Consolidated Financial Statements

Yodogawa Steel Works, Ltd.
and Consolidated Subsidiaries

March 31, 2016
with Independent Auditor's Report

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

March 31, 2016

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Independent Auditor's Report

The Board of Directors
Yodogawa Steel Works, Ltd.

We have audited the accompanying consolidated financial statements of Yodogawa Steel Works, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yodogawa Steel Works, Ltd. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

June 23, 2016
Osaka, Japan

Ernst & Young ShinNihon LLC

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2016

	Millions of yen		*Thousands of U.S. dollars (Note 4)*
	2015	**2016**	**2016**
Assets			
Current assets:			
Cash and deposits *(Notes 5, 6 and 12)*	¥ 35,176	¥ 46,503	$ 412,700
Marketable securities *(Notes 5, 6 and 7)*	505	100	887
Notes and accounts receivable *(Note 6)*:			
Unconsolidated subsidiaries and affiliates *(Note 23)*	14,644	14,191	125,941
Trade	26,595	23,489	208,457
Less allowance for doubtful receivables	(189)	(112)	(994)
Inventories *(Note 8)*	32,706	25,189	223,545
Deferred income taxes *(Note 15)*	381	546	4,846
Other current assets *(Note 5)*	5,626	7,647	67,864
Total current assets	115,444	117,553	1,043,246
Property, plant and equipment:			
Land *(Notes 9, 18 and 24)*	18,979	18,385	163,161
Buildings and structures *(Notes 9 and 24)*	58,925	58,637	520,385
Machinery, equipment and vehicles *(Note 9)*	147,823	141,798	1,258,413
Leased assets *(Note 20)*	1,644	1,500	13,312
Construction in progress	537	659	5,848
Less accumulated depreciation	(168,739)	(170,341)	(1,511,722)
Property, plant and equipment, net *(Note 25)*	59,169	50,638	449,397
Investments and other assets:			
Investments in securities *(Notes 6, 7 and 12)*	37,011	29,918	265,513
Investments in unconsolidated subsidiaries and affiliates *(Note 25)*	4,875	4,879	43,300
Goodwill *(Notes 9 and 25)*	198	14	124
Deferred income taxes *(Note 15)*	699	782	6,940
Intangible assets	1,145	1,274	11,306
Other assets *(Note 12)*	1,530	802	7,118
Total investments and other assets	45,458	37,669	334,301
Total assets *(Note 25)*	¥ 220,071	¥ 205,860	$ 1,826,944

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2016	2016
Liabilities and net assets			
Current liabilities:			
Current portion of finance lease obligations *(Note 10)*	¥ 182	¥ 173	$ 1,535
Notes and accounts payable *(Note 6)*:			
Unconsolidated subsidiaries and affiliates	450	302	2,680
Trade	17,450	16,072	142,634
Construction	1,665	1,654	14,679
Short-term loans *(Note 10)*	7,104	7,153	63,481
Accrued expenses	2,382	2,236	19,844
Income tax payable *(Note 15)*	1,161	1,758	15,602
Provision for bonuses to employees	829	939	8,333
Other current liabilities *(Note 12)*	2,589	2,809	24,929
Total current liabilities	33,812	33,096	293,717
Long-term liabilities:			
Liability for retirement benefits (*Note 14*)	9,642	10,638	94,409
Provision for retirement benefits for directors and audit & supervisory board members	93	112	994
Guarantee deposits *(Note 10)*	3,005	3,068	27,228
Finance lease obligations, less current portion *(Note 10)*	1,193	931	8,262
Deferred income taxes *(Note 15)*	4,899	2,673	23,722
Deferred income taxes on land revaluation reserve *(Note 15)*	853	856	7,597
Other long-term liabilities	1,674	1,087	9,647
Total long-term liabilities	21,359	19,365	171,859
Contingent liabilities *(Note 13)*			
Net assets:			
Shareholders' equity *(Note 17)*:			
Common stock:			
Authorized: 753,814,067 shares in 2015 and 143,000,000 shares in 2016			
Issued: 179,186,153 shares in 2015 and 35,837,230 shares in 2016	23,221	23,221	206,079
Capital surplus	21,210	21,432	190,203
Retained earnings *(Note 26)*	94,908	90,590	803,958
Treasury stock, at cost – 24,475,276 shares in 2015 and 5,363,079 shares in 2016	(9,186)	(10,399)	(92,288)
Total shareholders' equity	130,153	124,844	1,107,952
Accumulated other comprehensive income:			
Unrealized holding gain on securities *(Note 7)*	14,150	10,756	95,456
Land revaluation reserve *(Note 18)*	1,615	1,627	14,439
Translation adjustments	2,554	1,860	16,507
Retirement benefit liability adjustments *(Note 14)*	(1,260)	(1,938)	(17,199)
Total accumulated other comprehensive income	17,059	12,305	109,203
Stock acquisition rights *(Note 17)*	166	178	1,579
Non-controlling interests	17,522	16,072	142,634
Total net assets	164,900	153,399	1,361,368
Total liabilities and net assets	¥ 220,071	¥ 205,860	$ 1,826,944

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations

Year ended March 31, 2016

	Millions of yen		*Thousands of U.S. dollars (Note 4)*
	2015	**2016**	**2016**
Net sales *(Notes 23, 24 and 25)*	¥ 175,890	¥ 159,214	$ 1,412,975
Cost of sales *(Notes 8 and 24)*	154,782	134,978	1,197,888
Gross profit	21,108	24,236	215,087
Selling, general and administrative expenses *(Notes 17, 19 and 24)*	17,680	16,934	150,284
Operating income *(Note 25)*	3,428	7,302	64,803
Other income (expenses):			
Interest and dividend income	971	1,031	9,150
Interest expense	(158)	(215)	(1,908)
Dividend income of life insurance	95	93	825
Foreign exchange gain (loss), net	1,460	(612)	(5,431)
Amortization of negative goodwill *(Note 25)*	7	–	–
Equity in earnings of an affiliate	377	337	2,991
Gain on revaluation of derivatives	23	32	284
Gain on sales of investments in securities, net *(Note 7)*	1,091	497	4,411
Expenses related to employees seconded to overseas unconsolidated subsidiaries	(256)	(255)	(2,263)
Loss on sales or disposal of property, plant and equipment, net	(83)	(77)	(683)
Loss on impairment of investments in securities *(Note 7)*	(133)	(1,828)	(16,223)
Loss on impairment of fixed assets *(Note 9)*	(588)	(6,603)	(58,600)
Gain on recognition of negative goodwill *(Note 25)*	47	–	–
Gain on insurance claim	12	1	9
Other, net *(Note 7)*	133	193	1,712
Profit (loss) before income taxes	6,426	(104)	(923)
Income taxes *(Note 15)*:			
Current	2,599	2,941	26,100
Deferred	583	(333)	(2,955)
	3,182	2,608	23,145
Profit (loss)	3,244	(2,712)	(24,068)
Profit (loss) attributable to:			
Non-controlling interests	627	59	524
Owners of parent	¥ 2,617	¥ (2,771)	$ (24,592)

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year ended March 31, 2016

	Millions of yen		*Thousands of U.S. dollars (Note 4)*
	2015	**2016**	**2016**
Profit (loss)	¥ 3,244	¥ (2,712)	$ (24,068)
Other comprehensive income (loss) *(Note 16)*:			
Unrealized holding gain (loss) on securities	5,207	(3,422)	(30,369)
Unrealized gain from hedging instruments	0	–	–
Land revaluation reserve	64	(4)	(35)
Translation adjustments	2,589	(1,120)	(9,940)
Retirement benefit liability adjustments	162	(752)	(6,674)
Share of other comprehensive income (loss) of an affiliate accounted for by the equity method	70	(10)	(89)
Total other comprehensive income (loss)	8,092	(5,308)	(47,107)
Comprehensive income (loss)	¥ 11,336	¥ (8,020)	$ (71,175)
Total comprehensive income (loss) attributable to:			
Owners of parent	¥ 9,802	¥ (7,530)	$(66,826)
Non-controlling interests	1,534	(490)	(4,349)

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2016

		Millions of yen					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2014	184,186,153	¥ 23,221	¥ 23,460	¥ 93,846	¥ (10,104)	¥ 130,423
Cash dividends	–	–	–	(1,571)	–	(1,571)
Profit attributable to owners of parent for the year	–	–	–	2,617	–	2,617
Acquisition of treasury stock	–	–	–	–	(1,348)	(1,348)
Disposition of treasury stock	–	–	(5)	–	21	16
Retirement of treasury stock	(5,000,000)	–	(2,245)	–	2,245	–
Reversal of land revaluation reserve	–	–	–	16	–	16
Other change	–	–	–	–	–	–
Balance at April 1, 2015	179,186,153	¥ 23,221	¥ 21,210	¥ 94,908	¥ (9,186)	¥ 130,153
Cash dividends	–	–	–	(1,542)	–	(1,542)
Loss attributable to owners of parent for the year	–	–	–	(2,771)	–	(2,771)
Acquisition of treasury stock	–	–	–	–	(1,238)	(1,238)
Disposition of treasury stock	–	–	(8)	–	25	17
Increase due to change in ownership interest resulting from capital increase of a consolidated subsidiary	–	–	198	–	–	198
Increase due to change in ownership interest resulting from acquisition of investments in a consolidated subsidiary	–	–	32	–	–	32
Reversal of land revaluation reserve	–	–	–	(5)	–	(5)
Other changes	(143,348,923)	–	–	–	–	–
Balance at March 31, 2016	35,837,230	¥ 23,221	¥ 21,432	¥ 90,590	¥ (10,399)	¥ 124,844

	Millions of yen								
	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Land revaluation reserve	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2014	¥ 8,923	¥(0)	¥ 1,545	¥ 933	¥(1,511)	¥ 9,890	¥ 156	¥ 16,064	¥ 156,533
Cash dividends	–	–	–	–	–	–	–	–	(1,571)
Profit attributable to owners of parent for the year	–	–	–	–	–	–	–	–	2,617
Acquisition of treasury stock	–	–	–	–	–	–	–	–	(1,348)
Disposition of treasury stock	–	–	–	–	–	–	–	–	16
Retirement of treasury stock	–	–	–	–	–	–	–	–	–
Reversal of land revaluation reserve	–	–	–	–	–	–	–	–	16
Other changes	5,227	0	70	1,621	251	7,169	10	1,458	8,637
Balance at April 1, 2015	¥ 14,150	¥ –	¥ 1,615	¥ 2,554	¥(1,260)	¥ 17,059	¥ 166	¥ 17,522	¥ 164,900
Cash dividends	–	–	–	–	–	–	–	–	(1,542)
Loss attributable to owners of parent for the year	–	–	–	–	–	–	–	–	(2,771)
Acquisition of treasury stock	–	–	–	–	–	–	–	–	(1,238)
Disposition of treasury stock	–	–	–	–	–	–	–	–	17
Increase due to change in ownership interest resulting from capital increase of a consolidated subsidiary	–	–	–	–	–	–	–	–	198
Increase due to change in ownership interest resulting from acquisition of investments in a consolidated subsidiary	–	–	–	–	–	–	–	–	32
Reversal of land revaluation reserve	–	–	–	–	–	–	–	–	(5)
Other changes	(3,394)	–	12	(694)	(678)	(4,754)	12	(1,450)	(6,192)
Balance at March 31, 2016	¥ 10,756	¥ –	¥ 1,627	¥ 1,860	¥(1,938)	¥ 12,305	¥178	¥ 16,072	¥ 153,399

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2016

Thousands of U.S. dollars (Note 4)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2015	$ 206,079	$ 188,232	$ 842,279	$ (81,523)	$ 1,155,067
Cash dividends	–	–	(13,685)	–	(13,685)
Loss attributable to owners of parent for the year	–	–	(24,592)	–	(24,592)
Acquisition of treasury stock	–	–	–	(10,987)	(10,987)
Disposition of treasury stock	–	(71)	–	222	151
Increase due to change in ownership interest resulting from capital increase of a consolidated subsidiary	–	1,758	–	–	1,758
Increase due to change in ownership interest resulting from acquisition of investments in a consolidated subsidiary	–	284	–	–	284
Reversal of land revaluation reserve	–	–	(44)	–	(44)
Other changes	–	–	–	–	–
Balance at March 31, 2016	$ 206,079	$ 190,203	$ 803,958	$ (92,288)	$ 1,107,952

Thousands of U.S. dollars (Note 4)

	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Land revaluation reserve	Translation adjustments	Retirement benefit liability adjustment	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2015	$125,577	$ –	$14,332	$ 22,666	$ (11,182)	$ 151,393	$1,473	$ 155,503	$1,463,436
Cash dividends	–	–	–	–	–	–	–	–	(13,685)
Loss attributable to owners of parent for the year	–	–	–	–	–	–	–	–	(24,592)
Acquisition of treasury stock	–	–	–	–	–	–	–	–	(10,987)
Disposition of treasury stock	–	–	–	–	–	–	–	–	151
Increase due to change in ownership interest resulting from capital increase of a consolidated subsidiary	–	–	–	–	–	–	–	–	1,758
Increase due to change in ownership interest resulting from acquisition of investments in a consolidated subsidiary	–	–	–	–	–	–	–	–	284
Reversal of land revaluation reserve	–	–	–	–	–	–	–	–	(44)
Other changes	(30,121)	–	107	(6,159)	(6,017)	(42,190)	106	(12,869)	(54,953)
Balance at March 31, 2016	$ 95,456	$ –	$14,439	$ 16,507	$ (17,199)	$ 109,203	$1,579	$ 142,634	$1,361,368

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended March 31, 2016

	Millions of yen		*Thousands of U.S. dollars (Note 4)*
	2015	**2016**	**2016**
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ 6,426	¥ (104)	$ (923)
Adjustments for:			
Depreciation and amortization	5,155	4,312	38,268
Amortization of goodwill	–	22	195
Amortization of negative goodwill	(7)	–	–
Equity in earnings of an affiliate	(377)	(337)	(2,991)
Increase in liability for retirement benefits	182	83	737
Increase in provision for retirement benefits for directors and audit & supervisory board members	20	19	168
(Decrease) increase in provision for bonuses to employees	(73)	109	967
Decrease in allowance for doubtful receivables	(59)	(77)	(683)
Interest and dividend income	(971)	(1,031)	(9,150)
Interest expense	158	215	1,908
Insurance income	(107)	(94)	(834)
Gain on recognition of negative goodwill	(47)	–	–
Gain on revaluation of derivatives	(23)	(32)	(284)
Gain on sales of investments in securities, net	(1,091)	(497)	(4,411)
Loss on impairment of investments in securities	133	1,828	16,223
Loss on sales or disposal of property, plant and equipment, net	83	77	683
Loss on impairment of fixed assets	588	6,603	58,600
(Increase) decrease in notes and accounts receivable	(576)	3,472	30,813
(Increase) decrease in inventories	(1,814)	6,783	60,197
Decrease in notes and accounts payable	(1,652)	(1,417)	(12,575)
Other, net	(325)	933	8,280
Subtotal	5,623	20,867	185,188
Insurance dividends and claims received	107	94	834
Interest and dividends received	1,025	1,079	9,576
Interest paid	(153)	(213)	(1,890)
Income taxes paid	(3,774)	(2,422)	(21,495)
Net cash provided by operating activities	¥ 2,828	¥ 19,405	$ 172,213

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2016

	Millions of yen		*Thousands of U.S. dollars (Note 4)*
	2015	**2016**	**2016**
Cash flows from investing activities:			
Investments in time deposits	¥ (1,847)	¥ (11,041)	$ (97,985)
Proceeds from time deposits	3,881	2,721	24,148
Proceeds from sales of marketable securities	–	300	2,662
Purchases of property, plant and equipment	(5,458)	(2,810)	(24,938)
Proceeds from sales of property, plant and equipment	3	11	98
Purchases of intangible assets	(112)	(194)	(1,722)
Purchases of investments in securities	(27)	(1,526)	(13,543)
Proceeds from sales of investments in securities	2,235	2,188	19,418
Payment for loans receivable	(175)	(112)	(994)
Collection of loans receivable	241	184	1,633
Other	(97)	0	0
Net cash used in investing activities	(1,356)	(10,279)	(91,223)
Cash flows from financing activities:			
Net increase in short-term bank loans	5,353	431	3,825
Proceeds from sales of treasury stock	0	1	9
Purchases of treasury stock	(1,200)	(1,235)	(10,960)
Cash dividends paid to owners of parent	(1,582)	(1,556)	(13,809)
Proceeds from stock issuances to non-controlling interests	401	–	–
Cash dividends paid to non-controlling interests	(615)	(721)	(6,399)
Repayment of lease obligations	(163)	(177)	(1,571)
Purchases of investments in a subsidiary not resulting in change in scope of consolidation	–	(8)	(71)
Net cash provided by (used in) financing activities	2,194	(3,265)	(28,976)
Effect of exchange rate changes on cash and cash equivalents	252	(269)	(2,387)
Net increase in cash and cash equivalents	3,918	5,592	49,627
Cash and cash equivalents at the beginning of the year	31,280	35,198	312,372
Cash and cash equivalents at the end of the year *(Note 5)*	¥ 35,198	¥ 40,790	$ 361,999

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies

(a) Basis of preparation

Yodogawa Steel Works, Ltd. (the “Company”) and its domestic subsidiaries maintain their books of account and records in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

(b) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

An investment in one affiliate (a company over which the Company has the ability to exercise significant influence) is stated at cost plus equity in its undistributed earnings or undisposed loss. Consolidated net income or loss includes the Company’s equity in the current net income or loss of this company after the elimination of unrealized intercompany profits.

All assets and liabilities of the consolidated subsidiaries are revalued on acquisition, if applicable. The difference between the cost of investments in subsidiaries and the equity in their net assets at their respective dates of acquisition is amortized over a period of 5 years on a straight-line basis.

1. Summary of Significant Accounting Policies (continued)

(b) Basis of consolidation (continued)

The financial statements of certain consolidated subsidiaries whose fiscal year end is December 31 have been included in consolidation on the basis of a full fiscal year after making the necessary adjustments for significant transactions during the period from their fiscal year end to the Company's balance sheet date.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Other assets and liabilities denominated in foreign currencies are translated at their historical rates. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gain or loss is credited or charged to profit or loss.

The balance sheet accounts of the overseas consolidated subsidiaries (except for net assets excluding non-controlling interests) are translated into yen at the rate of exchange in effect at the balance sheet date. The components of net assets excluding non-controlling interests are translated at their respective historical rates of exchange. Revenue and expense accounts are translated into yen at the average rate of exchange in effect during the year.

Differences arising from translation are reflected in "Translation adjustments" and "Non-controlling interests" in the accompanying consolidated balance sheets and statements of changes in net assets.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible into cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

1. Summary of Significant Accounting Policies (continued)

(e) Securities

The accounting standard for financial instruments requires that securities other than those of subsidiaries and affiliates be classified into three categories: trading securities, held-to-maturity debt securities or other securities. Under this standard, trading securities are carried at fair value and gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving average method.

(f) Derivatives

Derivatives are measured at fair value.

(g) Inventories

Inventories of the Company and its domestic consolidated subsidiaries are principally stated at the lower of cost or net selling value, cost being determined by the average method. Inventories of overseas consolidated subsidiaries are stated at the lower of cost or net selling value, cost being determined by the moving average method.

(h) Property, plant and equipment and depreciation (except for leased assets)

Depreciation of property, plant and equipment at the Company and its domestic consolidated subsidiaries is calculated by the declining-balance method over the estimated useful lives of the respective assets, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on or after April 1, 1998.

Depreciation of property, plant and equipment at overseas consolidated subsidiaries is calculated by the straight-line method.

The useful lives adopted for calculating depreciation are principally as follows:

Buildings and structures	3 to 60 years
Machinery, equipment and vehicles	3 to 36 years

1. Summary of Significant Accounting Policies (continued)

(i) Intangible assets (except for leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

Expenditures related to computer software development for internal use are expensed as incurred, unless these contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their estimated useful life of 5 years.

(j) Research and development costs

Research and development costs are expensed as incurred.

(k) Leases

Leased assets under finance lease transactions that transfer ownership to the lessee are depreciated by the same method used for owned fixed assets.

Leased assets under finance lease transactions which do not transfer ownership of the leased assets to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

(l) Allowance for doubtful receivables

The Group provides an allowance for doubtful receivables at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(m) Provision for bonuses to employees

The Company and its domestic consolidated subsidiaries provide for payments of bonuses to employees based on the estimated amount to be paid to employees after the balance sheet date, which is attributable to the current fiscal year. There are no bonuses to employees at overseas consolidated subsidiaries to be provided.

1. Summary of Significant Accounting Policies (continued)

(n) Provision for retirement benefits for directors and audit & supervisory board members

The directors and audit & supervisory board members of the Company's domestic consolidated subsidiaries have customarily been entitled to lump-sum payments under the unfunded retirement benefit plans. Provision for retirement benefits for these directors and audit & supervisory board members have been provided at an estimated amount based on each consolidated subsidiary's internal rules.

(o) Retirement benefits

In calculating the retirement benefit obligation, the benefit formula basis is applied for the attribution of expected retirement benefits to each period up to the end of the current year.

Prior service cost is being amortized as incurred by the straight-line method over a period of principally 10 years, which is within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of principally 10 years, which is within the estimated average remaining years of service of the eligible employees.

Certain consolidated subsidiaries calculate liability for retirement benefits and retirement benefit expenses for the defined benefit corporate pension plans and the retirement lump-sum plans based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily ("simplified method").

(p) Income taxes

Deferred income taxes are provided for temporary differences between the balances of assets and liabilities for financial reporting purposes and the corresponding balances for tax reporting purposes.

(q) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Consumption taxes and local consumption taxes paid not offset by consumption taxes and local consumption taxes received in accordance with Consumption Tax Act of Japan are expensed when incurred.

1. Summary of Significant Accounting Policies (continued)

(r) Recognition of revenues and costs of construction contracts

Revenues and costs of construction contracts of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be adopted for contracts for which the percentage of completion cannot be reliably estimated.

(s) Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Receivables or payable hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates ("Allocation method"). The evaluation of effectiveness of such forward foreign exchange contracts is omitted because significant terms of the hedging instruments and underlying hedged items are the same and the Company and certain consolidated subsidiaries assumes that movements of cash flows are completely offset.

(t) Accounting standards issued but not yet effective

Implementation Guidance on Recoverability of Deferred Tax Assets

On March 28, 2016, the Accounting Standards Board of Japan ("ASBJ") issued "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26), which basically transferred the accounting guidance included in the Japanese Institute of Certified Public Accountants Audit Committee Report No.66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets" (JICPA Report No.66) to the ASBJ. The ASBJ basically continues to apply the framework of the JICPA Report No.66, whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories. However, the ASBJ conducted a necessary review regarding the partial accounting treatments for the categorizing criteria and recoverability of deferred tax assets and established the guidance in applying "Accounting Standard for Tax Effect Accounting" (Business Accounting Council of Japan), regarding the recoverability for deferred tax assets.

1. Summary of Significant Accounting Policies (continued)

(t) Accounting standards issued but not yet effective (continued)

Implementation Guidance on Recoverability of Deferred Tax Assets (continued)

Accordingly, the following accounting treatments will be changed:

(*1) Accounting treatment for entities that are not included in any of the five categories

(*2) Criteria for classifying entities that have generated stable income for the past three years and the current year classified as “Category 2” or which have experienced significant fluctuations of taxable income, however, with no significant net operating tax loss carryforwards for the past three years or the current year classified as “Category 3” entities

(*3) Recoverability of deferred tax assets for unscheduled deductible temporary differences of “Category 2” entities

(*4) Reasonable estimable period of future taxable income before adjustments of temporary differences for “Category 3” entities

(*5) Accounting treatment for recoverability of deferred tax assets at “Category 4” entities with significant net operating tax loss carryforwards or that have had significant net operating tax loss carryforwards expire in the past three years or the current year or are expected to expire, which, are classified as “Category 2” or “Category 3” entities due to meeting certain conditions

The Company expects to adopt the revised implementation guidance from the beginning of the year ending March 31, 2017.

The Company is currently evaluating the effect of adopting the revised accounting guidance on the consolidated financial statements.

2. Change in Accounting Policies

Accounting Standards for Business Combinations

The Company and its domestic subsidiaries adopted “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 of September 13, 2013), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7 of September 13, 2013) and other standards. These revised accounting standards are applied from the fiscal year ended March 31, 2016. Accordingly, differences resulting from changes in ownership interest in a subsidiary when control over the subsidiary is retained by the parent are recognized under capital surplus, and acquisition-related costs are recorded as expenses for the period in which they arise. Effective for business combinations conducted on or after the beginning of the year ended March 31, 2016, any changes in the allocation of the acquisition price arising from the finalization of the provisional accounting treatment are reflected in the consolidated financial statements for the year in which the business combination occurs. In addition, the presentation method of profit (loss) attributable to owners of parent was amended, and “minority interests” were changed to “non-controlling interests.” Reclassifications were made to the previous year’s consolidated financial statements to reflect these changes in presentation.

From April 1, 2015, these revised standards are applied prospectively in accordance with the transitional treatment provided in Article 58 – 2 (4) of ASBJ Statement No.21, Article 44 – 5 (4) of ASBJ Statement No.22 and Article 57 – 4 (4) of ASBJ Statement No.7.

Effective from the year ended March 31, 2016, in the consolidated statement of cash flows, cash flows related to the acquisition or sale of shares of subsidiaries not resulting in a change in the scope of consolidation are classified into “cash flows from financing activities,” while cash flows related to expenses arising from the acquisition of shares of subsidiaries resulting in a change in the scope of consolidation or expenses arising from the acquisition or sale of shares of subsidiaries not resulting in a change in the scope of consolidation are classified into “cash flows from operating activities.”

As a result of this change, loss before income taxes for the year ended March 31, 2016 and capital surplus as of March 31, 2016 increased by ¥231 million ($2,050 thousand). Also, basic loss attributable to owners of parent for the year ended March 31, 2016 increased by ¥7.51 ($0.07).

3. Change in Accounting Estimates

Effective from the year ended March 31, 2016, Yodogawa Shengyu Steel, Ltd. ("YSS"), a consolidated subsidiary in China, changed the estimated economic useful lives of main machinery, equipment and buildings following a review of its mid-term business plan. As a result, YSS determined that it is appropriate to use the useful lives for machinery and equipment based on the expected sales mix included in the new business plan. In addition, it is also appropriate to use useful lives based on the original utilization period for buildings because the concerns about a defect caused by ground conditions have been resolved. As a result of this change, operating income increased by ¥384 million ($3,408 thousand) and loss before income taxes decreased by the same amount for the year ended March 31, 2016.

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥112.68 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2016. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

5. Cash and Cash Equivalents

A reconciliation of cash and deposits shown in the accompanying consolidated balance sheet as of March 31, 2015 and 2016 to cash and cash equivalents shown in the accompanying consolidated statement of cash flows for the years ended March 31, 2015 and 2016 is presented as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Cash and deposits	¥ 35,176	¥ 46,503	$ 412,700
Investment trust beneficiary securities included in "Marketable securities"	204	–	–
Trust beneficiary rights included in "Other current assets"	–	500	4,437
Time deposits with a maturity of more than three months	(182)	(6,213)	(55,138)
Cash and cash equivalents	¥ 35,198	¥ 40,790	$ 361,999

6. Financial Instruments

Overview

(a) Policy for financial instruments

In consideration of plans for capital investment, the Group primarily utilizes its own funds. In case its own funds are insufficient, the Group raises funds by bank borrowings or bond issuances. The Group manages temporary cash surpluses through low-risk financial assets. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative purposes.

(b) Types of financial instruments and related risk

Trade receivables, notes and accounts receivables, are exposed to credit risk of customers. In addition, the Group is exposed to foreign currency exchange risk arising from trade receivables denominated in foreign currencies.

Investments in securities and marketable securities are exposed to volatility risk of market price. The former is composed mainly of the shares of common stock of the companies with which the Group has business relationships, held-to-maturity debt securities and hybrid financial instruments containing embedded derivatives. The latter is composed mainly of commercial paper and negotiable certificates of deposits.

Trade payables, notes and accounts payable, have payment due dates within six months. The Group is exposed to foreign currency exchange risk arising from trade payables denominated in foreign currencies.

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from trade receivables, trade payables and loans receivables denominated in foreign currencies for the purpose of efficient risk management.

Information regarding the hedging instruments and hedged items, the hedging policy and the method of the evaluation of the effectiveness of hedging is addressed in Note 1(s).

6. Financial Instruments (continued)

Overview (continued)

(c) Risk management for financial instruments

For trade receivables, each related division monitors the credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by customer. In addition, the Company and its domestic consolidated subsidiaries are making efforts to identify at an early point and mitigate risks of bad debts from customers who have financial difficulties. The overseas consolidated subsidiaries request customers to issue non-cancelable letters of credit to hedge credit risk.

The Group only acquires held-to-maturity debt securities and commercial paper issued by companies with high credit ratings or sound credit profiles. Accordingly, the Group believes that the credit risk deriving from such securities is insignificant. The Group also believes that the credit risk of derivatives is insignificant as the Group enters into derivative transactions only with financial institutions with high credit ratings.

For trade receivables and trade payables denominated in foreign currencies, the Group enters into forward foreign exchange contracts to hedge the risks arising from fluctuations in foreign exchanges rates.

For marketable securities and investments in securities, the Group periodically reviews the fair value of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether or not securities other than those classified as held-to-maturity debt securities should be maintained taking into account their fair value and relationships with the issuers.

The Group enters into derivative transactions based on internal regulations and establishes the reporting and approval system which set forth the purpose, contents, counterparties, holding risk, maximum upper limit of loss amount and risk amounts.

Based on a report from each division, the Group prepares and updates its cash flow plans on a timely basis and maintains sufficient solvency to manage liquidity risk. In order to provide for unexpected cash requirements, the Company has entered into the line-of-credit agreements with certain financial institutions and its overseas consolidated subsidiaries are able to obtain credit limit of short-term borrowings from certain financial institutions.

6. Financial Instruments (continued)

Overview (continued)

(d) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market prices, if available. When there are no quoted market prices available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

(e) Concentration of credit risk

There is no credit risk for the year ended March 31, 2016.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet, estimated fair value and unrealized gain as of March 31, 2015 and 2016 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		
	2015		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	¥ 35,176	¥ 35,176	¥ –
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	14,644	14,644	–
Trade	26,595	26,595	–
Marketable securities and investments in securities	36,271	36,348	77
Total assets	¥112,686	¥112,763	¥77
Liabilities:			
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	¥ 450	¥ 450	¥ –
Trade	17,450	17,450	–
Total liabilities	¥ 17,900	¥ 17,900	¥ –
Derivatives*	¥ (539)	¥ (539)	¥ –

6. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	Millions of yen		
	2016		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	¥ 46,503	¥ 46,503	¥ –
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	14,191	14,191	–
Trade	23,489	23,489	–
Marketable securities and investments in securities	29,667	29,774	107
Total assets	¥113,850	¥113,957	¥107
Liabilities:			
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	¥ 302	¥ 302	¥ –
Trade	16,072	16,072	–
Total liabilities	¥ 16,374	¥ 16,374	¥ –
Derivatives (*)	–	–	–

	Thousands of U.S. dollars		
	2016		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	$ 412,700	$ 412,700	$ –
Notes and accounts receivable			
Unconsolidated subsidiaries and affiliates	125,941	125,941	–
Trade	208,457	208,457	–
Marketable securities and investments in securities	263,285	264,235	950
Total assets	$1,010,383	$1,011,333	$ 950
Liabilities:			
Notes and accounts payable			
Unconsolidated subsidiaries and affiliates	$ 2,680	$ 2,680	$ –
Trade	142,634	142,634	–
Total liabilities	$ 145,314	$ 145,314	$ –
Derivatives (*)	–	–	–

(*) The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

6. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

Calculation method of estimated fair value of financial instruments is as follows:

Cash and deposits, notes and accounts receivable
Since these items are settled in a short period of time, their carrying value approximates the fair value.

Marketable securities and investments in securities
The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by the financial institutions. For information on securities classified by holding purpose, please refer to Note 7.

Notes and accounts payable
Since this item is settled in a short period of time, its carrying value approximates the fair value.

Derivative transactions
Please refer to Note 21.

The carrying value of financial instruments without determinable market value as of March 31, 2015 and 2016 is presented as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Unlisted stocks	¥ 470	¥ 244	$ 2,165
Investment in limited liability partnership	114	59	524
Preferred stocks	661	48	426
Total	¥ 1,245	¥ 351	$ 3,115

Because no quoted market price is available, it is extremely difficult to determine the fair value. Therefore, the above financial instruments are not included as part of the amounts presented in the preceding fair value of financial instruments table.

6. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

The redemption schedule for monetary assets and investments by maturity dates as of March 31, 2015 and 2016 is as follows:

	Millions of yen			
	2015			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥35,129	¥ –	¥ –	¥ –
Notes and accounts receivable	41,239	–	–	–
Marketable securities and investments in securities				
Held-to-maturity debt securities				
National and local government bonds	–	10	58	–
Corporate bonds	–	–	500	1,500
Other securities with maturities				
Bonds	300	–	200	–
Total	¥76,668	¥10	¥758	¥1,500

	Millions of yen			
	2016			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥ 46,440	¥ –	¥ –	¥ –
Notes and accounts receivable	37,680	–	–	–
Marketable securities and investments in securities				
Held-to-maturity debt securities				
National and local government bonds	100	10	1,040	–
Corporate bonds	–	–	1,500	–
Other securities with maturities				
Bonds	–	–	–	–
Total	¥ 84,220	¥10	¥ 2,540	¥ –

6. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	Thousands of U.S. dollars			
	2016			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	$412,141	$ –	$ –	$–
Notes and accounts receivable	334,398	–	–	–
Marketable securities and investments in securities				
Held-to-maturity debt securities				
National and local government bonds	887	89	9,230	–
Corporate bonds	–	–	13,312	–
Other securities with maturities				
Bonds	–	–	–	–
Total	$747,426	$89	$22,542	$–

7. Securities

Marketable securities classified as held-to-maturity debt securities as of March 31, 2015 and 2016 are summarized as follows:

	Millions of yen		
	2015		
	Carrying value	Estimated fair value	Difference
Securities whose estimated fair value exceeds their carrying value:			
National and local government bonds	¥ 68	¥ 70	¥ 2
Corporate bonds	448	525	77
	516	595	79
Securities whose estimated fair value does not exceed their carrying value:			
Corporate bonds	1,446	1,444	(2)
Total	¥1,962	¥2,039	¥77

7. Securities (continued)

	Millions of yen		
	2016		
	Carrying value	Estimated fair value	Difference
Securities whose estimated fair value exceeds their carrying value:			
National and local government bonds	¥1,058	¥1,068	¥ 10
Corporate bonds	452	559	107
	1,510	1,627	117
Securities whose estimated fair value does not exceed their carrying value:			
National and local government bonds	110	100	(10)
Corporate bonds	488	488	–
	598	588	(10)
Total	¥2,108	¥2,215	¥107

	Thousands of U.S. dollars		
	2016		
	Carrying value	Estimated fair value	Difference
Securities whose estimated fair value exceeds their carrying value:			
National and local government bonds	$ 9,390	$ 9,478	$ 88
Corporate bonds	4,011	4,961	950
	13,401	14,439	1,038
Securities whose estimated fair value does not exceed their carrying value:			
National and local government bonds	976	887	(89)
Corporate bonds	4,331	4,331	–
	5,307	5,218	(89)
Total	$18,708	$19,657	$ 949

Hybrid financial instruments containing an embedded derivative that cannot be separated are stated at fair value in corporate bonds whose estimated fair value does not exceed their carrying value in the above table and the resulting gains or losses are included in other, net as a part of other income (expense) in the consolidated statement of operations.

7. Securities (continued)

Other securities with determinable market value as of March 31, 2015 and 2016 are summarized as follows:

	Millions of yen		
	2015		
	Carrying value	Acquisition costs	Difference
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 31,662	¥ 11,319	¥ 20,343
Corporate bonds	1,006	1,001	5
Other	119	97	22
	32,787	12,417	20,370
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	1,318	1,474	(156)
Other	204	204	–
	1,522	1,678	(156)
Total	¥ 34,309	¥ 14,095	¥ 20,214

	Millions of yen		
	2016		
	Carrying value	Acquisition costs	Difference
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 23,610	¥ 8,525	¥ 15,085
Corporate bonds	402	400	2
Other	120	97	23
	24,132	9,022	15,110
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	3,328	3,465	(137)
Corporate bonds	99	101	(2)
	3,427	3,566	(139)
Total	¥ 27,559	¥ 12,588	¥ 14,971

7. Securities (continued)

	Thousands of U.S. dollars		
	2016		
	Carrying value	Acquisition costs	Difference
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	$ 209,531	$ 75,656	$ 133,875
Corporate bonds	3,568	3,550	18
Other	1,064	861	203
	214,163	80,067	134,096
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	29,535	30,751	(1,216)
Corporate bonds	879	897	(18)
	30,414	31,648	(1,234)
Total	$ 244,577	$ 111,715	$ 132,862

Because no quoted market price is available and it is extremely difficult to estimate the corresponding future cash flow, unlisted stocks of ¥1,245 million and ¥351 million ($3,115 thousand) as of March 31, 2015 and 2016, respectively, are not included in the above table.

Sales of corporate bonds classified as held-to-maturity debt securities for the year ended March 31, 2016 are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2016	
Sales	¥ 1,505	$ 13,357
Cost of securities sold	1,496	13,277
Net gain	9	80

The reason for the sales was due to the exercise of the early redemption option by the issuer.

Sales of securities classified as other securities for the years ended March 31, 2015 and 2016 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Sales	¥1,876	¥636	$ 5,644
Aggregate gain	1,106	484	4,295

The Group recorded loss on impairment of investments in securities with determinable market value of ¥1,181 million ($10,481 thousand) for the years ended 2016. Loss on impairment is recorded at the amount deemed necessary on securities whose fair value has declined by 50% on more, or whose fair value has declined by 30% on more, but less than 50%, if the decline is deemed to be irrecoverable considering the movements of individual stock prices and recoverability.

8. Inventories

The following is a summary of inventories as of March 31, 2015 and 2016:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Merchandises and finished goods	¥ 14,278	¥ 12,175	$ 108,050
Work in process	4,278	3,296	29,251
Raw materials and supplies	14,150	9,718	86,244
	¥ 32,706	¥ 25,189	$ 223,545

Gain on reversal of devaluation of inventories is included in cost of sales of ¥93 million and ¥135 million ($1,198 thousand) for the years ended March 31, 2015 and 2016, respectively.

9. Loss on Impairment of Fixed Assets

The Group recognized loss on impairment of fixed assets for the years ended March 31, 2015 and 2016 as follows:

			Millions of yen		*Thousands of U.S. dollars*
Location	Use	Classification	**2015**	**2016**	**2016**
Nishiwaki City, Hyogo Prefecture	Golf course	Land, buildings, structures, machinery, equipment and vehicles	¥ 511	¥ 600	$ 5,325
Miyazaki City, Miyazaki Prefecture	Idle assets	Land	7	18	160
Suzuka City, Nagano Prefecture	Idle assets	Land	0	0	0
China Anhui	Manufacturing facilities	Machinery and equipment	–	5,809	51,553
China Anhui	–	Goodwill	–	162	1,438
Ikoma City, Nara Prefecture	Idle assets	Land	–	14	124
Thailand Chon Buri	Manufacturing facilities	Machinery and equipment	70	–	–
Total			¥ 588	¥ 6,603	$58,600

9. Loss on Impairment of Fixed Assets (continued)

The Group mainly groups fixed assets by managerial accounting segment, each of which continuously records cash receipts and payments.

Consequently, the Group has written down the carrying values of the golf course and its asset group whose operating income has been continuously negative to their respective net recoverable values, and has recorded a related loss on impairment of fixed assets of ¥511 million for the year ended March 31, 2015, which consisted of land of ¥379 million, building and structures of ¥100 million, machinery, equipment and vehicles of ¥21 million and others of ¥11 million.

In addition, the Group has written down the carrying values of manufacturing facilities of YSS and the golf course and its asset group of Yodokokohatsu Co., Ltd. whose operating incomes have been continuously negative to their respective net recoverable values, and has recorded a related loss on impairment of fixed assets of ¥6,409 million ($56,878 thousand) for the year ended March 31, 2016, which consisted of machinery and equipment of ¥5,809 million ($51,553 thousand) for the manufacturing facilities of YSS and land of ¥442 million ($3,923 thousand), building and structures of ¥123 million ($1,092 thousand), machinery, equipment and vehicles of ¥22 million ($195 thousand) and others of ¥13 million ($115 thousand). Also, the Group recorded loss on impairment of goodwill for YSS of ¥162 million ($1,438 thousand) for the year ended March 31, 2016.

The Group has written down the carrying values of the idle assets of land owned by the Group, which are not expected to be utilized in the future, to their respective net recoverable values, and has recorded a related loss on impairment of ¥7 million and ¥32 million ($284 thousand) for the years ended March 31, 2015 and 2016, respectively.

The recoverable amounts of machinery and equipment and goodwill in China Anhui are measured at the value in use based on estimated future cash flows discounted at the rate of 11%. Value in use is measured as the sum of anticipated future cash flows discounted by weighted average costs of capital of 11%.

The impairment loss on machinery and equipment resulting from the decision to dispose of a portion of a production line was measured at estimated net selling value in the amount of ¥70 million for the year ended March 31, 2015.

The recoverable amounts of assets other than machinery, equipment and goodwill are measured at estimated net selling value based on appraisals conducted by real estate appraisers and the values assessed for property tax purposes.

10. Short-Term Bank Loans, Guarantee Deposits and Finance Lease Obligations

The average annual interest rates on short-term loans were 1.34% and 1.55% as of March 31, 2015 and 2016.

Guarantee deposits consisted of interest-free deposits, most of which were golf-club membership deposits, and interest-bearing deposits, which were principally deposits from customers at an average annual interest rate of 0.79% at March 31, 2015 and 2016.

Interest-free deposits and interest-bearing deposits as of March 31, 2015 and 2016 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Interest-free deposits	¥ 2,177	¥ 2,196	$ 19,489
Interest-bearing deposits	828	872	7,739
	¥ 3,005	¥ 3,068	$ 27,228

The average annual interest rate on financial lease obligations was 4.48% as of March 31, 2015 and 2016.

The aggregate annual maturities of finance lease obligations subsequent to March 31, 2016 are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
Year ending March 31,	**2016**	
2017	¥ 173	$ 1,535
2018	179	1,588
2019	744	6,603
2020	6	53
2021	2	18
	¥ 1,104	$ 9,797

11. Line-of-credit Agreements

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit as of March 31, 2015 and 2016 is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Lines of credit	¥19,450	¥18,950	$168,175
Credit utilized	–	–	–
Available credit	¥19,450	¥18,950	$168,175

12. Pledged Assets

Assets pledged as collateral for indebtedness as of March 31, 2016 are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2016	
Cash and deposits	¥ 60	$ 533
Investments in securities	17	151
Other assets	134	1,189
	¥ 211	$ 1,873

Indebtedness secured by these assets as collateral was ¥51 million ($453 thousand), a component of other current liabilities at March 31, 2016.

13. Contingent Liabilities

The Company was contingently liable for guarantees of borrowings from financial institutions and others of unconsolidated subsidiaries in the aggregate amounts of ¥101 million ($896 thousand) as of March 31, 2016.

In addition, the Company repaired machinery supplied to a customer located in Africa due to a product defect, damages during the shipment and other reasons. The Company was contingently liable for additional repair costs in the amount of approximately ¥300 million ($2,662 thousand), as of March 31, 2016. The total amount to be paid by the Company will depend on future negotiations with the manufacturer of the machinery.

14. Retirement Benefits Plans

The Company and its domestic consolidated subsidiaries have two types of defined benefit retirement plans: a defined benefit pension plan and a lump sum payment plan. Moreover, certain overseas consolidated subsidiaries have a defined benefit pension plan and defined contribution plans. Furthermore, the Company has adopted a retirement benefit trust.

Certain consolidated domestic subsidiaries are accounted for using "simplified method" for calculating liability for retirement benefits and retirement benefit expenses.

The changes in the retirement benefit obligation for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Retirement benefit obligation at the beginning of year	¥ 14,415	¥ 14,763	$131,017
Service cost (*)	625	728	6,461
Interest cost	189	191	1,695
Actuarial differences	210	1,099	9,753
Retirement benefit paid	(987)	(983)	(8,724)
Prior service cost	311	(143)	(1,269)
Retirement benefit obligation at the end of year	¥ 14,763	¥ 15,655	$138,933

(*) Retirement benefit expenses for certain consolidated subsidiaries, whose benefit obligation is calculated by the simplified method, have been included in service cost.

14. Retirement Benefits Plans (continued)

The changes in plan assets at fair value for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Plan assets at fair value at the beginning of year	¥ 4,800	¥ 5,121	$ 45,447
Expected return on plan assets	88	93	825
Actuarial differences	355	(269)	(2,387)
Contributions by the employers	368	554	4,917
Retirement benefit paid	(539)	(468)	(4,153)
Other (*)	49	(14)	(125)
Plan assets at fair value at the end of year	¥ 5,121	¥ 5,017	$ 44,524

(*) "Other" mainly consists of the effect of foreign currency exchange translation adjustments on pension plan assets at fair value attributable to an overseas subsidiary and the difference of actual and expected returns on plan assets at fair value from the retirement benefit plans of consolidated subsidiaries to which the simplified method applied.

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2015 and 2016 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Funded retirement benefit obligation	¥ 14,743	¥ 15,634	$ 138,747
Plan assets at fair value	(5,121)	(5,017)	(44,524)
	9,622	10,617	94,223
Unfunded retirement benefit obligation	20	21	186
Liability for retirement benefits in the consolidated balance sheet, net	9,642	10,638	94,409
Liability for retirement benefits	9,642	10,638	94,409
Liability for retirement benefits in the consolidated balance sheet, net	¥ 9,642	¥ 10,638	$ 94,409

Note: The above includes retirement benefit plans calculated under the simplified method.

14. Retirement Benefits Plans (continued)

The components of retirement benefit expenses for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Service cost	¥ 625	¥ 724	$ 6,425
Interest cost	189	191	1,695
Expected return on plan assets	(88)	(93)	(825)
Amortization of actuarial differences	311	310	2,751
Amortization of prior service cost	(2)	(1)	(9)
Retirement benefit expenses	¥1,035	¥1,131	$10,037

The components of retirement benefit liability adjustments recognized in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Prior service cost	¥ 2	¥ 1	$ 9
Actuarial differences	(402)	1,027	9,114
Total	¥ (400)	¥ 1,028	$ 9,123

The components of retirement benefit liability adjustments recognized in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2016 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Unrecognized prior service cost	¥ (9)	¥ (8)	$ (71)
Unrecognized actuarial differences	2,121	3,148	27,938
Total	¥ 2,112	¥ 3,140	$ 27,867

14. Retirement Benefits Plans (continued)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2016 is as follows:

	2015	2016
Bonds	27%	28%
Stocks	45	41
General account at insurance companies	15	16
Other	13	15
Total	100%	100%

Note: 15% and 14% of the total plan assets are held in a retirement benefit trust for defined benefit pension plan and a lump sum payment plan as of March 31, 2015 and 2016, respectively.

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation of plan assets at present and in the future and long-term expected rate of return from multiple plan assets at present and in the future.

The assumptions used in the actuarial calculation for the above defined benefit pension plans for the years ended March 31, 2015 and 2016 are as follows:

	2015	2016
Discount rates	1.3%	0.5%
Expected long-term rate of return on plan assets (weighted average)	2.0%	2.0%
Expected rate of future salary increase (weighted average)	0.6%	0.6%

The contributions paid by consolidated subsidiaries to the defined contribution pension plans amounted to ¥41 million and ¥49 million ($435 thousand) for the years ended March 31, 2015 and 2016, respectively.

15. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in statutory tax rates of approximately 35.5% and 32.1% for the years ended March 31, 2015 and 2016, respectively.

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2015 as a percentage of profit before income taxes and non-controlling interests is as follows:

	2015
Statutory tax rate	35.5 %
Permanently non-deductible expenses	0.6
Per capita portion of inhabitants' taxes	0.9
Differences in tax rates applicable to the overseas consolidated subsidiaries	(9.1)
Cash dividends received from the overseas consolidated subsidiary	0.2
Adjustments of accounting standards applied by the overseas consolidated subsidiary	0.1
Foreign tax credit	2.0
Tax loss carryforwards of consolidated subsidiaries	24.0
Increase in valuation allowance	(2.1)
Permanently non-taxable income	(1.6)
Tax credit for research and development costs	(0.4)
Equity in earnings of an affiliate	(1.9)
Decrease in deferred tax assets resulting from change in the statutory tax rate applicable to the fiscal years beginning on or after April 1, 2014	0.2
Other	1.1
Effective tax rate	49.5 %

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2016 was omitted because the Company recorded loss before income taxes.

15. Income Taxes (continued)

The significant components of the deferred tax assets and liabilities of the Group as of March 31, 2015 and 2016 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Deferred tax assets:			
Accrued enterprise taxes	¥ 70	¥ 120	$ 1,065
Provision for bonuses to employees	272	289	2,565
Loss on impairment of investments in securities and golf-club memberships	687	2,905	25,781
Loss on devaluation of inventories	230	185	1,642
Allowance for doubtful receivables	59	34	302
Liability for retirement benefits	2,657	2,877	25,532
Tax loss carryforwards	626	803	7,126
Loss on impairment of fixed assets	368	517	4,588
Other	914	945	8,387
Gross deferred tax assets	5,883	8,675	76,988
Less valuation allowance	(2,453)	(4,882)	(43,326)
Total deferred tax assets	3,430	3,793	33,662
Deferred tax liabilities:			
Dividends from an overseas consolidated subsidiary	(160)	(126)	(1,118)
Land revaluation reserve	(853)	(856)	(7,597)
Unrealized holding gain on securities	(6,107)	(4,227)	(37,513)
Deferred gain on property for tax purpose	(559)	(443)	(3,932)
Reserve for special depreciation	(423)	(342)	(3,035)
Other	0	0	0
Total deferred tax liabilities	(8,102)	(5,994)	(53,195)
Net deferred tax liabilities	¥ (4,672)	¥ (2,201)	$ (19,533)

Note: Net deferred tax liabilities as of March 31, 2015 and 2016 are reflected in the following accounts in the consolidated balance sheet:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Current assets	¥ 381	¥ 546	$ 4,846
Investments and other assets	699	782	6,940
Long-term liabilities – Deferred income taxes	(4,899)	(2,673)	(23,722)
– Deferred income taxes on land revaluation reserve	(853)	(856)	(7,597)

15. Income Taxes (continued)

The “Act for Partial Amendment for the Income Tax Act, etc.” (Act No.15 of 2016) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No.13 of 2016) were enacted in the Japanese Diet session on March 29, 2016. The effective statutory tax rate that was used to calculate deferred tax assets and deferred tax liabilities for the fiscal year has been changed from 32.1% to 30.8% for the temporary differences expected to be realized or settled from April 1, 2016 to March 31, 2018, and to 30.6% for those for which temporary differences are expected to be realized or settled on or after April 1, 2018.

As a result, deferred tax assets (after deducting deferred tax liabilities), deferred tax liabilities (after deducting deferred tax assets), retirement benefit liability adjustments and income taxes-deferred decreased by ¥42 million ($373 thousand), ¥131 million ($1,163 thousand), ¥33 million ($293 thousand) and ¥86 million ($763 thousand), respectively, and net unrealized gain on other securities increased by ¥208 million ($1,846 thousand). In addition, deferred income taxes for land revaluation decreased by ¥12 million ($106 thousand), and land revaluation difference increased by same ammount as of and for the year ended March 31, 2016.

16. Other Comprehensive Income

Reclassification adjustments and tax effects of other comprehensive income (loss) for the years ended March 31, 2015 and 2016 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Unrealized holding gain (loss) securities:			
Amount arising during the year	¥ 8,126	¥ (6,363)	$ (56,470)
Reclassification adjustments	(1,091)	1,061	9,416
Before tax effect	7,035	(5,302)	(47,054)
Tax effect	(1,828)	1,880	16,685
Unrealized holding gain (loss) on securities	5,207	(3,422)	(30,369)
Unrealized gain from hedging instruments:			
Amount arising during the year	0	–	–
Reclassification adjustments	–	–	–
Before tax effect	0	–	–
Tax effect	(0)	–	–
Unrealized gain from hedging instruments	0	–	–
Land revaluation reserve:			
Tax effect	64	(4)	(35)
Land revaluation reserve	64	(4)	(35)
Translation adjustments:			
Amount arising during the year	2,589	(1,120)	(9,940)
Translation adjustments	2,589	(1,120)	(9,940)
Retirement benefit liability adjustments:			
Amount arising during the year	145	(1,183)	(10,499)
Reclassification adjustments	255	155	1,376
Before tax effect	400	(1,028)	(9,123)
Tax effect	(238)	276	2,449
Retirement benefit liability adjustments	162	(752)	(6,674)
Share of other comprehensive income (loss) of an affiliate accounted for by the equity method:			
Amount arising during the year	70	(10)	(89)
Share of other comprehensive income (loss) of an affiliate accounted for by the equity method	70	(10)	(89)
Total other comprehensive income (loss)	¥ 8,092	¥ (5,308)	$ (47,107)

17. Shareholders' Equity

The Companies Act of Japan (the "Act") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The capital reserve of the Company amounted to ¥58,050 million ($515,176 thousand) as of March 31, 2015 and 2016.

The legal reserve of the Company was nil as of March 31, 2015 and 2016.

Stock options

The Company has stock option plans. The following stock option plans for certain directors and executive officers of the Company were approved at annual general meetings of the shareholders for the 2004 and the 2005 plans in accordance with the former Commercial Code of Japan and meetings of the Board of Directors for the 2006 plan through to the 2015 plan in accordance with the Act.

Stock option expenses, included in selling, general and administrative expenses, charged to profit or loss for the years ended March 31, 2015 and 2016 amounted to ¥26 million and ¥29 million ($257 thousand), respectively.

17. Shareholders' Equity (continued)

The stock option plans of the Company as of March 31 2016 are summarized as follows:

	The 2004 plan	The 2005 plan	The 2006 plan
Individuals covered by the plan	5 Directors 10 Executive officers (other than directors who concurrently serve as executive officers	6 Directors 9 Executive officers (other than directors who concurrently serve as executive officers	5 Directors 8 Executive officers (other than directors who concurrently serve as executive officers
Class and number of options granted	Common stock 16,200 shares	Common stock 12,400 shares	Common stock 10,600 shares
Grant date	July 12, 2004	July 14, 2005	July 31, 2006
Vesting conditions	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2023 if the grantee does not resign from the Company until June 29, 2023.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2024 if the grantee does not resign from the Company until June 29, 2024.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2025 if the grantee does not resign from the Company until June 29, 2025.
Vesting period for services received	From July 12, 2004 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2005	From July 14, 2005 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2006	From July 31, 2006 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2007
Exercisable period	From July 13, 2004 to June 29, 2024	From July 15, 2005 to June 29, 2025	From August 31, 2006 to June 29, 2026

17. Shareholders' Equity (continued)

	The 2007 plan	The 2008 plan	The 2009 plan
Individuals covered by the plan	4 Directors 8 Executive officers (other than directors who concurrently serve as executive officers)	4 Directors 7 Executive officers (other than directors who concurrently serve as executive officers)	5 Directors 7 Executive officers (other than directors who concurrently serve as executive officers)
Class and number of options granted	Common stock 8,600 shares	Common stock 12,000 shares	Common stock 13,800 shares
Grant date	August 1, 2007	July 30, 2008	July 30, 2009
Vesting conditions	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2026 if the grantee does not resign from the Company until June 29, 2026.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2027 if the grantee does not resign from the Company until June 29, 2027.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2028 if the grantee does not resign from the Company until June 29, 2028.
Vesting period for services received	From August 1, 2007 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2008	From August 1, 2008 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2009	From August 1, 2009 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2010
Exercisable period	From August 2, 2007 to June 29, 2027	From July 31, 2008 to June 29, 2028	From July 31, 2009 to June 29, 2029

17. Shareholders' Equity (continued)

	The 2010 plan	The 2011 plan	The 2012 plan
Individuals covered by the plan	5 Directors 7 Executive officers (other than directors who concurrently serve as executive officers)	5 Directors 6 Executive officers (other than directors who concurrently serve as executive officers)	5 Directors 9 Executive officers (other than directors who concurrently serve as executive officers)
Class and number of options granted	Common stock 20,400 shares	Common stock 19,600 shares	Common stock 15,400 shares
Grant date	July 29, 2010	August 1, 2011	August 1, 2012
Vesting conditions	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2029 if the grantee does not resign from the Company until June 29, 2029.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2030 if the grantee does not resign from the Company until June 29, 2030.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2031 if the grantee does not resign from the Company until June 29, 2031.
Vesting period for services received	From July 29, 2010 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2011	From August 2, 2011 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2012	From August 2, 2012 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2013
Exercisable period	From July 30, 2010 to June 29, 2030	From August 2, 2011 to June 29, 2031	From August 2, 2012 to June 29, 2032

17. Shareholders' Equity (continued)

	The 2013 plan	The 2014 plan	The 2015 Plan
Individuals covered by the plan	5 Directors 9 Executive officers (other than directors who concurrently serve as executive officers)	5 Directors 8 Executive officers (other than directors who concurrently serve as executive officers)	4 Directors 7 Executive officers (other than directors who concurrently serve as executive officers)
Class and number of options granted	Common stock 14,400 shares	Common stock 14,400 shares	Common stock 14,200 shares
Grant date	January 31, 2014	July 31, 2014	July 30, 2015
Vesting conditions	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2032 if the grantee does not resign from the Company until June 29, 2032.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2033 if the grantee does not resign from the Company until June 29, 2033.	(1) In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation. (2) Regardless of (1) above, a grantee can exercise the options from June 30, 2034 if the grantee does not resign from the Company until June 29, 2034.
Vesting period for services received	From July 29, 2013 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2014	From August 1, 2014 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2015	From July 30, 2015 to the date of the annual general meeting of the shareholders for the fiscal year ended March 31, 2016
Exercisable period	From February 1, 2014 to June 29, 2033	From August 1, 2014 to June 29, 2034	From July 31, 2015 to June 29, 2035

The number of common stock for stock options in the description outlined above was adjusted due to the consolidation of five shares into one share on October 1, 2015.

17. Shareholders' Equity (continued)

Stock option activity under the stock option plans referred above is summarized as follows:

	The 2004 plan	The 2005 plan	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan	The 2015 plan
Number of stock options which are not yet vested:												
Outstanding at April 1, 2015	3,000	2,400	3,800	3,800	5,600	8,400	10,200	10,200	14,200	13,400	14,000	–
Granted	–	–	–	–	–	–	–	–	–	–	–	14,200
Forfeited	–	–	–	–	–	–	–	–	–	–	–	–
Vested	600	400	400	400	600	1,800	2,400	2,000	2,600	2,200	2,200	–
Outstanding at March 31, 2016	2,400	2,000	3,400	3,400	5,000	6,600	7,800	8,200	11,600	11,200	11,800	14,200
Number of stock options which have already been vested:												
Outstanding at April 1, 2015	–	–	400	800	1,200	3,200	5,200	4,200	1,200	1,000	–	–
Vested	600	400	400	400	600	1,800	2,400	2,000	2,600	2,200	2,200	–
Exercised	600	400	800	800	600	2,000	3,200	2,600	–	–	–	–
Forfeited	–	–	–	–	–	–	–	–	–	–	–	–
Outstanding at March 31, 2016	–	–	–	400	1,200	3,000	4,400	3,600	3,800	3,200	2,200	–

The unit price of the stock options for the stock option plans of the Company during the year ended March 31, 2016 is summarized as follows:

	Yen											
	The 2004 plan	The 2005 plan	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan	The 2015 plan
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Weighted average fair value per stock at the exercise date	2,088	2,088	2,264	2,264	2,440	2,366	2,361	2,196	–	–	–	–
Fair value of stock options as of the grant date	–	–	2,390	2,730	2,080	1,825	1,400	1,200	1,020	1,875	1,865	2,025

	U.S. dollars											
	The 2004 plan	The 2005 plan	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan	The 2015 plan
Exercise price	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Weighted average fair value per stock at the exercise date	19	19	20	20	22	21	21	19	–	–	–	–
Fair value of stock options as of the grant date	–	–	21	24	18	16	12	11	9	17	17	18

17. Shareholders' Equity (continued)

The above tables present the stock options plans that existed during the year ended March 31, 2016. The number of stock options was converted to the number of shares to be issued upon the exercise of the stock options.

The number of stock and the fair value in the above tables were adjusted due to the consolidation of five shares into one share on October 1, 2015.

Valuation method for estimating fair value was the Black-Scholes model. The major assumptions used are as follows:

Major assumptions	Note	The 2015 plan
Expected volatility	(a)	25.601%
Expected holding period		10 years
Expected dividend	(b)	¥10 per share
Risk-free rate	(c)	0.407%

(a) Expected volatility was computed by the closing stock price of the Company in the last trading day of each month during the period from July 2005 to June 2015.

(b) The expected dividend was calculated at the actual amounts paid for the year ended March 31, 2015.

(c) The risk-free rate was determined based on Japanese government bonds whose redemption period corresponds to the expected holding period described above.

Because it is difficult to reasonably estimate the number of stock options that will be forfeited, the estimation reflects only the actual number of forfeited stock options.

Common stock and treasury stock

Movements in common stock and treasury stock during the years ended March 31, 2015 and 2016 are summarized as follows:

	Number of shares			
	2015			
	April 1, 2014	Increase	Decrease	March 31, 2015
Common stock (*1)	184,186,153	–	5,000,000	179,186,153
Treasury stock (*2)	26,530,317	2,992,959	5,048,000	24,475,276

	Number of shares			
	2016			
	April 1, 2015	Increase	Decrease	March 31, 2016
Common stock (*3)	179,186,153	–	143,348,923	35,837,230
Treasury stock (*4)	24,475,276	1,290,437	20,402,634	5,363,079

17. Shareholders' Equity (continued)

(*1) The decrease in the number of shares of common stock of 5,000,000 shares was due to the retirement of treasury stock.

(*2) The increase in the number of shares of treasury stock consists of 2,661,000 shares due to purchase of shares based on the resolution of the Board of Directors meeting, 13,981 shares due to the purchase of fractional shares of less than one voting unit, 223,406 shares attributable to the Company acquired by its affiliates under the equity method, and 94,572 shares due to the repurchase of shares held by lost shareholders.

The decrease in the number of shares of treasury stock consists of 5,000,000 shares due to retirement of treasury stock and 48,000 shares due to the exercise of stock options.

(*3) The decrease in the number of common stock of 143,348,923 shares was due to the consolidation of five shares into one share on October 1, 2015.

(*4) The increase in the number of shares of treasury consists of 1,272,741 shares due to purchase of shares based on the resolution of the Board of Directors meeting, 14,138 shares due to the purchase of fractional shares of less than one voting unit and 3,534 shares attributable to the Company acquired by its affiliate under the equity method.

The decrease in the number of shares of treasury stock consists of 20,364,401 shares due to the consolidation of shares, 37,400 shares due to the exercise of stock option rights and 946 shares due to the sales of fractional shares less than one voting unit to shareholders at their request.

18. Land Revaluation

As of March 31, 2000 and 2002, certain consolidated subsidiaries and an affiliate revalued their land held for business use in accordance with the "Law on Land Revaluation." Differences on land revaluation have been accounted for as land revaluation reserve under net assets and are stated at the Company's share of the net amount of the relevant tax effect. The method followed for land revaluation was determined in accordance with the "Enforcement Act Concerning Land Revaluation."

The fair value of the land revalued as of March 31, 2000 and 2002 was less than the corresponding carrying value by the following amounts as of March 31, 2015 and 2016:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Land revalued as of March 31, 2000	¥ (328)	¥ (331)	$ (2,937)
Land revalued as of March 31, 2002	(653)	(656)	(5,822)
	¥ (981)	¥ (987)	$ (8,759)

18. Land Revaluation (continued)

A certain portion of land revalued as of March 31, 2000 and 2002 is related to real estate for investment, rental and idle properties as of March 31, 2015 in the amounts of ¥12 million and ¥280 million, respectively.

A certain portion of land revalued as of March 31, 2000 and 2002 is related to real estate for investment, rental and idle properties as of March 31, 2016 in the amounts of ¥13 million ($115 thousand) and ¥289 million ($2,565 thousand), respectively.

19. Research and Development Costs

Research and development costs included in selling, general and administrative expenses totaled ¥568 million and ¥560 million ($4,970 thousand) for the years ended March 31, 2015 and 2016, respectively.

20. Leases

(a) Finance leases

The Group leases mainly machinery, vehicles and others (machinery and equipment) as leased assets under finance lease transactions which transfer ownership to the Group and mainly, information processing systems (equipment) as leased assets under finance lease transactions which do not transfer ownership to the Group.

The depreciation method for leased assets is provided in Note 1. Summary of Significant Accounting Policies (k) Leases.

(b) Operating leases

Future minimum lease receipts subsequent to March 31, 2016 under non-cancelable operating leases are as follows:

Years ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2017	¥ 17	$ 151
2018 and thereafter	102	905
	¥ 119	$1,056

21. Derivatives

The outstanding currency-related derivative positions not designed as hedging instruments as of March 31, 2015 are as follows:

	Millions of yen			
	2015			
Type of transaction	Contract value (notional principal amount)	Contract value over one year	Estimated fair value	Unrealized loss
Over-the-counter transactions				
Forward foreign exchange contracts:				
Selling Chinese Yuan	¥ 2,674	¥ 1,733	¥ (539)	¥ (539)

Fair value is based on the prices obtained from financial institutions.

The outstanding currency-related derivatives positions designated as hedging instruments as of March 31, 2015 and 2016 are as follows:

		Millions of yen		
		2015		
Method of hedge accounting	Hedge transactions and major hedged items	Contract value (notional principal amount)	Contract value over one year	Estimated fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Selling USD, Accounts receivable	¥ 154	¥ –	(*)
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Buying USD, Accounts payable	¥ 135	¥ –	(*)

		Millions of yen		
		2016		
Method of hedge accounting	Hedge transactions and major hedged items	Contract value (notional principal amount)	Contract value over one year	Estimated fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Selling USD, Accounts receivable	¥ 114	¥ –	(*)

		Thousands of U.S. dollars		
		2016		
Method of hedge accounting	Hedge transactions and major hedged items	Contract value (notional principal amount)	Contract value over one year	Estimated fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Selling USD, Accounts receivable	$ 1,012	$ –	(*)

(*) The fair value of forward foreign exchange contracts that qualify for allocation method is included in the carrying value of hedged accounts receivable.

22. Amounts per Share

Amounts per share as of March 31, 2015 and 2016 and for the years then ended are as follows:

	Yen		*U.S. dollars*
	2015	**2016**	**2016**
Net assets	¥4,757.67	¥4,500.51	$39.94
Profit (loss) attributable to owners of parent:			
Basic	83.65	(90.14)	(0.80)
Diluted	83.36	–	–
Cash dividends	50.00	5.00	0.44

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end.

Basic profit (loss) attributable to owners of parent per share is computed based on the profit (loss) available for distribution to shareholders of common stock of parent and the weighted-average number of shares of common stock outstanding during the year. Diluted profit attributable to owners of parent per share is computed based on the profit available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock acquisition rights.

Diluted earnings attributable to owners of parent per share for the year ended March 31, 2016 was not presented since the Company recorded loss.

Five shares of common stock were consolidated into one share on October 1, 2015. However, profit (loss) attributable to owners of parent per share and diluted profit attributable to owners of parent per share, net assets per share and cash dividends per share have been computed as if the consolidation of shares was executed on April 1, 2014.

The average number of shares of common stock used to compute basic profit (loss) attributable to owners of parent per share for the years ended March 31, 2015 and 2016 were 31,287 thousand and 30,746 thousand, respectively. The number of shares of common stock with dilutive potential for the years ended March 31, 2015 and 2016 were 107 thousand and 109 thousand, respectively.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

23. Transactions with Related Parties

Transactions and balances with related parties as of and for the years ended March 31, 2015 and 2016 are summarized as follows:

Transactions

Name of affiliated company	Type of transaction	*Millions of yen* 2015	*Millions of yen* 2016	*Thousands of U.S. dollars* 2016
Sadoshima Corporation	Sales	¥ 32,900	¥ 31,989	$ 283,892

Balances

Name of affiliated company	Account name	*Millions of yen* 2015	*Millions of yen* 2016	*Thousands of U.S. dollars* 2016
Sadoshima Corporation	Notes and accounts receivable	¥12,713	¥12,727	$112,948

The Company owns 50.0% of the voting rights of Sadoshima Corporation, a steel product wholesaler for the Company. Certain board members of Sadoshima Corporation serve concurrently as board members of the Company. Selling prices of products are determined based on price negotiations each fiscal year, after considering market prices, overall costs and the Company's proposals regarding desired prices.

24. Investment, Rental and Idle Properties

The Company and certain consolidated subsidiaries own office buildings, land, and parking lots as rental properties and idle properties mainly in Osaka Prefecture, other domestic areas and Taiwan. Certain portions of real estate, such as office buildings are used by the Company and certain consolidated subsidiaries.

The carrying value in the consolidated balance sheet as of March 31, 2015 and 2016 and the corresponding fair value of rental properties and idle properties and real estate including certain portions used as rental property are as follows:

	Millions of yen			
	Carrying value			Fair value
	2014	**Net change**	**2015**	**2015**
Rental properties and idle properties	¥ 4,523	¥ 94	¥ 4,617	¥ 9,078
Real estate including certain portions used as rental property	4,689	(61)	4,628	11,599

24. Investment, Rental and Idle Properties (continued)

	Millions of yen			
	Carrying value			Fair value
	2015	**Net change**	**2016**	**2016**
Rental properties and idle properties	¥ 4,617	¥ (145)	¥ 4,472	¥ 9,259
Real estate including certain portions used as rental property	4,628	204	4,832	11,803

	Thousands of U.S. dollars			
	Carrying value			Fair value
	2015	**Net change**	**2016**	**2016**
Rental properties and idle properties	$ 40,974	$(1,286)	$ 39,688	$ 82,171
Real estate including certain portions used as rental property	41,072	1,810	42,882	104,748

The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.

The components of net change in carrying value for the year ended March 31, 2015 included increases mainly due to translation adjustments in the amount of ¥114 million and reclassification from real estate for sales purpose to investment asset in the amount of ¥45 million and decreases mainly due to depreciation of buildings in the amount of ¥133 million.

The components of net change in carrying value for the year ended March 31, 2016 included increases mainly due to purchase of buildings in the amount of ¥274 million (¥2,432 thousand) and decreases mainly due to depreciation of buildings in the amount of ¥131 million ($1,163 thousand) and translation adjustments in the amount of ¥47 million ($417 thousand).

Fair value of domestic rental properties are principally measured based on the real-estate appraisal assessed by the external real-estate appraiser. However, unless the appraisal or indicators that are regarded to reflect the fair value of the properties appropriately change significantly since the date of acquisition or the date of the latest appraisal, the Company and certain domestic consolidated subsidiaries measure the fair value of the properties based on such appraisal or indicators obtained previously and adjusted as appropriately.

24. Investment, Rental and Idle Properties (continued)

Fair value of rental properties in Taiwan is measured based on the property prices announced by the government.

Revenues, costs and expenses relevant to investment, rental, idle properties and real estate including certain portions used as result property for the years ended March 31, 2015 and 2016 are as follows:

Millions of yen			
2015			
Rental revenues	Rental costs	Difference	Other gain, net on sales and others
¥ 760	¥ 529	¥ 231	¥ 8

Millions of yen			
2016			
Rental revenues	Rental costs	Difference	Other loss, net on sales and others
¥ 1,019	¥ 742	¥ 277	¥ 38

Thousands of U.S. dollars			
2016			
Rental revenues	Rental costs	Difference	Other loss, net on sales and others
$ 9,043	$ 6,585	$ 2,458	$ 337

The rental revenues and rental costs for certain properties of which only a part are used as rental properties are not included in the above table because the Company and certain consolidated subsidiaries use a portion of these properties for the purposes of rendering services and conducting management activities. The rental revenues are recorded under net sales or other net, as part of other income (expenses) and the rental costs are recorded under cost of sales, selling, general and administrative expenses or other, net, as part of other income (expenses), in the consolidated statement of operations.

25. Segment Information

(a) Outline of segment information

The reportable segments of the Group are components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors of the Company in order to make decisions about resource allocation and to assess business performance.

The Group's business units are divided by the similarity of the products or services sold by each business unit. Each business unit develops its own strategies and operates its businesses independently. Therefore, the Group consists four reportable segments based on business units: "Steel Sheet Segment," "Roll Segment," "Grating Segment" and "Real Estate Segment."

The "Steel Sheet Segment" engages in the manufacture and sale of cold rolled steel, polished hoop steel, hot dip galvanizing steel sheets, painted hot dip galvanizing steel sheets, various steel sheets, other construction materials, and exterior products and others and in designing and engineering of construction work. The "Roll Segment" engages in the manufacture and sale of rolls for iron, steel and non-ferrous products and others. The "Grating Segment" engages in the manufacture and sales of gratings. The "Real Estate Segment" engages in the sale, purchase and lease of real estate such as buildings, car parking lots.

(b) Calculation methods used for net sales, income or loss, assets and other items of each reportable segment

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1. In addition, segment income is adjusted to be consistent with operating income in the consolidated statement of operations.

25. Segment Information (continued)

(c) Information on net sales, income or loss, assets and other items of each reportable segment

Information by reportable segment for the years ended March 31, 2015 and 2016 are summarized as follows:

	Millions of yen								
	Year ended March 31, 2015								
	Reportable Segments							Adjustments and eliminations	
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Sub-Total	Other (*1)	Total		Consolidated
Net sales:									
Sales to third parties	¥ 163,174	¥ 3,477	¥ 3,511	¥ 906	¥ 171,068	¥ 4,822	¥ 175,890	¥ –	¥ 175,890
Inter-segment sales and transfers	–	–	–	443	443	2,555	2,998	(2,998)	–
Total	¥ 163,174	¥ 3,477	¥ 3,511	¥ 1,349	¥ 171,511	¥ 7,377	¥ 178,888	¥ (2,998)	¥ 175,890
Segment income	¥ 3,450	¥ 20	¥ 87	¥ 519	¥ 4,076	¥ 495	¥ 4,571	¥ (1,143) (*2)	¥ 3,428
Segment assets	¥ 140,062	¥ 3,496	¥ 4,059	¥ 8,301	¥ 155,918	¥ 10,041	¥ 165,959	¥ 54,112 (*4)	¥ 220,071
Other items:									
Depreciation and amortization	¥ 4,397	¥ 240	¥ 73	¥ 62	¥ 4,772	¥ 331	¥ 5,103	¥ 52	¥ 5,155
Investment in an affiliate accounted for by the equity method	3,581	–	341	2	3,924	–	3,924	–	3,924
Increase in property, plant and equipment and intangible assets	2,561	83	182	97	2,923	1,100	4,023	10 (*5)	4,033

25. Segment Information (continued)

c) Information on net sales, income or loss, assets and other items of each reportable segment (continued)

	Millions of yen								
	Year ended March 31, 2016								
	Reportable Segments								
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Sub-Total	Other (*1)	Total	Adjustments and eliminations	Consolidated
Net sales:									
Sales to third parties	¥147,758	¥3,475	¥ 3,550	¥ 1,128	¥155,911	¥ 3,303	¥159,214	¥ –	¥ 159,214
Inter-segment sales and transfers	¥ –	¥ –	¥ –	¥ 443	¥ 443	¥ 2,498	¥ 2,941	¥ (2,941)	¥ –
Total	¥147,758	¥3,475	¥ 3,550	¥ 1,571	¥156,354	¥ 5,801	¥162,155	¥ (2,941)	¥ 159,214
Segment income	¥ 7,181	¥ 266	¥ 76	¥ 721	¥ 8,244	¥ 232	¥ 8,476	¥ (1,174) (*2)	¥ 7,302
Segment assets	¥124,778	¥3,094	¥ 3,622	¥8,369	¥139,863	¥ 8,934	¥148,797	¥ 57,063 (*4)	¥ 205,860
Other items:									
Depreciation and amortization	¥ 3,586	¥ 175	¥ 90	¥ 69	¥ 3,920	¥ 346	¥ 4,266	¥ 46	¥ 4,312
Investment in an affiliate accounted for by the equity method	3,836	–	363	3	4,202	–	4,202	–	4,202
Increase in property, plant and equipment and intangible assets	2,163	76	33	338	2,610	218	2,828	8 (*5)	2,836

25. Segment Information (continued)

c) Information on net sales, income or loss, assets and other items of each reportable segment (continued)

	Thousands of U.S. dollars								
	Year ended March 31, 2016								
	Reportable Segments								
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Sub-Total	Other (*1)	Total	Adjustments and eliminations	Consolidated
Net sales:									
Sales to third parties	$1,311,306	$30,840	$31,505	$ 10,011	$1,383,662	$29,313	$1,412,975	$ –	$1,412,975
Inter-segment sales and transfers	$ –	$ –	$ –	$ 3,931	$ 3,931	$22,169	$ 26,100	$ (26,100)	$ –
Total	$1,311,306	$30,840	$31,505	$ 13,942	$1,387,593	$51,482	$1,439,075	$ (26,100)	$1,412,975
Segment income	$ 63,729	$ 2,361	$ 674	$ 6,399	$ 73,163	$ 2,059	$ 75,222	$ (10,419) (*2)	$ 64,803
Segment assets	$1,107,366	$27,459	$32,144	$ 74,272	$1,241,241	$79,286	$1,320,527	$506,417 (*4)	$1,826,944
Other items:									
Depreciation and amortization	$ 31,825	$ 1,553	$ 799	$ 612	$ 34,789	$ 3,070	$ 37,859	$ 409	$ 38,268
Investment in an affiliate accounted for by the equity method	34,043	–	3,221	27	37,291	–	37,291	–	37,291
Increase in property, plant and equipment and intangible assets	19,196	674	293	3,000	23,163	1,935	25,098	71 (*5)	25,169

25. Segment Information (continued)

c) Information on net sales, income or loss, assets and other items of each reportable segment (continued)

(*1) The "Other" segment consists of business segments not classified into the aforementioned reportable segments, including transportation and warehouse business, golf courses, plant machines, supply of electric power (solar power generation) and other.

(*2) The adjustments and eliminations of segment income or loss include corporate expenses, which cannot be allocated to specific segments of ¥1,169 million and ¥1,177 million ($10,446 thousand) and intersegment profit eliminations of ¥26 million and ¥5 million ($44 thousand) for the years ended March 31, 2015 and 2016.

(*3) Segment income or loss is reconciled to operating income on the consolidated statement of operations.

(*4) The adjustments and eliminations of segment assets include corporate assets of the Company of ¥54,409 million and ¥57,381 million ($509,239 thousand) and eliminations of intersegment transaction of ¥297 million and ¥318 million ($2,822 thousand) for the years ended March 31, 2015 and 2016.

(*5) The adjustments and eliminations of increase in property, plant and equipment and intangible assets are due to the increase in tools, furniture and fixtures in corporate assets not allocated to the reportable segment of ¥10 million and ¥8 million ($71 thousand) for the years ended March 31, 2015 and 2016.

As described in Note 3. Change in Accounting Estimates, effective for the year ended March 31, 2016, YSS, a consolidated subsidiary in China, changed the estimated useful lives of main machinery, equipment and buildings. As a result of this change, segment income attributable to the Steel Sheet Segment increased by ¥384 million ($3,408 thousand) for the year ended March 31, 2016.

25. Segment Information (continued)

Net sales categorized by country and region based on locations of customers within the Group for the years ended March 31, 2015 and 2016 are summarized as follows:

Millions of yen				
2015				
Japan	Taiwan	USA	Other	Total
¥ 106,698	¥ 25,033	¥ 19,208	¥ 24,951	¥ 175,890

Millions of yen				
2016				
Japan	Taiwan	USA	Other	Total
¥ 100,214	¥ 23,202	¥ 13,567	¥ 22,231	¥ 159,214

Thousands of U.S. dollars				
2016				
Japan	Taiwan	USA	Other	Total
$ 889,368	$ 205,911	$ 120,403	$ 197,293	$ 1,412,975

Property, plant and equipment, net, categorized by geographical area as of March 31, 2015 and 2016 are summarized as follows:

Millions of yen				
2015				
Japan	Taiwan	China	Other	Total
¥ 33,351	¥ 11,495	¥ 10,854	¥ 3,469	¥ 59,169

Millions of yen				
2016				
Japan	Taiwan	China	Other	Total
¥ 32,138	¥ 11,198	¥ 4,428	¥ 2,874	¥ 50,638

Thousands of U.S. dollars				
2016				
Japan	Taiwan	China	Other	Total
$ 285,215	$ 99,379	$ 39,297	$ 25,506	$ 449,397

25. Segment Information (continued)

Net sales to major customers for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		*Thousands of U.S. dollars*	
Customer name	**2015**	**2016**	**2016**	Related Segments
Sadoshima Corporation	¥ 32,900	¥ 31,989	$ 283,892	"Steel Sheet Segment," "Grating Segment," "Real Estate Segment" and "Other"

Loss on impairment of fixed assets by reportable segment for the years ended March 31, 2015 and 2016 is summarized as follows:

	Millions of yen						
	Year ended March 31, 2015						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Loss on impairment of fixed assets	¥70	¥ –	¥–	¥ –	¥ 511	¥7	¥588

	Millions of yen						
	Year ended March 31, 2016						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Loss on impairment of fixed assets	¥5,971	¥ –	¥ –	¥ –	¥600	¥32	¥ 6,603

	Thousands of U.S. dollars						
	Year ended March 31, 2016						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Loss on impairment of fixed assets	$52,991	$ –	$ –	$ –	$ 5,325	$ 284	$58,600

25. Segment Information (continued)

The amortization and balance of negative goodwill by reportable segment as of and for the year ended March 31, 2015 related to business combinations prior to April 1, 2010 are summarized as follows:

	Millions of yen						
	Year ended March 31, 2015						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Amortization	¥5	¥–	¥0	¥–	¥1	¥1	¥7
Balance at the year end	¥–	¥–	¥–	¥–	¥–	¥–	¥–

The amortization and balance of goodwill by reportable segment as of and for the years ended March 31, 2015 and 2016 is summarized as follows:

	Millions of yen						
	Year ended March 31, 2015						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Balance at the year end	¥198	¥–	¥–	¥–	¥–	¥–	¥198

	Millions of yen						
	Year ended March 31, 2016						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Amortization	¥22	¥–	¥–	¥–	¥–	¥–	¥22
Balance at the year end	¥14	¥–	¥–	¥–	¥–	¥–	¥14

	Thousands of U.S. dollars						
	Year ended March 31, 2016						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Amortization	$195	$–	$–	$–	$–	$–	$195
Balance at the year end	$124	$–	$–	$–	$–	$–	$124

Goodwill was recognized as a result of capital increase of consolidated subsidiary in November 2017 and March 2015.

Loss on impairment of goodwill of ¥162 million ($1,438 thousand) has been recorded in the consolidated statement of operations for the year ended March 31, 2016.

25. Segment Information (continued)

Gain on recognition of negative goodwill by reportable segment for the year ended March 31, 2015 is summarized as follows:

	Millions of yen						
	Year ended March 31, 2015						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Gain on recognition of negative goodwill	¥ 32	¥ –	¥ 1	¥ –	¥ 6	¥ 8	¥ 47

Gain on recognition of negative goodwill was recognized as a result of acquisition of treasury stock by a consolidated subsidiary.

26. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2016 was approved at a meeting of the Board of Directors held on May 10, 2016.

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥25 ($0.22) per share	¥ 768	$ 6,816