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Disclosures on the Internet under Laws, Regulations and the Articles of Incorporation

96th Fiscal Year (April 1, 2019 - March 31, 2020)

(i) Notes to the Consolidated Financial Statements

(ii) Notes to the Non-consolidated Financial Statements

Mitsubishi Steel Mfg. Co., Ltd.

This information is posted on the Company's website and thereby provided to its shareholders pursuant to the provisions of laws, regulations and Article 14 of the Articles of Incorporation.

Notes to the Consolidated Financial Statements

(April 1, 2019 - March 31, 2020)

(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 CEBU, 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

For which market value is 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.)

For which market value is 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

Goodwill

10 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.

While the financial statements for overseas consolidated subsidiaries are prepared under International Financial Reporting Standards, the Company began to apply International Financial Reporting Standards 16 Leases (“IFRS 16”) from the fiscal year under review, as stated in the section titled “(Change to accounting policies)”.

Under IFRS 16, 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 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 directors' share benefits:

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

(4) Method of amortization and amortization period of goodwill

Goodwill is amortized over eight years from the time of accrual using the straight-line method.

(5) 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) Standards for the recognition of net sales of completed construction contracts and cost of sales of completed construction contracts:

Construction contracts in progress for which the outcome of the progress made by the end of the fiscal year under review is deemed certain are subject to the percentage-of-completion method, and other construction contracts are subject to the completed-contract method.

The percentage of completion as of the end of the current fiscal year of contacts subject to the percentage-of-completion method is estimated on a cost-to-cost basis.

(iv) Accounting for consumption tax:

In terms of accounting for consumption tax and local consumption tax, amounts are shown exclusive of such

taxes.

5. Additional information

(1) Additional information on accounting estimation assumptions in relation to the spread of novel coronavirus infections

Due to the spread of novel coronavirus infections, the Group was affected by production adjustments and suspensions of operations by automobile and construction machinery manufacturers, our main customers in and outside Japan, chiefly from late March in the fiscal year under review. The Group suffered a decline in demand to a certain extent for April 2020 and will likely see demand drop from May 2020 onward.

The Group presumes that demand from its main customers will continue to decline until the second quarter of the fiscal year ending March 31, 2021 in light of factors including the changes in the number of persons infected in and outside Japan, demand projections and data and various initiatives regarding the infections issued by national governments.

The Group made accounting estimates, such as an impairment of non-current assets and recoverability for deferred tax assets, under the following assumptions: i) declining demand from our main customers will hit bottom in the first quarter of the fiscal year ending March 31, 2021; ii) markets will rebound gradually from the second quarter; and then iii) the spread of infections will come to an end and the financial results will thereby recover to the performance level initially projected by management in the second half of the fiscal year ending March 31, 2021 onward.

These assumptions are highly uncertain and, if the spread of infections is slow to end, causing effects to last longer, a loss could potentially be incurred in the future.

(2) Additional information on breach of provisions on financial restriction

There are term loan agreements with financial restriction provisions entered into between the Company as the borrower and financial institutions. Of long-term loans payable, 5,000 million yen is in violation of the financial restriction provisions as the Company is in breach of the provision stipulating that net assets on the Consolidated Balance Sheet as of March 31, 2020 shall be kept at or above 75 percent of net assets on the Consolidated Balance Sheet as of March 31, 2018.

The Group, however, believes it will continue to obtain assistance from its main partner banks as it keeps close relationships with them and continues to consult with them constructively.

In addition, the Group holds a sufficient amount of cash on hand and its cash position will likely remain steady for the foreseeable future.

(Change to accounting policies)

Starting from the fiscal year under review, subsidiaries applying IFRS adopted IFRS 16 Leases (“the Standard”).

Accordingly, lessees shall recognize an asset or liability for any leases as a general rule.

The adoption of the Standard follows an interim treatment, and the Group use a method in which the amount of cumulative effects of changes in accounting policies is recognized on the start date of the adoption.

This caused leased assets (net value) under property, plant and equipment to grow by 503 million yen, leased liabilities under current liabilities to increase by 36 million yen and leased liabilities under non-current liabilities to go up by 559 million yen, respectively, on the Consolidated Balance Sheet.

As a result of the adoption of the Standard, 7,388 million yen in overseas subsidiaries’ land use

rights, which had previously been recorded under intangible non-current assets, was included in “land” under property, plant and equipment, starting from the fiscal year under review. This is because rights granted by the agreements are deemed to practically represent purchasing of the property, plant and equipment item.

This change had only a negligible monetary effect on the profit-loss profile for the fiscal year under review.

(Notes to the Consolidated Balance Sheet)

1. Assets pledged as collateral and secured liabilities

   Assets pledged as collateral

Machinery, equipment and vehicles	138	million yen
Land	7,557	
Inventories	2,054	
Accounts receivable - trade	395	
Total	10,145	

   Secured liabilities

Short-term loans payable	2,084	million yen
Long-term loans payable	93	
Total	2,177	

   The maximum amount of the revolving mortgage related to the assets above is 6,012 million yen.

   An impairment loss was recorded for machinery, equipment and vehicles, among assets shown above and the acquisition value stood at 2,651 million yen.

2. Accumulated depreciation of property, plant and equipment:

   80,542 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 - 33 million yen

(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 21, 2019	540 million yen	35 yen	March 31, 2019	June 24, 2019

   * The total amount of dividends included 1 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

   Not applicable

(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.

Financial instruments whose market value is deemed to be extremely difficult to identify are not included in the table below (see Note 2).

(Millions of yen)

	Consolidated Balance Sheet amount (*1)	Market value (*1)	Difference
(1) Cash and deposits	20,303	20,303	-
(2) Notes and accounts receivable - trade	24,847	24,847	-
(3) Securities	9,000	9,000	-
(4) Investment securities Available-for-sale securities:	5,257	5,257	-
(5) Notes and accounts payable - trade	(11,125)	(11,125)	-
(6) Short-term loans payable	(11,854)	(11,854)	-
(7) Long-term loans payable	(43,279)	(43,362)	82
(8) Derivative transactions (*2)	(144)	(144)	-

(*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 ( ).

(Note 1) Calculation method of market value of financial instruments and information regarding securities and derivative transactions

(1) Cash and deposits and (2) Notes and accounts receivable-trade

As these items are settled in a short period of time, their market value is approximately the same as their carrying amount; therefore, they are stated at the carrying amount.

(3) Securities

As these are negotiable deposits and settled in a short period of time, their market value is approximately the same as their carrying amount; therefore, they are stated at the carrying amount.

(4) Investment securities

The market value of shares is based on the exchange price, etc.

(5) Notes and accounts payable-trade and (6) Short-term loans payable

As these items are settled in a short period of time, their market value is approximately the same as their carrying amount; therefore, they are stated at the carrying amount.

(7) 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 loans payable with variable interest rates are subject to special treatment for interest rate swaps (see (8) below), and the calculation method involves discounting the sum of the principal and interest processed integrally with such swaps by a reasonably-estimated interest rate that would be applied if a similar loan were taken out.

(8) Derivative transactions

Those subject to special treatment for interest rate swaps are processed integrally with the hedged long-term loans payable, so their market value is included in the market value of such long-term loans payable (see (7) above).

Calculation of market value is based on prices etc. provided by relevant financial institutions.

(Note 2) The Company does not disclose the market value of non-listed shares (of which the value recorded on the consolidated balance sheet is 4,143 million yen) as we deemed it as highly difficult to identify given that no market price is available for them and their future cash flows are unable to be estimated.

(Notes on Per Share Information)

1. Net assets per share: ¥2,769.51
2. Loss per share: - ¥914. 56

(Other related notes)

1. Impairment loss

The Group recorded an impairment loss on the following assets.

(Millions of yen)

Use	Location	Category	Amount
Assets related to the Special Steel Bars Business	Indonesia	Buildings and structures	662
		Machinery, equipment and vehicles	2,810
		Other property, plant and equipment	3,019
		Goodwill	2,727
Assets related to the Springs Business	Canada	Machinery, equipment and vehicles	612
		Other property, plant and equipment	2
	U.S.A.	Machinery, equipment and vehicles	510
		Other property, plant and equipment	932
	Mexico	Machinery, equipment and vehicles	544
		Other property, plant and equipment	119
		Other intangible non-current assets	17
	India	Machinery, equipment and vehicles	309
		Other property, plant and equipment	48
	China	Machinery, equipment and vehicles	728
	Germany	Machinery, equipment and vehicles	511
		Other property, plant and equipment	440
		Goodwill	252
		Other intangible non-current assets	402
Assets related to the Formed & Fabricated Products Business	Thailand	Buildings and structures	55
		Machinery, equipment and vehicles	226
		Other property, plant and equipment	111

(Background to recognition of impairment loss)

With regard to business assets, in response to the deterioration in the operating environment,

we re-examined our future business plans, leading to consider that the initially assumed profitability was no longer expected. Accordingly, we lowered their book value to a recoverable amount and recorded the reduction amount as an impairment loss under extraordinary loss.

(Method for grouping assets)

Asset groups were determined in consideration of categories for management accounting purposes.

(Method for computing recoverable amount)

For assets related to the Special Steel Bars Business, a recoverable amount was measured according to a net sale value. A net sale value was valued under real estate appraisal standards for land and buildings, while for other asset classes, it was valued according to an amount determined by subtracting an estimated disposal expense from an estimated sale value.

For assets related to the Springs Business and the Formed & Fabricated Products Business, a recoverable amount was measured according to a net sale value, which was valued according to an amount determined by subtracting an estimated disposal expense from an estimated sale value.

2. Loss on disposal of non-current assets

Loss on disposal of non-current assets was recorded under extraordinary loss and consisted of 32 million yen on machinery and equipment and 274 million yen on construction in progress.

3. Loss on disasters

Under extraordinary loss, a loss was recorded on: i) loss incurred by the Company and some domestic consolidated subsidiaries due to Typhoon No. 15 (Faxai) that occurred in September 2019; and ii) loss incurred by the Company due to Typhoon No. 19 (Hagibis) that occurred in October 2019.

4. Loss on business withdrawal

Under extraordinary loss, the Group recorded a loss incurred due to a withdrawal from the cast magnet business in the Formed & Fabricated Products Business for which manufacturing and sales had been done by MSM (THAILAND) CO., LTD., a consolidated subsidiary of the Company. This consisted mainly of 24 million yen in loss on disposal of inventories and 9 million yen in impairment loss.

The Group recorded an impairment loss on the following assets.

(Millions of yen)

Use	Location	Category	Amount
Assets related to the Formed & Fabricated Products Business	Thailand	Machinery, equipment and vehicles	8
		Other property, plant and equipment	0

(Background to recognition of impairment loss)

As profitability was no longer expected due to the withdrawal from the cast magnets business, the Group lowered the book value to a recoverable amount and recorded an impairment loss in the reduction amount under extraordinary loss.

(Method for grouping assets)

Asset groups were determined in consideration of categories for management accounting

purposes.

(Method for computing recoverable amount)

A recoverable amount was measured according to a net sale value, which was valued according to an amount determined by subtracting an estimated disposal expense from an estimated sale value.

Notes to the Non-consolidated Financial Statements

(April 1, 2019 - March 31, 2020)

(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

For which market value is 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.)

For which market value is 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.

(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.

(iv) Provision for loss on business of subsidiaries and associates:

In order to provide for loss on business expected to be incurred by subsidiaries and associates of the Company, an allowance for such losses is recorded as the estimated amount the Company will have to pay beyond investments in those companies.

4. 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 for consumption tax:

In terms of accounting for consumption tax and local consumption tax, amounts are shown exclusive of such taxes.

5. Additional information

(1) Additional information on accounting estimation assumptions in relation to the spread of novel coronavirus infections

Due to the spread of novel coronavirus infections, the Group was affected by production adjustments and suspensions of operations by automobile and construction machinery manufacturers, our main customers in and outside Japan, chiefly from late March in the fiscal year under review. The Group suffered a decline in demand to a certain extent for April 2020 and will likely see demand drop from May 2020 onward.

The Group presumes that demand from its main customers will continue to decline until the second quarter of the fiscal year ending March 31, 2021 in light of factors including the changes in the number of persons infected in and outside Japan, demand projections and data and various initiatives regarding the infections issued by national governments.

The Group made accounting estimates, such as an impairment of non-current assets and recoverability for deferred tax assets under the following assumptions: i) declining demand from our main customers will hit bottom in the first quarter of the fiscal year ending March 31, 2021; ii) markets will rebound gradually from the second quarter; and iii) the spread of infections will come to an end and the financial results will thereby recover to the performance level initially projected by management in the second half of the fiscal year ending March 31, 2021 onward.

These assumptions are highly uncertain and, if the spread of infection is slow to end, causing effects to last longer, a loss could potentially be incurred in the future.

(2) Additional information on breach of provisions on financial restriction

There are term loan agreements with financial restriction provisions entered into between the Company as the borrower and financial institutions. Of long-term loans payable, 5,000 million yen is in violation of the financial restriction provisions as the Company is in breach of the provision stipulating that net assets on the Consolidated Balance Sheet as of March 31, 2020 shall be kept at or above 75 percent of net assets on the Consolidated Balance Sheet as of March 31, 2018.

The Group, however, believes it will continue to obtain assistance from its main partner banks as it keeps close relationships with them and continues to consult with them constructively. In addition, the Group holds a sufficient amount of cash on hand and its cash position will likely remain steady for the foreseeable future.

(Notes to the Non-consolidated Balance Sheet)

1. Accumulated depreciation of property, plant and equipment: 31,120 million yen

2. Contingent liabilities

Guarantees for borrowings of subsidiaries and affiliates:	5,157 million yen
Guarantees for lease obligations of subsidiaries and affiliates:	1,433

3. Monetary claims and obligations to subsidiaries and affiliates

Short-term monetary claims:	17,905 million yen
Long-term monetary claims:	4,868
Short-term monetary obligations:	1,743

(Notes to the Non-consolidated Statement of Income)

1. Amount of transactions with subsidiaries and affiliates

Net sales	1,270 million yen
Purchases	29,280
Trades other than operating transactions	
Interest income	278
Dividend income	35

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

Cost of sales	(21) million yen

(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 325,411 shares

(Notes on Tax Effect Accounting)

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

Deferred tax assets	
Accrued enterprise tax	20 million yen
Provision for retirement benefits	452
Amount in excess of depreciation limit	89
Impairment loss	235
Accrued expenses	215
Loss on valuation of investment securities	314
Loss on valuation of shares of subsidiaries and associates	4,269
Allowance for doubtful accounts	1,318
Provision for loss on business of subsidiaries and associates	580
Other	273
Deferred tax assets—Subtotal	7,770
Valuation allowance	(6,660)
Deferred tax assets—Total	1,110
Deferred tax liabilities	
Valuation difference on available-for-sale securities	899 million yen
Reserve for advanced depreciation of non-current assets	439
Prepaid pension cost	149
Deferred tax liabilities—Total	1,488
Deferred tax liabilities—Net	378

(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 Lending of funds Common officers	Purchase of special steel bars (Note 1) Lending of operating funds and equipment funds (Note 2) Receipt of interest income from loans-receivable	Purchases 26,730 Amount of lending 10,000 Receipt amount 49	Accounts payable - trade Short-term loans receivable Long-term loans receivable	1,372 10,400 2,137
	MSM (THAILAND) CO., LTD.	Directly owns 100.0%	Debt guarantee Common officers	Guarantee for borrowings (Note 3)	Guarantee amount 976		
	MSSC CANADA INC.	Directly owns 100.0%	Lending of funds Common officers	Lending of operating funds and equipment funds (Note 2) Receipt of interest income from loans-receivable	Amount of lending 1,156 Receipt value 20	Short-term loans receivable Long-term loans receivable	612 459
	MSSC US INC.	Directly owns 100.0%	Debt guarantee Lending of funds Common officers	Guarantee for lease obligations (Note 4) Lending of operating funds and equipment funds (Note 2) Receipt of interest income from loans-receivable	Guarantee amount 1,433 Amount of lending 1,582 Receipt amount 40	Short-term loans receivable Long-term loans receivable	2,709 1,394

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)
			Debt guarantee	Guarantee for borrowings (Note 3)	Guarantee amount 3,505		
			Lending of funds	Lending of operating funds and equipment funds (Note 2)	Amount of lending 4,900	Short-term loans receivable	2,052
Subsidiary	PT. JATIM TAMAN STEEL MFG.	Directly owns 66.5%		Receipt of interest income from loans-receivable	Receipt amount 136		
			Acquisition of shares	Addition of investments in capital (Note 5)	Amount of investments in capital 3,971		
			Common officers				

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

1. Purchase prices are determined based on actual costs.
2. 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.
3. This is a guarantee for borrowings from banks; no guarantee commission is received.
4. This is a guarantee for leases from lease companies; no guarantee commission is received.
5. A capital increase was conducted as a measure to strengthen the financial position.
6. The purchasing price for shares in an affiliate is determined on the basis of prices computed by a third-party institution.
7. The terms of transactions are determined based on market prices, etc.
8. The amount of transactions does not include consumption tax. The closing balance includes consumption tax.
9. For loans receivable from subsidiaries, allowance for doubtful accounts totaling 4,309 million yen is recorded.
10. In addition to the above, the Company booked the provision of a loss of 1,897 million yen on its affiliate business at the end of the fiscal year under review.
11. In addition to the above, the Group recorded 9,987 million yen in the loss on valuation of shares of subsidiaries.
12. In addition to the above, the Group recorded 2,260 million yen in the loss on valuation of investments in capital of subsidiaries.

(Notes on Per Share Information)

1. Net assets per share: ¥2,272.74
2. Loss per share: - ¥891. 70