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

98th Fiscal Year (April 1, 2021 - March 31, 2022)

(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, 2021 - March 31, 2022)

(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, 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

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 bonuses for directors (and other officers):

It has been recorded based on the expected payment amount in the current business year in order to prepare for payment of bonus to officers.

(iv) 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.

(v) Loss provision related to fire:

Expected amount is recorded in order to prepare for payment of cost of restoration to original state, etc. expected to arise after the next consolidated fiscal year among those due to a fire that occurred at the 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 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:

As for construction contracts, the Machinery Business estimates the progress of the fulfillment of performance obligations for each contract and recognizes revenue based on the progress.

(Change to accounting policies)

1. Accounting Standards for Revenue Recognition

We apply the “Accounting Standards for Revenue Recognition” (Corporate Accounting Standard No. 29, March 31, 2020; hereinafter referred to as the “Accounting Standards for Revenue Recognition”), etc. from the start of the current consolidated fiscal year, and recognize revenue in the amount we expect to receive in exchange for goods or services at the time when control of the promised goods or services is transferred to the customer.

As such, with respect to construction contracts in some domestic consolidated subsidiaries, previously we used the percentage of completion of construction basis in the case where percentage of completion of construction can be reasonably estimated, and used the inspection basis in other cases, but we changed it to the method in which we recognize the period of fulfillment of performance obligation for each contract and recognize revenue.

In addition, for export sales, revenue was previously recognized at the time of shipment; however, for certain transactions, we have changed to a method of recognizing revenue based on the determination that performance obligations are satisfied when the product arrives at the point agreed upon with the customer depending on the terms of the contract.

As to the application of the Accounting Standards for Revenue Recognition, etc., we follow the transitional treatment set forth in the proviso of Section 84 of the Accounting Standards for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current consolidated fiscal year is added to or deducted from the retained earnings at the beginning of the current consolidated fiscal year and the new accounting policy is applied from the beginning balance of the applicable period.

However, we apply the method set forth in Section 86 of the Accounting Standards for Revenue Recognition and the new accounting policy is not applied retrospectively to contracts for which substantially all revenue amounts have been recognized in accordance with the previous treatment prior to the beginning of the current consolidated fiscal year.

In addition, by applying the method set forth in additional sentence (1) of Section 86 of the Accounting Standards for Revenue Recognition, contract modifications made prior to the beginning of the current consolidated fiscal year are accounted for based on the contractual terms after reflecting all contract modifications, and the cumulative effect amount is added to or deducted from the retained earnings at the beginning of the current consolidated fiscal year.

As a result, net sales for the current consolidated fiscal year decreased 44 million yen, cost of sales fell 37 million yen, and operating income, ordinary income and net income before taxes, etc. were down 7 million yen respectively.

In addition, in the consolidated statement of changes in equity sheets, the balance of retained earnings at the beginning of the current consolidated fiscal year increased 3 million yen, and the balance of non-controlling interests at the beginning of the current consolidated fiscal year grew 2 million yen.

Due to the application of the Accounting Standards for Revenue Recognition, etc., "Negotiable instruments receivable and accounts receivable" which were presented in "Current assets" in the consolidated balance sheets for the previous consolidated fiscal year is included in "Negotiable instruments receivable, accounts receivable and contract assets" from the current consolidated fiscal year, and indebtedness for which we received consideration from customers but have not satisfied the performance obligation is indicated as "Contractual liabilities."

2. Accounting Standards for Calculation of Fair Value

We apply the "Accounting Standards for Calculation of Fair Value" (Corporate Accounting Standard No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standards for Calculation of Fair Value"), etc. from the beginning of the current consolidated fiscal year, and apply the new accounting policy stipulated in the Accounting Standards for Calculation of Fair Value, etc. in the future in accordance with the transitional treatment stipulated in Section 19 of the Accounting Standards for Calculation of Fair Value and Section 44-2 of the "Accounting Standards for Financial Instruments" (Corporate Accounting Standard No. 10, July 4, 2019). There is no impact on the financial statements for the current consolidated fiscal year.

(Additional information)

1. Occurrence of a disaster caused by a fire in a factory

In June 2021, plant fires occurred in MSSC Ahle GmbH, our group company, and the plant buildings and manufacturing facilities were damaged.

As such, the cost of restoration to original state that is expected to occur in the following consolidated accounting fiscal year and beyond is reasonably estimated and 869 million yen is recorded as extraordinary loss in the consolidated statement of income for the current consolidated fiscal year as the "provision of allowance for loss related to fire."

The company maintains insurance coverage for such damage, and part of the insurance proceeds received are included in extraordinary income.

2. Material events related to investments

At a meeting of the Board of Directors held on March 24, 2022, we resolved to purchase the shares of consolidated subsidiary Mitsubishi Nagasaki Machinery MFG. Co., Ltd. from non-controlling shareholders.

The timing of the purchase is currently under discussion, and the effective date of the event is scheduled for late May 2022.

(1) Purpose of purchase of shares

The company is focusing on offshore wind power generation and magnetic separator businesses, and is in line with our group's ESG promotion policy, so we intend to share the course of action for growth together.

We also aim to strengthen governance by raising the shareholding ratio in the company, and decided to purchase the shares this time.

(2) Total number of shares to be purchased and the percentage of ownership after purchase

As a result of purchasing shares of Mitsubishi Nagasaki Machinery MFG. Co., Ltd. from non-controlling shareholders, the ownership percentage of the company and the ownership percentage of consolidated subsidiaries in which it holds shares will increase.

Total number of shares to be purchased	150,000 shares
Ownership percentage after purchase of Mitsubishi Nagasaki Machinery MFG. Co., Ltd.	69.17%
Ownership percentage after purchase of Marunaka Industry Co., Ltd.	77.1%
Ownership percentage after purchase of Ryoki Engineering	69.17%
Ownership percentage after purchase of Shanghai Ryoutan Machinery Co., Ltd	69.17%

(3) Matters related to changes in ownership of our company concerning transactions with non-controlling shareholders
Capital surplus is expected to increase by approximately 500 million yen due to the purchase of shares of the company this time.

(Significant accounting estimates)

1. Asset impairment for the springs business of MSSC CANADA INC.

(1) Outline of the business

MSSC Canada INC. (hereinafter referred to as "MSSC Canada") is the North American base for the spring business which manufactures and sells automotive springs, torsion bars, stabilizers and assemblies thereof, and mainly owns spring production facilities.

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

Buildings and structures	¥127 million
Machinery, equipment, and vehicles	¥1,057 million
Land	¥843 million
Construction in progress	¥290 million
Other intangible assets	¥170 million

(3) Information on significant accounting estimates for items identified

(i) Conclusion about impairment in the business

MSSC Canada's assets are reviewed for impairment in accordance with U.S. accounting standards adopted by MSSC Canada, 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, MSSC Canada, which operates a spring business in Canada, is classified as one asset group.

MSSC Canada has been in the red for some time, and continued to record operating losses in the current consolidated fiscal year from the impact of unfavorable demand due to the spread of new coronavirus infections and shortages of semiconductors and higher raw material procurement costs, and identified indicators of impairment.

As a result of calculating future cash flows before discount from the medium-to long-term plan and comparing them with the carrying amount of the asset group, future cash flows before discount exceeded the carrying amount, so we determined that an impairment loss was not necessary.

(ii) Estimation of the recoverable value for the assets

The company computed future cash flows before discount on the basis of its medium-to long-term plan.

The medium-term plan is based on the latest sales plan and comprehensively takes into account external information such as the business environment, internal information, order sales volumes and sales prices, and the timing at which the semiconductor impact will settle down, and the medium-to long-term plan is calculated using certain assumptions related to these factors.

Because such estimates are affected by future changes in uncertain economic conditions, if revisions to the assumptions used in the estimates are required, an impairment loss may be recognized in the following consolidated fiscal year.

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

(1) Outline of the business

MSSC Ahle GmbH (Ahle) is a German base for the spring business which manufactures and sells automotive springs, and mainly owns spring manufacturing facilities.

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

Buildings and structures	¥614 million
Machinery, equipment, and vehicles	¥149 million
Land	¥204 million
Construction in progress	¥288 million
Other property, plant and equipment	¥32 million
Other intangible assets	¥8 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.

In the current consolidated fiscal year, we recovered from the deterioration in demand due to the spread of new coronavirus infections, but we recorded an operating loss due to a fire.

We have identified indicators of impairment because we anticipate an operating loss in the following consolidated fiscal year due to the impact of an increase in depreciation expenses, etc. resulting from capital expenditures incurred due to a fire that occurred in the current consolidated fiscal year.

The company regarded, as its recoverable value, a discounted future cashflow computed on the basis of its medium- to long-term plan. This value and the asset group’s balance sheet asset 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

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

The medium-term plan is based on the latest sales plan and comprehensively takes into account external information such as the business environment, internal information, order sales volumes and sales prices, and the timing at which the semiconductor impact will settle down, and the medium-to long-term plan is calculated using certain assumptions related to these factors.

Because such estimates are affected by future changes in uncertain economic conditions, if revisions to the assumptions used in the estimates are required, an impairment loss may be recognized in the following consolidated fiscal year.

(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	411 million yen
Accounts receivable - trade	32,771
Contract assets	92

2. Assets pledged as collateral and secured liabilities

Assets pledged as collateral

Land	179 million yen

Secured liabilities

Short-term loans payable	21 million yen
Long-term loans payable	52
Total	74

The maximum amount of the revolving mortgage related to the assets above is 179 million yen.

3. Accumulated depreciation of property, plant and equipment:

86,827 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 (330) 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	Construction in progress	269

(Background to recognition of impairment loss)

With regard to these assets, discounted future cash flows calculated from the medium-to long-term plan 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, we determine our asset groups in consideration of classification for management accounting purposes.

3. Gain on sales of investment securities

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

4. Insurance claim income

   This was insurance claim income from fire accidents incurred by three consolidated subsidiaries.

5. Profit on disposal of non-current assets

   This is due to the sale of the leasehold rights held by us.

6. Losses related to fire

   The amount of loss due to the effect of the factory fire of our consolidated subsidiary, MSM NINGBO SPRING CO., LTD., that occurred in April 2021 was 37 million yen, and the breakdown of the loss is expenses related to restoration, etc.The amount of loss due to the effect of the factory fire of our consolidated subsidiary, MSSC Ahle GmbH, that occurred in June 2021 was 1,464 million yen, and the breakdown of the loss is expenses related to restoration, etc.

7. Provision of allowance for loss related to fire

   In June 2021, a plant fire occurred at MSSC Ahle GmbH, a consolidated subsidiary, and the plant building and manufacturing facilities were damaged.

   The costs of restoration to original state, etc. expected to be incurred in the following consolidated fiscal period were reasonably estimated and recorded in the provision of allowance for loss related to fire.

8. 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.

(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
Board of Directors Meeting held on November 12, 2021	154 million yen	10 yen	September 30, 2021	December 30, 2021

* The total amount of dividends included 0 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 held on June 24, 2022	617 million yen	40 yen	March 31, 2022	June 27, 2022

* The total amount of dividends included 3 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 (4,154 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:	2,180	2,180	-

(2) Long-term loans payable	(31,418)	(31,477)	58
(3) Derivative transactions (*2)	(428)	(428)	-

(*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:	2,180	-	-	2,180
Total Assets	2,180	-	-	2,180
(ii) Derivative transactions (*2) Currency-related transactions	-	(428)	-	(428)
Total Liabilities	-	(428)	-	(428)

(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	-	(31,477)	-	(31,477)
Total Liabilities	-	(31,477)	-	(31,477)

(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

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

Area	Reportable Segment					Other	Total
	Special Steel Bars Business	Springs Business	Formed & Fabricated Products Business	Machinery Business	Total		
Sales							
Japan	67,252	19,750	6,340	7,345	100,689	1,349	102,038
North America	-	18,563	324	1,631	20,520	-	20,520
Asia	9,717	7,599	2,644	244	20,206	-	20,206
Europe	-	2,561	880	-	3,441	-	3,441
Other	-	57	13	13	85	-	85
Revenue from contracts with customers	76,970	48,533	10,203	9,235	144,943	1,349	146,292
Sales to external customers	76,970	48,533	10,203	9,235	144,943	1,349	146,292

(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 "Recordation standard for revenue related to sales of products" and "Recordation standard for revenue related to construction contracts" in "Matters related to accounting policy".

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	29,842	38,808
Contract assets	105	92
Contract liabilities	377	1,371

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 377 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	1,317
Over one year	2,308
Total	3,625

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 3,625 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 36% of them will be recognized as revenue within one year after the end of the year and the remaining approximately 64% will be recognized over one year.

(Notes on Per Share Information)

1. Net assets per share: ¥2,774.13
2. Loss per share: ¥264.78

Notes to the Non-consolidated Financial Statements

(April 1, 2021 - March 31, 2022)

(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.

(iv) Provision for bonuses for directors (and other officers):

It is recorded based on the expected payment amount to be appropriated to the payment of bonuses to be paid to officers.

4. Recording standards of revenue related to sales of products

We manufacture and sell specialty steel, springs, fabricated materials, etc., and with respect to sales of such products, 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.

(Change to accounting policies)

1. Accounting Standards for Revenue Recognition

We apply the "Accounting Standards for Revenue Recognition" (Corporate Accounting Standard No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standards for Revenue Recognition"), etc. from the start of the current non-consolidated fiscal year, and recognize revenue in the amount we expect to receive in exchange for goods or services at the time when control of the promised goods or services is transferred to the customer.

For export sales, revenue was previously recognized at the time of shipment; however, for certain transactions, we have changed to a method of recognizing revenue based on the determination that performance obligations are satisfied when the product arrives at the point agreed upon with the customer depending on the terms of the contract.

As to the application of the Accounting Standards for Revenue Recognition, etc., we follow the transitional treatment set forth in the proviso of Section 84 of the Accounting Standards for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current non-consolidated fiscal year is added to or deducted from the retained earnings at the beginning of the current non-consolidated fiscal year and the new accounting policy is applied from the beginning balance of the applicable period.

However, we apply the method set forth in Section 86 of the Accounting Standards for Revenue Recognition and the new accounting policy is not applied retrospectively to contracts for which substantially all revenue amounts have been recognized in accordance with the previous treatment prior to the beginning of the current non-consolidated fiscal year.

In addition, by applying the method set forth in additional sentence (1) of Section 86 of the Accounting Standards for Revenue Recognition, contract modifications made prior to the beginning of the current non-consolidated fiscal year are accounted for based on the contractual terms after reflecting all contract modifications, and the cumulative effect amount is added to or deducted from the retained earnings at the beginning of the current non-consolidated fiscal year.

As a result, there is no impact on the current business year.

Due to the application of the Accounting Standards for Revenue Recognition, etc., "Negotiable instruments receivable and accounts receivable" which were presented in "Current assets" in the non-consolidated balance sheets for the previous non-consolidated fiscal year is included in "Negotiable instruments receivable, accounts receivable and contract assets" from the current non-consolidated fiscal year, and indebtedness for which we received consideration from customers but have not satisfied the performance obligation is indicated as "Contractual liabilities."

(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	¥11,791 million
(Among them, amount to MSSC Canada Inc. – 0 million yen)	
Investments in capital of subsidiaries and associates	¥2,737 million
Loans receivable	¥24,835 million
(Among them, amount to MSSC Canada Inc. – 6,412 million yen)	
Allowance for doubtful accounts	¥(12,053) million
(Among them, amount to MSSC Canada Inc. – 4,318 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 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:
   32,375 million yen

2. Contingent liabilities

Guarantees for borrowings of subsidiaries and affiliates:	11,261 million yen

3. Monetary claims and obligations to subsidiaries and affiliates

Short-term monetary claims:	19,539 million yen
Long-term monetary claims:	7,439
Short-term monetary obligations:	2,426

(Notes to the Non-consolidated Statement of Income)

1. Amount of transactions with subsidiaries and affiliates

Net sales	1,373 million yen
Purchases	45,416
Trades other than operating transactions	
Interest income	412
Dividend income	66
Guarantee commission received	26

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

Cost of sales	(53) million yen

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

4. Gain on sale of non-current assets
   This is due to the sale of the leasehold rights held by us in April 2021.

(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 353,774 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	157 million yen
Provision for retirement benefits	467
Amount in excess of depreciation limit	64
Impairment loss	235
Accrued expenses	259
Loss on valuation of investment securities	257
Loss on valuation of shares of subsidiaries and associates	4,561
Allowance for doubtful accounts	3,688
Other	382
Deferred tax assets—Subtotal	10,074
Valuation allowance	(8,830)
Deferred tax assets—Total	1,244
Deferred tax liabilities	
Valuation difference on available-for-sale securities	357 million yen
Reserve for advanced depreciation of non-current assets	337
Prepaid pension cost	354
Deferred tax liabilities—Total	1,049
Deferred tax assets—Net	195

(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 (Notes to revenue recognition)" 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 42,330	Accounts payable - trade	1,790
			Lending of funds	Lending of operating funds and equipment funds (Note 3)	Repayment value 2,600	Short-term loans receivable	1,200
						Long-term loans receivable	1,337
				Receipt of interest income from loans-receivable	Receipt amount 50		
			Common officers				
	MSSC CANADA INC.	Directly owns 100.0%	Lending of funds	Lending of operating funds and equipment funds (Note 3)	Amount of lending 4,326	Short-term loans receivable	4,571
						Long-term loans receivable	1,840
					Repayment value 466		
				Receipt of interest income from loans-receivable	Receipt amount 99		
				Supply of specialty steel (Note 2)	Supply amount 2,064	Accounts receivable - other	857
			Common officers				
	MSSC US INC.	Directly owns 100.0%	Lending of funds	Lending of operating funds and equipment funds (Note 3)	Amount of lending 1,642	Short-term loans receivable	6,449
						Long-term loans receivable	883
					Repayment value 153		
				Receipt of interest income from loans-receivable	Receipt amount 125		
			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	Guarantee for borrowings (Note 4)	Guarantee amount 10,381		
					Guarantee commission 26		
			Lending of funds	Lending of operating funds and equipment funds (Note 3)	Amount of lending 860	Short-term loans receivable	1,985
						Long-term loans receivable	1,710
					Repayment value 160		
				Receipt of interest income from loans-receivable	Receipt amount 47		
			Common officers				
	MSSC Ahle Gmbh	Directly owns 100.0%	Lending of funds	Lending of operating funds and equipment funds (Note 3)	Amount of lending 1,161	Short-term loans receivable	2,494
				Receipt of interest income from loans-receivable	Receipt amount 32		

(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. The amount of transactions does not include consumption tax. The closing balance includes consumption tax.
6. For loans receivable from subsidiaries and associates, allowance for doubtful accounts totaling 12,053 million yen is recorded.
7. In addition to the above, the Group recorded 10 million yen in the loss on valuation of investments in capital of subsidiaries and associates.
8. In addition to the above, the Group recorded 553 million yen in the loss on valuation of shares of subsidiaries and associates.

(Notes on Per Share Information)

1. Net assets per share: ¥2,133.56
2. Profit per share: ¥312.15