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

97th Fiscal Year (April 1, 2020 - March 31, 2021)

(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, 2020 - March 31, 2021)

(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 28

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

(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 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) 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.

(Change to accounting policies)

Starting from the fiscal year under review, U.S. Accounting Standard Update (ASU) No. 2016-02 Leases (the "Standard") was applied to some overseas consolidated subsidiaries.

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 160 million yen, leased liabilities under current liabilities to increase by 38 million yen and leased liabilities under non-current liabilities to go up by 121 million yen, respectively, on the Consolidated Balance Sheet.

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

(Change in presentation method)

Starting with the consolidated financial statements for the end of the fiscal year under review, Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31) was applied, and notes on significant accounting estimates are shown in consolidated financial statements.

(Additional information)

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

   For the fiscal year under review, net sales declined as the Company began to be affected by production adjustments and operation suspensions by automobile and construction machinery manufacturers, its main customers in and outside Japan, chiefly from late March 2020 amid the spread of novel coronavirus infections.

   Demand from our main customers began to recover from the third quarter of the fiscal year ended March 31, 2021, after bottoming out in the second quarter of the fiscal year.

   However, it is uncertain when the novel coronavirus infections will end, and we assume effects from lower sales will remain until the fiscal year ending March 31, 2022, in light of a demand outlook based on the number of infected people in and outside Japan, information on the disease, various measures, and external information released by industry associations.

   Under this assumption, we made accounting estimates such as for impairment of non-current assets and recoverability of deferred tax assets.

   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 short-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, 2021 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.

(Significant accounting estimates)

1. Asset impairment for the steel product business of PT.JATIM TAMAN STEEL MFG.

(1) Outline of the business

PT.JATIM TAMAN STEEL MFG. ("JATIM") mainly owns special steel bar production facilities as the company is engaged in the special steel bars business in Indonesia.

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

Buildings and structures	¥193 million
Machinery, equipment, and vehicles	¥307 million
Land	¥6,921 million
Construction in progress	¥12 million
Other intangible assets	¥3 million

(3) Information on significant accounting estimates for items identified

(i) Conclusion about impairment in the business

JATIM considered recording an impairment of its assets in accordance with the International Financial Reporting Standards ("IFRS") adopted by the company. The Group regards JATIM, engaged in special steel bars business, as one asset group because we determine asset groups by taking management accounting classification into account.

For the fiscal year under review, JATIM was likely to record operating income due to reducing costs including personnel expenses. However, JATIM continued to record operating loss, affected by deteriorating demand in Indonesia owing to spreading novel coronavirus infections, and identified signs of potential impairment.

JATIM's recoverable value of ¥8,161 million and its balance sheet asset value of ¥7,569 million as compared showed the former to be higher than the latter, so management concluded it was not necessary to record an impairment loss.

(ii) Estimation of the recoverable value for the assets

As the balance sheet value of the assets was accounted for by real estate, the company regarded a real estate appraisal value computed by external specialists as the recoverable value of the assets. This was after checking valuation methods under a market approach adopted by them, as well as the reasonableness of transaction cases in use.

If the recoverable value needs to be revised due to a decline in real estate value, the company would potentially recognize impairment loss for the next fiscal year.

2. Asset impairment for the springs business of MSSC Ahle

(1) Outline of the business

MSSC Ahle ("Ahle") mainly owns spring production facilities as the company is engaged in the springs business in Germany.

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

Buildings and structures	¥336 million
Machinery, equipment, and vehicles	¥115 million
Land	¥199 million
Construction in progress	¥42 million
Other property, plant and equipment	¥18 million

Other intangible assets ¥4 million

(3) Information on significant accounting estimates for items identified

(i) Conclusion about impairment in the business

Ahle considered recording an impairment of its assets in accordance with International Financial Reporting Standards ("IFRS") adopted by the company. The Group regards Ahle, engaged in springs business, as one asset group since we determine asset groups by taking management accounting classification into account.

For the fiscal year under review, Ahle continued to record operating loss, affected by deteriorating demand owing to spreading novel coronavirus infections, and identified signs of potential impairment.

The company regarded, as its recoverable value, a discounted future cashflow computed on the basis of its medium- to long-term plan for the next five years. This value and the company's balance sheet asset value as compared showed the former to be higher than the latter, so management concluded it was not necessary to record impairment loss.

(ii) Estimation of the recoverable value for the assets

The company computed a discounted future cashflow on the basis of its medium- to long-term plan.

The medium- to long-term plan was created in total consideration of external information such as on the operating environment, internal information, and by using assumptions involved based on the company's latest sales plans.

For these assumptions, the duration and extent of effects from spreading novel coronavirus infections are uncertain, so actual results could potentially differ greatly from the estimates depending on developments in the months ahead.

If any estimate changes, the company would potentially recognize impairment loss for the next fiscal year.

3. Impairment of assets for the formed & fabricated products business at MSM (THAILAND) CO.,LTD.

(1) Outline of the business

MSM (THAILAND) CO.,LTD. ("MSM-T") mainly owns precision castings and precision forgings production facilities as the company is engaged in the formed & fabricated products business in Thailand.

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

Buildings and structures	¥140 million
Machinery, equipment, and vehicles	¥758 million
Leased assets	¥385 million
Other property, plant and equipment	¥138 million

(3) Information on significant accounting estimates for items identified

(i) Conclusion about impairment in the business

MSM-T considered recording an impairment of its assets in accordance with the International Financial Reporting Standards ("IFRS") adopted by the company. The Group regards precision castings and precision forgings produced by MSM-T as one asset group because we determine our asset groups by taking management accounting classification into account.

For the fiscal year under review, the financial results of the precision castings and precision forgings businesses of MSM-T deteriorated more than expected, affected by weakening demand for products owing to the spread of novel coronavirus infections, so the company identified signs of potential impairment.

The company regarded, as its recoverable value, a discounted future cashflow computed on the basis of its medium- to long-term plan for the next five years. This value and the company's balance sheet asset value as compared showed the former to be higher than the latter, so management concluded it was not necessary to record impairment loss.

(ii) Estimation of the recoverable value for the assets

The company computed a discounted future cashflow on the basis of its medium- to long-term plan.

The medium- to long-term plan was created in total consideration of external information such as on the operating environment, internal information, and by using assumptions involved based on the company's latest sales plans.

For these assumptions, the duration and extent of effects from spreading novel coronavirus infections are uncertain, so actual results could potentially differ greatly from the estimates depending on developments in the months ahead.

If any estimate changes, the company would potentially recognize impairment loss for the next fiscal year.

(Notes to the Consolidated Balance Sheet)

1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral

Machinery, equipment and vehicles	117 million yen
Land	7,095
Inventories	3,242
Accounts receivable - trade	400
Total	10,856

Secured liabilities

Short-term loans payable	1,651 million yen
Long-term loans payable	72
Total	1,723

The maximum amount of the revolving mortgage related to the assets above is 1,802 million yen.

An impairment loss was recorded for machinery, equipment and vehicles, among assets shown above and the acquisition value stood at 2,507 million yen.

2. Accumulated depreciation of property, plant and equipment:

82,785 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 325 million yen

2. Impairment loss

The Group recorded an impairment loss on the following assets.

(Millions of yen)

Use	Location	Category	Amount
Employee dormitory	Japan	Buildings and structures	185

(Background to recognition of impairment loss)

The balance sheet value of the assets in question was reduced to a memorandum value as we would dispose of the buildings and structures due to a decision to sell the leasehold interests in land in the assets, and an impairment loss under extraordinary losses was recorded on them.

(Method for grouping assets)

As a general rule, we determine our asset groups in consideration of classification for management accounting purposes.

However, idle assets and assets planned to be disposed of are grouped on an individual asset basis.

3. Gain on sales of investment securities and loss on sales of investment securities

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

4. Insurance claim income

This was composed of ¥294 million in insurance claim income from a fire accident incurred by a consolidated subsidiary in May 2019 and ¥102 million in insurance claim income for the Company from typhoon number 15 that occurred in September 2019.

5. Loss on disposal of non-current assets

Loss on disposal of non-current assets resulting from a fire accident incurred by a consolidated subsidiary was recorded under extraordinary losses. It was composed mainly of ¥0 million in loss on disposal of buildings and structures, ¥173 million in loss on disposal of machinery, equipment and vehicles and ¥0 million in loss on disposal of other property, plant and equipment.

6. Provision for loss on business liquidation

For allowances to be paid to employees who have been in service over a certain number of years at a consolidated subsidiary in North America, which will accrue in the future due to a production system reorganization at the firm, an allowance portion applicable to the fiscal year under review was expensed in accordance with the passage of time.

7. Extra retirement benefits

As the future outlook is uncertain due to the spread of the novel coronavirus and the operating environment deterioration stemming from it, the Company solicited employees for voluntary resignation in order to improve its financial results. Expenses incurred due to a preferential measure for those who voluntary resigned were recorded as extra retirement benefits under extraordinary losses.

(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
   Not applicable
   (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	19,001	19,001	-
(2) Notes and accounts receivable - trade	25,612	25,612	-
(3) Investment securities Available-for-sale securities:	6,681	6,681	-
(4) Notes and accounts payable - trade	(12,337)	(12,337)	-
(5) Short-term loans payable	(12,088)	(12,088)	-
(6) Long-term loans payable	(36,505)	(36,642)	137
(7) Derivative transactions (*2)	(271)	(271)	-

(*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) Investment securities

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

(4) Notes and accounts payable-trade and (5) 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.

(6) 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 (7) 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.

(7) 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 (6) 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 4,147 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: ¥2,528.35
2. Loss per share: ¥(359.38)

(Notes on subsequent events)

1. Loss on sale of investment securities

   At a Board of Directors meeting on February 25, 2021, the Company reviewed its strategic shareholdings under the Corporate Governance Code in order to streamline its asset holdings and strengthen the financial position, so the Company resolved to sell some of its investment securities (8 stocks) and sold them on April 5 and 6, 2021.
   Accordingly, ¥2,117 million in gains on sales of investment securities will be recorded under extraordinary losses for the first quarter of the fiscal year ending March 31, 2022.

2. Sale of non-current assets of the Company

   At a Board of Directors meeting held on September 24, 2020, the Company resolved to sell

some of its non-current assets and sold them on April 12, 2021.

(1) Reason for sale of non-current assets
In the process of reviewing its idle real estate to operate assets efficiently, the Company decided to sell some of its leasehold interests in land.

(2) Description of asset for sale

(1) Address	1-1-1, Kamakura, Katsushika-ku, Tokyo, Japan and 1-1-2, Kamakura, Katsushika-ku, Tokyo, Japan
(2) Asset description	1,911.03 m^2
(3) Gain on sale	¥947 million
(4) Use	Employee dormitory

(3) Outline of buyer
The Company refrains from disclosing the buyer due to contractual reasons.
There is no capital relationship, personal relationship, or business relationship required to be stated between the buyer and the Company, and the buyer does not fall under an interested party.

(4) Recoding of extraordinary income
The sale, originally scheduled to be transacted in the fiscal year ended March 31, 2021, was transacted in April 2021 as property removal and land levelling were slow to be completed.
Accordingly, an extraordinary income of ¥947 million from the leasehold interests in land will be recorded for the first quarter of the fiscal year ending March 31, 2022.

Notes to the Non-consolidated Financial Statements

(April 1, 2020 - March 31, 2021)

(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.

(Change in presentation method)

Starting with the financial statements for the end of the fiscal year under review, Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31) was applied, and notes on significant accounting estimates are shown in financial statements.

(Additional information)

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

   For the fiscal year under review, net sales declined as the Company began to be affected by production adjustments and operation suspensions by automobile and construction machinery manufacturers, its main customers in and outside Japan, chiefly from late March 2020 amid the spread of novel coronavirus infections.

   Demand from our main customers began to recover from the third quarter of the fiscal year ended March 31, 2021, after bottoming out in the second quarter of the fiscal year.

   However, it is uncertain when the novel coronavirus infections will end, and we assume effects from lower sales will remain until the fiscal year ending March 31, 2022, in light of a demand outlook based on the number of infected people in and outside Japan, information on the disease, various measures, and external information released by industry associations.

   Under this assumption, we made accounting estimates such as for impairment of non-current assets and recoverability of deferred tax assets.

   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 short-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, 2021 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.

(Significant accounting estimates)

1. Valuation of shares of subsidiaries and associates and investments in capital of subsidiaries and associates the market value of which is deemed to be highly difficult to identify

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

Shares of subsidiaries and associates	¥12,080 million
Investments in capital of subsidiaries and associates	¥2,747 million

   (2) Information on significant accounting estimates for items identified

   (i) Judgment on the valuation of the assets

   The values of shares of subsidiaries and associates and investments in capital of subsidiaries and associates the market value of which is deemed to be highly difficult to identify are stated at acquisition cost on non-consolidated financial statements. However, in cases where an issuer company's financial position has deteriorated

seriously and the real value has declined markedly, the balance sheet value is lowered commensurately and the valuation difference is recognized as a loss for the fiscal year.

Notwithstanding the foregoing, no loss on valuation is recognized if recoverability is proven with sufficient evidence even in cases where the real value has declined markedly.

(ii) Real values of the assets and their recoverability

In computing the real values of the assets, the Company takes into account valuation difference based on a mark-to-market valuation of the real estate owned by the issuer company.

Consideration of recoverability is in accordance with certain assumptions such as of future cashflows.

For these assumptions, the duration and extent of effects from spreading novel coronavirus infections are uncertain, so actual results could potentially differ greatly from the estimates depending on developments in the months ahead.

If any estimate changes, the company would potentially recognize impairment loss for the next fiscal year.

(Notes to the Non-consolidated Balance Sheet)

1. Accumulated depreciation of property, plant and equipment: 31,387 million yen

2. Contingent liabilities

Guarantees for borrowings of subsidiaries and affiliates:	6,053 million yen
Guarantees for lease obligations of subsidiaries and affiliates:	1,132

3. Monetary claims and obligations to subsidiaries and affiliates

Short-term monetary claims:	11,210 million yen
Long-term monetary claims:	7,854
Short-term monetary obligations:	3,689

(Notes to the Non-consolidated Statement of Income)

1. Amount of transactions with subsidiaries and affiliates

Net sales	811 million yen
Purchases	29,993
Trades other than operating transactions	
Interest income	414
Dividend income	37

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

Cost of sales	20 million yen

3. Impairment loss

The Group recorded an impairment loss on the following assets.

(Millions of yen)

Use	Location	Category	Amount
Employee dormitory	Japan	Buildings and structures	185

(Background to recognition of impairment loss)

The balance sheet value of the assets in question was reduced to a memorandum value as we would dispose of the buildings and structures due to a decision to sell the leasehold interests in land in the assets, and an impairment loss under extraordinary losses was recorded on them.

(Method for grouping assets)

As a general rule, we determine our asset groups in consideration of classification for management accounting purposes.

However, idle assets and assets planned to be disposed of are grouped on an individual asset basis.

4. Gain on sales of investment securities and loss on sales of investment securities

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

5. Insurance claim income

This was ¥102 million in insurance claim income of the Company due to typhoon number 15 that occurred in September 2019.

6. Extra retirement benefits

As the future outlook is uncertain due to the spread of the novel coronavirus and the operating environment deterioration stemming from it, the Company solicited employees for voluntary resignation in order to improve its financial results. Expenses incurred due to a preferential measure for those who voluntary resigned were recorded as extra retirement benefits under extraordinary losses.

7. Loss on valuation of investments in capital of subsidiaries

The Company recorded ¥258 million in loss on valuation under extraordinary losses in relation to investments in capital of consolidated subsidiary MSSC Ahle GmbH.

(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 325,499 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	444 million yen
Amount in excess of depreciation limit	78
Impairment loss	292
Accrued expenses	262
Loss on valuation of investment securities	257
Loss on valuation of shares of subsidiaries and associates	4,348
Allowance for doubtful accounts	2,058
Provision for loss on business of subsidiaries and associates	667
Loss carried forward for tax purposes	1,063
Other	461
Deferred tax assets—Subtotal	9,934
Valuation allowance	(7,698)
Deferred tax assets—Total	2,236
Deferred tax liabilities	
Valuation difference on available-for-sale securities	1,378 million yen
Reserve for advanced depreciation of non-current assets	377
Prepaid pension cost	233
Enterprise tax receivable	16
Deferred tax liabilities—Total	2,006
Deferred tax assets—Net	229

(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 27,390	Accounts payable - trade	3,166
			Lending of funds	Lending of operating funds and equipment funds (Note 2)	Amount of lending 2,000	Short-term loans receivable	3,400
						Long-term loans receivable	1,737
					Repayment value 9,400		
				Receipt of interest income from loans-receivable	Receipt amount 166		
			Common officers				
	MSSC CANADA INC.	Directly owns 100.0%	Lending of funds	Lending of operating funds and equipment funds (Note 2)	Amount of lending 1,425	Short-term loans receivable	509
						Long-term loans receivable	1,509
					Repayment value 699		
				Receipt of interest income from loans-receivable	Receipt amount 42		
			Common officers				
	MSSC US INC.	Directly owns 100.0%	Debt guarantee	Guarantee for lease obligations (Note 4)	Guarantee amount 1,132		
			Lending of funds	Lending of operating funds and equipment funds (Note 2)	Amount of lending 3,680	Short-term loans receivable	4,129
						Long-term loans receivable	1,108
					Repayment value 2,665		
				Receipt of interest income from loans-receivable	Receipt amount 108		
			Common officers				

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	PT. JATIM TAMAN STEEL MFG.	Directly owns 66.5%	Debt guarantee Lending of funds Common officers	Guarantee for borrowings (Note 3) Lending of operating funds and equipment funds (Note 2) Receipt of interest income from loans-receivable	Guarantee amount 4,885 Amount of lending 850 Repayment value 147 Receipt amount 44	Short-term loans receivable Long-term loans receivable	1,004 1,977
	MSSC Ahle Gmbh	Directly owns 100.0%	Lending of funds	Lending of operating funds and equipment funds (Note 2) Receipt of interest income from loans-receivable	Amount of lending 499 Receipt amount 13	Short-term loans receivable	1,220

(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 provided on borrowings from banks; guarantee commission is received.
4. This is a guarantee for leases from lease companies; no guarantee commission is received.
5. The amount of transactions does not include consumption tax. The closing balance includes consumption tax.
6. For loans receivable from subsidiaries, allowance for doubtful accounts totaling 6,725 million yen is recorded.
7. In addition to the above, the Company booked the provision of a loss of 2,182 million yen on its affiliate business at the end of the fiscal year under review.
8. In addition to the above, the Group recorded 258 million yen in the loss on valuation of investments in capital of subsidiaries.

(Notes on Per Share Information)

1. Net assets per share: ¥1,980.48
2. Loss per share: ¥(363.29)

(Notes on subsequent events)

1. Loss on sale of investment securities

At a Board of Directors meeting on February 25, 2021, the Company reviewed its strategic shareholdings under the Corporate Governance Code in order to streamline its asset holdings and strengthen the financial position, so the Company resolved to sell some of its investment securities (8 stocks) and sold them on April 5 and 6, 2021.

Accordingly, ¥2,117 million in gains on sales of investment securities will be recorded under extraordinary losses for the first quarter of the fiscal year ending March 31, 2022.

2. Sale of non-current assets

At a Board of Directors meeting held on September 24, 2020, the Company resolved to sell some of its non-current assets and sold them on April 12, 2021.

(1) Reason for sale of non-current assets

In the process of reviewing its idle real estate to operate assets efficiently, the Company decided to sell some of its leasehold interests in land.

(2) Description of asset for sale

(1) Address	1-1-1, Kamakura, Katsushika-ku, Tokyo, Japan and 1-1-2, Kamakura, Katsushika-ku, Tokyo, Japan
(2) Asset description	1,911.03 m^2
(3) Gain on sale	¥947 million
(4) Use	Employee dormitory

(3) Outline of buyer

The Company refrains from disclosing the buyer due to contractual reasons.

There is no capital relationship, personal relationship, or business relationship required to be stated between the buyer and the Company, and the buyer does not fall under an interested party.

(4) Recoding of extraordinary income

The sale, originally scheduled to be transacted in the fiscal year ended March 31, 2021, was transacted in April 2021 as property removal and land levelling were slow to be completed.

Accordingly, an extraordinary income of ¥947 million from the leasehold interests in land will be recorded for the first quarter of the fiscal year ending March 31, 2022.