Matters Excluded from Paper-Based Documents Delivered to Shareholders

100th Fiscal Year (April 1, 2023 - March 31, 2024)

(i) Notes to the Consolidated Financial Statements

(ii) Notes to the Non-consolidated Financial Statements

Mitsubishi Steel Mfg. Co., Ltd.

Pursuant to the provisions of laws and regulations and Article 14 of the Articles of Incorporation, among the matters for which measures for providing information in electronic format are to be taken, matters not provided in the paper-based documents delivered to shareholders are posted in this information.

Notes to the Consolidated Financial Statements

(April 1, 2023 - March 31, 2024)

(Notes on Significant Information Regarding the Preparation of Consolidated Financial Statements)

1. Scope of consolidation

   (1) Number of consolidated subsidiaries: 18

   Names of major consolidated subsidiaries:

   - MSSC CANADA INC.
   - MSSC US INC.
   - MSSC Ahle GmbH
   - MSM NINGBO SPRING CO., LTD.
   - MSM Philippines Mfg. INC.
   - MSM SPRING INDIA PVT. LTD.
   - MSSC MFG MEXICANA, S.A. DE C.V.
   - MSM (THAILAND) CO., LTD.
   - PT. JATIM TAMAN STEEL MFG.
   - Mitsubishi Steel Muroran Inc.
   - Mitsubishi Nagasaki Machinery Mfg. Co., Ltd.
   - Ryokoh Express Co., Ltd.

2. Application of the equity method

   (1) Number of affiliates accounted for under the equity method: 3

   Name of affiliates accounted for under the equity method:

   - Hokkai Iron & Coke Corporation
   - CROFT PROPERTIES HOLDINGS, INC.
   - Stumpp Schuele & Somappa Auto Suspension Systems Pvt. Ltd.

   (2) Affiliate not accounted for under the equity method:

   Name of major affiliate: Dai-ichi Heat Muroran Co., Ltd.

   Companies not accounted for under the equity method are excluded from the scope of application of the equity method as their impact on net income (amount corresponding to interests), retained earnings (amount corresponding to interests), etc. is not only minuscule individually but is also insignificant as a whole.

3. Matters for the fiscal year for consolidated subsidiaries

Shown below are consolidated subsidiaries with a balance sheet date other than the balance sheet date for the Company's consolidated accounts (March 31 of each year):

	Closing date
PT. JATIM TAMAN STEEL MFG.	December 31
MSSC MFG MEXICANA, S.A. DE C.V.	December 31
MSM NINGBO SPRING CO., LTD.	December 31
Shanghai Ryoutan Machinery Co., Ltd.	December 31
MSSC Ahle GmbH	December 31
MSM (THAILAND) CO., LTD.	February 29

In preparing consolidated financial statements, the Company uses data as of the subsidiary's closing date, and makes the necessary adjustments to reflect important transactions that occurred between the subsidiary's closing date and the consolidation date.

4. Accounting policies

(1) Valuation standards and methods of principal assets

(i) Securities

Available-for-sale securities

Those other than stocks, etc. for which market prices are not available:

The present market value is recorded based on the market prices, etc., on the last day of the period. (Valuation differences are incorporated into net assets in full. Selling prices were computed based on the moving-average method.)

Stocks, etc. for which market prices are not available:

Stated at cost mainly using the moving-average method.

(ii) Derivatives: Market value method

(iii) Inventories: Stated at cost based mainly on the periodic average method (method in which book values are lowered based on declines in profitability).

(2) Depreciation and amortization methods of principal depreciable assets

(i) Property, plant and equipment (excluding leased assets):

The Company depreciates property, plant and equipment (excluding leased assets) using mainly the declining-balance method.

The range of useful lives of main property, plant and equipment is as follows:

Buildings and structures
8 - 33 years

Machinery, equipment and vehicles
4 - 14 years

(ii) Intangible assets (excluding leased assets):

The Company amortizes intangible assets (excluding leased assets) using the straight-line method.

The range of useful lives and the amortization period of main intangible assets are as follows:

Software (in-house use)
5 years

(iii) Leased assets (including right-of-use assets):

Leased assets associated with finance leases in which ownership of the leased assets is not transferred to the lessee.

The straight-line method is used assuming the lease period equals the estimated useful life and the residual value at the end of the lease term is nil.

The financial statements of overseas consolidated subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS") and U.S. Generally Accepted Accounting Principles ("GAAP"). International Financial Reporting Standard 16 Leases ("IFRS 16") and U.S. Accounting Standard Update (ASU) 2016-02 Leases ("ASU 2016-02") were applied to the subsidiaries.

Under IFRS 16 and ASU 2016-02, any lease for a lessee is recorded under assets or liabilities on the balance sheet as a general rule. The straight-line method is used for amortizing right-of-use assets recorded under assets.

In addition, in "(Lease transactions)", lease transactions under IFRS 16 and ASU 2016-02 are classified into finance leases in which ownership of the leased assets is not transferred to the lessee.

(3) Accounting standards for principal provisions and allowances

(i) Allowance for doubtful accounts:

In order to provide for potential credit losses due to accounts receivable being difficult to collect, loans receivable, etc., allowances of the estimated unrecoverable amounts are reported based on historical loan loss rates for general claims, and on an individual basis for specific receivables including doubtful receivables.

(ii) Provision for directors' retirement benefits:

With respect to some consolidated subsidiaries, in order to provide for the payment of retirement benefits for directors, an allowance in the amount to be paid at the end of the fiscal year is reported as required by internal rules.

(iii) Provision for loss on business liquidation:

Expected amount at the end of the current consolidated fiscal year is recorded in order to prepare for the benefits paid to employees who have been employed for a certain period which will arise in the future due to restructuring of a production system in the North America consolidated subsidiary.

(4) Other significant information for the preparation of Consolidated Financial Statements

(i) Hedge accounting method:

Deferral hedge accounting is used. In addition, special treatment is applied to interest rate swap contracts that meet the requirements for special treatment.

(ii) Accounting method for retirement benefits:

In order to provide for the payment of employee retirement benefits, the Company reports the amount of the retirement benefit obligations less pension assets at the end of the consolidated fiscal year under review as net defined benefit liability (or net defined benefit asset if the amount of pension assets exceeds the amount of retirement benefit obligations).

In the calculation of retirement benefit obligations, the benefit formula has been used to attribute expected benefits to periods until the end of the consolidated fiscal year under review.

Prior service costs are expensed using the straight-line method based on a certain number of years (mainly 12 years) within the average remaining service years of the employees when incurred in each fiscal year.

Actuarial differences are expensed from the following fiscal year as incurred using the straight-line method based on a certain number of years (mainly 12 years) within the average remaining services years of the employees when incurred in each fiscal year.

Unrecognized actuarial differences and unrecognized prior service costs have been recorded under remeasurements of defined benefit plans under accumulated other comprehensive income in net assets upon adjustment of tax effects.

In some of the Company's subsidiaries in North America, non-pension post-retirement health benefits are treated similarly to retirement benefits, i.e. their total amounts are estimated and allocated on the basis of the employee's years of service, and due to their similar nature to retirement benefits, have been included in net defined benefit liability.

(iii) Recording standards of revenue related to sales of products:

We and our consolidated subsidiaries manufacture and sell specialty steel, springs, fabricated materials, etc., and with respect to sales of such products, we have performance obligations to deliver products, etc., based on sales agreements with customers.

We determine that the performance obligations are fulfilled at the time the customer obtains control over such products and we recognize the revenue of such products.

For domestic sales, revenue is recognized at the time of shipment because the period from the time of shipment until control of the product is transferred to the customer is normal.

For export sales, revenue is recognized in accordance with the export terms as the timing of when the customer obtains control varies depending on the export terms.

Revenue is measured by deducting discounts, rebates, returns, etc. from the consideration promised under contracts with customers.

(iv) Recording standards of revenue related to construction contract:

The Machinery Business has performance obligations to deliver products, etc., based on sales agreements with customers for construction contracts.

We estimate the progress of the fulfillment of performance obligations for each contract and recognizes revenue based on the progress.

(Significant accounting estimates)

1. Asset impairment for the springs business of MSSC Ahle GmbH.

(1) Outline of the business

MSSC Ahle GmbH (hereinafter referred to as “Ahle”) is a Germany base for the spring business which manufactures and sells automotive springs, and mainly owns spring production facilities.

(2) The values of the assets as recorded in consolidated financial statements

Buildings and structures	¥458 million
Machinery, equipment and vehicles	¥269 million
Land	¥246 million
Other property, plant and equipment	¥16 million
Other intangible assets	¥3 million
Impairment loss	¥1,069 million

(3) Information on significant accounting estimates for items identified

(i) Conclusion about impairment in the business

Ahle's assets are reviewed for impairment in accordance with International Financial Reporting Standards (“IFRS”) adopted by Ahle, and as our group makes grouping on the smallest unit that generates a cash flow with a basic unit of business and base adopted for internal management purposes, Ahle, which operates a spring business in Germany, is classified as one asset group.

Ahle’s operating loss continued due to surging costs including raw material and energy prices, the delay of the application of the revision of sales prices reflecting soaring costs, etc., and the decline in sales volume due to stagnant demand.

Ahle has continued to record operating losses in the current consolidated fiscal year, and prospects for a recovery in order volume are uncertain, so we identified indicators of impairment.

The recoverable value of Ahle's spring production facilities and the asset group’s book value as compared showed the former to be lower than the latter, so management concluded it was necessary to record impairment loss.

(ii) Estimation of the recoverable value for the assets

Recoverable value is calculated as the higher of the value in use and fair value less costs of disposal. At the impairment test at the end of the fiscal year, since fair value less costs of disposal computed based on the appraisal value, etc., is lower than book value, impairment loss was recorded.

For value in use, discounted future cash flow was estimated on the basis of the business plan. The business plan was created in total consideration of external information such as on the operating environment, internal information, volume of sales on orders and sales prices, etc., and by using assumptions involved based on the Company's latest sales plans.

The estimate may be affected by the uncertain fluctuation of economic conditions in the future. If revision of assumptions and preconditions used for the estimate is required, the Company would potentially record new impairment loss in the following consolidated fiscal year.

2. Asset impairment for the springs business of MSM NINGBO SPRING CO., LTD.

(1) Outline of the business

MSM NINGBO SPRING CO., LTD. (MSM NINGBO) is a China base for the spring business which manufactures and sells automotive springs, construction machinery springs, stabilizers and assemblies thereof, and mainly owns spring manufacturing facilities.

(2) The values of the assets as recorded in consolidated financial statements

Buildings and structures	¥607 million
Machinery, equipment and vehicles	¥69 million
Other property, plant and equipment	¥23 million
Other intangible assets	¥2 million
Impairment loss	¥246 million

(3) Information on significant accounting estimates for items identified

(i) Conclusion about impairment in the business

MSM NINGBO's assets are reviewed for impairment in accordance with International Financial Reporting Standards ("IFRS") adopted by MSM NINGBO, and as our group makes grouping on the smallest unit that generates a cash flow with a basic unit of business and base adopted for internal management purposes, MSM NINGBO classifies automotive springs, construction machinery springs, stabilizers and assemblies thereof as separate asset groups.

The demand for stabilizers and assemblies thereof is decreasing in sales due to a decrease in demand caused by the impact of customers' declined market share in China. MSM NINGBO continued to record operating losses in the current consolidated fiscal year, and the indicators of impairment were identified.

The recoverable value of MSM NINGBO's production facilities of stabilizers and assemblies thereof and the asset group's book value as compared showed the former to be lower than the latter, so management concluded it was necessary to record impairment loss.

(ii) Estimation of the recoverable value for the assets

Recoverable value is calculated as the higher of the value in use and fair value less costs of disposal. At the impairment test at the end of the fiscal year, since fair value less costs of disposal computed based on the appraisal value, etc., is lower than book value, impairment loss was recorded.

For value in use, discounted future cash flow was estimated on the basis of the business plan. The business plan was created in total consideration of external information such as on the operating environment, internal information, volume of sales on orders and sales prices, etc., and by using assumptions involved based on the Company's latest sales plans.

The estimate may be affected by the uncertain fluctuation of economic conditions in the future. If revision of assumptions and preconditions used for the estimate is required, the Company would potentially record new impairment loss in the following consolidated fiscal year.

(Notes concerning the correction of errors)

1. Details of errors

As the Company announced in "Notice on the submission of report on the correction of financial statements of a past fiscal year (correction of financial results of a past fiscal year)" dated August 8, 2023, we found that remeasurements of defined benefit plans were overstated by error and associated Income taxes – deferred and foreign currency translation adjustment were understated for the fiscal year ended March 31, 2018.

Therefore, we corrected the amount of net assets at the beginning of the current consolidated fiscal year.

2. Impact on the amount of net assets at the beginning of the current consolidated fiscal year

The effect of the correction of the past errors on retained earnings, foreign currency translation adjustment and remeasurements of defined benefit plans at the beginning of the current consolidated fiscal year are an increase by ¥850 million, increase by ¥301 million, and decrease by ¥870 million, respectively.

(Notes to the Consolidated Balance Sheet)

1. Outstanding balance of receivables arising from contracts with customers and the outstanding balance of contractual assets

Notes receivable – trade	232 million yen
Accounts receivable – trade	29,478
Contract assets	14

2. Assets pledged as collateral and secured liabilities

Assets pledged as collateral

Land	216 million yen

Secured liabilities

Short-term loans payable	25 million yen
Long-term loans payable	12
Total	38

The maximum amount of the revolving mortgage related to the assets above is 216 million yen.

3. Accumulated depreciation of property, plant and equipment:

96,092 million yen

(Notes to the Consolidated Statement of Income)

1. Amount of balance sheet value reduction due to the declining profitability of inventories held for ordinary sales purposes

   Cost of sales 117 million yen

2. Impairment loss

   The Group recorded an impairment loss on the following assets.

(Millions of yen)

Use	Location	Category	Amount
Spring manufacturing equipment	Germany	Machinery, equipment and vehicles	1,025
Spring manufacturing equipment	Germany	Other property, plant and equipment	30
Spring manufacturing equipment	Germany	Other intangible assets	12
Spring manufacturing equipment	China	Machinery, equipment and vehicles	245
Spring manufacturing equipment	China	Other property, plant and equipment	1

(Background to recognition of impairment loss)

With regard to these assets, the fair value after deducting the disposal cost are set as the recoverable amount, and as the carrying amount exceeds the recoverable amount, the carrying amount is written down to the recoverable amount and recorded as an impairment loss under extraordinary loss.

(Method for grouping assets)

As a general rule, businesses and operation sites used in internal control are the basic units for grouping.

3. Gain on sales of investment securities

   This was attributable to the fact that the Company sold five stocks in Japan, among investment securities held by the Company.

4. Insurance claim income

   This was insurance claim income from fire accidents incurred by MSSC Ahle GmbH.

(Notes to the Consolidated Statement of Changes in Equity)

1. Type and total number of shares outstanding at end of consolidated fiscal year under review:
Common shares 15,709,968 shares

2. Dividends

(1) Dividend payments

Date of resolution	Total dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2023	617 million yen (*1)	40 yen	March 31, 2023	June 29, 2023
Board of Directors Meeting held on November 8, 2023	385 million yen (*2)	25 yen	September 30, 2023	December 8, 2023

*1 The total amount of dividends included 3 million yen representing dividends on Company shares held by the Board Incentive Plan (BIP) Trust.

*2 The total amount of dividends included 5 million yen representing dividends on Company shares held by the Board Incentive Plan (BIP) Trust.

(2) Dividends whose record date is in the current fiscal year and whose effective date is in the following fiscal year

Date of resolution	Total dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 21, 2024	540 million yen (*1)	35 yen	March 31, 2024	June 24, 2024

* The total amount of dividends included 7 million yen representing dividends on Company shares held by the Board Incentive Plan (BIP) Trust.
The source of dividends shall be retained earnings.

(Notes on Financial Instruments)

1. Information regarding status of financial instruments

   The Group limits its fund management activities to short-term deposits, etc., and raises funds by borrowings from financial institutions such as banks.

   The Group seeks to reduce credit risks of customers concerning notes and accounts receivable-trade in accordance with the Credit Management Rules.

   Investment securities mainly consist of shares, and the market prices of listed shares are identified on a quarterly basis.

   Borrowings are used for operating funds (mainly short term) and capital investment funds (long term). With respect to the risk of interest rate fluctuations for some long-term loans payable, the Group performs interest rate swap transactions to fix interest expenses.

   Derivative transactions are forward exchange contracts aimed at hedging exchange rate fluctuation risks involved with monetary receivables and payables denominated in foreign currencies, which are performed in accordance with the Accounting Rules.

2. Information regarding market value, etc. of financial instruments

   The Consolidated Balance Sheet amount and market value at the end of the consolidated fiscal year under review and the difference between the two are as follows.

   Stocks, etc. for which market prices are not available (4,288 million yen recorded on the consolidated balance sheet) are not included in the table below.

   In addition, the notes to cash are omitted, and since market values of deposits, notes receivable-trade and accounts receivable-trade, notes payable-trade and accounts payable-trade, and short-term loans payable are close to their carrying amounts because these are settled in short-term, notes are omitted.

(Millions of yen)

	Consolidated Balance Sheet amount (*1)	Market value (*1)	Difference
(1) Investment securities Available-for-sale securities:	1,626	1,626	-
(2) Long-term loans payable	(45,790)	(45,690)	(100)
(3) Derivative transactions (*2)	(10)	(10)	-

(*1) Those recorded in Liabilities are shown in parentheses ( ).

(*2) Amounts of claims and obligations that accrued from derivative transactions are shown on a net basis, and net obligations are shown in parentheses ( ).

3. Matters concerning breakdown, etc. of market value of financial instruments by level

   The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in calculating fair value.

   Level 1 fair value --- Fair value calculated by quoted prices (unadjusted) in active markets for identical assets or liabilities

   Level 2 fair value --- Fair value calculated using direct or indirect observable inputs other than Level 1 inputs

   Level 3 fair value --- Fair value calculated using significant unobservable inputs

   If multiple inputs are used that have a significant impact on the calculation of fair value, among the levels in which each of such input belongs, we categorize fair value into the level in which the priority in calculating fair value is the lowest.

(1) Financial assets and financial liabilities whose fair value is recorded on consolidated balance sheets

(Millions of yen)

Account	Market value			
	Level 1	Level 2	Level 3	Total
(i) Investment securities Available-for-sale securities:	1,626	-	-	1,626
Total Assets	1,626	-	-	1,626
(ii) Derivative transactions Currency-related transactions	-	(10)	-	(10)
Total Liabilities	-	(10)	-	(10)

(2) Financial assets and financial liabilities for which fair value is not recorded on consolidated balance sheets

(Millions of yen)

Account	Market value			
	Level 1	Level 2	Level 3	Total
(iii) Long-term loans payable	-	(45,690)	-	(45,690)
Total Liabilities	-	(45,690)	-	(45,690)

(i) Investment securities

Listed stocks are valued using quoted prices.

Since listed stocks are traded in active markets, their fair values are classified as Level 1 fair value.

(ii) Derivative transactions

Fair values of currency swaps and exchange reservations are based on the fair values presented by financial institutions with which we do business, and are classified as Level 2 fair value.

(iii) Long-term loans payable (including current portion of long-term loans payable)

The calculation method of the market value of long-term loans payable involves discounting the sum of the principal and interest divided into certain periods by the interest rate that is expected to be applied if a similar new loan is taken out.

Long-term borrowings with variable interest rates are subject to special treatment of interest rate swaps, and we use the calculation method in which the aggregate amount of principal and interest processed together with the swap as one transaction is discounted at the rate reasonably estimated to be applied if similar borrowings are made, and the market value is classified as Level 2 fair value.

(Notes on Revenue Recognition)

1. Breakdown information of revenue resulting from contracts with customers

(Millions of yen)

Area	Reportable Segment					Other	Total
	Special Steel Bars Business	Springs Business	Formed & Fabricated Products Business	Machinery Business	Total		
Sales							
Japan	57,596	24,486	4,299	8,716	95,098	1,505	96,604
North America	216	32,052	376	235	32,879	-	32,879
Asia	21,154	9,385	3,516	247	34,303	-	34,303
Europe	-	4,575	1,024	500	6,100	-	6,100
Other	3	40	12	-	56	-	56
Revenue from contracts with customers	78,969	70,540	9,228	9,700	168,438	1,505	169,943
Sales to external customers	78,969	70,540	9,228	9,700	168,438	1,505	169,943

(Note) "Others" category is a business segment that is not included in reportable segments and includes distribution and service businesses, etc.

2. Information that is the basis for understanding revenue from contracts with customers

As described in "Recording standards of revenue related to sales of products" and "Recording standards of revenue related to construction contract" in "Accounting Policies".

3. Information to understand revenues arising from contracts with customers for the current and subsequent fiscal years

(1) Balance of contract assets and contract liabilities, etc.

The breakdown of contract assets and contract liabilities is as follows.

(Millions of yen)

	The beginning of the fiscal year under review	The end of the fiscal year under review
Receivables arising from contracts with customers	36,760	33,950
Contract assets	659	14
Contract liabilities	1,300	246

Contract assets consist primarily of unbilled balances for revenues recognized based on the measurement of progress in the Machinery Business.

As to contract liabilities, we primarily recognize the portion for which we received consideration from the customer but for which we have not fulfilled performance obligations.

These will be reduced as the performance obligations are fulfilled.

Among the revenue recognized for the current consolidated fiscal year, the amount included in the contract liability balance at the beginning of the year is 1,300 million yen.

(2) Amount of transactions allocated to outstanding performance obligations

(Millions of yen)

	The end of the fiscal year under review
Within one year	1,975
Over one year	2,036
Total	4,012

Consolidated subsidiaries apply the practical method for notes to the transaction prices for which the outstanding performance obligations are allocated, and contracts with an initially scheduled contractual period of not more than one year are not included in the notes.

The outstanding (or partially outstanding) performance obligations are 4,012 million yen for the current consolidated fiscal year.

These performance obligations relate to the manufacture and sale of industrial machinery in the Machinery Business and it is expected that 49% of them will be recognized as revenue within one year after the end of the year and the remaining approximately 51% will be recognized over one year.

(Notes on Per Share Information)

1. Net assets per share: ¥2,704.29
2. Loss per share: ¥(63.50)

Notes to the Non-consolidated Financial Statements

(April 1, 2023 - March 31, 2024)

(Notes on Information Regarding Significant Accounting Standards)

1. Valuation standards and methods of assets
   (1) Valuation standards and methods of securities
      (i) Shares of subsidiaries and shares of affiliates:
      Stated at cost using the moving-average method.
      (ii) Available-for-sale securities
      Those other than stocks, etc. for which market prices are not available:
      The present market value is recorded based on the market prices, etc., on the last day of the period. (Valuation differences are incorporated into net assets in full. Selling prices were computed based on the moving-average method.)
      Stocks, etc. for which market prices are not available:
      Stated at cost using the moving-average method.
   (2) Valuation standards and methods of derivatives
      Derivatives:
      Market value method
   (3) Valuation standards and methods of inventories
      Finished goods, semi-finished goods, work in process, raw materials and supplies:
      Stated at cost based on the periodic average method (method in which book values are lowered based on declines in profitability).
2. Depreciation and amortization methods of depreciable assets
   (i) Property, plant and equipment (excluding leased assets):
   The Company depreciates property, plant and equipment using the declining-balance method.
   Certain buildings and structures are depreciated using the straight-line method.
   The range of useful lives of main property, plant and equipment is as follows:

Buildings	8 - 31 years
Machinery and equipment:	8 - 14 years

   (ii) Intangible assets (excluding leased assets):
   The Company amortizes intangible assets using the straight-line method.
   Software used in-house is amortized by the straight-line method over its useful life assuming in-house use (5 years).
   (iii) Leased assets: Leased assets associated with finance leases in which ownership of the leased assets is not transferred to the lessee
   The straight-line method is used assuming the lease period equals the estimated useful life and the residual value at the end of the lease term is nil.

3. Accounting standards for provisions and allowances

(i) Allowance for doubtful accounts:

In order to provide for potential credit losses due to accounts receivable being difficult to collect, loans receivable, etc., allowances of the estimated unrecoverable amounts are reported based on historical loan loss rates for general claims, and on an individual basis for specific receivables including doubtful receivables.

In addition, in order to prepare for losses on uncollectable loans to affiliated companies in the event that an affiliated company becomes insolvent, we calculate an estimate of the uncollectible amount based on the net assets of the affiliated company and by individually taking into account the collectability, and such estimated uncollectible amount is recorded as an allowance for doubtful receivables.

(ii) Provision for retirement benefits:

In order to provide for the payment of retirement benefits for employees, an allowance in the amount deemed to have accrued at the end of the fiscal year under review is recorded based on the projected amount of retirement benefit obligations and pension assets at the end of the fiscal year under review.

In the calculation of retirement benefit obligations, the benefit formula has been used to attribute expected benefits to periods until the end of the fiscal year under review.

Prior service costs are expensed using the straight-line method based on a certain number of years (12 years) within the average remaining service years of the employees at the time of accrual.

Actuarial differences are expensed from the fiscal year subsequent to the year of accrual using the straight-line method based on a certain number of years (12 years) within the average remaining service years of the employees at the time of accrual in each fiscal year.

(iii) Provision for directors' share benefits:

In order to provide for the delivery of the Company’s shares for directors, in accordance with the Rules of the Performance Share Plan, an allowance is recorded based on the estimated value of share remuneration plan liabilities at the end of the fiscal year under review.

4. Recording standards of revenue related to sales of products

We and our consolidated subsidiaries manufacture and sell specialty steel, springs, fabricated materials, etc., and with respect to sales of such products, we have performance obligations to deliver products, etc., based on sales agreements with customers. We determine that the performance obligations are fulfilled at the time the customer obtains control over such products and we recognize the revenue of such products.

For domestic sales, revenue is recognized at the time of shipment because the period from the time of shipment until control of the product is transferred to the customer is normal.

For export sales, revenue is recognized in accordance with the export terms as the timing of when the customer obtains control varies depending on the export terms.

Revenue is measured by deducting discounts, rebates, returns, etc. from the consideration promised under contracts with customers.

5. Other basic and significant information regarding the preparation of Non-consolidated Financial Statements

   (i) Hedge accounting method: Deferral hedge accounting is used. In addition, special treatment is applied to interest rate swap contracts that meet the requirements for special treatment.

   (ii) Accounting method for retirement benefits:
   Accounting methods used to calculate unrecognized actuarial differences on retirement benefit payments and unrecognized past service costs are different from those for the consolidated financial statements.

(Significant accounting estimates)

1. Valuation of investments and loans to affiliated companies

(1) The values of the assets as recorded in non-consolidated financial statements

Shares of subsidiaries and associates	¥ 19,100 million
Investments in capital of subsidiaries and associates	¥2,737 million
(Among them, amount to MSSC Ahle GmbH– 0 million yen)	
Loans receivable	¥ 15,290 million
(Among them, amount to MSSC Ahle GmbH– 4,448 million yen)	
Allowance for doubtful accounts	¥(3,461) million
(Among them, amount to MSSC Ahle GmbH – 2,896 million yen)	

(2) Information on significant accounting estimates for items identified

With respect to shares in affiliates and investments in capital of affiliates, if the real price of the affiliates declines materially compared to the acquisition price, we book an impairment loss unless the collectability is supported by sufficient evidence through future business plans, etc.

Business plans are affected by changes in uncertain economic conditions in the future, and if actual results differ from the plans, the amount of shares in affiliates and investments in affiliates may be materially affected in the Non-consolidated Financial statements for the following business year.

In addition, in order to prepare for losses on uncollectable loans to affiliated companies in the event that an affiliated company becomes insolvent, we calculate an estimate of the uncollectible amount based on the net assets of the affiliated company and by individually taking into account the collectability, and such estimated uncollectible amount is recorded as an allowance for doubtful receivables.

The net assets of the affiliated company in estimating uncollectible amounts may be materially affected by estimates of impairment of fixed assets, and information regarding the content of such estimates is included in the "Notes to consolidated financial statements (Notes to accounting estimates)."

(Notes to the Non-consolidated Balance Sheet)

1. Accumulated depreciation of property, plant and equipment:
34,463 million yen

2. Contingent liabilities
Guarantees for borrowings of subsidiaries and affiliates:

MSM(THAILAND) CO.,LTD.	208 million yen
PT. JATIM TAMAN STEEL MFG	7,604
MSM SPRING INDIA PVT. LTD.	157

3. Monetary claims and obligations to subsidiaries and affiliates

Short-term monetary claims:	14,100 million yen
Long-term monetary claims:	2,410
Short-term monetary obligations:	5,550

(Notes to the Non-consolidated Statement of Income)

1. Amount of transactions with subsidiaries and affiliates

Net sales	795 million yen
Purchases	52,436
Trades other than operating transactions	
Interest income	2,342
Dividend income	68
Guarantee commission received	48

2. Amount of write-down of inventories held for ordinary sale purposes due to decline in profitability

Cost of sales	6 million yen

3. Gain on sales of investment securities
This was attributable to the fact that the Company sold five stocks listed in Japan, among investment securities held by the Company.

(Notes to the Non-consolidated Statement of Changes in Equity)

1. Type and total number of treasury shares at end of fiscal year under review:
Common shares 494,006 shares

(Notes on Tax Effect Accounting)

1. Breakdown of major components of deferred tax assets and deferred tax liabilities

Deferred tax assets	
Provision for retirement benefits	482 million yen
Long-term accounts payable— other (Retirement benefits for directors)	3
Amount in excess of depreciation limit	46
Impairment loss	235
Accrued expenses	219
Loss on valuation of investment securities	257
Loss on valuation of shares of subsidiaries and associates	10,550
Allowance for doubtful accounts	1,059
Other	366
Deferred tax assets—Subtotal	13,221
Valuation allowance	(12,157)
Deferred tax assets—Total	1,063
Deferred tax liabilities	
Valuation difference on available-for-sale securities	333 million yen
Reserve for advanced depreciation of non-current assets	258
Prepaid pension cost	564
Deferred tax liabilities—Total	1,156
Deferred tax assets—Net	93

(Notes on Revenue Recognition)

The information that is the basis for understanding revenue from contracts with customers is omitted because the same contents as the “Notes on revenue recognition” of the Notes to the Consolidated Financial Statements are stated.

(Notes on Transactions with Related Parties)

1. Subsidiaries and affiliates, etc.

Type	Company name	Percentage of voting rights held	Relationship with related party	Description of transaction	Transaction amount	Account	Closing balance
					(Millions of yen)		(Millions of yen)
Subsidiary	Mitsubishi Steel Muroran Inc.	Directly owns 70.0%	Purchase of finished goods	Purchase of special steel bars (Note 1)	Purchases 49,059	Accounts payable - trade	4,953
			Lending of funds	Lending of operating funds and equipment funds (Note 3)	Amount of lending 500	Short-term loans receivable	2,700
					Repayment value 400	Long-term loans receivable	537
				Receipt of interest income from loans-receivable	Receipt amount 48		
			Common officers				
	MSSC CANADA INC.	Directly owns 100.0%	Lending of funds	Lending of operating funds and equipment funds (Note 3)	Amount of lending 4,282	Short-term loans receivable	3,555
					Repayment value 14,888		
				Receipt of interest income from loans-receivable	Receipt amount 1,069		
			Supplying of materials	Supply of specialty steel (Note 2)	Supply amount 1,856	Accounts receivable - other	665
			Capital increase	Underwriting of capital increase	Underwriting amount 11,378	Shares of subsidiaries	1,314
			Common officers				
	MSSC US INC.	Directly owns 100.0%	Lending of funds	Lending of operating funds and equipment funds (Note 3)	Amount of lending 876	Short-term loans receivable	302
					Repayment value 11,019		
				Receipt of interest income from loans-receivable	Receipt amount 786	Accounts receivable - other	1
			Capital increase	Underwriting of capital increase	Underwriting amount 10,735	Shares of subsidiaries	1,367
			Common officers				
	MSSC MFG MEXICANA, S.A. DE C.V.	Directly owns 100.0%	Lending of funds	Lending of operating funds and equipment funds (Note 3)	Amount of lending 421	Short-term loans receivable	1,211
						Long-term loans receivable	605
				Receipt of interest income from loans-receivable	Receipt amount 126	Accounts receivable - other	9

Type	Company name	Percentage of voting rights held	Relationship with related party	Description of transaction	Transaction amount (Millions of yen)	Account	Closing balance (Millions of yen)
Subsidiary	PT. JATIM TAMAN STEEL MFG.	Directly owns 75.0%	Debt guarantee	Guarantee for borrowings (Note 4)	Guarantee amount 7,604		
					Guarantee commission 45		
			Lending of funds	Lending of operating funds and equipment funds (Note 3)		Long-term loans receivable	850
				Receipt of interest income from loans-receivable	Receipt amount 13		
			Common officers				
	MSSC Ahle Gmbh	Directly owns 100.0%	Lending of funds	Lending of operating funds and equipment funds (Note 3)	Amount of lending 160	Short-term loans receivable	4,448
				Receipt of interest income from loans-receivable	Receipt amount 242	Accounts receivable - other	66

(Notes) Terms of transactions, policies for determining terms of transactions, etc.

1. Purchase prices are determined based on actual costs.
2. Supplied prices of materials are determined based on transaction prices with third parties.
3. For the lending of funds, the interest rate is determined based on the market interest rate, and the terms of repayment are determined according to the purpose of the funds. No collateral is received.
4. This is a guarantee provided on borrowings from banks; guarantee commission is received.
5. For loans receivable from subsidiaries and associates, allowance for doubtful accounts totaling 3,461 million yen is recorded.

(Notes on Per Share Information)

1. Net assets per share: ¥1,847.20
2. Loss per share: ¥(287.72)