Financial Data 2018

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION

Contents

Consolidated Balance Sheet

March 31, 2018

ASSETS	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	¥ **27,879**	¥ 21,889	$ **262,415**
Receivables (Note 12):			
Trade notes (Note 14)	**53,531**	35,319	**503,868**
Trade accounts (Notes 13 and 14)	**402,025**	356,194	**3,784,120**
Associated companies	**18,578**	14,844	**174,868**
Other	**19**	15	**178**
Allowance for doubtful receivables	**(1,323)**	(1,011)	**(12,452)**
Inventories (Notes 4 and 13)	**112,340**	91,675	**1,057,417**
Advances to suppliers	**6,365**	6,083	**59,911**
Deferred tax assets (Note 11)	**4,682**	3,565	**44,070**
Prepaid expenses and other current assets	**8,261**	8,874	**77,757**
Total current assets	**632,360**	537,450	**5,952,183**
PROPERTY, PLANT, AND EQUIPMENT (Notes 5 and 8):			
Land	**21,476**	22,718	**202,146**
Buildings and structures	**39,522**	40,198	**372,006**
Machinery and equipment	**34,239**	34,494	**322,279**
Furniture and fixtures	**10,276**	10,043	**96,724**
Lease assets	**3,399**	3,380	**31,993**
Construction in progress	**943**	904	**8,876**
Total property, plant, and equipment	**109,857**	111,739	**1,034,045**
Accumulated depreciation	**(54,827)**	(53,956)	**(516,067)**
Net property, plant, and equipment	**55,030**	57,783	**517,978**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 8, and 12)	**48,789**	38,763	**459,233**
Investments in and advances to associated companies (Note 12)	**33,821**	29,632	**318,345**
Long-term loans	**56**	71	**527**
Goodwill (Note 7)	**51**	91	**480**
Deferred tax assets (Note 11)	**592**	631	**5,572**
Other assets (Note 9)	**12,582**	11,896	**118,429**
Allowance for doubtful receivables	**(3,136)**	(3,241)	**(29,518)**
Total investments and other assets	**92,757**	77,845	**873,089**
TOTAL	¥ **780,148**	¥ 673,078	**$ 7,343,260**

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2018

LIABILITIES AND EQUITY	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8, 12, and 13)	¥ 129,375	¥ 124,370	$ 1,217,761
Current portion of long-term debt (Notes 8, 12, and 13)	3,355	4,252	31,579
Payables (Note 12):			
Trade notes (Notes 13 and 14)	40,909	38,130	385,062
Trade accounts (Notes 13 and 14)	204,067	182,576	1,920,811
Associated companies	4,874	3,647	45,877
Other	1,624	1,646	15,286
Commercial papers (Notes 8 and 12)	20,000	-	188,253
Advances from customers	14,551	9,434	136,963
Income taxes payable (Note 11)	6,075	3,324	57,181
Accrued expenses	9,919	9,531	93,364
Asset retirement obligations	14	9	131
Deferred tax liabilities (Note 11)	68	79	640
Other	6,541	8,591	61,568
Total current liabilities	441,376	385,594	4,154,518
LONG-TERM LIABILITIES:			
Bonds payable (Notes 8 and 12)	30,000	-	282,379
Long-term debt (Notes 8, 12, and 13)	66,173	68,871	622,863
Liability for retirement benefits (Note 9)	2,630	2,446	24,755
Asset retirement obligations	222	229	2,089
Deferred tax liabilities (Note 11)	7,960	5,911	74,924
Other	3,817	3,838	35,928
Total long-term liabilities	110,803	81,296	1,042,949
COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)			
EQUITY (Notes 10 and 16):			
Common stock	12,335	12,335	116,105
Capital surplus	50,751	50,721	477,701
Retained earnings	131,006	115,308	1,233,113
Treasury stock	(140)	(127)	(1,317)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	11,581	8,266	109,007
Deferred loss on derivatives under hedge accounting	(502)	(355)	(4,725)
Foreign currency translation adjustments	5,190	3,696	48,851
Defined retirement benefit plans	452	61	4,254
Total	210,675	189,906	1,983,010
Noncontrolling interests	17,293	16,280	162,772
Total equity	227,968	206,187	2,145,783
TOTAL	¥ 780,148	¥ 673,078	$ 7,343,260

See notes to consolidated financial statements.

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Income

March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
NET SALES (Note 14)	**¥ 2,062,316**	¥ 1,841,353	**$ 19,411,859**
COST OF SALES (Notes 14)	**1,930,919**	1,713,223	**18,175,065**
Gross profit	**131,396**	128,130	**1,236,784**
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 7 and 9)	**99,081**	97,297	**932,614**
Operating income	**32,314**	30,832	**304,160**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,745**	1,272	**16,425**
Interest expense	**(3,259)**	(2,702)	**(30,675)**
Purchase discount	**549**	479	**5,167**
Gain on sales of investment securities—net (Note 3)	**95**	102	**894**
Loss on devaluation of investment securities (Note 3)	**(618)**	(159)	**(5,817)**
Impairment losses of fixed assets (Note 5)	**(966)**	(1,901)	**(9,092)**
Equity in earnings of associated companies	**3,205**	1,220	**30,167**
Gain on negative goodwill	**-**	41	**-**
Loss on change in equity	**-**	(79)	**-**
Loss on liquidation of subsidiaries and affiliates (Note 6)	**(1,122)**	(238)	**(10,560)**
Other—net	**1,060**	23	**9,977**
Other income—net	**688**	(1,942)	**6,475**
INCOME BEFORE INCOME TAXES	**33,003**	28,890	**310,645**
INCOME TAXES (Note 11):			
Current	**10,377**	8,191	**97,675**
Deferred	**(511)**	1,413	**(4,809)**
Total income taxes	**9,865**	9,605	**92,855**
NET INCOME	**23,137**	19,284	**217,780**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**1,411**	1,046	**13,281**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 21,726**	¥ 18,238	**$ 204,499**

PER SHARE OF COMMON STOCK (Note 2.s):	Yen		U.S. Dollars (Note 1)
Basic net income	**¥ 702.86**	¥ 589.96	**$ 6.61**
Cash dividends applicable to the year	**195.0**	150.0	**1.83**

See notes to consolidated financial statements.

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
NET INCOME	¥ 23,137	¥ 19,284	$ 217,780
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized gain (loss) on available-for-sale securities	3,288	3,423	30,948
Deferred gain (loss) on derivatives under hedge accounting	(149)	915	(1,402)
Foreign currency translation adjustments	132	(1,608)	1,242
Defined retirement benefit plans	390	299	3,670
Share of other comprehensive (loss) in associated companies	1,218	(751)	11,464
Total other comprehensive income (loss)	¥ 4,880	¥ 2,277	$ 45,933
COMPREHENSIVE INCOME	¥ 28,018	¥ 21,562	$ 263,723
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	26,780	20,930	252,070
Noncontrolling interests	1,238	632	11,652

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

March 31, 2018

	Thousands	Millions of Yen		
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings
BALANCE, APRIL 1, 2016	309,146	¥ 12,335	¥ 50,649	¥ 101,678
Net income attributable to owners of the parent				18,238
Cash dividends				(4,637)
Effect of change in ownership ratio of an associated company			70	
Effect of change in scope of consolidated subsidiaries				30
Effect of change in scope of equity method				(0)
Purchase of treasury stock	(11)			
Disposal of treasury stock	1		0	
Consolidation of shares (Note 2.s)	(278,224)			
Net change in the year				
BALANCE, MARCH 31, 2017 (APRIL 1, 2017, as previously reported)	30,912	¥ 12,335	¥ 50,721	¥ 115,308
Net income attributable to owners of the parent				21,726
Cash dividends				(6,028)
Effect of change in ownership ratio of an associated company			30	
Purchase of treasury stock	(2)			
Net change in the year				
BALANCE, MARCH 31, 2018	30,910	¥ 12,335	¥ 50,751	¥ 131,006

	Thousands of U.S. Dollars (Note 1)		
	Common Stock	Capital Surplus	Retained Earnings
BALANCE, APRIL 1, 2017	$ 116,105	$ 477,419	$ 1,085,353
Net income attributable to owners of the parent			204,499
Cash dividends			(56,739)
Effect of change in ownership ratio of an associated company		282	
Purchase of treasury stock			
Net change in the year			
BALANCE, MARCH 31, 2018	$ 116,105	$ 477,701	$ 1,233,113

See notes to consolidated financial statements.

Millions of Yen

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
¥ (117)	¥ 4,817	¥ (1,272)	¥ 5,659	¥ (237)	¥ 173,512	¥ 16,751	¥ 190,264
					18,238		18,238
					(4,637)		(4,637)
					70		70
					30		30
					(0)		(0)
(10)					(10)		(10)
0					0		0
	3,449	916	(1,962)	299	2,702	(471)	2,231
¥ (127)	¥ 8,266	¥ (355)	¥ 3,696	¥ 61	¥ 189,906	¥ 16,280	¥ 206,187
					21,726		21,726
					(6,028)		(6,028)
					30		30
(13)					(13)		(13)
	3,315	(146)	1,494	390	5,053	1,012	6,066
¥ (140)	¥ 11,581	¥ (502)	¥ 5,190	¥ 452	¥ 210,675	¥ 17,293	¥ 227,968

Thousands of U.S. Dollars (Note 1)

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
$ (1,195)	$ 77,804	$ (3,341)	$ 34,789	$ 574	$ 1,787,518	$ 153,237	$ 1,940,766
					204,499		204,499
					(56,739)		(56,739)
					282		282
(122)					(122)		(122)
	31,202	(1,374)	14,062	3,670	47,562	9,525	57,097
$ (1,317)	$ 109,007	$ (4,725)	$ 48,851	$ 4,254	$ 1,983,010	$ 162,772	$ 2,145,783

Consolidated Statement of Cash Flows

March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
OPERATING ACTIVITIES:			
Income before income taxes	¥ 33,003	¥ 28,890	$ 310,645
Adjustments for:			
Income taxes—paid	(7,656)	(9,596)	(72,063)
Depreciation and amortization	5,348	5,605	50,338
Equity in earnings of associated companies	(3,205)	(1,220)	(30,167)
Gain on negative goodwill	-	(141)	-
Provision for doubtful receivables	182	(1,236)	1,713
Impairment losses on fixed assets	966	1,901	9,092
Gain on sales of securities—net	(95)	(102)	(894)
Loss on valuation of investment securities	618	159	5,817
Gain on sales of property, plant, and equipment—net	(427)	(107)	(4,019)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries			
Increase in receivables	(65,409)	(12,130)	(615,672)
Increase (decrease) in inventories	(20,430)	3,997	(192,300)
Increase in payables	22,854	7,835	215,116
Increase in liability for retirement benefits	208	16	1,957
Other—net	4,512	(1,686)	42,469
Total adjustments	(62,532)	(6,607)	(588,591)
Net cash provided by operating activities	(29,528)	22,282	(277,936)
INVESTING ACTIVITIES:			
Decrease in time deposits	188	11	1,769
Purchases of property, plant, and equipment	(5,254)	(4,258)	(49,454)
Proceeds from sales of property, plant, and equipment	2,852	233	26,844
Purchases of intangible assets	(25)	(39)	(235)
Purchases of investment securities	(6,563)	(1,099)	(61,775)
Proceeds from sales of investment securities	370	1,083	3,482
Purchases of the shares of companies previously unconsolidated	-	(336)	-
Decrease in short-term loans receivable	189	155	1,778
Payments of long-term loans receivable	(24)	(30)	(225)
Proceeds from long-term loans receivable	31	56	291
Other—net	(607)	181	(5,713)
Net cash used in investing activities	(8,842)	(4,043)	(83,226)
FINANCING ACTIVITIES:			
Decrease in short-term borrowings—net	5,075	(2,334)	47,769
Proceeds from issuance of commercial papers	20,000	-	188,253
Proceeds from long-term debt	200	1,032	1,882
Repayments of long-term debt	(3,593)	(6,819)	(33,819)
Dividends paid	(6,028)	(4,636)	(56,739)
Dividends paid to noncontrolling interests	(521)	(532)	(4,903)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(27)	(561)	(254)
Proceeds from issuance of bonds	29,857	-	281,033
Other—net	(898)	(936)	(8,452)
Net cash used in financing activities	44,064	(14,788)	414,759
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	107	(581)	1,007
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,800	2,869	54,593
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	-	115	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,889	18,904	206,033
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER OF SUBSIDIARIES	189		1,778
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 27,879	¥ 21,889	$ 262,415

Notes to Consolidated Financial Statements

March 31, 2018

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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2017 consolidated financial statements to conform to the classifications used in 2018.

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 ¥106.24 to $1, the rate of exchange at March 31, 2018. 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, 2018, include the accounts of the Company and its 94 (95 in 2017) significant 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 29 (29 in 2017) 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 – Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," 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 for 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 of accounting.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method –ASBJ Statement No.16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform associates' 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 for 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 of accounting.

d. 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 and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

e. 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.

f. 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, or net selling value.

g. Investment Securities - Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
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.

h. Property, Plant, and Equipment - Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company and 66 (66 in 2017) 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 29 (30 in 2017) of its consolidated subsidiaries is computed principally by the declining-balance method 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.

i. 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.

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

k. Bond Issue Costs - Bond issue costs are charged to income as incurred.

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

m. Asset Retirement Obligations - An asset retirement obligation ("ARO") is recorded for a legal obligation imposed by either law or contract that results from the acquisition, construction, development, and 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 issued ASBJ Statement No.13, "Accounting Standards for Lease Transactions," which 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 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 continues to account for leases that existed at the transition date and that 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.

The Company applied ASBJ Guidance No. 26, “Guidance on Recoverability of Deferred Tax Assets,” effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

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 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, currency options, and some currency swaps 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 and some currency 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. Borrowings denominated in foreign currencies are utilized to hedge foreign currency exposures of securities and Investment in overseas subsidiaries. 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 a deferred gain (loss) under hedge accounting in a separate component of equity. Those interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not re-measured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.
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.

s. Per Share Information - Basic net income per share is computed by dividing net income attributable 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 **30,913** thousand shares and **30,911** thousand shares for the years ended March 31, 2017 and 2018, respectively.

The Company implemented the consolidation of shares of common stock by a factor of 10 to 1 on October 1, 2016, which resulted in the change in the total number of authorized shares from 500,000 thousand shares to 50,000 thousand shares. Earnings per share (basic) is calculated based on the assumption that the consolidation had been implemented at the beginning of the fiscal year ended March 31, 2016.

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, retrospectively adjusted for stock splits and consolidation.

t. New Accounting Pronouncements
On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Noncurrent:			
Marketable equity securities	**¥ 38,536**	¥ 27,470	**$ 362,725**
Others	**10,252**	11,292	**96,498**
Total	**¥ 48,789**	¥ 38,763	**$ 459,233**

The costs and aggregate fair values of marketable and investment securities at March 31, 2018 and 2017, were as follows:

	Millions of Yen			
March 31, 2018	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 22,486**	**¥ 18,196**	**¥ 2,146**	**¥ 38,536**

	Millions of Yen			
March 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 16,306	¥ 13,370	¥ 2,206	¥ 27,470

	Thousands of U.S. Dollars			
March 31, 2018	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 211,652**	**$ 171,272**	**$ 20,199**	**$ 362,725**

The information for available-for-sale securities that were sold during the years ended March 31, 2018 and 2017, is as follows:

	Millions of Yen		
March 31, 2018	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Marketable equity securities	**¥ 26**	**¥ 12**	**¥ 0**
Other	**342**	**112**	**29**
Total	**¥ 369**	**¥ 124**	**¥ 29**

March 31, 2017	Millions of Yen Proceeds		Realized Gains		Realized Losses	
Available-for-sale:						
Marketable equity securities	¥	762	¥	62	¥	156
Other		248		204		8
Total	¥	1,010	¥	267	¥	165

March 31, 2018	Thousands of U.S. Dollars Proceeds		Realized Gains		Realized Losses	
Available-for-sale:						
Marketable equity securities	**$**	**244**	**$**	**112**	**$**	**0**
Other		**3,219**		**1,054**		**272**
Total	**$**	**3,473**	**$**	**1,167**	**$**	**272**

The impairment losses on other available-for-sale equity securities for the years ended March 31, 2018 and 2017, were ¥618 million ($5,817 thousand) and ¥159 million, respectively.

4. INVENTORIES

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

	Millions of Yen				Thousands of U.S. Dollars
		2018		2017	**2018**
Merchandise and finished products	**¥**	**88,344**	¥	73,077	**$ 831,551**
Work in process		**5,155**		3,263	**48,522**
Raw materials and supplies		**18,840**		15,334	**177,334**
Total	**¥**	**112,340**	¥	91,675	**$ 1,057,417**

5. LONG-LIVED ASSETS

The Group recognized impairment losses of ¥966 million ($9,092 thousand) for operating assets for the year ended March 31, 2018, and ¥1,901 million for operating assets for the year ended March 31, 2017.

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 5.7% for the year ended March 31, 2017.

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 years ended March 31, 2018 and 2017, were loss from liquidation of a wholly owned subsidiary of the Company, and consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Loss on valuation of inventories	**¥ 530**		**$ 4,988**
Additional retirement benefits	**¥ 68**	¥ 69	**$ 640**
Others	**523**	168	**4,922**
Total	**¥ 1,122**	¥ 238	**$ 10,560**

7. GOODWILL

Goodwill as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Consolidation goodwill	**¥ 51**	¥ 91	**$ 480**
Total	**¥ 51**	¥ 91	**$ 480**

Amortization charged to selling, general, and administrative expenses for the years ended March 31, 2018 and 2017, was ¥46 million ($432 thousand) and ¥45 million, respectively.

8. SHORT-TERM BORROWINGS, LONG-TERM DEBT, AND BONDS PAYABLE

Short-term borrowings at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Loans, primarily from banks with interest principally at 0.013% to 7.750% in 2018 and 0.019% to 8.050% in 2017:			
Collateralized	**¥ 2,840**	¥ 2,970	**$ 26,731**
Unsecured	**126,535**	121,400	**1,191,029**
Commercial papers, -0.810% to -0.120% in 2018	**20,000**		**188,253**
Total	**¥ 149,375**	¥ 124,370	**$ 1,406,014**

Long-term debt at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Bonds payable			
Unsecured 0.395% Japanese yen bonds payable due in 2018	**¥ 15,000**		**$ 141,189**
Unsecured 0.150% Japanese yen bonds payable due in 2023	**¥ 15,000**		**$ 141,189**
Loans, primarily from banks and insurance companies with interest principally at 0.022% to 2.668% in 2018 and 0.190% to 3.698% in 2017, due serially through 2018:			
Collateralized	**36**	¥ 49	**338**
Unsecured	**68,211**	71,680	**642,046**
Obligations under finance leases	**1,280**	1,394	**12,048**
Total	**99,528**	73,123	**936,822**
Less current portion	**(3,355)**	(4,252)	**(31,579)**
Long-term debt, less current portion	**¥ 96,173**	¥ 68,871	**$ 905,242**

The annual maturities of long-term debt and bonds payable excluding finance leases as of March 31, 2018, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ **2,709**	$ **25,498**
2020	**19,547**	**183,989**
2021	**25,711**	**242,008**
2022	**7,403**	**69,681**
2023	**27,311**	**257,068**
2024 and thereafter	**15,565**	**146,507**
Total	¥ **98,247**	$ **924,764**

The carrying amounts of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2018, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investment securities	¥ **1,097**	$ **10,325**
Land	**884**	**8,320**
Buildings and structures	**955**	**8,989**
Total	¥ **2,937**	$ **27,644**

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 Company integrated the defined benefit pension plan at April 1, 2017, and abolished the retirement lump-sum payment. The Company transferred a portion of its defined benefit pension plan to the defined contribution pension plan. The past service cost incurred by the integration was expensed in the year ended March 31, 2017.

The liability for retirement benefits at March 31, 2018 and 2017, for directors and Audit & Supervisory Board members is ¥523 million ($4,922 thousand) and ¥554 million, respectively.

(1) Defined benefit plan

(a) The changes in defined benefit obligation for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance at beginning of year	**¥ 19,637**	¥ 18,841	**$ 184,836**
Current service cost	**1,407**	1,134	**13,243**
Interest cost	**82**	85	**771**
Actuarial difference	**(143)**	86	**(1,346)**
Benefits paid	**(1,242)**	(1,359)	**(11,690)**
Past service cost	**-**	847	**-**
Balance at end of year	**¥ 19,740**	¥ 19,637	**$ 185,805**

(b) The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance at beginning of year	**¥ 19,026**	¥ 18,744	**$ 179,085**
Expected return on plan assets	**408**	412	**3,840**
Actuarial difference	**312**	257	**2,936**
Contributions from the employer	**773**	573	**7,276**
Benefits paid	**(1,078)**	(961)	**(10,146)**
Balance at end of year	**¥ 19,443**	¥ 19,026	**$ 183,010**

(c) 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, 2018 and 2017, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Funded defined benefit obligation	**¥ 17,786**	¥ 18,036	**$ 167,413**
Plan assets	**(19,443)**	(19,026)	**(183,010)**
Total	**(1,657)**	(990)	**(15,596)**
Unfunded defined benefit obligation	**2,477**	2,154	**23,315**
Net liability arising from defined benefit obligation	**¥ 820**	¥ 1,164	**$ 7,718**

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Liability for retirement benefits	**¥ 2,630**	¥ 2,446	**$ 24,755**
Asset for retirement benefits	**(1,809)**	(1,281)	**(17,027)**
Net liability arising from defined benefit obligation	**¥ 820**	¥ 1,165	**$ 7,718**

(d) The components of net periodic benefit costs for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Service cost	**¥ 921**	¥ 710	**$ 8,669**
Interest cost	**82**	85	**771**
Expected return on plan assets	**(408)**	(412)	**(3,840)**
Recognized actuarial difference	**106**	262	**997**
Prior service cost	**-**	847	**-**
Pension expenses for which the simplified method is applied	**486**	424	**4,574**
Others	**263**	156	**2,475**
Net periodic benefit costs	**¥ 1,451**	¥ 2,075	**$ 13,657**

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2017		**2018**	
Actuarial difference	**¥**	**563**	¥	433	**$**	**5,299**
Total	**¥**	**563**	¥	433	**$**	**5,299**

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2017		**2018**	
Unrecognized actuarial difference	**¥**	**(652)**	¥	(89)	**$**	**(6,137)**
Total	**¥**	**(652)**	¥	(89)	**$**	**(6,137)**

(g) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2018 and 2017, consisted of the following:

	2018	2017
Debt investments	**62%**	54%
Equity investments	**32**	32
Others	**6**	14
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 that are expected currently and in the future from the various components of the plan assets.

(h) Assumptions used for the years ended March 31, 2018 and 2017, were set forth as follows:

	2018	2017
Discount rate	**0.5%**	0.5-0.6%
Expected rate of return on plan assets	**2.0%**	2.0%
Expected rate of future salary increases	**5.1%**	generally 4.1-6.5%

(2) Defined contribution plan

The estimated amount of contribution to the defined contribution plan was ¥267 million ($2,513 thousand) for the year ended March 31, 2018, and ¥206 million for the year ended March 31, 2017.

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. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, 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 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 31% and 31% for the years ended March 31, 2018 and 2017, 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 that resulted in deferred tax assets and liabilities at March 31, 2018 and 2017, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Deferred Tax Assets:			
Inventories	**¥ 1,207**	¥ 1,312	**$ 11,361**
Provision for doubtful receivables	**1,170**	1,113	**11,012**
Excess depreciation	**866**	937	**8,151**
Impairment Loss	**856**	806	**8,057**
Loss on devaluation of investment securities	**458**	334	**4,310**
Loss on devaluation of stock and investments in associated companies	**875**	789	**8,236**
Loss on devaluation of golf club membership	**273**	300	**2,569**
Business taxes payable	**361**	196	**3,397**
Accrued bonuses to employees	**1,173**	1,111	**11,041**
Liability for retirement benefits	**670**	583	**6,306**
Tax loss carryforwards	**1,301**	1,421	**12,245**
Elimination of unrealized gain on inventories	**471**	431	**4,433**
Elimination of unrealized gain on property, plant, and equipment	**164**	164	**1,543**
Tax effects attributable to investment in a subsidiary in the course of liquidation	**752**	268	**7,078**
Other	**2,866**	2,583	**26,976**
Less valuation allowance	**(6,081)**	(5,977)	**(57,238)**
Total	**¥ 7,388**	¥ 6,380	**$ 69,540**
Deferred Tax Liabilities:			
Net unrealized gain on available-for-sale securities	**¥ 6,960**	¥ 5,575	**$ 65,512**
Unrealized gains on assets and liabilities of consolidated subsidiaries	**520**	524	**4,894**
Undistributed earnings of foreign subsidiaries	**1,326**	839	**12,481**
Asset for retirement benefits	**329**	90	**3,096**
Other	**1,005**	1,146	**9,459**
Total	**¥ 10,141**	¥ 8,175	**$ 95,453**
Net deferred tax (liabilities) assets	**¥ (2,753)**	¥ (1,794)	**$ (25,913)**

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, 2018 and 2017, is as follows:

	2018	2017
Normal effective statutory tax rate	**30.9%**	30.9%
Effect of taxation on dividends eliminated in consolidation	**3.3**	3.7
Non-taxable gain	**(3.0)**	(3.0)
Non-deductible expenses	**0.6**	0.6
Gain and loss on investments from equity method	**(3.0)**	(1.3)
Variation Allowance	**1.1**	1.8
Effect of tax rate reduction		
Other-net	**0.0**	0.5
Actual effective tax rate	**29.9%**	33.2%

As of March 31, 2018, certain subsidiaries have tax loss carryforwards aggregating approximately ¥4,458 million ($41,963 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
2019	¥ 708	$ 6,668
2020	582	5,478
2021	453	4,269
2022	551	5,187
2023	530	4,992
2024	22	214
2025	515	4,853
2026	792	7,461
2027	301	2,836
Total	¥ 4,458	$ 41,963

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group utilizes indirect and direct financing, such as bank loans, bonds payable, commercial papers, and liquidation of receivables for working capital including inventory funds and funds of capital investments, positions to secure mobility, reduction of costs, and stable procurement 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 typically 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 that 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 and commercial papers are used for the Group's ongoing operations, and long-term debt, such as bank loans, and bonds payable are 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 rates, 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 on 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 high credit 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 that 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 via the Group's treasury management through its Cash Management System, diversification of financing measures, loans from several financial institutions, and 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, 2018 and 2017, are as follows. Financial instruments whose fair value cannot be reliably determined are not included below. Also, please see Note 13 for details on fair values for derivatives.

(i) Fair value of financial instruments

March 31, 2018	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	¥ 27,879	¥ 27,879	
Receivables	474,153		
Allowance for doubtful receivables	(1,323)		
Receivables—net	472,830	472,830	
Investment securities	38,536	38,536	
Investments in unconsolidated subsidiaries and associated companies	9,526	9,581	¥ 55
Total	¥ 548,771	¥ 548,826	¥ 55
Short-term borrowings	¥ 129,375	¥ 129,375	
Current portion of long-term debt	3,355	3,355	
Commercial papers	20,000	20,000	
Payables	251,476	251,476	
Long-term debt	66,173	66,586	¥ 413
Bonds payable	30,000	29,985	(15)
Total	¥ 500,380	¥ 500,777	¥ 398

March 31, 2017	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	¥ 21,889	¥ 21,889	
Receivables	406,373		
Allowance for doubtful receivables	(1,011)		
Receivables—net	405,362	405,362	
Investment securities	27,470	27,470	
Investments in unconsolidated subsidiaries and associated companies	7,591	7,102	¥ (489)
Total	¥ 462,314	¥ 461,825	¥ (489)
Short-term borrowings	¥ 124,370	¥ 124,370	
Current portion of long-term debt	4,252	4,252	
Payables	226,001	226,001	
Long-term debt	68,871	69,868	¥ (996)
Total	¥ 423,495	¥ 424,492	¥ (996)

March 31, 2018	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	$ 262,415	$ 262,415	
Receivables	4,463,036		
Allowance for doubtful receivables	(12,452)		
Receivables—net	4,450,583	4,450,583	
Investment securities	362,725	362,725	
Investments in unconsolidated subsidiaries and associated companies	89,664	90,182	$ 517
Total	$ 5,165,389	$ 5,165,907	$ 517
Short-term borrowings	$ 1,217,761	$ 1,217,761	
Current portion of long-term debt	31,579	31,579	
Commercial papers	188,253	188,253	
Payables	2,367,055	2,367,055	
Long-term debt	622,863	626,750	$ 3,887
Bonds payable	282,379	282,238	(141)
Total	$ 4,709,902	$ 4,713,638	$ 3,746

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 approximately equal to the values that 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
	2018	2017	**2018**
Investments in equity instruments that do not have a quoted market price in an active market	**¥ 10,252**	¥ 11,292	**$ 96,498**
Investments in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	**24,474**	22,041	**230,365**

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

March 31, 2018	Millions of Yen			
	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	¥ 27,879			
Receivables	474,153			
Total	¥ 502,034			

March 31, 2017	Millions of Yen			
	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	¥ 21,889			
Receivables	406,373			
Total	¥ 428,263			

March 31, 2018	Thousands of U.S. Dollars			
	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	$ 262,415			
Receivables	4,463,036			
Total	$ 4,725,470			

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, 2018	Millions of Yen							
	Contract Amount		Contract Amount Due after One Year		Fair Value		Unrealized Gain/(Loss)	
Foreign currency forward contracts:								
Selling:								
USD	¥	**1,739**			¥	**(3)**	¥	**(3)**
JPY		**34**				**0**		**0**
Buying:								
USD		**4,910**				**(30)**		**(30)**
JPY		**219**				**(3)**		**(3)**
EUR		**5**				**0**		**0**
Currency swaps		**661**				**6**		**6**
Total	¥	**7,570**	¥	**-**	¥	**(30)**	¥	**(30)**
Interest rate swaps (fixed-rate payment and floating-rate receipt)	¥	**135**	¥	**135**	¥	**1**	¥	**1**

March 31, 2017	Millions of Yen							
	Contract Amount		Contract Amount Due after One Year		Fair Value		Unrealized Gain/(Loss)	
Foreign currency forward contracts:								
Selling:								
USD	¥	640			¥	(0)	¥	(0)
JPY		47				0		0
Buying:								
USD		2,989				27		27
JPY		237				(17)		(17)
Currency swaps		681	¥	681		35		35
Total	¥	4,595	¥	681	¥	45	¥	45
Interest rate swaps (fixed-rate payment and floating-rate receipt)	¥	189	¥	186	¥	1	¥	1

March 31, 2018	Thousands of U.S. Dollars							
	Contract Amount		Contract Amount Due after One Year		Fair Value		Unrealized Gain/(Loss)	
Foreign currency forward contracts:								
Selling:								
USD	$	**16,368**			$	**(28)**	$	**(28)**
JPY		**320**				**0**		**0**
Buying:								
USD		**46,216**				**(282)**		**(282)**
JPY		**2,061**				**(28)**		**(28)**
EUR		**47**				**0**		**0**
Currency swaps		**6,221**				**56**		**56**
Total	$	**71,253**			$	**(282)**	$	**(282)**
Interest rate swaps (fixed-rate payment and floating-rate receipt)	$	**1,270**	$	**1,270**	$	**9**	$	**9**

Derivative transactions to which hedge accounting is applied

March 31, 2018	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Millions of Yen Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		**¥ 6,084**	**¥ 406**	**¥ 84**
EUR		**582**	**112**	**6**
RMB		**157**		**0**
JPY		**3,614**		**(0)**
Buying:	Payables			
USD		**71,775**	**21,391**	**(343)**
EUR		**306**		**(3)**
GBP		**132**		**(1)**
THB		**59**		**(0)**
AUD		**269**	**22**	**(4)**
RMB		**96**		**(0)**
NOK		**3**		**0**
CZK		**0**		
Currency options:				
USD	Payables	**755**		**(7)**
Total		**¥ 83,838**	**¥ 21,933**	**¥ (270)**
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	**¥ 9,000**	**¥ 3,000**	**¥ (11)**
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	**¥ 203**		**¥ 72**

March 31, 2017	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Millions of Yen Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		¥ 8,415	¥ 59	¥ (18)
EUR		1,420	363	41
RMB		56		0
SGD		7		
JPY		2,636		(152)
Buying:	Payables			
USD		73,031	18,202	121
EUR		977		25
GBP		164		(10)
THB		66		0
AUD		251	18	6
RMB		78		(0)
NOK		2		(0)
CAD		1		0
JPY		20		(0)
Currency options:				
USD	Payables	597		(3)
Total		¥ 87,728	¥ 18,643	¥ 10
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	¥ 26,324	¥ 18,500	¥ (28)
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	¥ 929	¥ 144	¥ (21)

March 31, 2018	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		$ 57,266	$ 3,821	$ 790
EUR		5,478	1,054	56
RMB		1,477		0
JPY		34,017		(0)
Buying:	Payables			
USD		675,592	201,346	(3,228)
EUR		2,880		(28)
GBP		1,242		(9)
THB		555		(0)
AUD		2,532	207	(37)
RMB		903		(0)
NOK		28		0
CZK		0		
Currency options:				
USD	Payables	7,106		(65)
Total		$ 789,137	$ 206,447	$ (2,541)
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	$ 84,713	$ 28,237	$ (103)
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	$ 1,910	$	$ 677

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

The contract or notional amounts of derivatives that are shown in the table above 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 36.04% of the Company's issued shares at March 31, 2018, for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Sales	**¥ 115,954**	¥ 97,504	**$ 1,091,434**
Purchases	**736,979**	645,401	**6,936,925**

The balances due to or from NSSMC at March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Trade receivables	**¥ 31,006**	¥ 25,386	**$ 291,848**
Trade payables	**16,852**	18,003	**158,621**

15. CONTINGENT LIABILITIES

At March 31, 2018, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	**¥ 25,488**	**$ 239,909**
Trade notes endorsed	**146**	**1,374**
Guarantees for loans	**2,784**	**26,204**
Maximum amount of obligations to repurchase transferred receivables under certain conditions	**6,989**	**65,785**
Total	**¥ 35,409**	**$ 333,292**

16. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unrealized gain (loss) on available-for-sale securities			
Gains arising during the year	**¥ 4,671**	¥ 5,204	**$ 43,966**
Reclassification adjustments to profit or loss	**12**	(187)	**112**
Amount before income tax effect	**4,683**	5,016	**44,079**
Income tax effect	**(1,395)**	(1,592)	**(13,130)**
Total	**¥ 3,288**	¥ 3,423	**$ 30,948**
Deferred gain (loss) on derivatives under hedge accounting			
Losses (gains) arising during the year	**¥ (230)**	¥ 1,316	**$ (2,164)**
Reclassification adjustments to profit or loss	**12**	15	**112**
Amount before income tax effect	**(217)**	1,332	**(2,042)**
Income tax effect	**68**	(417)	**640**
Total	**¥ (149)**	¥ 915	**$ (1,402)**
Foreign currency translation adjustments			
Adjustments arising during the year	**¥ 117**	¥ (1,614)	**$ 1,101**
Reclassification adjustments to profit or loss			
Amount before income tax effect	**117**	(1,614)	**1,101**
Income tax effect	**15**	6	**141**
Total	**¥ 132**	¥ (1,608)	**$ 1,242**
Defined retirement benefit plan(s)			
Adjustments arising during the year	**¥ 446**	¥ 175	**$ 4,198**
Reclassification adjustments to profit or loss	**116**	257	**1,091**
Amount before income tax effect	**563**	433	**5,299**
Income tax effect	**(172)**	(133)	**(1,618)**
Total	**¥ 390**	¥ 299	**$ 3,670**
Share of other comprehensive income (loss) in associated companies			
Gains (losses) arising during the year	**¥ 1,218**	¥ (728)	**$ 11,464**
Reclassification adjustments to profit or loss		(22)	
Total	**¥ 1,218**	¥ (751)	**$ 11,464**
Total other comprehensive income	**¥ 4,880**	¥ 2,277	**$ 45,933**

17. 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 for which 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. As such, 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, 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

	2018						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales:							
Sales to external customers	**¥ 1,674,997**	**¥ 88,976**	**¥ 153,671**	**¥ 143,148**	**¥ 1,522**		**¥ 2,062,316**
Intersegment sales or transfers	**873**	**957**	**5**		**165**	**¥ (2,002)**	
Total	**¥ 1,675,870**	**¥ 89,934**	**¥ 153,676**	**¥ 143,148**	**¥ 1,688**	**¥ (2,002)**	**¥ 2,062,316**
Segment profit (losses)	**¥ 25,396**	**¥ 3,711**	**¥ 3,492**	**¥ 2,491**	**¥ 96**	**¥ (0)**	**¥ 35,188**
Segment assets	**577,060**	**61,716**	**84,762**	**42,711**	**3,557**	**10,340**	**780,148**
Other:							
Depreciation	**3,280**	**734**	**1,205**	**115**	**13**		**5,348**
Amortization of goodwill	**45**			**0**			**46**
Interest income	**332**	**7**	**20**	**20**	**1**		**382**
Interest expense	**2,615**	**134**	**294**	**169**	**46**		**3,259**
Equity in earnings of associated companies	**921**	**2,285**	**(0)**				**3,205**
Investments under the equity method	**10,760**	**20,839**	**104**				**31,704**
Increase in property, plant, and equipment and intangible assets	**3,751**	**974**	**397**	**123**	**32**		**5,280**

Millions of Yen

	2017						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 1,448,405	¥ 86,396	¥ 160,895	¥ 144,189	¥ 1,465		¥ 1,841,353
Intersegment sales or transfers	854	1,172	3	0	184	¥ (2,216)	
Total	¥ 1,449,260	¥ 87,568	¥ 160,899	¥ 144,190	¥ 1,650	¥ (2,216)	¥ 1,841,353
Segment profit	¥ 19,657	¥ 2,290	¥ 5,471	¥ 3,373	¥ 114	¥ 7	¥ 30,915
Segment assets	487,277	56,547	80,539	38,881	5,077	4,755	673,078
Other:							
Depreciation	3,598	679	1,156	156	13		5,605
Amortization of goodwill	45						45
Interest income	294	12	22	25	2		357
Interest expense	2,231	152	225	47	46		2,702
Equity in earnings of associated companies	559	656	4				1,220
Investments under the equity method	9,797	17,597	162				27,557
Increase in property, plant, and equipment and intangible assets	2,512	1,028	665	91	0		4,298

	Thousands of U.S. Dollars						
	2018						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales:							
Sales to external customers	$15,766,161	$ 837,500	$1,446,451	$1,347,402	$ 14,326		$19,411,859
Intersegment sales or transfers	8,217	9,007	47	-	1,553	$ (18,844)	
Total	$15,774,378	$ 846,517	$1,446,498	$1,347,402	$ 15,888	$ (18,844)	$19,411,859
Segment profit (losses)	$ 239,043	$ 34,930	$ 32,868	$ 23,446	$ 903	$ (0)	$ 331,212
Segment assets	5,431,664	580,911	797,835	402,023	33,480	97,326	7,343,260
Other:							
Depreciation	30,873	6,908	11,342	1,082	122		50,338
Amortization of goodwill	423			0			423
Interest income	3,125	65	188	188	9		3,595
Interest expense	24,614	1,261	2,767	1,590	432		30,675
Equity in earnings of associated companies	8,669	21,507	(0)				30,167
Investments under the equity method	101,280	196,150	978				298,418
Increase in property, plant, and equipment and intangible assets	35,306	9,167	3,736	1,157	301		49,698

Notes for the year ended March 31, 2018

(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 ¥ -0 million ($-0 thousand) represents the elimination of intersegment trades.

(c) The reconciliation in segment assets of ¥10,340 million ($97,326 thousand) represents the result of elimination of intersegment trades of ¥420 million ($3,953 thousand) and the Group's assets of ¥10,760 million ($101,280 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:

・ ¥966 million ($9,092thousand) of impairment losses of fixed assets, which is included in other income (expenses)

・ ¥1,122 million ($10,560thousand) of loss on liquidation of subsidiaries and affiliates, which is included in other income (expenses)

Notes for the year ended March 31, 2017

(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 ¥7 million represents the elimination of intersegment trades.

(c) The reconciliation in segment assets of ¥4,755 million represents the result of elimination of intersegment trades of ¥406 million and the Group's assets of ¥5,161 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:

・ ¥1,901 million of impairment losses of fixed assets, which is included in other income (expenses)

・ ¥238 million of loss on liquidation of subsidiaries and affiliates, which is included in other income (expenses)

(4) Information about products and services

See operating segments 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			
2018			
Japan	Asia	Others	Total
¥ 1,508,632	**¥ 459,729**	**¥ 93,953**	**¥ 2,062,316**

Millions of Yen			
2017			
Japan	Asia	Others	Total
¥ 1,360,827	¥ 398,934	¥ 81,591	¥ 1,841,353

Thousands of U.S. Dollars			
2018			
Japan	Asia	Others	Total
$14,200,225	**$ 4,327,268**	**$ 884,346**	**$19,411,859**

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

(ii) Property, plant, and equipment

Millions of Yen			
2018			
Japan	Asia	Others	Total
¥ 35,972	**¥ 10,513**	**¥ 8,544**	**¥ 55,030**

Millions of Yen			
2017			
Japan	Asia	Others	Total
¥ 37,628	¥ 11,663	¥ 8,490	¥ 57,783

Thousands of U.S. Dollars			
2018			
Japan	Asia	Others	Total
$ 338,591	**$ 98,955**	**$ 80,421**	**$ 517,978**

(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, 2018 and 2017.

(7) Impairment losses of assets are as follows:

	Millions of Yen						
	2018						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets	**¥ 928**			**¥ 37**			**¥ 966**

	Millions of Yen						
	2017						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets	¥ 1,392	¥ 60	¥ 358	¥ 89			¥ 1,901

	Thousands of U.S. Dollars						
	2018						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets	**$ 8,734**			**$ 348**			**$ 9,092**

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

	Millions of Yen						
	2018						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	**¥ 45**			**¥ 0**			**¥ 46**
Goodwill	**45**			**6**			**51**

	Millions of Yen						
	2017						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	¥ 45						¥ 45
Goodwill	91						91

	Thousands of U.S. Dollars						
	2018						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	**$ 423**			**$ 0**			**$ 432**
Goodwill	**423**			**56**			**480**

(9) Information about negative goodwill by segment

Not applicable for the fiscal years ended March 31, 2018 and 2017.

18. SUBSEQUENT EVENTS

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION adopted a resolution at its Board of Directors' meeting held on September 29, 2017, to acquire part of the steel products business of Mitsui & Co., Ltd. (hereinafter called "Mitsui & Co.") and its associated company, Mitsui & Co. Steel Ltd. (hereinafter called "Mitsui & Co. Group" in conjunction with Mitsui & Co.), (hereinafter called the "Business Acquisition") and to issue new shares to Mitsui & Co. through a third-party allotment (hereinafter called the "Third-Party Allotment") in order to strengthen the capital relationship between the companies. The payment procedures for the Business Acquisition and the Third-Party Allotment were completed in April 2018. Also, in accordance with the Business Acquisition, the Company acquired the shares of the companies related to this business from Mitsui & Co. Group.

a. Outline of the Business Acquisition

(1) Name of acquired company and its business outline

Acquisition of a part of the business related to the sale and purchase of various steel products, operated by Mitsui & Co. Group both in Japan and overseas, and the acquisition of shares of steel materials sales and processing companies related to the business

(2) Major reason for the Business Acquisition

By deepening the collaborative relationship with Mitsui & Co. as a result of this business acquisition, in particular, the Company aims to realize further improvement of customer satisfaction factories, competitiveness, and expansion of the steel business, and acceleration of global strategy.

(3) Date of Business Acquisition

April 1, 2018

(4) Legal form of Business Acquisition

Business acquisition and share acquisition in consideration for cash.

b. Acquisition cost of the Business Acquisition and related details of each class of consideration

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition – Cash	¥ 67,911	$ 639,222
Acquisition cost	¥ 67,911	$ 639,222

c. Major acquisition-related costs

Advisory fees and commission: ¥189 million ($ 1,778 thousand)

d. Amount of negative goodwill and reasons for the negative goodwill

(1) Amount of negative goodwill

¥ 1,318 million ($ 12,405 thousand)

(2) Reasons for the negative goodwill

Negative goodwill incurred is the amount calculated by the market price of the acquired business assets and liabilities at the date of the business combination and the market price of the acquired shares that exceeded the acquisition cost.

e. The assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 109,286	$ 1,028,670
Fixed assets	2,234	21,027
Total assets acquired	¥ 111,520	$ 1,049,698
Current liabilities	¥ 42,464	$ 399,698
Long-term liabilities	72	677
Total liabilities assumed	¥ 42,536	$ 400,376

f. Issue and payment of new shares

(1) Payment date

April 2, 2018

(2) Number of shares to be newly issued

1,350,000 shares of common stock

(3) Issue price

6,006 yen per share ($ 56)

(4) Amount to be procured

¥8,108 million ($ 76,317 thousand)

(5) Amount included in capital

¥4,054 million ($ 38,158 thousand)

(6) Method of offering or allotment

All of the newly issued shares were allotted to Mitsui & Co. by the Third-Party Allotment.

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, 2018, 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, 2018, 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, 2018

Corporate Data
(As of March 31, 2018)

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

1,518

Number of Subsidiaries and Associated Companies

123 and 44

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION