gain) loss on sales of securities-net	**(390)**	70	**(3,416)**
Loss on devaluation of investment securities	**211**	234	**1,872**
Gain on sales of property, plant and equipment-net	**-**	(36)	**-**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries			
Decrease (increase) in receivables	**1,750**	(7,494)	**15,530**
Decrease (increase) in inventories	**8,810**	(11,958)	**78,186**
Decrease in payables	**(31,847)**	(8,365)	**(282,632)**
Increase (decrease) in liability for retirement benefits	**163**	(363)	**1,446**
Other-net	**2,172**	8,766	**19,275**
Total adjustments	**(26,896)**	(23,502)	**(238,693)**
Net cash provided by operating activities	**146**	5,234	**1,295**
INVESTING ACTIVITIES:			
Decrease (increase) in time deposits	**747**	(602)	**6,629**
Purchases of property, plant and equipment	**(4,025)**	(6,534)	**(35,720)**
Proceeds from sales of property, plant and equipment	**137**	382	**1,215**
Purchases of intangible assets	**(74)**	(97)	**(656)**
Purchases of investment securities	**(1,268)**	(3,623)	**(11,253)**
Proceeds from sales of investment securities	**861**	317	**7,641**
Purchases of the shares of companies previously unconsolidated	**-**	(717)	**-**
Sales of the shares of companies previously unconsolidated	**-**	(11)	**-**
Decrease (increase) in short-term loans receivable	**110**	(277)	**976**
Payments of long-term loans receivable	**(40)**	(411)	**(354)**
Proceeds from long-term loans receivable	**69**	203	**612**
Other-net	**429**	(196)	**3,807**
Net cash used in investing activities	**(3,054)**	(11,568)	**(27,103)**
FINANCING ACTIVITIES:			
(Decrease) increase in short-term borrowings-net	**(30,193)**	314	**(267,953)**
Proceeds from long-term debt	**44,973**	21,191	**399,121**
Repayments of long-term debt	**(13,669)**	(12,651)	**(121,308)**
Dividends paid	**(4,173)**	(3,709)	**(37,034)**
Dividends paid to noncontrolling interests	**(467)**	(397)	**(4,144)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(447)**	-	**(3,966)**
Other-net	**(877)**	(719)	**(7,783)**
Net cash (used in) provided by financing activities	**(4,855)**	4,027	**(43,086)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(740)**	2,552	**(6,567)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(8,503)**	245	**(75,461)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES BEGINNING OF YEAR	**48**	1,086	**425**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**27,359**	26,027	**242,802**
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ **18,904**	¥ 27,359	$ **167,767**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2016

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which NIPPON STEEL & SUMIKIN BUSSAN CORPORATION (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.68 to $1, the rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements as of March 31, 2016, include the accounts of the Company and its 94 significant (95 in 2015) subsidiaries (collectively, the “Group”).

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 28 (29 in 2015) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the consolidation or equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements – Japanese accounting standards prescribe that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese

GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development (R&D); and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method - Japanese accounting standards require adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method, if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting.

d. Business Combinations - In September 2013, the Accounting Standards Boad of JAPAN (ASBJ) issued revised Japanese Accounting Standards. Major accounting changes are as follows:

(a) Transactions with noncontrolling interest - A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet - In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income - In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination - If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs - Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied retrospectively for all applicable transactions which occurred prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

The effect of this change was immaterial.

e. Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

f. Allowance for Doubtful Receivables - The allowance for doubtful receivables is provided principally at an amount computed based on the actual ratio of bad debts in the past, plus the aggregate amount of estimated losses based on an analysis of certain individual receivables.

g. Inventories - Inventories are principally stated as follows:
Steel products are stated at cost determined by the moving-average method or by the specific identification method. Industrial machinery, nonferrous metals, cast and forged steel production and railway wheels are stated at cost determined by the moving-average method or by the specific identification method. Textiles are stated at cost determined by the first-in, first-out method or by the specific identification method. Food items are stated at cost determined by the specific identification method. Other inventories are stated at cost determined by the moving-average method or by the specific identification method.

h. Marketable and Investment Securities - Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; 2) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and 3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

i. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and 64 (63 in 2015) of its consolidated subsidiaries is computed by the straight-line method based on the estimated useful lives of the assets. Depreciation of property, plant and equipment of 31 (33 in 2015) of its consolidated subsidiaries is computed principally by the declining-balance method at rates based on the estimated useful lives of the assets.

Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

j. Long–Lived Assets - The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. Goodwill - Goodwill is amortized on a straight-line basis over five years.

l. Retirement and Pension Plans - The Company and certain consolidated subsidiaries have non-contributory-funded pension plans covering substantially all of their employees. Certain consolidated subsidiaries have severance payment plans for directors and audit & supervisory board members.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.
The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings.
The effect of this change is immaterial.

m. Asset Retirement Obligations - An asset retirement obligation (ARO) is defined as a legal obligation imposed by either law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The ARO is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the ARO cannot be made in the period the ARO is incurred, the liability should be recognized when a reasonable estimate of the ARO can be made. Upon initial recognition of a liability for an ARO, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Leases - In March 2007, the ASBJ revised the previous accounting standard for lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

o. Income Taxes - The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

p. Foreign Currency Transactions - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign currency forward contracts.

q. Foreign Currency Financial Statements - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income (loss) in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

r. Derivatives and Hedging Activities - The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Derivatives include foreign currency forward contracts, currency swaps, currency options, interest rate swaps and commodity swaps, which are utilized by the Group to reduce foreign currency exchange, interest rate risks and market price. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:
1) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income.
2) For derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures for imports from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Interest rate swaps are utilized to hedge interest rate exposures of short-term borrowings and long-term debt. Commodity swaps are utilized to manage the price fluctuation risk of merchandise. The swaps that qualify for hedge accounting are measured at market value at the balance sheet date, and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

Short-term bank loans are used to fund the Group's ongoing operations, and long-term debt including bank loans are utilized to fund capital investment. Although a portion of such bank loans with floating rates are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include foreign currency forward contracts, currency swaps, currency options and interest rate swaps. Foreign currency forward contracts, currency swaps and currency options are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables, payables and investment for securities in foreign currencies including foreign subsidiaries. Interest rate swaps are used to manage exposure to market risks from changes in interest rates of bank loans. Commodity swaps are used to manage exposure to market risks from fluctuations in merchandise prices.

s. Per Share Information - Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.

The weighted-average number of shares of common stock used in the computation was 309,159 thousand shares for 2016 and 309,186 thousand shares for 2015.

Diluted net income per share is not disclosed because no potentially dilutive securities have been issued. Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

t. New Accounting Pronouncements Tax Effect Accounting - On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Non-current:			
Marketable equity securities	**¥ 22,997**	¥ 23,834	**$ 204,091**
Others	**11,212**	11,554	**99,503**
Total	**¥ 34,209**	¥ 35,388	**$ 303,594**

The costs and aggregate fair values of marketable and investment securities at March 31, 2016 and 2015, were as follows:

	Millions of Yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 16,938**	**¥ 8,796**	**¥ 2,737**	**¥ 22,997**

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 16,806	¥ 8,168	¥ 1,140	¥ 23,834

	Thousands of U.S. Dollars			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 150,319**	**$ 78,061**	**$ 24,290**	**$ 204,091**

The information for available-for-sale securities which were sold during the years ended March 31, 2016 and 2015, is as follows:

	Millions of Yen		
March 31, 2016	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Marketable equity securities	**¥ 394**	**¥ 121**	
Other	**333**	**275**	**¥ 6**
Total	**¥ 727**	**¥ 396**	**¥ 6**

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Marketable equity securities	¥ 294	¥ 58	
Other	19	12	
Total	¥ 314	¥ 70	

March 31, 2016	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Marketable equity securities	$ 3,496	$ 1,073	
Other	2,955	2,440	$ 53
Total	$ 6,451	$ 3,514	$ 53

The impairment losses on available-for-sale marketable equity securities for the years ended March 31, 2016 and 2015, were ¥136 million ($1,206 thousand) and ¥0 million ($0 thousand).
The impairment losses on other available-for-sale equity securities for the years ended March 31, 2016 and 2015, were ¥38 million ($337 thousand) and ¥0 million, respectively.

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Merchandise and finished products	¥ 74,541	¥ 82,151	$ 661,528
Work in process	3,793	3,507	33,661
Raw materials and supplies	18,279	20,616	162,220
Total	¥ 96,614	¥ 106,275	$ 857,419

5. LONG-LIVED ASSETS

The Group recognized impairment losses of ¥931 million ($8,262 thousand) for operating assets for the year ended March 31, 2016, and ¥1,709 million for operating assets for the year ended March 31, 2015.

Impairment losses of ¥641 million ($5,688 thousand) are included in loss on liquidation of subsidiaries and affiliates for the year ended March 31, 2016.

The Company and its consolidated subsidiaries classify fixed assets into groups, at the minimum cash-generating unit level, by the type of the respective business. Certain consolidated subsidiaries classify groups by store. For idle assets, each property is considered to constitute a group.

Due to consecutive operating losses or a significant decrease in the market value of land, the book values of long-lived assets are reduced to the recoverable amounts and the amounts written down are recorded as impairment losses on fixed assets.

The recoverable amounts are calculated based on the higher of net sales value or value in use.

In the case of value in use, the relevant assets are evaluated based on expected future cash flows discounted mainly at 5.30% for the year ended March 31, 2016, and 4.70% for the year ended March 31, 2015.

In the case of net sales value, the relevant assets are evaluated based on publicly assessed values.

6. LOSS ON LIQUIDATION OF SUBSIDIARIES AND AFFILIATES

Loss on liquidation of subsidiaries and affiliates for the year ended March 31, 2016, is loss from liquidation of a whollyowned subsidiary of the Company, and consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Loss on impairment	¥ 641	$ 5,688
Penalties for store closing	373	3,310
Loss on disposal of inventories	229	2,032
Others	608	5,395

7. GOODWILL

Goodwill as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Consolidation goodwill	**¥ 136**	¥ 189	**$ 1,206**
Acquisition goodwill	**0**	0	**0**
Total	**¥ 136**	¥ 189	**$ 1,206**

Amortization charged to selling, general and administrative expense for the years ended March 31, 2016 and 2015, were ¥52 million ($461 thousand) and ¥206 million, respectively.

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Loans, primarily from banks with interest principally at 0.045% to 8.700% in 2016 and 0.144% to 9.800% in 2015:			
Collateralized	**¥ 3,280**	¥ 3,180	**$ 29,108**
Unsecured	**124,711**	156,763	**1,106,771**
Short-term borrowing	**¥ 127,991**	¥ 159,943	**$ 1,135,880**

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Loans, primarily from banks and insurance companies with interest principally at 0.250% to 5.700% in 2016, 0.330% to 2.740% in 2015, due serially through 2017:			
Collateralized	**¥ 63**	¥ 136	**$ 559**
Unsecured	**77,557**	46,202	**688,294**
Obligations under finance leases	**1,557**	1,557	**13,817**
Total	**79,178**	47,895	**702,680**
Less current portion	**(7,552)**	(13,110)	**(67,021)**
Long-term debt, less current portion	**¥ 71,626**	¥ 34,785	**$ 635,658**

The annual maturities of long-term debt excluding finance leases as of March 31, 2016, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 6,780	$ 60,170
2018	3,257	28,904
2019	2,565	22,763
2020	19,338	171,618
2021 and thereafter	45,679	405,386
Total	¥ 77,620	$ 688,853

The carrying amounts of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2016, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investment securities	¥ 901	$ 7,996
Land	961	8,528
Buildings and structures	963	8,546

As is customary in Japan, the Company maintains deposit balances with banks with which it has bank loans. Such deposit balances are not legally or contractually restricted as to withdrawal.

In addition, the bank borrowings are subject to agreements under which collateral must be given if requested by the lending banks, and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the bank concerned. The Company has never received any such request.

9. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees, and certain consolidated subsidiaries have severance payment plans for directors and audit & supervisory board members. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits at March 31, 2016 and 2015, for directors and Audit & Supervisory Board members is ¥493 million ($4,375 thousand) and ¥442 million, respectively.

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at beginning of year (as previously reported)	**¥ 18,002**	¥ 19,200	**$ 59,762**
Cumulative effect of accounting change		(906)	
Balance at beginning of year (as restated)	**18,002**	18,293	**159,762**
Current service cost	**1,131**	1,019	**10,037**
Interest cost	**133**	135	**1,180**
Actuarial difference	**719**	(82)	**6,380**
Benefits paid	**(1,145)**	(1,363)	**(10,161)**
Balance at end of year	**¥ 18,841**	¥ 18,002	**$ 167,208**

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at beginning of year	**¥ 19,485**	¥ 17,947	**$ 172,923**
Expected return on plan assets	**345**	445	**3,061**
Actuarial difference	**(557)**	1,149	**(4,943)**
Contributions from the employer	**298**	881	**2,644**
Benefits paid	**(826)**	(938)	**(7,330)**
Balance at end of year	**¥ 18,744**	¥ 19,485	**$ 166,347**

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Funded defined benefit obligation	**¥ 17,308**	¥ 16,308	**$ 153,603**
Plan assets	**(18,744)**	(19,485)	**(166,347)**
Total	**(1,436)**	(3,177)	**(12,744)**
Unfunded defined benefit obligation	**1,532**	1,694	**13,596**
Net liability (asset) arising from defined benefit obligation	**¥ 96**	¥ (1,482)	**$ 851**

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Liability for retirement benefits	**¥ 1,879**	¥ 1,720	**$ 16,675**
Asset for retirement benefits	**(1,783)**	(3,203)	**(15,823)**
Net liability (asset) arising from defined benefit obligation	**¥ 96**	¥ (1,482)	**$ 851**

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Service cost	**¥ 718**	¥ 749	**$ 6,372**
Interest cost	**133**	135	**1,180**
Expected return on plan assets	**(345)**	(445)	**(3,061)**
Amortization of prior service cost		(34)	
Recognized actuarial difference	**89**	100	**789**
Pension expenses for which the simplified method is applied	**412**	270	**3,656**
Others	**40**	12	**354**
Net periodic benefit costs	**¥ 1,049**	¥ 788	**$ 9,309**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Prior service cost		¥ (34)	
Actuarial difference	**¥ (1,505)**	1,647	**$ (13,356)**
Total	**¥ (1,505)**	¥ 1,613	**$ (13,356)**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrecognized actuarial difference	**¥ 343**	¥ (1,161)	**$ 3,044**
Total	**¥ 343**	¥ (1,161)	**$ 3,044**

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debt investments	**55%**	51%
Equity investments	**30**	34
Others	**15**	15
Total	**100%**	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	**0.5-0.6%**	0.6-1.2%
Expected rate of return on plan assets	**2.0%**	2.0%
	generally	generally
Expected rate of future salary increases	**4.1-6.5%**	4.1-6.5%

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to a number of different taxes based on income, which, in the aggregate, resulted in an effective normal statutory tax rate of approximately 33% and 35% for the years ended March 31, 2016 and 2015, respectively. The consolidated foreign subsidiaries are subject to a number of different taxes based on income at tax rates specific to the rates of each country.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Deferred Tax Assets:			
Inventories	**¥ 1,353**	¥ 1,385	**$ 12,007**
Provision for doubtful receivables	**1,408**	1,725	**12,495**
Excess depreciation	**1,010**	967	**8,963**
Loss on devaluation of investment securities	**453**	467	**4,020**
Loss on devaluation of stock and investments in associated companies	**757**	880	**6,718**
Loss on devaluation of golf club membership	**271**	305	**2,405**
Business taxes payable	**346**	448	**3,070**
Accrued bonuses to employees	**1,061**	1,080	**9,416**
Liability for retirement benefits	**566**	600	**5,023**
Tax loss carryforwards	**2,620**	1,784	**23,251**
Elimination of unrealized gain on inventories	**434**	478	**3,851**
Elimination of unrealized gain on property, plant and equipment	**164**	164	**1,455**
Tax effects attributable to investment in subsidiaries in the course of liquidation	**1,491**	170	**13,232**
Other	**2,359**	1,943	**20,935**
Less valuation allowance	**(5,806)**	(5,354)	**(51,526)**
Total	**¥ 8,495**	¥ 7,049	**$ 75,390**
Deferred Tax Liabilities:			
Net unrealized gain on available-for-sale securities	**¥ 3,997**	¥ 4,613	**$ 35,472**
Unrealized gains on assets and liabilities of consolidated subsidiaries	**533**	552	**4,730**
Undistributed earnings of foreign subsidiaries	**861**	537	**7,641**
Asset for retirement benefits	**240**	830	**2,129**
Other	**1,125**	1,092	**9,984**
Total	**¥ 6,757**	¥ 7,627	**$ 59,966**
Net deferred tax assets (liabilities)	**¥ 1,738**	¥ (577)	**$ 15,424**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2016 and 2015, is as follows:

	2016	2015
Normal effective statutory tax rate	**33.1%**	35.6%
Effect of taxation on dividends eliminated in consolidation	**4.1**	3.7
Non-taxable gain	**(3.4)**	(4.3)
Non-deductible expenses	**0.7**	0.7
Gain and loss on investments from equity method	**(2.8)**	(1.3)
Gain on negative goodwill		(0.2)
Effect of tax rate reduction	**0.2**	0.3
Other-net	**0.2**	1.2
Actual effective tax rate	**32.1%**	35.8%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal years beginning on April 1, 2016 and 2017, to approximately 30.9% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.6%. The effect of these changes was to increase deferred tax assets, net of deferred tax liabilities, by ¥87 million ($772 thousand) and accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥178 million ($1,579 thousand), and to decrease deferred loss on derivatives under hedge accounting by ¥25 million ($221 thousand), and defined retirement benefit plan by ¥4 million ($35 thousand) in the consolidated balance sheet as of March 31, 2016, and to increase income taxes — deferred by ¥61 million ($541 thousand) in the consolidated statement of income for the year then ended.

At March 31, 2016, certain subsidiaries have tax loss carryforwards aggregating approximately ¥7,835 million ($69,533 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 137	$ 1,215
2018	616	5,466
2019	770	6,833
2020	620	5,502
2021	355	3,150
2022	252	2,236
2023	576	5,111
2024	1,623	14,403
2025	2,883	25,585
Total	¥ 7,835	$ 69,533

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group utilizes indirect and direct financing, such as bank loans and liquidation of receivables for working capital including inventory funds and funds of capital investments, positions to secure mobility, reduction of costs and stable procuration as the basic funding policy. In addition, the Group does not invest for speculative purposes because it does not have cash surplus, and uses minimum necessary imprest funds as short-term deposits. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Payment terms of receivables, such as trade notes and trade accounts, are mostly less than one year. They are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables, is hedged by using foreign currency forward contracts. Marketable and investment securities, mainly securities of financial institutions or customers and suppliers of the Group, are additionally exposed to the risk of market price fluctuations. Marketable and investment securities in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

Payment terms of payables, such as trade notes and trade accounts, are mostly less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of receivables, is hedged by using foreign currency forward contracts. Although merchandise which is sold at fixed price is exposed to the risk of market price fluctuations, those risks are hedged by using commodity swaps.

Short-term borrowings are used for the Group’s ongoing operations, and long-term debt, such as bank loans, is utilized to fund capital investment. Although a portion of such bank loans with floating rates is exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps. Although a portion of long-term debt in foreign currency is exposed to market risks of fluctuation in foreign currency exchange rate, those risks are mitigated by using derivatives of currency swaps. Derivatives include foreign currency forward contracts, currency swaps, currency options, interest rate swaps and commodity swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, from changes in interest rates of bank loans, and from fluctuations in merchandise prices. Please see Note 13 for more details of derivatives.

(3) Risk management for financial instruments

(i) Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Company manages its credit risk on the basis of credit management guidelines, which include assessing customers quantitatively and qualitatively by the Credit Control Department to set credit limits. The credit limits are periodically reviewed. The consolidated subsidiaries manage credit risk under similar credit management guidelines.

With respect to derivative transactions, the Company manages its exposure to counterparty risk by limiting its transactions to highcredit rating financial institutions.

(ii) Market risk management (foreign exchange risk and interest rate risk)

The Company and certain consolidated subsidiaries manage the market risk of fluctuation in foreign currency exchange rates of foreign currency trade receivables and payables principally by using foreign currency forward contracts. In addition, foreign exchange risk is hedged by foreign currency forward contracts when foreign currency trade receivables and payables are expected from forecasted transactions.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Marketable and investment securities are managed by monitoring market values and the financial position of issuers periodically, and the Company continuously reviews the status of holding securities by considering its relationship with customers and suppliers of the Group. The loans in foreign currencies are used to manage exposure to the market risk from fluctuation in foreign currency exchange rates of some investment securities in foreign currencies.

Derivative transactions are entered into by the Finance Department under the limits of transactions which are approved at the Board of Directors' meeting based on the internal guidelines which prescribe the limit for each transaction, and the balances of transactions with customers are verified by the Accounting Department. In addition, the consolidated subsidiaries manage derivative transactions based on the Company's internal guidelines.

(iii) Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by the Group's treasury management through its Cash Management System, diversification of financing measures, loans from several financial institutions, and the adjustment for the length of financing from Asset Liability Management. In addition, the Finance Department manages short-term liquidity daily by reviewing the funds, along with renewal of financial planning based on the reports from each section and the Company's subsidiaries.

(4) Fair values of financial instruments

Carrying amounts, fair values and unrealized gain or loss of financial instruments as of March 31, 2016 and 2015, are as follows. Financial instruments whose fair value cannot be reliably determined are not included below. Also, please see Note 13 for the details of fair value for derivatives.

(i) Fair value of financial instruments

March 31, 2016	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	**¥ 18,904**	**¥ 18,904**	
Receivables	**396,709**		
Allowance for doubtful receivables	**(1,380)**		
Receivables-net	**395,328**	**395,328**	
Investment securities	**22,997**	**22,997**	
Investments in unconsolidated subsidiaries and associated companies	**8,324**	**7,283**	**¥ (1,040)**
Total	**¥ 445,555**	**¥ 444,514**	**¥ (1,040)**
Short-term borrowings	**¥ 127,991**	**¥ 127,991**	
Current portion of long-term debt	**7,552**	**7,552**	
Payables	**218,699**	**218,699**	
Long-term debt	**71,626**	**72,780**	**¥ (1,154)**
Total	**¥ 425,869**	**¥ 427,023**	**¥ (1,154)**

March 31, 2015	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	¥ 27,359	¥ 27,359	
Receivables	400,001		
Allowance for doubtful receivables	(1,654)		
Receivables-net	398,347	398,347	
Investment securities	23,834	23,834	
Investments in unconsolidated subsidiaries and associated companies	8,574	12,841	¥ 4,267
Total	¥ 458,116	¥ 462,383	¥ 4,267
Short-term borrowings	¥ 159,943	¥ 159,943	
Current portion of long-term debt	13,110	13,110	
Payables	251,408	251,408	
Long-term debt	34,785	34,883	¥ (97)
Total	¥ 459,248	¥ 459,345	¥ (97)

March 31, 2016	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	**$ 167,767**	**$ 167,767**	
Receivables	**3,520,669**		
Allowance for doubtful receivables	**(12,247)**		
Receivables-net	**3,508,413**	**3,508,413**	
Investment securities	**204,091**	**204,091**	
Investments in unconsolidated subsidiaries and associated companies	**73,872**	**64,634**	**$ (9,229)**
Total	**$ 3,954,162**	**$ 3,944,923**	**$ (9,229)**
Short-term borrowings	**$ 1,135,880**	**$ 1,135,880**	
Current portion of long-term debt	**67,021**	**67,021**	
Payables	**1,940,885**	**1,940,885**	
Long-term debt	**635,658**	**645,899**	**$ (10,241)**
Total	**$ 3,779,455**	**$ 3,789,696**	**$ (10,241)**

Assets

(a) Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

(b) Receivables

The fair values of receivables are measured at the carrying values because the collection term is short. The allowance for doubtful receivables is computed based on the actual ratio of bad debt in the past, plus the aggregate amount of estimated losses based on the analysis of certain individual receivables with recoverable collateral and guarantees. Therefore, the fair values are measured at the quoted price because the fair values are approximately equal to the values, which are deducted from the current estimated bad debts from balance sheet accounts. In addition, a portion of receivables denominated in foreign currencies and hedged by foreign currency forward contracts is translated at the applicable contract rate.

(c) Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 3.

Liabilities

(a) Payables and Short-term borrowings

The carrying values of payables and short-term borrowings approximate fair value because such balances are settled in the short term. In addition, a portion of payables denominated in foreign currencies and hedged by foreign currency forward contracts is translated at the applicable contract rate.

(b) Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the bank loans at the Group's assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 13.

(ii) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Investments in equity instruments that do not have a quoted market price in an active market	**¥ 11,212**	¥ 11,553	**$ 99,503**
Investments in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	**21,156**	21,412	**187,752**

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2016	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**¥ 18,904**			
Receivables	**396,709**			
Total	**¥ 415,614**			

	Millions of Yen			
March 31, 2015	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 27,359			
Receivables	400,001			
Total	¥ 427,361			

	Thousands of U.S. Dollars			
March 31, 2016	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**$ 167,767**			
Receivables	**3,520,669**			
Total	**$ 3,688,445**			

Please see Note 8 for annual maturities of long-term debt.

13. DERIVATIVES

The Group enters into foreign currency forward contracts in the normal course of business to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.
The Group enters into interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities. Interest rate swaps effectively convert some floating rate debt to a fixed basis, or convert some fixed rate debt to a floating basis.
The Group enters into commodity swap agreements as a means of managing the price fluctuation risk of merchandise that is to be sold at fixed price. Commodity swaps effectively convert some quoted prices to fixed prices.

It is the Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Since most of the Group's derivative transactions are related to qualified hedges of underlying business exposures, market gain or loss risk in derivative instruments is basically offset by opposite movements in the value of the hedged assets or liabilities. Also, because the counterparties to those derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount. The basic policies for the use of derivatives are approved by the Board of Directors and the execution and control of derivatives are performed by the Finance Department and monitored by the Corporate Planning Section. Each derivative transaction is periodically reported to management, where evaluation and analysis of such derivatives are performed.

Derivative transactions to which hedge accounting is not applied

March 31, 2016	Millions of Yen Contract Amount		Contract Amount Due after One Year		Fair Value		Unrealized Gain/Loss
Foreign currency forward contracts:							
Selling:							
USD	¥	**139**		¥	**(0)**	¥	**(0)**
JPY		**41**			**(0)**		**(0)**
Buying:							
USD		**2,474**			**9**		**9**
JPY		**210**			**1**		**1**
EUR		**9**			**(0)**		**(0)**
Currency swaps		**705**	¥ **705**		**56**		**56**
Total	¥	**3,580**	¥ **705**	¥	**66**	¥	**66**
Interest rate swaps (fixed-rate payment and floating-rate receipt)	¥	**331**	¥ **331**	¥	**0**	¥	**0**

March 31, 2015	Millions of Yen Contract Amount		Contract Amount Due after One Year		Fair Value		Unrealized Gain/Loss
Foreign currency forward contracts:							
Selling:							
USD	¥	421		¥	(4)	¥	(4)
JPY		39			1		1
Buying:							
USD		2,019			9		9
JPY		201			(12)		(12)
EUR		3			(0)		(0)
Currency swaps		705	¥ 705		30		30
Total	¥	3,390	¥ 705	¥	23	¥	23
Interest rate swaps (fixed-rate payment and floating-rate receipt)	¥	440	¥ 440	¥	0	¥	0

March 31, 2016	Thousands of U.S. Dollars Contract Amount		Contract Amount Due after One Year		Fair Value		Unrealized Gain/Loss
Foreign currency forward contracts:							
Selling:							
USD	$	**1,233**		$	**(0)**	$	**(0)**
JPY		**363**			**(0)**		**(0)**
Buying:							
USD		**21,955**			**79**		**79**
JPY		**1,863**			**8**		**8**
EUR		**79**			**(0)**		**(0)**
Currency swaps		**6,256**	$ **6,256**		**496**		**496**
Total	$	**31,771**	$ **6,256**	$	**585**	$	**585**
Interest rate swaps (fixed-rate payment and floating-rate receipt)	$	**2,937**	$ **2,937**	$	**0**	$	**0**

Derivative transactions to which hedge accounting is applied

March 31, 2016	Hedged Item	Millions of Yen: Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		**¥ 5,902**	**¥ 3,772**	**¥ 115**
EUR		**1,221**	**490**	**34**
RMB		**42**		**(0)**
SGD		**1**		
JPY		**2,481**	**2**	**28**
Buying:	Payables			
USD		**78,202**	**18,452**	**(640)**
EUR		**723**		**(0)**
GBP		**61**		**(1)**
THB		**72**		**(3)**
AUD		**185**	**47**	**10**
RMB		**90**		**(1)**
NOK		**3**		**(0)**
JPY		**10**		**(0)**
Currency swap:	Long-term debt			
USD		**2,000**		
Currency options:				
USD	Payables	**664**		**(14)**
Total		**¥ 91,664**	**¥ 22,763**	**¥ (474)**
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	**¥ 31,099**	**¥ 18,540**	**¥ (81)**
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	**¥ 1,524**	**¥ 511**	**¥ (528)**

March 31, 2015	Hedged Item	Millions of Yen: Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		¥ 13,138	¥ 58	¥ (95)
EUR		2,270	45	40
JPY		1,307	2	0
Buying:	Payables			
USD		81,572	21,644	542
EUR		598		(14)
GBP		45		0
THB		56		0
AUD		136		(3)
RMB		96		1
JPY		1		(0)
Currency swap:	Long-term debt			
USD		4,000	2,000	
Currency options:				
USD	Payables	1,015		7
Total		¥ 104,241	¥ 23,750	¥ 478
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	¥ 34,470	¥ 12,404	¥ (94)
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	¥ 1,798	¥ 646	¥ (363)

March 31, 2016	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		$ 52,378	$ 33,475	$ 1,020
EUR		10,835	4,348	301
RMB		372		(0)
SGD		8		
JPY		22,018	17	248
Buying:	Payables			
USD		694,018	163,755	(5,679)
EUR		6,416		(0)
GBP		541		(8)
THB		638		(26)
AUD		1,641	417	88
RMB		798		(8)
NOK		26		(0)
JPY		88		(0)
Currency swap:	Long-term debt			
USD		17,749		
Currency options:				
USD	Payables	5,892		(124)
Total		$ 813,489	$ 202,014	$ (4,206)
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	$ 275,993	$ 164,536	$ (718)
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	$ 13,525	$ 4,534	$ (4,685)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

14. RELATED PARTY DISCLOSURES

Transactions of the Company with Nippon Steel & Sumitomo Metal Corporation (NSSMC) , which owned 36.9% of the Company's issued shares at March 31, 2016, for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen 2016	 2015	Thousands of U.S. Dollars 2016
Sales	¥ 97,643	¥ 104,004	$ 866,551
Purchases	677,819	782,463	6,015,433

The balances due to or from NSSMC at March 31, 2016 and 2015, were as follows:

	Millions of Yen 2016	 2015	Thousands of U.S. Dollars 2016
Trade receivables	¥ 23,079	¥ 21,573	$ 204,818
Trade payables	17,339	27,100	153,878

Transactions of the Company with subsidiaries of NSSMC for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Nippon Steel & Sumikin Coated Sheet Corporation			
Sales	**¥ 20,742**	¥ 23,748	**$ 184,078**
Purchases	**15,771**	18,374	**139,962**
Nippon Steel & Sumikin Metal Products Corporation			
Purchases	**23,438**	24,443	**208,004**

The balances due to or from these companies at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Nippon Steel & Sumikin Coated Sheet Corporation			
Trade receivables	**¥ 10,572**	¥ 4,322	**$ 93,823**
Trade payables	**5,125**	5,410	**45,482**
Nippon Steel & Sumikin Metal Products Corporation			
Trade payables	**6,576**	5,929	**58,359**

15. CONTINGENT LIABILITIES

At March 31, 2016, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	**¥ 17,365**	**$ 154,108**
Trade notes endorsed	**148**	**1,313**
Guarantees for loans	**3,139**	**27,857**
Maximum amount of obligations to repurchase transferred receivables under certain conditions	**7,300**	**64,785**
Total	**¥ 27,954**	**$ 248,083**

16. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrealized (loss) gain on available-for-sale securities			
(Losses) gains arising during the year	**¥ (1,494)**	¥ 4,647	**$ (13,258)**
Reclassification adjustments to profit or loss	**(38)**	(57)	**(337)**
Amount before income tax effect	**(1,532)**	4,589	**(13,596)**
Income tax effect	**550**	(1,328)	**4,881**
Total	**¥ (982)**	¥ 3,260	**$ (8,714)**
Deferred loss on derivatives under hedge accounting			
Losses arising during the year	**¥ (1,099)**	¥ (257)	**$ (9,753)**
Reclassification adjustments to profit or loss	**78**	96	**692**
Amount before income tax effect	**(1,021)**	(160)	**(9,061)**
Income tax effect	**300**	36	**2,662**
Total	**¥ (721)**	¥ (123)	**$ (6,398)**
Foreign currency translation adjustments			
Adjustments arising during the year	**¥ (1,654)**	¥ 5,019	**$ (14,678)**
Reclassification adjustments to profit or loss	**(166)**		**(1,473)**
Amount before income tax effect	**(1,821)**	5,019	**(16,160)**
Income tax effect	**(3)**	9	**(26)**
Total	**¥ (1,824)**	¥ 5,029	**$ (16,187)**
Defined retirement benefit plan(s)			
Adjustments arising during the year	**¥ (1,595)**	¥ 1,547	**$ (14,155)**
Reclassification adjustments to profit or loss	**89**	65	**789**
Amount before income tax effect	**(1,505)**	1,613	**(13,356)**
Income tax effect	**481**	(536)	**4,268**
Total	**¥ (1,023)**	¥ 1,076	**$ (9,078)**
Share of other comprehensive (loss) income in associated companies			
(Losses) gains arising during the year	**¥ (1,997)**	¥ 2,390	**$ (17,722)**
Reclassification adjustments to profit or loss	**59**	(201)	**523**
Total	**¥ (1,937)**	¥ 2,189	**$ (17,190)**
Total other comprehensive (loss) income	**¥ (6,490)**	¥ 11,432	**$ (57,596)**

17. SUBSEQUENT EVENTS

The Company, at the meeting of the Board of Directors held on May 10, 2016, resolved partial amendment to the Articles of Incorporation for the revision of the number of shares per trading unit from 1,000 to 100 shares, and to submit a proposal of the consolidation of shares by a factor of 10 to 1 and change the total number of authorized shares from 500 million to 50 million of shares. The proposal was approved by resolution at the Annual General Meeting of Shareholders held on June 28, 2016. Partial amendment to the Articles of Incorporation and the consolidation of shares goes into effect at October 1, 2016.

18. SEGMENT INFORMATION

An entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the Steel, Industrial Supply and Infrastructure, Textiles and Foodstuffs segments. Steel consists of various steel products, construction materials, raw materials and machinery products. Industrial Supply and Infrastructure consists of industrial machinery, nonferrous metals, cast and forged steel production and railway wheels. An associated company operates development, sales of industrial park and generation of electric power. Textiles consists of yarns and fabrics, clothing, bedding, interior items, uniforms and undergarments. Foodstuffs consists of beef, pork, mutton, chicken and marine products.

(2) Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies”.

(3) Information about sales, profit (loss), assets and other items

	Millions of Yen						
	2016						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥1,511,100	¥ 93,267	¥ 176,118	¥ 149,043	¥ 1,315		¥1,930,845
Intersegment sales or transfers	937	1,738	4		162	¥ (2,841)	
Total	¥1,512,037	¥ 95,006	¥ 176,122	¥ 149,043	¥ 1,477	¥ (2,841)	¥1,930,845
Segment profit (losses)	¥ 18,439	¥ 3,296	¥ 4,307	¥ 2,841	¥ 142	¥ (1)	¥ 29,025
Segment assets	464,478	59,699	89,947	38,606	5,344	2,588	660,664
Other:							
Depreciation	3,565	562	1,513	201	12		5,855
Amortization of goodwill	47		5				52
Interest income	377	12	25	43	3		461
Interest expense	2,080	86	266	103	47		2,584
Equity in earnings of associated companies	549	1,755	0				2,305
Investments under the equity method	9,661	17,474	238				27,375
Increase in property, plant and equipment and intangible assets	2,795	759	335	205	3		4,100

	Millions of Yen						
	2015						
Sales:	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales to external customers	¥ 1,679,687	¥ 92,498	¥ 178,174	¥ 152,946	¥ 1,298		¥ 2,104,606
Intersegment sales or transfers	703	2,382	3		250	¥ (3,341)	
Total	¥ 1,680,391	¥ 94,881	¥ 178,178	¥ 152,946	¥ 1,549	¥ (3,341)	¥ 2,104,606
Segment profit (losses)	¥ 20,672	¥ 3,112	¥ 3,672	¥ 2,976	¥ 135	¥ 4	¥ 30,573
Segment assets	499,678	54,687	85,935	39,763	5,299	7,535	692,899
Other:							
Depreciation	3,151	472	1,336	202	12		5,176
Amortization of goodwill	47	138	21				206
Interest income	358	41	34	32	1	(46)	422
Interest expense	2,093	109	321	113	32	(40)	2,630
Equity in earnings (losses) of associated companies	839	931	(781)				990
Investments under the equity method	9,958	17,361	299				27,620
Increase in property, plant and equipment and intangible assets	5,139	565	1,216	279	17		7,218

	Millions of Yen						
	2016						
Sales:	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales to external customers	**$13,410,543**	**$ 827,715**	**$1,562,992**	**$1,322,710**	**$ 11,670**		**$17,135,649**
Intersegment sales or transfers	**8,315**	**15,424**	**35**		**1,437**	**$ (25,212)**	
Total	**$13,418,858**	**$ 843,148**	**$1,563,028**	**$1,322,710**	**$ 13,107**	**$ (25,212)**	**$17,135,649**
Segment profit (losses)	**$163,640**	**$ 29,250**	**$ 38,223**	**$ 25,212**	**$ 1,260**	**$ (8)**	**$ 257,587**
Segment assets	**4,122,097**	**529,810**	**798,251**	**342,616**	**47,426**	**22,967**	**5,863,187**
Other:							
Depreciation	**31,638**	**4,987**	**13,427**	**1,783**	**106**		**51,961**
Amortization of goodwill	**417**		**44**				**461**
Interest income	**3,345**	**106**	**221**	**381**	**26**		**4,091**
Interest expense	**18,459**	**763**	**2,360**	**914**	**417**		**22,932**
Equity in earnings of associated companies	**4,872**	**15,575**	**0**				**20,456**
Investments under the equity method	**85,738**	**155,076**	**2,112**				**242,944**
Increase in property, plant and equipment and intangible assets	**24,804**	**6,735**	**2,973**	**1,819**	**26**		**36,386**

Notes for the year ended March 31, 2016

(a) "Other" represents operating segments that are not included in a reportable segment, consisting of real estate and other transactions.

(b) The reconciliation in segment loss of ¥1 million ($8 thousand) represents the elimination of intersegment trades.

(c) The reconciliation in segment assets of ¥2,588 million ($22,967 thousand) represents the result of elimination of intersegment trades of ¥569 million ($5,049 thousand) and the Group's assets of ¥3,157 million ($76,872 thousand) that are not included in a reportable segment. The Group's assets mainly consist of cash and cash equivalents of the Company.

(d) Items causing the difference between the aggregated amounts of segment profit of reportable segments and others, and income before income taxes and minority interests in the consolidated financial statements include mainly the following:

・ ¥289 million ($2,564 thousand) of impairment losses of fixed assets, which is included in other income (expenses)

・ ¥1,852 million ($16,435 thousand) of loss on liquidation of subsidiaries and affiliates, which is included in other income (expenses)

Notes for the year ended March 31, 2015

(a) "Other" represents operating segments that are not included in a reportable segment, consisting of real estate and other transactions.

(b) The reconciliation in segment profit of ¥4 million represents the elimination of intersegment trades.

(c) The reconciliation in segment assets of ¥7,535 million represents the result of elimination of intersegment trades of ¥1,126 million and the Group’s assets of ¥8,662 million that are not included in a reportable segment. The Group’s assets mainly consist of cash and cash equivalents of the Company.

(d) Items causing the difference between the aggregated amounts of segment profit of reportable segments and others, and income before income taxes and minority interests in the consolidated financial statements include mainly the following:

- ¥1,709 million of impairment losses of fixed assets, which is included in other income (expenses)
- ¥214 million of loss on valuation of investments in capital, which is included in other income (expenses)

(4) Information about products and services

This information is included in the operating segment information above because the reportable segments are determined on the basis of products and services.

(5) Information about geographical areas

(i) Sales

Millions of Yen

2016			
Japan	Asia	Others	Total
¥ 1,427,752	**¥ 417,522**	**¥ 85,571**	**¥ 1,930,845**

Millions of Yen

2015			
Japan	Asia	Others	Total
¥ 1,551,272	¥ 463,267	¥ 90,066	¥ 2,104,606

Thousands of U.S. Dollars

2016			
Japan	Asia	Others	Total
$12,670,855	**$ 3,705,378**	**$ 759,416**	**$17,135,649**

Sales are classified by country or region based on the location of customers.

(ii) Property, plant and equipment

Millions of Yen

2016			
Japan	Asia	Others	Total
¥ 38,378	**¥ 13,653**	**¥ 8,593**	**¥ 60,625**

Millions of Yen

2015			
Japan	Asia	Others	Total
¥ 39,235	¥ 15,349	¥ 8,424	¥ 63,009

Thousands of U.S. Dollars

2016			
Japan	Asia	Others	Total
$ 340,592	**$ 121,166**	**$ 76,260**	**$ 538,028**

(6) Information about major customers

Information about major customers is not disclosed because there was no single external customer who accounted for 10% or more of the Group's revenues for the years ended March 31, 2016 and 2015.

(7) Impairment losses of assets are as follows:

	Millions of Yen						
	2016						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets			**¥ 239**	**¥ 50**			**¥ 289**

	Millions of Yen						
	2015						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets	¥ 1,529	¥ 1	¥ 173	¥ 4			¥ 1,709

	Thousands of U.S. Dollars						
	2016						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets			**$ 2,121**	**$ 443**			**$ 2,564**

(8) Amortization of goodwill and goodwill are as follows:

	Millions of Yen						
	2016						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	**¥ 47**		**¥ 5**				**¥ 52**
Goodwill	**136**						**136**

	Millions of Yen						
	2015						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	¥ 47	¥ 138	¥ 21				¥ 206
Goodwill	183		5				189

	Thousands of U.S. Dollars						
	2016						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	**$ 417**		**$ 44**				**$ 461**
Goodwill	**1,206**						**1,206**

(9) Information about negative goodwill by segment

Not applicable for the fiscal years ended March 31, 2016 and 2015.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION:

We have audited the accompanying consolidated balance sheet of NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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. In making those risk assessments, the auditor considers internal control 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 28, 2016

Corporate Data
(As of March 31, 2016)

Date of Establishment
August 2, 1977

Tokyo Head Office
5-27, Akasaka 8-chome, Minato-ku, Tokyo 107-8527
TEL: 81-3-5412-5001
FAX: 81-3-5412-5101

Number of Employees
1,468

Number of Subsidiaries and Associated Companies
125 and 46

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION