The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2018 and 2019

Assets

Assets	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 4) 2019
Current assets:			
Cash on hand and in banks (Notes 6 and 18)	¥ 79,032	**¥ 74,304**	**$ 669,466**
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	485	**1,009**	**9,091**
Trade (Note 18)	54,061	**63,916**	**575,872**
Other	757	**223**	**2,009**
Less allowance for doubtful accounts	(142)	**(137)**	**(1,234)**
Inventories (Note 5)	61,882	**69,447**	**625,705**
Other current assets	4,947	**6,316**	**56,906**
Total current assets	201,024	**215,080**	**1,937,832**
Property, plant and equipment, at cost (Notes 7 and 9):			
Land	10,335	**8,250**	**74,331**
Buildings and structures	71,541	**70,519**	**635,364**
Machinery and equipment	134,319	**135,423**	**1,220,137**
Leased assets	2,701	**2,458**	**22,146**
Construction in progress	288	**1,764**	**15,893**
	218,905	**218,416**	**1,967,889**
Less accumulated depreciation	(185,868)	**(183,901)**	**(1,656,915)**
Property, plant and equipment, net	33,317	**34,514**	**310,965**
Intangible assets	1,774	**2,226**	**20,056**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	1,144	**1,268**	**11,424**
Investment securities (Notes 18 and 19)	34,129	**28,412**	**255,987**
Long-term loans receivable	293	**333**	**3,000**
Retirement benefit asset (Note 21)	2,736	**2,374**	**21,389**
Deferred tax assets (Note 22)	20,216	**18,566**	**167,276**
Other assets	3,131	**3,091**	**27,849**
Less allowance for doubtful accounts	(402)	**(397)**	**(3,577)**
Total investments and other assets	61,249	**53,650**	**483,377**
Total assets	¥ 297,365	**¥ 305,471**	**$ 2,752,239**

Liabilities and net assets

Liabilities and net assets	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 4) 2019
Current liabilities:			
Short-term borrowings (Notes 11 and 18)	¥ 12,004	**¥ 12,088**	**$ 108,911**
Current portion of long-term debt (Notes 11 and 18)	625	**696**	**6,271**
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	137	**205**	**1,847**
Trade (Note 18)	54,819	**55,374**	**498,910**
Other	1,184	**3,685**	**33,201**
Advances received for products	18,843	**16,619**	**149,734**
Accrued income taxes (Note 22)	2,296	**3,326**	**29,967**
Provision for loss on wind power generator business	3,365	**1,887**	**17,002**
Provision for business restructuring	6,389	**5,295**	**47,707**
Other current liabilities	15,752	**13,290**	**119,741**
Total current liabilities	115,418	**112,469**	**1,013,326**
Long-term liabilities:			
Long-term debt (Notes 11 and 18)	40,016	**40,004**	**360,429**
Accrued retirement benefits			
For directors and corporate auditors	75	**73**	**658**
Retirement benefit liability (Note 21)	10,046	**10,494**	**94,549**
Deferred tax liabilities (Note 22)	100	**90**	**811**
Other long-term liabilities	13,107	**12,511**	**112,722**
Total long-term liabilities	63,346	**63,174**	**569,186**
Net assets:			
Shareholders' equity (Note 15)			
Common stock:			
Authorized — 200,000,000 shares			
Issued — 74,309,108 shares	19,694	**19,716**	**177,638**
Capital surplus	5,467	**5,362**	**48,311**
Retained earnings	86,256	**102,915**	**927,246**
Treasury stock, at cost			
(803,082 shares in 2019 and 802,503 shares in 2018)	(2,310)	**(2,312)**	**(20,831)**
Total shareholders' equity	109,107	**125,682**	**1,132,372**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	7,269	**3,290**	**29,642**
Unrealized gain (loss) from hedging instruments	305	**(226)**	**(2,036)**
Translation adjustments	(21)	**(222)**	**(2,000)**
Remeasurement of retirement benefit plans	370	**(115)**	**(1,036)**
Total accumulated other comprehensive income	7,923	**2,725**	**24,552**
Non-controlling interests	1,569	**1,419**	**12,785**
Total net assets	118,600	**129,827**	**1,169,718**
Total liabilities and net assets	¥297,365	**¥305,471**	**$2,752,239**

See notes to consolidated financial statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

For the years ended March 31, 2018 and 2019

		Millions of yen	Thousands of U.S. dollars (Note 4)
	2018	**2019**	**2019**
Net sales	¥211,700	**¥220,153**	**$1,983,539**
Cost of sales (Note 12)	162,995	**166,622**	**1,501,234**
Gross profit	48,705	**53,531**	**482,305**
Selling, general and administrative expenses (Note 12)	28,126	**29,240**	**263,447**
Operating income	20,578	**24,290**	**218,849**
Other income (expenses):			
Interest and dividend income	827	**903**	**8,136**
Interest expense	(258)	**(246)**	**(2,216)**
Impairment loss (Note 9)	(1,352)	**(1,623)**	**(14,623)**
Other, net (Note 13)	(4,902)	**5,992**	**53,987**
	(5,686)	**5,027**	**45,292**
Income before income taxes	14,892	**29,317**	**264,141**
Income taxes (Note 22):			
Current	3,633	**5,335**	**48,067**
Deferred	307	**3,791**	**34,156**
Income (Note 28)	10,951	**20,190**	**181,908**
Profit attributable to non-controlling interests	238	**223**	**2,009**
Income attributable to shareholders of The Japan Steel Works, Ltd.	¥ 10,712	**¥ 19,966**	**$ 179,890**

See notes to consolidated financial statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2018 and 2019

		Millions of yen	Thousands of U.S. dollars (Note 4)
	2018	**2019**	**2019**
Income	¥10,951	**¥20,190**	**$181,908**
Other comprehensive income:			
Unrealized holding gain (loss) on securities	887	**(3,978)**	**(35,841)**
Unrealized gain (loss) from hedging instruments	606	**(532)**	**(4,793)**
Translation adjustments	203	**(232)**	**(2,090)**
Remeasurement of retirement benefit plans	597	**(478)**	**(4,307)**
Total other comprehensive income (Note 14)	2,295	**(5,221)**	**(47,040)**
Comprehensive income	¥13,246	**¥14,968**	**$134,859**
Total comprehensive income attributable to:			
Shareholders of The Japan Steel Works, Ltd.	¥12,937	**¥14,768**	**$133,057**
Non-controlling interests	¥ 308	**¥ 200**	**$ 1,802**

See notes to consolidated financial statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

For the years ended March 31, 2018 and 2019

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 15)	Total shareholders' equity	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Remeasurement benefit plans adjustments (Note 21)	Total accumulated other comprehensive income	Non-controlling interest	Total net assets
Balance at April 1, 2017	¥ 19,694	¥ 5,467	¥ 77,748	¥ (2,308)	¥ 100,601	¥ 6,381	¥ (301)	¥ (170)	¥ (211)	¥ 5,698	¥ 1,287	¥ 107,587
Changes during the year												
Cash dividends paid			(2,204)		(2,204)							(2,204)
Income attributable to shareholders of The Japan Steel Works, Ltd.			10,712		10,712							10,712
Purchases of treasury stock				(2)	(2)							(2)
Disposal of treasury stock		(0)		0	0							0
Transfer of loss on disposal of treasury shares		0	(0)		—							—
Net changes in items other than those in shareholders' equity						887	606	149	581	2,225	282	2,507
Total changes during the year	—	—	8,508	(2)	8,505	887	606	149	581	2,225	282	11,013
Balance at March 31, 2018	¥19,694	¥ 5,467	¥ 86,256	¥ (2,310)	¥ 109,107	¥ 7,269	¥ 305	¥ (21)	¥ 370	¥ 7,923	¥ 1,569	¥ 118,600
Balance at April 1, 2018	**¥19,694**	**¥5,467**	**¥ 86,256**	**¥ (2,310)**	**¥109,107**	**¥7,269**	**¥ 305**	**¥ (21)**	**¥ 370**	**¥7,923**	**¥1,569**	**¥118,600**
Changes during the year												
Issuance of new shares	**22**	**22**			**44**							**44**
Cash dividends paid			**(3,307)**		**(3,307)**							**(3,307)**
Income attributable to shareholders of The Japan Steel Works, Ltd.			**19,966**		**19,966**							**19,966**
Purchase of shares of consolidated subsidiaries		**(127)**			**(127)**							**(127)**
Purchases of treasury stock				**(1)**	**(1)**							**(1)**
Net changes in items other than those in shareholders' equity						**(3,978)**	**(532)**	**(200)**	**(486)**	**(5,197)**	**(150)**	**(5,348)**
Total changes during the year	**22**	**(104)**	**16,659**	**(1)**	**16,575**	**(3,978)**	**(532)**	**(200)**	**(486)**	**(5,197)**	**(150)**	**11,227**
Balance at March 31, 2019	**¥19,716**	**¥5,362**	**¥102,915**	**¥ (2,312)**	**¥125,682**	**¥3,290**	**¥(226)**	**¥(222)**	**¥(115)**	**¥2,725**	**¥1,419**	**¥129,827**

Thousands of U.S. dollars (Note 4)

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 15)	Total shareholders' equity	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Remeasurement benefit plans adjustments (Note 21)	Total accumulated other comprehensive income	Non-controlling interest	Total net assets
Balance at April 1, 2018	**$177,439**	**$49,257**	**$777,151**	**$(20,813)**	**$ 983,035**	**$65,492**	**$ 2,748**	**$ (189)**	**$ 3,334**	**$71,385**	**$14,136**	**$1,068,565**
Changes during the year												
Issuance of new shares	**198**	**198**			**396**							**396**
Cash dividends paid			**(29,795)**		**(29,795)**							**(29,795)**
Income attributable to shareholders of The Japan Steel Works, Ltd.			**179,890**		**179,890**							**179,890**
Purchase of shares of consolidated subsidiaries		**(1,144)**			**(1,144)**							**(1,144)**
Purchases of treasury stock				**(9)**	**(9)**							**(9)**
Net changes in items other than those in shareholders' equity						**(35,841)**	**(4,793)**	**(1,802)**	**(4,379)**	**(46,824)**	**(1,351)**	**(48,185)**
Total changes during the year	**198**	**(937)**	**150,095**	**(9)**	**149,338**	**(35,841)**	**(4,793)**	**(1,802)**	**(4,379)**	**(46,824)**	**(1,351)**	**101,153**
Balance at March 31, 2019	**$177,638**	**$48,311**	**$927,246**	**$(20,831)**	**$1,132,372**	**$29,642**	**$(2,036)**	**$(2,000)**	**$(1,036)**	**$24,552**	**$12,785**	**$1,169,718**

See notes to consolidated financial statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
Operating activities			
Income before income taxes	¥14,892	**¥ 29,317**	**$ 264,141**
Depreciation and amortization	4,308	**4,639**	**41,797**
Impairment loss	1,352	**1,623**	**14,623**
Interest and dividend income	(827)	**(903)**	**(8,136)**
Interest expense	258	**246**	**2,216**
Equity in losses of affiliates	0	**(89)**	**(802)**
(Gain) loss on valuation of investment securities	2	**51**	**460**
(Gain) loss on sales of investment securities	(789)	**(263)**	**(2,370)**
Loss on disposal of tangible and intangible assets	273	**228**	**2,054**
Gain on sales of property, plant and equipment and intangible assets	(1)	**(3,900)**	**(35,138)**
Increase (decrease) in provision for warranties for completed construction	(1,027)	**(1,409)**	**(12,695)**
Increase (decrease) in provision for loss on construction contracts	(2,184)	**(553)**	**(4,982)**
Decrease in provision for loss on wind power generator business	(1,289)	**(1,478)**	**(13,317)**
Increase in provision for business restructuring	6,389	**(1,093)**	**(9,848)**
Changes in operating assets and liabilities:			
Trade assets (Note 18)	(2,848)	**(13,217)**	**(119,083)**
Trade liabilities	6,101	**(1,155)**	**(10,406)**
Inventories (Note 5)	3,994	**(7,618)**	**(68,637)**
Other	(252)	**376**	**3,388**
Subtotal	28,351	**4,797**	**43,220**
Interest and dividends received	827	**893**	**8,046**
Interest paid	(257)	**(265)**	**(2,388)**
Income taxes paid	(2,207)	**(4,334)**	**(39,049)**
Net cash provided by operating activities	26,712	**1,092**	**9,839**
Investing activities			
Investments into time deposits	(607)	**(56)**	**(505)**
Proceeds from withdrawal of time deposits	657	**544**	**4,901**
Increase in tangible and intangible assets	(6,549)	**(7,347)**	**(66,195)**
Decrease in tangible and intangible assets	76	**6,057**	**54,572**
Proceeds from sale of investment securities	1,869	**272**	**2,451**
Purchases of investment securities	(12)	**(43)**	**(387)**
Reimbursement of long-term deposits on contracts	(89)	**(177)**	**(1,595)**
Payments of long-term loans receivable	(300)	**(50)**	**(450)**
Collection of long-term loans receivable	50	**10**	**90**
Purchase of investments in subsidiaries	(147)	**(497)**	**(4,478)**
Payments for asset retirement obligations	(15)	**(71)**	**(640)**
Other	(8)	**25**	**225**
Net cash used in investing activities	(5,077)	**(1,334)**	**(12,019)**
Financing activities (Notes 11 and 18)			
Net increase (decrease) in short-term borrowings	96	**83**	**748**
Increase in long-term debt	4,500	**250**	**2,252**
Decrease in long-term debt	(4,215)	**(242)**	**(2,180)**
Cash dividends paid	(2,204)	**(3,307)**	**(29,795)**
Acquisition of treasury stock	(2)	**(1)**	**(9)**
Repayments of finance lease obligations	(621)	**(550)**	**(4,955)**
Other	(9)	**9**	**81**
Net cash provided by (used in) financing activities	(2,457)	**(3,758)**	**(33,859)**
Effect of exchange rate changes on cash and cash equivalents	30	**(58)**	**(523)**
(Decrease) increase in cash and cash equivalents	19,208	**(4,059)**	**(36,571)**
Cash and cash equivalents at beginning of the year	58,671	**77,879**	**701,676**
Cash and cash equivalents at end of the year (Notes 16 and 18)	¥77,879	**¥ 73,820**	**$ 665,105**

See notes to consolidated financial statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

1. Basis of Presentation

The Japan Steel Works, Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

As of March 31, 2019, the numbers of consolidated subsidiaries, and subsidiaries and affiliates accounted for by the equity method were 31 and 2 (31 and 1 in 2018), respectively.

As a result of the acquisition of additional shares of GM Engineering Co., Ltd., has been included as equity method affiliates from the current fiscal year.

Certain foreign subsidiaries are consolidated on the basis of fiscal years ended December 31, which differ from that of the Company. However, the necessary adjustments have been made if the effect of the difference is material.

Investments in subsidiaries and affiliates which are neither consolidated nor accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written them down.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies accounted for by the equity method have been amortized by the straight-line method over five years after acquisition and are included in selling, general and administrative expenses.

(b) Foreign currency translation

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding Non-controlling interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments and Non-controlling interests in the consolidated financial statements.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates of exchange in effect at the respective transaction dates.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and differences arising from the translation are included in the consolidated statements of income.

(c) Cash equivalents

Short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value are considered to be cash equivalents.

(d) Inventories

Real estate held for sale, finished products and work in process are stated at the lower of cost or net realizable value determined principally by the specific identification method. Raw materials are stated at the lower of cost or replacement cost determined principally by the moving average method.

(e) Investment securities

Marketable securities classified as other securities are carried at fair value with 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 by the moving average method.

(f) Allowance for doubtful accounts

The allowance for doubtful accounts is provided for possible bad debts at an amount estimated based on the historical experience with bad debts on normal receivables plus an additional allowance for specific uncollectible amounts determined by reference to the collectability of individual doubtful accounts.

(g) Provision for warranties for completed construction

The Company provides a provision for warranties for completed construction by estimating losses on possible future claims.

(h) Provision for loss on construction contracts

The Company provides a provision for loss on construction contracts, which has not been delivered by the fiscal year end, by estimating the amount of total losses anticipated in the following fiscal year and thereafter to be incurred, when the amounts can be reasonably estimated.

(i) Provision for loss on wind power generator business
The Company provides a provision for loss on wind power generator business by estimating the amount of total losses caused by the defects of certain parts used in wind power generators.

(j) Provision for business restructuring
The Company provides a provision for the anticipated losses on wind power generators sold in previous years in order to restructure the wind power generator business.

(k) Property, plant and equipment and depreciation
Depreciation of property, plant and equipment is calculated by the declining-balance method based on the estimated useful lives and the residual value determined by the Company, except for certain buildings which are depreciated by the straight-line method.

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to profit. The estimate useful lives of the assets are as follows:

Buildings and structures: 6 to 65 years
Machinery, equipment and vehicles: 3 to 20 years

(l) Intangible fixed assets
Amortization of intangible fixed assets is calculated using the straight-line method.

Software products for internal use are amortized mainly over the estimated useful lives of five years.

(m) Leases and depreciation
Finance lease transactions which do not stipulate the transfer of ownership of the leased assets to the lessee are accounted for as purchase and sales transactions.

With regard to the depreciation method of leased assets, the straight-line method is applied using the lease period as the estimated useful life and a residual value of zero.

(n) Retirement benefit
The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Prior service cost is being amortized as incurred by the straight-line method over ten years, which is shorter than the 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 ten years, which is shorter than the average remaining years of service of the employees participating in the plans.

Certain subsidiaries use a simplified method in the calculation of their retirement benefit obligation.

(o) Income taxes
Deferred tax assets and liabilities have been recognized in the consolidated balance sheets with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(p) Research and development expenses
Research and development expenses are charged to income when incurred.

(q) Revenue and cost recognition
Revenues on sales of products are generally recognized at the time of shipment.

Revenues and costs, 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 is applied to contracts for which the percentage of completion cannot be reliably estimated.

(r) Derivative financial instruments
Derivative financial instruments are carried at fair value. Gain or loss on derivatives designated as hedging instruments is deferred as a component of net assets until the loss or gain on the underlying hedged items is recognized. Foreign currency receivables and payables are translated at the applicable forward foreign exchange rates when certain conditions are met. In addition, the related interest differential paid or received under interest-rate swaps utilized as hedging instruments is recognized over the terms of the swap agreements as an adjustment to the interest expense of the underlying hedged items when certain conditions are met.

(s) Consumption tax
Accounting treatment of consumption tax is the tax exclusion method.

(t) Provision for directors' bonuses
Provision for directors' bonuses is provided based on estimated amounts to be paid in the subsequent period that are applicable to the current year.

(u) Provision for directors' retirement benefits
Provision for directors' retirement benefits is provided based on estimated amounts determined by internal rules.

(v) Standards issued but not yet effective
Accounting Standard and Implementation Guidance on Revenue Recognition
On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

(1) Overview
This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:
1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of adoption
The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of adoption of accounting standard and implementation guidance
The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

3. Accounting Changes
(Disclosure for the year ended March 31, 2019)

(a) Partial Amendments to Accounting Standard for Tax Effect Accounting
The Company and its consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting"(ASBJ Statement No. 28, February 16, 2018) (hereinafter, the "Partial Amendments") from the beginning of the fiscal year ended March 31, 2019. As such, deferred tax assets and deferred tax liabilities are included within investments and other assets and long-term liabilities, respectively, and related income tax disclosures have been expanded.

As a result, ¥7,376 million of deferred tax assets in current assets previously presented in consolidated balance sheet as of March 31, 2018 have been reclassified and included within ¥20,216 million of deferred tax assets in investments respectively. In addition, deferred tax liabilities of fixed liabilities of ¥168 million decreased by ¥68 million.

Also, "Note 22 Income Taxes" in the Notes to the consolidated financial statements has been expanded in accordance with Article 8 and Article 9 of Interpretive Notes to Accounting for Tax Effect Accounting. However, comparative information for the year ended March 31, 2018 has not been disclosed in Note 22 in accordance with the transitional provisions set forth in Article 7 of the Partial Amendments.

(b) Consolidated balance sheet
In the previous consolidated fiscal year, the assets related to the real estate leasing business, which were included in inventory of current assets, were changed to buildings and structures of fixed assets due to a change in management method accompanying the contraction of the real estate leasing business. It is reclassified as a building and a structure land.

To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated balance sheet of the previous consolidated fiscal year, inventory of current assets of ¥62,160 million, buildings and structures of fixed assets of ¥71,536 million, and land of ¥10,059million Although the figure is stated at ¥10,000 million, it has been reclassified as Inventory of ¥61,882 million, Buildings and structures of ¥71,541 million, and Land of ¥10,335 million.

(c) Consolidated statement of income
The income and expenses related to the real estate leasing business, which were included in sales, cost of sales, and selling, general and administrative expenses in the previous consolidated fiscal year, are managed according to the contraction of the real estate leasing business. Due to the change, Gain on fixed assets in Non-operating income has been reclassified.

To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated statement of income for the previous consolidated fiscal year, sales of ¥212,957 million, cost of sales of ¥163,455 million, Selling, and general administrative expenses of ¥6,290 million Sales of ¥211,700 million, Cost of sales ¥162,995 million, Selling , and general administrative expenses of ¥6,236 million, Non-operating income: Rent income on non-current assets of ¥851 million.

4. U.S. Dollar Amounts
The translation of yen amounts into U.S. dollars is included solely for convenience, as a matter of arithmetic computation only, at ¥110.99 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2019. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

5. Inventories
Inventories at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Finished products	¥ 2,027	**¥ 2,767**	**$ 24,930**
Work in process	54,663	**61,004**	**549,635**
Raw materials and supplies	5,191	**5,675**	**51,131**
Total	¥61,882	**¥69,447**	**$625,705**

Work in process related to construction contracts of which a loss is anticipated to be incurred was offset with a provision for loss on construction contracts of ¥852 million ($7,676 thousand) at March 31, 2019 and ¥750 million at March 31, 2018.

6. Assets Pledged as Collateral
The assets pledged as collateral for derivative transactions etc., at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Time deposit	¥106	**¥99**	**$892**

Note: The assets pledged as collateral have no corresponding obligations at March 31, 2019.

7. Advanced Depreciation

Accumulated advanced depreciation related to government grants received has been deducted directly from the acquisition costs of certain tangible fixed assets (plant, machinery and equipment). Such accumulated depreciation at March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Accumulated advanced depreciation expense	¥1,306	**¥1,455**	**$13,109**

8. Notes Receivable and Notes Payable Maturing at Fiscal Year-End

Although March 31, 2019 was a bank holiday, notes maturing on that date were accounted for as if they were settled on their maturity date. The corresponding amounts of notes receivable and notes payable maturing on March 31, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Trade notes and accounts receivable	¥ 293	**¥ 435**	**$ 3,919**
Trade notes and accounts payable	¥1,592	**¥1,836**	**$16,542**
Other current liabilities	¥ 242	**¥ 941**	**$ 8,478**
Endorsed trade notes receivable	¥ 3	**¥ 1**	**$ 9**

9. Impairment Loss

Current fiscal year (From April 1, 2018 to March 31, 2019)

The Group recorded an impairment loss on the following groups of assets in the current fiscal year:

Use	Asset type	Location
Property for rent	Land	Fuchu, Tokyo
Other Businesses: Business assets at investee subsidiary	Machinery, equipment and vehicles, etc.	Muroran, Hokkaido and Guangdong, China

(1) Grouping of assets

The Company and its consolidated subsidiaries (hereinafter collectively known as the "Group") determine whether to recognize an impairment loss and measure the loss by grouping assets based on the smallest units used in management accounting that generate cash flows which are largely independent and whose revenue and expenditures are identified on an ongoing basis. Property for rent is grouped by the individual properties. However, the Group determines whether to recognize impairment and measures the impairment on an individual asset basis if the asset is idle and not expected to be used in the future.

(2) Circumstances that led to the recognition of the impairment loss

Carrying amounts of non-current assets were reduced to recoverable amounts and the reduced amounts were recognized in extraordinary losses as impairment loss because investment amounts were no longer expected to be recovered due to a decrease in profitability.

Breakdown of the impairment loss is as follows:

Machinery, equipment and vehicles	¥ 19 million	$ 171 thousand
Land	1,597	14,389
Other	6	54
Total	¥1,623	$14,623

(3) Calculation method for recoverable amounts

The property for lease is measured by the net selling price and is evaluated by the real estate appraisal value. For business-use assets, the recoverable value is measured based on the value in use, and is assessed based on the memorandum value.

Prior fiscal year (From April 1, 2017 to March 31, 2018)

The Group recorded an impairment loss on the following groups of assets in the prior fiscal year:

Use	Asset type	Location
Steel and Energy Products: Business assets	Buildings and structures, Machinery, equipment and vehicles, Tools, furniture and fixture, Construction in progress, etc.	Muroran, Hokkaido
Other Businesses: Business assets	Machinery, equipment and vehicles, Tools, furniture and fixture	Muroran, Hokkaido
Other Businesses: Business assets at investee subsidiary	Machinery, equipment and vehicles, Construction in progress, etc.	Muroran, Hokkaido and Guangdong, China

(1) Grouping of assets

The Group determines whether to recognize an impairment loss and measures the loss by grouping assets based on the smallest units used in management accounting that generate cash flows which are largely independent and whose revenue and expenditures are identified on an ongoing basis.

However, the Group determines whether to recognize impairment and measures the impairment on an individual asset basis if the asset is idle and not expected to be used in the future.

(2) Circumstances that led to the recognition of the impairment loss

Carrying amounts of non-current assets were reduced to recoverable amounts and the reduced amounts were recognized in extraordinary losses as impairment loss because investment amounts were no longer expected to be recovered due to a decrease in profitability.

Breakdown of the impairment loss is as follows:

Buildings and structures	¥ 145 million
Machinery, equipment and vehicles	718
Tools, furniture and fixtures	129
Construction in progress	174
Other	184
Total	¥1,352

(3) Calculation method for recoverable amounts

Recoverable amounts of the groups of assets are calculated at value in use. It is evaluated by memorandum value.

10. Contingent Liabilities

Contingent liabilities at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
As endorsers of trade notes receivable:			
Endorsed to other	¥ 92	**¥ 68**	**$ 613**
As guarantors of loans:			
Muroran Environmental Plant Service Co., Ltd.	305	**243**	**2,189**
Obligation to guarantee uncollected receivables of leasing companies	8	**—**	**—**
Gotsu Wind Power Co., Ltd	849	**720**	**6,487**
Employees and other	13	**4**	**36**

11. Short-Term Borrowings and Long-Term Debt

All short-term borrowings, with interest at annual rates ranging from 0.2690% to 1.4750% at March 31, 2019 and 0.2454% to 1.4750% at March 31, 2018, were unsecured.

Long-term debt at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Loans from banks and insurance companies with interest at annual rates ranging from 0.1934% to 0.9609%	¥39,401	**¥39,408**	**$355,059**
Less those maturing within one year	(132)	**(199)**	**(1,793)**
Lease obligations	1,241	**1,292**	**11,641**
Less those maturing within one year	(493)	**(496)**	**(4,469)**
Long-term indebtedness reflected in the consolidated balance sheets	¥40,016	**¥40,004**	**$360,429**

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2019 are summarized as follows:

Year ending March 31,	Long-term loans (Millions of yen)	Long-term loans (Thousands of U.S. dollars)	Lease obligations (Millions of yen)	Lease obligations (Thousands of U.S. dollars)
2020	¥ 199	$ 1,793	¥496	$4,469
2021	5,000	45,049	346	3,117
2022	1,800	16,218	234	2,108
2023	15,700	141,454	148	1,333
2024	2,208	19,894	63	568
2025 and thereafter	14,500	130,642	2	18

12. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Research and development expenses	¥4,369	¥4,506	$40,598

13. Other Income (Expenses)—Other, Net

The details of "Other, net" in "Other income (expenses)" for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Foreign exchange gain (loss)	¥ (115)	¥ 38	$ 342
Equity in gain (losses) of affiliates	(0)	89	802
Gain on sales of property, plant and equipment	30	3,933	35,436
Gain on sales of investment securities	791	263	2,370
Rent income on non-current assets	851	786	7,082
Cancellation fee received	33	1,186	10,686
Loss on sales or disposal of property, plant and equipment	(302)	(260)	(2,343)
Provision for business restructuring	(6,389)	(711)	(6,406)
Other, net	197	666	6,001
Total	¥(4,902)	¥5,992	$53,987

14. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥2,050	¥(5,750)	$(51,806)
Reclassification adjustments for gains and losses realized in net income	(793)	51	460
The amount of unrealized holding gain (loss) on securities before tax effect	1,257	(5,699)	(51,347)
Tax effect	(369)	1,720	15,497
Unrealized holding gain (loss) on securities	887	(3,978)	(35,841)
Unrealized gain (loss) from hedging instruments:			
Amount arising during the year	874	(765)	(6,892)
Tax effect	(267)	233	2,099
Unrealized gain (loss) from hedging instruments	606	(532)	(4,793)
Translation adjustments:			
Amount arising during the year	203	(232)	(2,090)
Translation adjustments	203	(232)	(2,090)
Remeasurement benefits plans adjustments:			
Amount arising during the year	767	(951)	(8,568)
Reclassification adjustments for gains and losses realized in net income	95	261	2,352
The amount of unrealized holding gain (loss) on securities before tax effect	863	(689)	(6,208)
Tax effect	(265)	210	1,892
Remeasurement benefits plans adjustments	597	(478)	(4,307)
Total other comprehensive income	¥2,295	¥(5,221)	$(47,040)

15. Supplementary Information for Consolidated Statement of Changes in Net Assets

Year ended March 31, 2019

(a) Information regarding the number and type of shares issued and treasury stock:

	Number of shares			
	Year ended March 31, 2018	Increase during the year	Decrease during the year	Year ended March 31, 2019
Shares issued:				
Common stock	74,292,607	16,501	—	74,309,108
Treasury stock:				
Common stock (Notes 1 and 2)	802,503	579	—	803,082

Notes: 1. The increase in shares issued – common stock of 16,501 was due to issuance of new shares as restricted stock.
2. The increase in treasury stock – common stock of 579 was due to the acquisition of fractional shares of less than one unit.

(b) Dividends

(i) Dividends paid to shareholders

① Resolution: Annual general meeting of shareholders held on June 26, 2018
Type of shares: Common stock
Total amount of dividends: ¥1,469 million ($13,235 thousand)
Dividends per share: ¥20.0 ($0.180)
Cut-off date: March 31, 2018
Effective date: June 27, 2018

Note: Dividends per share include ¥2.5 of commemorative 110th anniversary dividend.

② Resolution: Meeting of Board of Directors held on November 5, 2018
Type of shares: Common stock
Total amount of dividends: ¥1,837 million ($16,551 thousand)
Dividends per share: ¥25.0 ($0.225)
Cut-off date: September 30, 2018
Effective date: December 5, 2018

(ii) Dividends of which the cut-off date was in the year ended March 31, 2019, but the effective date is in the following fiscal year

Resolution: Annual general meeting of shareholders held on June 21, 2019
Type of shares: Common stock
Total amount of dividends: ¥2,205 million ($19,867 thousand)
Dividends per share: ¥30.0 ($0.270)
Cut-off date: March 31, 2019
Effective date: June 24, 2019
Source of dividends: Retained earnings

Year ended March 31, 2018

(a) Information regarding the number and type of shares issued and treasury stock:

	Number of shares			
	Year ended March 31, 2017	Increase during the year	Decrease during the year	Year ended March 31, 2018
Shares issued:				
Common stock	74,292,607	—	—	74,292,607
Treasury stock:				
Common stock (Notes 1 and 2)	801,480	1,055	32	802,503

Notes: 1. The increase in treasury stock – common stock of 1,055 was due to the acquisition of fractional shares of less than one unit.
2. The decrease in treasury stock – common stock of 32 was due to sales of fractional shares of less than one unit.

(b) Dividends

(i) Dividends paid to shareholders

① Resolution: Annual general meeting of shareholders held on June 27, 2017
Type of shares: Common stock
Total amount of dividends: ¥918 million
Dividends per share: ¥12.5
Cut-off date: March 31, 2017
Effective date: June 28, 2017

② Resolution: Meeting of Board of Directors held on November 6, 2017
Type of shares: Common stock
Total amount of dividends: ¥1,286 million
Dividends per share: ¥17.5
Cut-off date: September 30, 2017
Effective date: December 6, 2017

(ii) Dividends of which the cut-off date was in the year ended March 31, 2018, but the effective date is in the following fiscal year

Resolution: Annual general meeting of shareholders held on June 26, 2018
Type of shares: Common stock
Total amount of dividends: ¥1,469 million
Dividends per share: ¥20.0
Cut-off date: March 31, 2018
Effective date: June 27, 2018
Source of dividends: Retained earnings

Note: Dividends per share include ¥2.5 of commemorative 110th anniversary dividend.

16. Cash Flow Information

(a) Cash and cash equivalents

The reconciliation between cash and cash equivalents in the accompanying consolidated statements of cash flows and cash on hand and in banks in the accompanying consolidated balance sheets at March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash on hand and in banks in the consolidated balance sheet	¥79,032	¥74,304	$669,466
Other current assets	156	283	2,550
Time deposits with maturities of more than three months	(1,309)	(768)	(6,920)
Cash and cash equivalents in the consolidated statement of cash flows	¥77,879	¥73,820	$665,105

(b) Significant transactions without cash flows

Assets and liabilities corresponding to finance lease transactions that have been recorded by the Company and its domestic consolidated subsidiaries at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Lease assets	¥402	¥557	$5,018
Lease obligations	433	601	5,415

17. Leases

Year ended March 31, 2019

Future minimum lease payments subsequent to March 31, 2019 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥110	$ 991
2021 and thereafter	179	1,613
Total	¥289	$2,604

Year ended March 31, 2018

Future minimum lease payments subsequent to March 31, 2018 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen
2019	¥ 72
2020 and thereafter	145
Total	¥217

18. Financial Instruments

Overview

(a) Policy for financial instruments

In consideration of plans for operations and capital investment, the Group utilizes funds provided by operating cash flows first. The Group uses bond issuances and bank borrowings in order to raise additional funds, if needed. The Company manages temporary cash surpluses through low-risk financial assets. The Company uses derivatives for the purpose of reducing risks and does not enter into derivative contracts for speculative or trading purposes.

(b) Types of financial instruments and related risk

Trade receivables – trade notes and accounts receivable – are exposed to credit risk in relation to customers. In addition, the Company is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. The foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contracts, if needed.

Investment securities are exposed to market risk. These securities are mainly composed of the shares of common stock of companies with which the Company has business relationships.

Trade payables – trade notes and accounts payable – have payment due dates within one year. Since the Company is exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, forward foreign exchange contracts are arranged to reduce the risk, if needed.

Loans payable are used to raise funds mainly in connection with capital investments. The repayment dates of the long-term debts extend up to nine years from the balance sheet date. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk and foreign currency exchange risk. However, to reduce such risk and fix the interest payments for long-term debt with variable rates, the Company utilizes interest rate swap transactions and interest-rate currency swaps as hedging instruments.

Regarding derivatives, the Company enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Company also enters into interest rate swap transactions and interest-rate currency swaps to reduce the fluctuation risk of interest payments for long-term debt with variable rates.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities is found in Note 2 (p).

(c) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Company for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Company is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties. The consolidated subsidiaries also manage credit risk using the Company's internal policies and methods.

The Company also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a high credit-rating.

(ii) Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Company identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts to hedge such risk. In order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Company may also enter into interest rate swap transactions and interest-rate currency swaps.

For investment securities, the Company periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Company continuously evaluates whether securities should be maintained taking into account their fair values and relationships with the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority. Monthly reports including actual transaction data are submitted to top management for their review. The consolidated subsidiaries also conduct derivative transactions using the Company's internal policies.

(iii) Monitoring of liquidity risk (the risk that the Company may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Company prepares and updates its cash flow plans on a timely basis to manage liquidity risk. The consolidated subsidiaries manage the liquidity risk using cash flow plans and report to the Company periodically.

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

The fair value of financial instruments is based on their quoted market price, if available. When there is no available quoted market price, 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. In addition, the notional amounts of derivatives in Note 20 Derivative Transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2019 and estimated fair value 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 (Please refer to Note (ii) below).

Year ended March 31, 2019

	Carrying amount	Estimated fair value	Difference
			Millions of yen
Assets			
Cash on hand and in banks	¥ 74,304	¥ 74,304	¥ —
Trade notes and accounts receivable	64,921	64,921	(0)
Securities:			
Other securities	26,852	26,852	—
Total assets	¥166,078	¥166,077	¥ (0)
Liabilities			
Trade notes and accounts payable	¥ 55,579	¥ 55,579	¥ —
Short-term borrowings	12,088	12,088	—
Current portion of long-term debt	199	199	0
Long-term debt	39,208	39,723	514
Total liabilities	¥107,076	¥107,590	¥514
Derivatives (*)	¥ (326)	¥ (326)	—

	Carrying amount	Estimated fair value	Difference
			Thousands of U.S. dollars
Assets			
Cash on hand and in banks	$ 669,466	$ 669,466	$ —
Trade notes and accounts receivable	584,927	584,927	(0)
Securities:			
Other securities	241,932	241,932	—
Total assets	$1,496,333	$1,496,324	$ (0)
Liabilities			
Trade notes and accounts payable	$ 500,757	$ 500,757	$ —
Short-term borrowings	108,911	108,911	—
Current portion of long-term debt	1,793	1,793	0
Long-term debt	353,257	357,897	4,631
Total liabilities	$ 964,736	$ 969,367	$4,631
Derivatives (*)	$ (2,937)	$ (2,937)	—

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

Year ended March 31, 2018

	Carrying amount	Estimated fair value	Difference
			Millions of yen
Assets			
Cash on hand and in banks	¥ 79,032	¥ 79,032	¥ —
Trade notes and accounts receivable	54,542	54,541	(0)
Securities:			
Other securities	32,589	32,589	—
Total assets	¥166,164	¥166,163	¥ (0)
Liabilities			
Trade notes and accounts payable	¥ 54,957	¥ 54,957	¥ —
Short-term borrowings	12,004	12,004	—
Current portion of long-term debt	132	145	12
Long-term debt	39,268	39,860	591
Total liabilities	¥106,362	¥106,967	¥604
Derivatives (*)	¥ 436	¥ 436	—

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

(i) Method to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

Cash on hand and in banks
The carrying amount is used for bank deposits without maturities, because the fair value approximates the carrying value. The fair value of time deposits in banks with maturities is calculated based on the present value of the total principal and interest discounted at a rate supposing a newly made deposit.

Trade notes and accounts receivables
The fair value is calculated by categories of the remaining periods of the receivables based on the present value using discount rates determined by the period to maturity and credit risk.

Securities
The carrying amount is used for other securities with maturities, because the fair value approximates the carrying amount.
Quoted market price is used for other securities.

Liabilities

Trade notes and accounts payable and short-term borrowings
The carrying amount is used for these items because the fair value approximates the carrying amount.

Current portion of long-term debt and long-term debt
The fair values are calculated by applying a discount rate, based on the assumed interest rate if a similar new debt is issued, to the total of the principal and interest. The current portion of long-term debt and long-term debt with variable interest rates are subject to the special treatment of interest rate swaps or the integral treatment of interest rate currency swaps and is calculated by applying a discount rate, based on the assumed interest rate if a similar new debt is issued, to the total of the principal and interest including that of the interest rate swap.

Derivative transactions
Please refer to Note 20 Derivative Transactions, of the notes to the consolidated financial statements.

(ii) Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unlisted stocks	¥2,081	¥2,226	$20,056

Because the fair values of these financial instruments are extremely difficult to determine, given that they do not have quoted market prices and future cash flows cannot be estimated, they are not included in "Securities" in the preceding table.

(iii) Redemption schedule for receivables and securities with maturities at March 31, 2019 and 2018

Year ended March 31, 2019

	Due in one year or less	Due after one year through five years	Due after five years
			Millions of yen
Cash on hand and in banks	¥ 74,304	¥ —	—
Trade notes and accounts receivable	64,593	327	—
Total	¥138,898	¥327	—

	Due in one year or less	Due after one year through five years	Due after five years
			Thousands of U.S. dollars
Cash on hand and in banks	$ 669,466	$ —	—
Trade notes and accounts receivable	581,971	2,946	—
Total	$1,251,446	$2,946	—

Year ended March 31, 2018

	Due in one year or less	Due after one year through five years	Due after five years
			Millions of yen
Cash on hand and in banks	¥ 79,032	¥ —	—
Trade notes and accounts receivable	53,980	561	—
Total	¥133,012	¥561	—

(iv) The redemption schedule for long-term debt

Year ended March 31, 2019

	Long-term loans	Lease obligations
		Millions of yen
Due in 1 year or less	¥ 199	¥496
Due after 1 year through 2 years	5,000	346
Due after 2 years through 3 years	1,800	234
Due after 3 years through 4 years	15,700	148
Due after 4 years through 5 years	2,208	63
Due after 5 years	14,500	2

	Long-term loans	Lease obligations
		Thousands of U.S. dollars
Due in 1 year or less	$ 1,793	$4,469
Due after 1 year through 2 years	45,049	3,117
Due after 2 years through 3 years	16,218	2,108
Due after 3 years through 4 years	141,454	1,333
Due after 4 years through 5 years	19,894	568
Due after 5 years	130,642	18

Year ended March 31, 2018

	Long-term loans	Lease obligations
		Millions of yen
Due in 1 year or less	¥ 132	¥493
Due after 1 year through 2 years	60	366
Due after 2 years through 3 years	5,000	218
Due after 3 years through 4 years	1,800	114
Due after 4 years through 5 years	15,700	43
Due after 5 years	16,708	4

19. Securities

(a) Other securities

March 31, 2019

	Acquisition cost	Carrying amount	Unrealized gain (loss)
			Millions of yen
Carrying amount exceeding the acquisition cost:			
Stocks	¥14,079	¥21,598	¥ 7,519
Carrying amount not exceeding the acquisition cost:			
Stocks	8,041	5,253	(2,787)
Total	¥22,120	¥26,852	¥ 4,731

	Acquisition cost	Carrying amount	Unrealized gain (loss)
			Thousands of U.S. dollars
Carrying amount exceeding the acquisition cost:			
Stocks	$126,849	$194,594	$ 67,745
Carrying amount not exceeding the acquisition cost:			
Stocks	72,448	47,329	(25,110)
Total	$199,297	$241,932	$ 42,625

March 31, 2018

	Acquisition cost	Carrying amount	Unrealized gain (loss)
			Millions of yen
Carrying amount exceeding the acquisition cost:			
Stocks	¥13,441	¥25,824	¥12,382
Carrying amount not exceeding the acquisition cost:			
Stocks	8,721	6,765	(1,956)
Total	¥22,163	¥32,589	¥10,425

When their fair values have declined by 50% or more, impairment losses are recorded on those securities. When their fair values have declined by 30% up to 50%, impairment losses are recorded on those securities on an individual basis to the values considered to be recoverable.

(b) Impairment of investment securities

For the year ended March 31, 2019	Millions of yen	Thousands of U.S. dollars
Other securities		
Stock	¥51	$460

20. Derivative Transactions

(a) Derivatives not subject to hedge accounting

Year ended March 31, 2019
None applicable

Year ended March 31, 2018
None applicable

(b) Derivatives subject to hedge accounting

The contract amounts or the amount corresponding to principal as specified by the contract as of the date of the closing of the consolidated accounts is shown below by type of hedge accounting method.

(i) Currency-related transactions

Year ended March 31, 2019

Millions of yen

Hedge accounting method	Type of derivative		Principal items hedged	Contract amount	Over one year	Fair value
Allocation method	Foreign exchange forward contracts		Accounts receivable			
	Sell:	U.S. dollars		**¥17,161**	**¥2,670**	**¥(266)**
		Euros		**1,557**	**131**	**30**
		JPY		**41**	**—**	**(0)**
	Foreign exchange forward contracts		Accounts payable			
	Buy:	U.S. dollars		**¥ 853**	**¥ —**	**¥ 8**
		Euros		**2,661**	**682**	**(84)**
		Sterling pound		**124**	**—**	**(14)**

Thousands of U.S. dollars

Hedge accounting method	Type of derivative		Principal items hedged	Contract amount	Over one year	Fair value
Allocation method	Foreign exchange forward contracts		Accounts receivable			
	Sell:	U.S. dollars		**$154,618**	**$24,056**	**$(2,397)**
		Euros		**14,028**	**1,180**	**270**
		JPY		**369**	**—**	**(0)**
	Foreign exchange forward contracts		Accounts payable			
	Buy:	U.S. dollars		**$ 7,685**	**$ —**	**$ 72**
		Euros		**23,975**	**6,145**	**(757)**
		Sterling pound		**1,117**	**—**	**(126)**

Note: Calculation of fair value is based on the forward exchange rates.

Year ended March 31, 2018

Millions of yen

Hedge accounting method	Type of derivative		Principal items hedged	Contract amount	Over one year	Fair value
Allocation method	Foreign exchange forward contracts		Accounts receivable			
	Sell:	U.S. dollars		¥10,853	¥1,258	¥473
		Euros		1,688	185	11
		Canadian dollars		75	—	5
		Thai baht		33	—	(1)
		JPY		31	—	2
	Foreign exchange forward contracts		Accounts payable			
	Buy:	U.S. dollars		¥ 617	¥ —	¥ (22)
		Euros		852	—	(5)
		Sterling pound		255	125	(27)

Note: Calculation of fair value is based on the forward exchange rates.

(ii) Interest-related transactions

Year ended March 31, 2019

Millions of yen

Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Over one year	Fair value
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Long-term borrowings	**¥25,000**	**¥25,000**	**(*)**
Integral treatment for interest rate currency swaps: (Special treatment and allocation method)	Receivable USD and floating rate/ payable JPY and fixed rate	Long-term borrowings	**708**	**708**	**(*)**

Thousands of U.S. dollars

Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Over one year	Fair value
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Long-term borrowings	**$225,246**	**$225,246**	**(*)**
Integral treatment for interest rate currency swaps: (Special treatment and allocation method)	Receivable USD and floating rate/ payable JPY and fixed rate	Long-term borrowings	**6,379**	**6,379**	**(*)**

(*) Interest rate swaps subject to the special treatment for interest rate swaps and interest rate currency swaps subject to integral treatment for interest rate currency swaps are accounted for together with the long-term debt, accordingly the fair value of the interest rate swaps is included in the fair value of the corresponding long-term debt.

Note: Calculation of fair value is based on the stated price by financial institutions.

Year ended March 31, 2018

Hedge accounting method	Type of derivative	Principal items hedged	Contract amount	Over one year	Fair value
					Millions of yen
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Long-term borrowings	¥25,000	¥25,000	(*)
Integral treatment for interest rate currency swaps: (Special treatment and allocation method)	Receivable USD and floating rate/ payable JPY and fixed rate	Long-term borrowings	708	708	(*)

(*) Interest rate swaps subject to the special treatment for interest rate swaps and interest rate currency swaps subject to integral treatment for interest rate currency swaps are accounted for together with the long-term debt, accordingly the fair value of the interest rate swaps is included in the fair value of the corresponding long-term debt.

Note: Calculation of fair value is based on the stated price by financial institutions.

21. Retirement Benefit Plans

The Company and its consolidated subsidiaries have either funded or unfunded defined benefit plans and/or defined contribution plans.

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e. lump-sum payment plans, defined benefit plans, welfare pension fund and tax-qualified pension plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The changes in the retirement benefit obligation for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the year	¥20,128	**¥19,792**	**$178,322**
Service cost	1,119	**996**	**8,974**
Interest cost	120	**112**	**1,009**
Actuarial gain and loss	(237)	**438**	**3,946**
Retirement benefit paid	(1,338)	**(1,328)**	**(11,965)**
Prior service cost	—	**20**	**180**
Balance at the end of the year	¥19,792	**¥20,031**	**$180,476**

The changes in plan assets for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the year	¥14,969	**¥15,517**	**$139,805**
Expected return on plan assets	299	**310**	**2,793**
Actuarial gain and loss	529	**(493)**	**(4,442)**
Contributions by the Company	479	**475**	**4,280**
Retirement benefits paid	(760)	**(885)**	**(7,974)**
Balance at the end the year	¥15,517	**¥14,924**	**$134,463**

The changes in retirement benefit liability accounted for using the simplified method for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the year	¥2,989	**¥3,034**	**$27,336**
Retirement benefit expenses	592	**642**	**5,784**
Retirement benefits paid	(361)	**(473)**	**(4,262)**
Contributions	(185)	**(191)**	**(1,721)**
Balance at the end the year	¥3,034	**¥3,012**	**$27,138**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2018 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded retirement benefit obligation	¥ 19,587	**¥ 19,804**	**$ 178,430**
Plan assets at the value	(16,717)	**(16,180)**	**(145,779)**
	2,869	**3,623**	**32,643**
Unfunded retirement benefit obligation	4,439	**4,496**	**40,508**
Net liability for retirement benefits in the balance sheet	7,309	**8,119**	**73,151**
Retirement benefit liability	10,046	**10,494**	**94,549**
Retirement benefit assets	(2,736)	**(2,374)**	**(21,389)**
Net liability for retirement benefits in the balance sheet	¥ 7,309	**¥ 8,119**	**$ 73,151**

The components of retirement benefit expense for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥1,119	**¥ 996**	**$ 8,974**
Interest cost	120	**112**	**1,009**
Expected return on plan assets	(299)	**(310)**	**(2,793)**
Amortization of actuarial gain and loss	95	**261**	**2,352**
Amortization of prior service cost	—	**2**	**18**
Simplified method for retirement benefit expenses	592	**642**	**5,784**
Other	45	**42**	**378**
Retirement benefit expense	¥1,674	**¥1,747**	**$15,740**

The components of retirement benefits plans adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Prior service costs	¥ —	**¥ (18)**	**$ (162)**
Actuarial gain and loss	863	**(670)**	**(6,037)**
Total	¥863	**¥(689)**	**$(6,208)**

The components of retirement benefits plans adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized prior service costs	¥ —	**¥ (18)**	**$ (162)**
Unrecognized actuarial gain and loss	531	**(138)**	**(1,243)**
Total	¥531	**¥(157)**	**$(1,415)**

The fair value of plan assets, by major category, as a percentage of total plan as of March 31, 2019 and 2018 is as follows:

March 31,	2018	2019
Bonds	29%	**30%**
Stocks	44	**44**
Cash on hand and in banks	0	**0**
General account	16	**17**
Other	11	**9**
Total	100%	**100%**

Retirement benefit trust set for the lump-sum and corporate pension plans accounts for 20% and 20% of the total plan assets, for the years ended March 31, 2019 and 2018, respectively.

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans are as follows:

March 31,	2018	2019
Discount rates	0.62%	**0.51%**
Expected rates of return on plan assets	2.00	**2.00**

Contributions made to defined contribution plans for the years ended March 31, 2019 and 2018 were ¥64 million ($577 thousand) and ¥68 million, respectively.

22. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Accrued enterprise taxes	¥ 184	¥ 245	$ 2,207
Accrued bonuses	955	1,105	9,956
Depreciation	938	890	8,018
Amortization of long-term prepaid expenses	105	105	946
Loss on revaluation of inventory items	1,656	1,216	10,956
Loss on revaluation of financial instruments	189	184	1,658
Impairment loss	13,589	12,383	111,569
Retirement benefit liability	4,381	4,468	40,256
Provision for warranties for completed construction	528	137	1,234
Provision for loss on construction contracts	239	86	775
Provision for loss on wind power generator business	1,026	575	5,181
Provision for business restructuring	1,948	1,615	14,551
Less allowance for doubtful accounts	133	131	1,180
Asset retirement obligations	416	397	3,577
Percentage-of-completion method	16	280	2,523
Tax loss carry forwards	2,189	1,630	14,686
Unrealized loss on investment securities	596	849	7,649
Deferred loss on hedges	26	120	1,081
Unrealized gain on intercompany transactions	499	624	5,622
Other	1,158	1,113	10,028
Gross deferred tax assets	30,782	28,163	253,744
Valuation allowance for tax loss carryforwards	—	(1,465)	(13,199)
Valuation allowance for the total of future deductible temporary differences etc.	—	(2,584)	(23,281)
Total valuation allowance	(4,132)	(4,049)	(36,481)
Total deferred tax assets	26,650	24,113	217,254
Deferred tax liabilities:			
Reserve for advanced depreciation	1,220	2,051	18,479
Net defined benefit asset	839	712	6,415
Disposal cost with asset retirement obligations	233	230	2,072
Unrealized gain on investment securities	3,764	2,296	20,687
Deferred gain on hedges	160	20	180
Other	316	326	2,937
Total deferred tax liabilities	6,534	5,637	50,788
Net deferred tax assets	¥20,116	¥18,475	$166,456

Tax loss carry forward and its deferred tax asset carry forward due date at March 31, 2019 were as follows:

Millions of yen	Tax loss carry forwards	Valuation allowance	Deferred tax assets
Due in 1 year or less	¥ 234	¥ (74)	¥159
Due after 1 year through 2 years	—	—	—
Due after 2 years through 3 years	33	(33)	—
Due after 3 years through 4 years	358	(357)	0
Due after 4 years through 5 years	569	(569)	—
Due after 5 years	434	(430)	3
Total	¥1,630	¥(1,465)	¥164

Thousands of U.S. dollars	Tax loss carry forwards	Valuation allowance	Deferred tax assets
Due in 1 year or less	$ 2,108	$ (667)	$1,433
Due after 1 year through 2 years	—	—	—
Due after 2 years through 3 years	297	(297)	—
Due after 3 years through 4 years	3,226	(3,217)	0
Due after 4 years through 5 years	5,127	(5,127)	—
Due after 5 years	3,910	(3,874)	27
Total	$14,686	$(13,199)	$1,478

Change in deferred tax assets and deferred tax liabilities due to reduction in corporate income tax rate

	2018	2019
Statutory tax rates	30.7%	Notes are omitted because the difference between the statutory effective tax rate and the tax burden rate after application of tax effect accounting is less than 5% of the statutory effective tax rate.
Effect of:		
Permanent differences (Expense)	0.9	
Permanent differences (Benefits)	(0.5)	
Tax credit	(2.1)	
Evaluation reserve amount	(5.3)	
Retained earnings of overseas subsidiaries	1.0	
Tax effect not recognized on unrealized income	0.5	
Other	1.3	
Effective tax rates	26.5%	

23. Business Combinations

None applicable

24. Asset Retirement Obligations

The following table presents the changes in asset retirement obligations for the years ended March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at beginning of year	¥1,320	¥1,364	$12,289
Liabilities incurred due to the acquisition of property, plant and equipment	35	2	18
Accretion expense	22	22	198
Liabilities settled	(15)	(71)	(640)
Other	2	(9)	(81)
Balance at end of year	¥1,364	¥1,308	$11,785

25. Investment and Rental Properties

The Company has omitted the disclosure of investment and rental properties due to immateriality for the years ended March 31, 2019 and 2018.

26. Segment Information

Beginning this current period, the management system has been reviewed in line with the organizational revision and together with the reduction of the real estate leasing business, As a result, "Real Estate and Other Business" has been changed to "Other Businesses".

In conjunction with this change, the business segment of the consolidated subsidiary that handles the film deposition business previously included in the "Industrial Machinery Products Business" has been changed to "Other Businesses". Wind power generators and crystals that were included in the "Steel and Energy Products Business". Change the business segment of the consolidated subsidiary that handles the business to "Other business". Sales and cost of sales for the real estate leasing business previously included in "real estate and other business" were reclassified to non-operating income and non-operating expenses previously.

The segment information for the previous consolidated fiscal year has been reclassified to the reportable segment classification for the current consolidated fiscal year.

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Steel and Energy Products segment includes steel castings and forgings, steel plates, pressure vessels and steel structures. The Industrial Machinery Products segment includes injection molding machines, film and sheet machinery, blow molding machines, magnesium injection molding machines, waste treatment equipment and manufacturing equipment for electronic products. The Other Businesses segment includes crystal business and wind power generation equipment.

Millions of yen

	Reportable segments					
Year ended March 31, 2019	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Total	Adjustments and Eliminations	Consolidated
Sales and operating income:						
Sales to third parties	¥173,648	¥41,251	¥5,252	¥220,153	¥ —	¥220,153
Intra-segment sales and transfers	1,038	4,159	3,740	8,938	(8,938)	—
Total sales	174,687	45,410	8,993	229,091	(8,938)	220,153
Operating income	¥ 23,599	¥ 2,676	¥ 343	¥ 26,618	¥ (2,328)	¥ 24,290
Assets, depreciation, and capital expenditures:						
Total assets	¥149,979	¥39,347	¥8,041	¥197,369	¥108,102	¥305,471
Depreciation and amortization	3,450	239	477	4,166	257	4,424
Capital expenditures	7,171	2,033	520	9,725	219	9,945

Thousands of U.S. dollars

Year ended March 31, 2019	Reportable segments: Industrial Machinery Products	Reportable segments: Steel and Energy Products	Reportable segments: Other Businesses	Total	Adjustments and Eliminations	Consolidated
Sales and operating income:						
Sales to third parties	$1,564,537	$371,664	$47,320	$1,983,539	$ —	$1,983,539
Intra-segment sales and transfers	9,352	37,472	33,697	80,530	(80,530)	—
Total sales	1,573,899	409,136	81,025	2,064,069	(80,530)	1,983,539
Operating income	$ 212,623	$ 24,110	$ 3,090	$ 239,823	$ (20,975)	$ 218,849
Assets, depreciation, and capital expenditures:						
Total assets	$1,351,284	$354,509	$72,448	$1,778,259	$973,980	$2,752,239
Depreciation and amortization	31,084	2,153	4,298	37,535	2,316	39,859
Capital expenditures	64,609	18,317	4,685	87,621	1,973	89,603

Notes: 1. Adjustments and eliminations for segment profit of ¥2,328 million ($20,975 thousand) include elimination of inter-segment profit on inventories and corporate general administration expense which are not allocable to a reportable segment.
2. Adjustments and eliminations for segment assets of ¥108,102 million ($973,980 thousand) include offset of inter-segment debt and credit, and corporate assets which are not allocable to a reportable segment.
3. Adjustments and eliminations for depreciation and amortization of ¥257 million ($2,316 thousand) include depreciation and amortization for corporate assets. Adjustments and eliminations for capital expenditures of ¥219 million ($1,973 thousand) include capital expenditures for corporate assets.

Millions of yen

Year ended March 31, 2018	Reportable segments: Industrial Machinery Products	Reportable segments: Steel and Energy Products	Reportable segments: Other Businesses	Total	Adjustments and Eliminations	Consolidated
Sales and operating income:						
Sales to third parties	¥169,000	¥36,287	¥ 6,412	¥211,700	¥ —	¥211,700
Intra-segment sales and transfers	1,002	4,215	3,691	8,909	(8,909)	—
Total sales	170,002	40,503	10,104	220,610	(8,909)	211,700
Operating income	¥ 23,691	¥ (1,019)	¥ (310)	¥ 22,360	¥ (1,782)	¥ 20,578
Assets, depreciation, and capital expenditures						
Total assets	¥125,768	¥35,500	¥ 8,689	¥169,958	¥127,407	¥297,365
Depreciation and amortization	3,248	176	359	3,785	312	4,097
Capital expenditures	3,244	1,549	1,519	6,313	123	6,436

Notes: 1. Adjustments and eliminations for segment profit of ¥1,782 million ($16,773 thousand) include elimination of inter-segment profit on inventories and corporate general administration expense which are not allocable to a reportable segment.
2. Adjustments and eliminations for segment assets of ¥127,407 million ($1,199,238 thousand) include offset of inter-segment debt and credit, and corporate assets which are not allocable to a reportable segment.
3. Adjustments and eliminations for depreciation and amortization of ¥312 million ($2,937 thousand) include depreciation and amortization for corporate assets. Adjustments and eliminations for capital expenditures of ¥123 million ($1,158 thousand) include capital expenditures for corporate assets.

(a) Product and service information

Millions of yen

Year ended March 31, 2019	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Total
Sales to third parties	¥173,648	¥41,251	¥5,252	¥220,153

Thousands of U.S. dollars

Year ended March 31, 2019	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Total
Sales to third parties	$1,564,537	$371,664	$47,320	$1,983,539

Millions of yen

Year ended March 31, 2018	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Total
Sales to third parties	¥169,000	¥36,287	¥6,412	¥211,700

(b) Geographical information

(i) Sales

	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Japan	¥103,501	¥103,898	$ 936,102
China	48,043	54,318	489,395
Others	60,156	61,936	558,032
Consolidated	¥211,700	¥220,153	$1,983,539

Note: Net sales information above is based on customer location.

(ii) Tangible assets

The Company has omitted the disclosure of tangible assets by country or region as of March 31, 2019 and 2018 because the amount of tangible assets in Japan accounted for more than 90% of the carrying amount in the consolidated balance sheet.

(c) Significant customer information

The Company has omitted the disclosure of significant customer information for the years ended March 31, 2019 and 2018 because no individual customer accounted for more than 10% of net sales in the consolidated statement of income.

(d) Information on loss on impairment of fixed assets

Impairment losses on fixed assets by reportable segment for the years ended March 31, 2019 and 2018 are summarized as follows:

Millions of yen

Year ended March 31, 2019	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Adjustments and Eliminations	Total
Impairment loss	—	—	¥25	¥1,597	¥1,623

Thousands of U.S. dollars

Year ended March 31, 2019	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Adjustments and Eliminations	Total
Impairment loss	—	—	$225	$14,389	$14,623

Millions of yen

Year ended March 31, 2018	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Adjustments and Eliminations	Total
Impairment loss	—	¥1,331	¥21	—	¥1,352

(e) Amortization and balance of goodwill

The following table presents the amortization and balance of negative goodwill arising from business combinations on or prior to March 31, 2010 as of and for the years ended March 31, 2019 and 2018 by reportable segment:

Millions of yen

Year ended March 31, 2019	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Adjustments and Eliminations	Total
Amortization	¥215	—	—	—	¥215
Balance as of March 31	268	—	—	—	268

Thousands of U.S. dollars

Year ended March 31, 2019	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Adjustments and Eliminations	Total
Amortization	$1,937	—	—	—	$1,937
Balance as of March 31	2,415	—	—	—	2,415

Millions of yen

Year ended March 31, 2018	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Adjustments and Eliminations	Total
Amortization	¥211	—	—	—	¥211
Balance as of March 31	509	—	—	—	509

(f) Information on gain on negative goodwill

Year ended March 31, 2019
None applicable

Year ended March 31, 2018
None applicable

27. Shareholders' Equity

The Corporation Law of Japan 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 meeting of shareholders, or by the Board of Directors if certain conditions are met.

28. Amounts per Share

Profit (loss) attributable to owners of parent per share is calculated based on the Profit (loss) attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Net assets per share are calculated based on the number of shares of common stock outstanding at year end. Amounts per share at March 31, 2019 and 2018 and for the years then ended were as follows:

	Yen		U.S. dollars
	2018	**2019**	**2019**
Profit (loss) attributable to owners of parent	¥ 145.77	**¥ 271.69**	**$ 2.45**
Net assets	1,592.47	**1,746.91**	**15.74**

29. Subsequent Events

(Significant subsequent events)

1. Mergers and acquisitions of consolidated subsidiaries

Based on a resolution of the board of directors meeting held on January 29, 2019, the company absorbed its consolidated subsidiary, Nikko Information Systems Co., Ltd. on April 1, 2019.

(1) Overview of transactions

(a) The names and business details of the Constituent Enterprises

Name of the Company: Nikko Information Systems Co., Ltd.

Business details: Computer system consulting, contract development, technical guidance, etc.

(b) Date of business combination

April 1, 2019

(c) Legal form of business combination

An absorption-type merger where the Company becomes the surviving company and Nikko Information Systems Co., Ltd. becomes the marged company

(d) The name of the Combined Enterprise

The Japan Steel Works, Ltd.

(e) Matters concerning the outline of other transactions

Since its establishment in April 1990 as a wholly-owned subsidiary of the company, Nikko Information Systems Co., Ltd. has been in charge of the Company's information system operation and management as well as the entrusted development business. However, given that advanced information technology (Machine learning, etc.) is an important element for the enhancement of the Company's product and service values, Nikko Information Systems Co., Ltd. has decided to merge with Our Company to strengthen its functions.

(2) Overview of accounting

Accounting will be conducted as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of January 16, 2019) and "Application Guidelines for Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No. 10 of January 16, 2019).

2. Making an affiliate a subsidiary by acquiring additional equity interests

At the meeting of the Board of Directors held on March 19, 2019, Our Group resolved to make GM Engineering Co., Ltd., a former affiliate, a subsidiary. As a result, shares were acquired on April 1, 2019.

(1) Overview of business combinations

(a) The name of the Acquired Enterprise and the nature of its business

Name of recipient company: GM Engineering Co., Ltd.

Nature of business: Design, manufacture, and sale of plastic sheet equipment, extruders, etc.; design, manufacture, and sale of dies and auxiliary equipment

(b) The main reasons for the business combination

Strengthen and expand sheet equipment business

(c) Date of business combination

April 1, 2019

(d) Legal form of business combination

Stock acquisition in exchange for cash

(e) The name of the Combined Enterprise

There is no change in the name of the combined company.

(f) Percentage of voting rights acquired

21.75% of the voting rights held immediately before the business combination

60.5% of the voting rights additionally acquired on the date of the business combination

82.25% of total voting rights after acquisition

(g) Main basis for determining acquiring companies

Our Company acquired the shares in exchange for cash.

(2) Acquisition costs of acquired enterprises and their breakdown

Consideration for acquisition: ¥131 million in cash

Acquisition cost: ¥131 million

(3) Details and amounts of major acquisition-related expenses

¥5 million for advisory expenses

(4) The difference between the acquisition cost of the Acquired Enterprise and the total amount of the acquisition cost for each transaction leading to the acquisition

Loss on phased acquisition: ¥89 million

(5) The amount of negative goodwill that occurred, and the cause for the occurrence

(a) The amount of negative goodwill that occurred

¥360 million

(b) Cause of occurrence

This was because the net assets at market value of GM Engineering Co., Ltd. exceeded the acquisition cost.

(6) The amount of assets accepted and liabilities assumed on the date of the Business Combination, and the major breakdown thereof

Current assets:	¥1,722 million
Fixed assets:	¥654 million
Total assets:	¥2,377 million
Current liabilities:	¥1,275 million
Fixed liabilities:	¥503 million
Total liabilities:	¥1,778 million

Independent Auditor's Report

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Building a better working world

Independent Auditor's Report

The Board of Directors
The Japan Steel Works, Ltd.

We have audited the accompanying consolidated financial statements of The Japan Steel Works, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, 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 The Japan Steel Works, Ltd. and its consolidated subsidiaries as at March 31, 2019, 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 3.

June 25, 2019
Tokyo, Japan

Ernst & Young ShinNihon LLC

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