The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2019 and 2020

Assets	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars (Note 4) 2020
Current assets:			
Cash on hand and in banks (Notes 6 and 18)	¥ 74,304	**¥ 75,525**	**$ 693,972**
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	1,009	**161**	**1,479**
Trade (Note 18)	63,916	**51,141**	**469,916**
Other	223	**689**	**6,331**
Less allowance for doubtful accounts	(137)	**(156)**	**(1,433)**
Inventories (Note 5)	69,447	**72,363**	**664,918**
Other current assets	6,316	**10,789**	**99,136**
Total current assets	215,080	**210,515**	**1,934,347**
Property, plant and equipment, at cost (Notes 7 and 9):			
Land	8,250	**7,984**	**73,362**
Buildings and structures	70,519	**74,440**	**684,003**
Machinery and equipment	135,423	**137,407**	**1,262,584**
Leased assets	2,458	**2,500**	**22,972**
Construction in progress	1,764	**2,397**	**22,025**
	218,416	**224,729**	**2,064,955**
Less accumulated depreciation	(183,901)	**(185,583)**	**(1,705,256)**
Property, plant and equipment, net	34,514	**39,146**	**359,699**
Intangible assets	2,226	**2,968**	**27,272**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	1,268	**1,012**	**9,299**
Investment securities (Notes 18 and 19)	28,412	**20,836**	**191,455**
Long-term loans receivable	333	**323**	**2,968**
Retirement benefit asset (Note 21)	2,374	**1,588**	**14,592**
Deferred tax assets (Note 22)	18,566	**18,290**	**168,060**
Other assets	3,091	**2,929**	**26,914**
Less allowance for doubtful accounts	(397)	**(438)**	**(4,025)**
Total investments and other assets	53,650	**44,542**	**409,281**
Total assets	¥ 305,471	**¥ 297,173**	**$ 2,730,617**

Liabilities and net assets	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars (Note 4) 2020
Current liabilities:			
Short-term borrowings (Notes 11 and 18)	¥ 12,088	**¥ 10,048**	**$ 92,327**
Current portion of long-term debt (Notes 11 and 18)	696	**5,590**	**51,365**
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	205	**523**	**4,806**
Trade (Note 18)	55,374	**47,886**	**440,007**
Other	3,685	**815**	**7,489**
Advances received for products	16,619	**19,012**	**174,694**
Accrued income taxes (Note 22)	3,326	**1,143**	**10,503**
Provision for loss on wind power generator business	1,887	**1,421**	**13,057**
Provision for business restructuring	5,295	**5,596**	**51,420**
Other current liabilities	13,290	**13,436**	**123,459**
Total current liabilities	112,469	**105,475**	**969,172**
Long-term liabilities:			
Long-term debt (Notes 11 and 18)	40,004	**36,425**	**334,696**
Accrued retirement benefits			
For directors and corporate auditors	73	**57**	**524**
Retirement benefit liability (Note 21)	10,494	**11,172**	**102,656**
Deferred tax liabilities (Note 22)	90	**371**	**3,409**
Other long-term liabilities	12,511	**11,178**	**102,711**
Total long-term liabilities	63,174	**59,205**	**544,014**
Net assets:			
Shareholders' equity (Note 15)			
Common stock:			
Authorized — 200,000,000 shares			
Issued — 74,332,356 shares	19,716	**19,737**	**181,356**
Capital surplus	5,362	**5,383**	**49,462**
Retained earnings	102,915	**108,454**	**996,545**
Treasury stock, at cost (803,339 shares in 2020 and 803,082 shares in 2019)	(2,312)	**(2,312)**	**(21,244)**
Total shareholders' equity	125,682	**131,262**	**1,206,120**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	3,290	**1,017**	**9,345**
Unrealized gain (loss) from hedging instruments	(226)	**(69)**	**(634)**
Translation adjustments	(222)	**(356)**	**(3,271)**
Remeasurement of retirement benefit plans	(115)	**(1,049)**	**(9,639)**
Total accumulated other comprehensive income	2,725	**(458)**	**(4,208)**
Non-controlling interests	1,419	**1,688**	**15,510**
Total net assets	129,827	**132,492**	**1,217,422**
Total liabilities and net assets	¥305,471	**¥297,173**	**$2,730,617**

See notes to consolidated financial statements.

The Japan Steel Works, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

For the years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2020	2020
Net sales	¥220,153	**¥217,527**	**$1,998,778**
Cost of sales (Note 12)	166,622	**167,251**	**1,536,810**
Gross profit	53,531	**50,275**	**461,959**
Selling, general and administrative expenses (Note 12)	29,240	**31,566**	**290,049**
Operating income	24,290	**18,709**	**171,910**
Other income (expenses):			
Interest and dividend income	903	**846**	**7,774**
Interest expense	(246)	**(249)**	**(2,288)**
Impairment loss (Note 9)	(1,623)	**—**	**—**
Other, net (Note 13)	5,992	**(5,151)**	**(47,331)**
	5,027	**(4,554)**	**(41,845)**
Income before income taxes	29,317	**14,154**	**130,056**
Income taxes (Note 22):			
Current	5,335	**2,646**	**24,313**
Deferred	3,791	**1,974**	**18,138**
Income (Note 28)	20,190	**9,534**	**87,605**
Profit attributable to non-controlling interests	223	**223**	**2,049**
Income attributable to shareholders of The Japan Steel Works, Ltd.	¥ 19,966	**¥ 9,310**	**$ 85,546**

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, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2020	2020
Income	¥20,190	**¥ 9,534**	**$ 87,605**
Other comprehensive income:			
Unrealized holding gain (loss) on securities	(3,978)	**(2,273)**	**(20,886)**
Unrealized gain (loss) from hedging instruments	(532)	**157**	**1,443**
Translation adjustments	(232)	**(122)**	**(1,121)**
Remeasurement of retirement benefit plans	(478)	**(927)**	**(8,518)**
Total other comprehensive income (Note 14)	(5,221)	**(3,166)**	**(29,091)**
Comprehensive income	¥14,968	**¥ 6,368**	**$ 58,513**
Total comprehensive income attributable to:			
Shareholders of The Japan Steel Works, Ltd.	¥14,768	**¥ 6,126**	**$ 56,290**
Non-controlling interests	¥ 200	**¥ 241**	**$ 2,214**

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, 2019 and 2020

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, 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
Balance at April 1, 2019	**¥19,716**	**¥5,362**	**¥102,915**	**¥(2,312)**	**¥125,682**	**¥ 3,290**	**¥(226)**	**¥(222)**	**¥ (115)**	**¥ 2,725**	**¥1,419**	**¥129,827**
Changes during the year												
Issuance of new shares	**20**	**20**			**41**							**41**
Cash dividends paid			**(4,227)**		**(4,227)**							**(4,227)**
Income attributable to shareholders of The Japan Steel Works, Ltd.			**9,310**		**9,310**							**9,310**
Purchases of treasury stock				**(0)**	**(0)**							**(0)**
Change in scope of consolidation		**0**	**454**		**455**							**455**
Net changes in items other than those in shareholders' equity					**—**	**(2,273)**	**157**	**(133)**	**(933)**	**(3,184)**	**269**	**(2,914)**
Total changes during the year	**20**	**21**	**5,538**	**(0)**	**5,579**	**(2,273)**	**157**	**(133)**	**(933)**	**(3,184)**	**269**	**2,665**
Balance at March 31, 2020	**¥19,737**	**¥5,383**	**¥108,454**	**¥(2,312)**	**¥131,262**	**¥ 1,017**	**¥ (69)**	**¥(356)**	**¥(1,049)**	**¥ (458)**	**¥1,688**	**¥132,492**

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, 2019	**$181,163**	**$49,270**	**$945,649**	**$(21,244)**	**$1,154,847**	**$ 30,231**	**$(2,077)**	**$(2,040)**	**$(1,057)**	**$ 25,039**	**$13,039**	**$1,192,934**
Changes during the year												
Issuance of new shares	**184**	**184**			**377**							**377**
Cash dividends paid			**(38,840)**		**(38,840)**							**(38,840)**
Income attributable to shareholders of The Japan Steel Works, Ltd.			**85,546**		**85,546**							**85,546**
Purchases of treasury stock				**(0)**	**(0)**							**(0)**
Change in scope of consolidation		**0**	**4,172**		**4,181**							**4,181**
Net changes in items other than those in shareholders' equity					**—**	**(20,886)**	**1,443**	**(1,222)**	**(8,573)**	**(29,257)**	**2,472**	**(26,776)**
Total changes during the year	**184**	**193**	**50,887**	**(0)**	**51,263**	**(20,886)**	**1,443**	**(1,222)**	**(8,573)**	**(29,257)**	**2,472**	**24,488**
Balance at March 31, 2020	**$181,356**	**$49,462**	**$996,545**	**$(21,244)**	**$1,206,120**	**$ 9,345**	**$ (634)**	**$(3,271)**	**$(9,639)**	**$ (4,208)**	**$15,510**	**$1,217,422**

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, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2020	2020
Operating activities			
Income before income taxes	¥ 29,317	**¥ 14,154**	**$ 130,056**
Depreciation and amortization	4,639	**6,017**	**55,288**
Impairment loss	1,623	**—**	**—**
Interest and dividend income	(903)	**(846)**	**(7,774)**
Interest expense	246	**249**	**2,288**
Equity in losses (gains) of affiliates	(89)	**3**	**28**
(Gain) loss on valuation of investment securities	51	**3,589**	**32,978**
(Gain) loss on sales of investment securities	(263)	**990**	**9,097**
Loss on disposal of tangible and intangible assets	228	**483**	**4,438**
Gain on sales of property, plant and equipment and intangible assets	(3,900)	**(1,295)**	**(11,899)**
Gain on bargain purchase	—	**(361)**	**(3,317)**
Loss (gain) on step acquisitions	—	**95**	**873**
Decrease/increase in consumption taxes receivable/payable	(443)	**(484)**	**(4,447)**
Decrease in provision for loss on wind power generator business	(1,478)	**(465)**	**(4,273)**
Increase (decrease) in provision for business restructure	(1,093)	**300**	**2,757**
Changes in operating assets and liabilities:			
Trade assets (Note 18)	(13,217)	**15,059**	**138,372**
Trade liabilities	(1,155)	**(10,436)**	**(95,893)**
Inventories (Note 5)	(7,618)	**(1,865)**	**(17,137)**
Other	1,143	**(695)**	**(6,386)**
Subtotal	4,797	**24,493**	**225,057**
Interest and dividends received	893	**843**	**7,746**
Interest paid	(265)	**(275)**	**(2,527)**
Income taxes paid	(4,334)	**(6,102)**	**(56,069)**
Net cash provided by operating activities	1,092	**18,959**	**174,207**
Investing activities			
Investments into time deposits	(56)	**(533)**	**(4,898)**
Proceeds from withdrawal of time deposits	544	**193**	**1,773**
Increase in tangible and intangible assets	(7,347)	**(12,824)**	**(117,835)**
Decrease in tangible and intangible assets	6,057	**1,650**	**15,161**
Proceeds from sale of investment securities	272	**1,763**	**16,200**
Purchases of investment securities	(43)	**(2,016)**	**(18,524)**
Reimbursement of long-term deposits on contracts	(177)	**(628)**	**(5,770)**
Collection of long-term loans receivable	10	**10**	**92**
Payments for investments in capital of subsidiaries and associates	—	**(384)**	**(3,528)**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	**240**	**2,205**
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	—	**(896)**	**(8,233)**
Purchase of investments in subsidiaries	(497)	**—**	**—**
Other	(97)	**253**	**2,325**
Net cash used in investing activities	(1,334)	**(13,172)**	**(121,033)**
Financing activities (Notes 11 and 18)			
Net increase (decrease) in short-term borrowings	83	**(2,140)**	**(19,664)**
Increase in long-term debt	250	**1,200**	**11,026**
Decrease in long-term debt	(242)	**(315)**	**(2,894)**
Cash dividends paid	(3,307)	**(4,227)**	**(38,840)**
Acquisition of treasury stock	(1)	**(0)**	**(0)**
Repayments of finance lease obligations	(550)	**(737)**	**(6,772)**
Proceeds from share issuance to non-controlling shareholders	—	**49**	**450**
Other	9	**7**	**64**
Net cash provided by (used in) financing activities	(3,758)	**(6,164)**	**(56,639)**
Effect of exchange rate changes on cash and cash equivalents	(58)	**(65)**	**(597)**
(Decrease) increase in cash and cash equivalents	(4,059)	**(443)**	**(4,071)**
Cash and cash equivalents at beginning of the year	77,879	**73,820**	**678,306**
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	**1,100**	**10,108**
Cash and cash equivalents at end of the year (Notes 16 and 18)	¥ 73,820	**¥ 74,477**	**$ 684,343**

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, 2020, the numbers of consolidated subsidiaries, and subsidiaries and affiliates accounted for by the equity method were 36 and 2 (31 and 2 in 2019), respectively. Nikko Information Systems Co., Ltd., which was a consolidated subsidiary in the previous consolidated fiscal year, has been merged with the Company, and as a result, the company has been excluded from consolidated subsidiaries from this consolidated fiscal year. Since the Company acquired additional shares of GM Engineering Co., Ltd., which was an affiliate accounted for by the equity method in the previous consolidated fiscal year, the company has been included as a consolidated subsidiary from the current consolidated fiscal year. JSW Plastics Machinery (Shenzhen) Co., Ltd., JSW Machinery Trading (Shanghai) Co., Ltd., and JSW Machinery (Ningbo) Co., Ltd., which were non-consolidated subsidiaries in the previous consolidated fiscal year, have been included in the consolidation as consolidated subsidiaries due to materiality. Muroran Copper Alloy Co., Ltd. was newly established in the current consolidated fiscal year and has been included in consolidated subsidiaries. The Company acquired all shares of Nichiyu Machinery Co., Ltd. in the current consolidated fiscal year and has been included in the consolidated subsidiaries.

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

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 Accounting Standards Board of Japan (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.

Accounting Standards for Fair Value Measurement and Implementation Guidance
Accounting Standards for Financial Instruments
Implementation guidance on disclosures about Fair Value of Financial Instruments Accounting Standard for Measurement of Inventories (Corporate Accounting Standard No. 9)
On July 4, 2019, the ASBJ issued "Accounting Standards for Fair Value Measurement" (ASBJ Statement No. 30), Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31), Accounting Standards for Financial Instruments (ASBJ Statement No. 10), and Implementation guidance on disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19), Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9)

(1) Overview
This is accounting standards for Fair Value Measurement and Implementation Guidance for applying accounting standards for Fair Value Measurement (hereinafter referred to as "market price accounting standards") have been developed. Accounting standards for Fair Value Measurement are applied to the market prices of the following items.
・Financial instruments in "Accounting Standards for Financial Instruments" and "Implementation guidance on disclosures about Fair Value of Financial Instruments" have been revised to stipulate notes such as a breakdown of the fair value of financial instruments by level.

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

Accounting Standard for Disclosure of Accounting Estimates
On March 31, 2020, the ASBJ issued Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31)

(1) Overview
This accounting standard has been released to provide guidance on disclosure of information that deepens the understanding of users of the financial statements about estimates that embody a risk of a significant impact on the financial statements of the following accounting period.

(2) Scheduled date of adoption
The Company expects to adopt the accounting standard from the of the fiscal year ending March 31, 2021.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections
On March 31, 2020, the ASBJ issued "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24)

(1) Overview
This accounting standard has been released to provide an outline of the applicable accounting principles and procedures in cases where directly relevant accounting standards are not available.

(2) Scheduled date of application
The Company expects to adopt the accounting standard from the ending of the fiscal year ending March 31, 2021.

3. Accounting Changes

[Disclosure for the year ended March 31, 2020]

(a) Consolidated cash flow statement

The amount of "Decrease/increase in consumption taxes receivable/payable", which was displayed in "Other" of "Cash flow from operating activities" in the previous consolidated fiscal year, has been separately reported in the current consolidated fiscal year due to increase in its materiality.

"Increase (decrease) in provision for warranties for completed construction," and "Increase (decrease) in provision for loss on construction contracts" which were included in the Operating activities section of the statement of cashflows, along with "Collection of long-terms receivable" and "Payments for asset retirement obligations" which were included in the Investing activities section of the statement of cashflows were reclassified into "Others" within their respective sections due to its less significance in materiality.

The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in presentation method.

As a result, in the cash flow statement for the previous consolidated fiscal year, "Increase (decrease) in provision for warranties for completed construction" of "Cash flow from operating activities" ¥(1,409) million, "Increase (decrease) in provision for loss on construction contracts" ¥(553) million and "Other" ¥376 million have been reclassified as "Decrease/increase in consumption taxes receivable/payable " of ¥(443) million and "Other" of ¥(1,143) million. In "Cash flow from investing activities," "Collection of long-term loans receivable" of ¥(50) million, "Payments for asset retirement obligations" of ¥(71) million, and "others" of ¥25 million are "others". It has been reclassified as ¥(97) 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 ¥108.83 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2020. 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, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Finished products	¥ 2,767	**¥ 3,792**	**$ 34,843**
Work in process	61,004	**62,927**	**578,214**
Raw materials and supplies	5,675	**5,643**	**51,852**
Total	¥69,447	**¥72,364**	**$664,927**

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 ¥223 million ($2,049 thousand) at March 31, 2020 and ¥852 million at March 31, 2019.

6. Assets Pledged as Collateral

The assets pledged as collateral for derivative transactions etc., at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Time deposit	¥99	**¥194**	**$1,783**

Note: The assets posted for derivative transactions were 99 million yen on March 31, 2019 and 94 million yen on March 31, 2020, and there are no corresponding liabilities as of the end of the current consolidated fiscal year.

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, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Accumulated advanced depreciation expense	¥1,455	**¥1,445**	**$13,278**

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, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Trade notes and accounts receivable	¥ 435	**¥—**	**$—**
Trade notes and accounts payable	¥1,836	**¥—**	**$—**
Other current liabilities	¥ 941	**¥—**	**$—**
Endorsed trade notes receivable	¥ 1	**¥—**	**$—**

9. Impairment Loss

Current fiscal year (From April 1, 2019 to March 31, 2020)

Not applicable

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

The Company and its consolidated subsidiaries (hereinafter collectively known as the "Group") recorded an impairment loss on the following groups of assets in the prior 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 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
Land	1,597
Other	6
Total	¥1,623

(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.

10. Contingent Liabilities

Contingent liabilities at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
As endorsers of trade notes receivable:			
Endorsed to other	¥ 68	**¥ 49**	**$ 450**
As guarantors of loans:			
Muroran Environmental Plant Service Co., Ltd.	243	**193**	**1,773**
Gotsu Wind Power Co., Ltd	720	**586**	**5,385**
Employees and other	4	**1**	**9**

11. Short-Term Borrowings and Long-Term Debt

All short-term borrowings, with interest at annual rates ranging from 0.2690% to 0.9900% at March 31, 2020 and 0.2690% to 1.4750% at March 31, 2019, were unsecured.

Long-term debt at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Loans from banks and insurance companies with interest at annual rates ranging from 0.1600% to 0.7450%	¥39,408	**¥40,847**	**$375,328**
Less those maturing within one year	(199)	**(5,155)**	**(47,367)**
Lease obligations	1,292	**1,168**	**10,732**
Less those maturing within one year	(496)	**(434)**	**(3,988)**
Long-term indebtedness reflected in the consolidated balance sheets	¥40,004	**¥42,016**	**$386,070**

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2020 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
2021	¥ 5,155	$ 47,367	¥434	$3,988
2022	1,950	17,918	329	3,023
2023	15,889	145,998	224	2,058
2024	2,398	22,034	133	1,222
2025	4,689	43,086	41	377
2026 and thereafter	10,765	98,916	5	46

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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Research and development expenses	¥4,506	**¥4,708**	**$43,260**

13. Other Income (Expenses)—Other, Net

The details of "Other, net" in "Other income (expenses)" for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Foreign exchange gain (loss)	¥ 38	**¥ (173)**	**$ (1,590)**
Equity in gains (losses) of affiliates	89	**(3)**	**(28)**
Gain on sales of property, plant and equipment	3,933	**1,296**	**11,908**
Gain on sales of investment securities	263	**379**	**3,482**
Rent income on non-current assets	786	**757**	**6,956**
Cancellation fee received	1,186	**6**	**55**
Loss on sales or disposal of property, plant and equipment	(260)	**(484)**	**(4,447)**
Loss on valuation of investment securities	(51)	**(3,589)**	**(32,978)**
Loss on sales of investment securities	—	**(1,369)**	**(12,579)**
Provision for business restructuring	(711)	**(2,244)**	**(20,619)**
Other, net	717	**276**	**2,536**
Total	¥5,992	**¥(5,151)**	**$(47,331)**

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, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥(5,750)	**¥(7,837)**	**$(72,011)**
Reclassification adjustments for gains and losses realized in net income	51	**4,578**	**42,066**
The amount of unrealized holding gain (loss) on securities before tax effect	(5,699)	**(3,258)**	**(29,937)**
Tax effect	1,720	**985**	**9,051**
Unrealized holding gain (loss) on securities	(3,978)	**(2,273)**	**(20,886)**
Unrealized gain (loss) from hedging instruments:			
Amount arising during the year	(765)	**226**	**2,077**
Tax effect	233	**(68)**	**(625)**
Unrealized gain (loss) from hedging instruments	(532)	**157**	**1,443**
Translation adjustments:			
Amount arising during the year	(232)	**(122)**	**(1,121)**
Translation adjustments	(232)	**(122)**	**(1,121)**
Remeasurement benefits plans adjustments:			
Amount arising during the year	(951)	**(1,228)**	**(11,284)**
Reclassification adjustments for gains and losses realized in net income	261	**(132)**	**(1,213)**
The amount of unrealized holding gain (loss) on securities before tax effect	(689)	**(1,361)**	**(12,506)**
Tax effect	210	**434**	**3,988**
Remeasurement benefits plans adjustments	(478)	**(927)**	**(8,518)**
Total other comprehensive income	¥(5,221)	**¥(3,166)**	**$(29,091)**

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

Year ended March 31, 2020

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

	Number of shares			
	Year ended March 31, 2019	Increase during the year	Decrease during the year	Year ended March 31, 2020
Shares issued:				
Common stock	**74,309,108**	**23,248**	**—**	**74,332,356**
Treasury stock:				
Common stock (Notes 1 and 2)	**803,082**	**257**	**—**	**803,339**

Notes: 1. The increase in shares issued – common stock of 23,248 was due to issuance of new shares as restricted stock.
2. The increase in treasury stock – common stock of 257 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 21, 2019
Type of shares: Common stock
Total amount of dividends: ¥2,205 million ($20,261 thousand)
Dividends per share: ¥30.0 ($0.276)
Cut-off date: March 31, 2019
Effective date: June 24, 2019

② Resolution: Meeting of Board of Directors held on November 11, 2019
Type of shares: Common stock
Total amount of dividends: ¥2,022 million ($18,579 thousand)
Dividends per share: ¥27.5 ($0.253)
Cut-off date: September 30, 2019
Effective date: December 11, 2019

(ii) Dividends of which the cut-off date was in the year ended March 31, 2020, but the effective date is in the following fiscal year

Resolution: Annual general meeting of shareholders held on June 24, 2020
Type of shares: Common stock
Total amount of dividends: ¥1,286 million ($11,817 thousand)
Dividends per share: ¥17.5 ($0.161)
Cut-off date: March 31, 2020
Effective date: June 25, 2020
Source of dividends: Retained earnings

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
Dividends per share: ¥20.0
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
Dividends per share: ¥25.0
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
Dividends per share: ¥30.0
Cut-off date: March 31, 2019
Effective date: June 24, 2019
Source of dividends: Retained earnings

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, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash on hand and in banks in the consolidated balance sheet	¥74,304	**¥75,525**	**$693,972**
Other current assets	283	**199**	**1,829**
Time deposits with maturities of more than three months	(768)	**(1,247)**	**(11,458)**
Cash and cash equivalents in the consolidated statement of cash flows	¥73,820	**¥74,477**	**$684,343**

(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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Lease assets	¥557	**¥385**	**$3,538**
Lease obligations	601	**604**	**5,550**

17. Leases

Year ended March 31, 2020

Future minimum lease payments subsequent to March 31, 2020 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	**¥118**	**$1,084**
2022 and thereafter	**121**	**1,112**
Total	**¥239**	**$2,196**

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
2020	¥110
2021 and thereafter	179
Total	¥289

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 values and estimated fair values of financial instruments on the consolidated balance sheets as of March 31, 2020 and 2019 are shown in the following tables. The following tables do 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, 2020

	Millions of yen		
	Carrying amount	**Estimated fair value**	**Difference**
Assets			
Cash on hand and in banks	**¥ 75,525**	**¥ 75,525**	**¥ —**
Trade notes and accounts receivable	**51,297**	**51,296**	**(0)**
Securities:			
Other securities	**19,268**	**19,268**	**—**
Total assets	**¥146,091**	**¥146,090**	**¥ (0)**
Liabilities			
Trade notes and accounts payable	**¥ 48,409**	**¥ 48,409**	**¥ —**
Short-term borrowings	**10,048**	**10,048**	**—**
Current portion of long-term debt	**5,155**	**5,155**	**(0)**
Long-term debt	**35,691**	**36,142**	**450**
Total liabilities	**¥ 99,305**	**¥ 99,756**	**¥450**
Derivatives (*)	**¥ (98)**	**¥ (98)**	**—**

	Thousands of U.S. dollars		
	Carrying amount	**Estimated fair value**	**Difference**
Assets			
Cash on hand and in banks	**$ 693,972**	**$ 693,972**	**$ —**
Trade notes and accounts receivable	**471,350**	**471,341**	**(0)**
Securities:			
Other securities	**177,047**	**177,047**	**—**
Total assets	**$1,342,378**	**$1,342,369**	**$ (0)**
Liabilities			
Trade notes and accounts payable	**$ 444,813**	**$ 444,813**	**$ —**
Short-term borrowings	**92,327**	**92,327**	**—**
Current portion of long-term debt	**47,367**	**47,367**	**(0)**
Long-term debt	**327,952**	**332,096**	**4,135**
Total liabilities	**$ 912,478**	**$ 916,622**	**$4,135**
Derivatives (*)	**$ (900)**	**$ (900)**	**—**

(*) 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, 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)	—

(*) 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 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
	2019	**2020**	**2020**
Unlisted stocks	¥2,226	**¥2,027**	**$18,625**

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, 2020 and 2019

Year ended March 31, 2020

	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	**¥ 75,525**	**¥ —**	**—**
Trade notes and accounts receivable	**50,905**	**391**	**—**
Total	**¥126,431**	**¥391**	**—**

	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	**$ 693,972**	**$ —**	**—**
Trade notes and accounts receivable	**467,748**	**3,593**	**—**
Total	**$1,161,729**	**$3,593**	**—**

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	—

(iv) The redemption schedule for long-term debt

Year ended March 31, 2020

	Long-term loans	Lease obligations
		Millions of yen
Due in 1 year or less	**¥ 5,155**	**¥434**
Due after 1 year through 2 years	**1,950**	**329**
Due after 2 years through 3 years	**15,889**	**224**
Due after 3 years through 4 years	**2,398**	**133**
Due after 4 years through 5 years	**4,689**	**41**
Due after 5 years	**10,765**	**5**

	Long-term loans	Lease obligations
		Thousands of U.S. dollars
Due in 1 year or less	**$ 47,367**	**$3,988**
Due after 1 year through 2 years	**17,918**	**3,023**
Due after 2 years through 3 years	**145,998**	**2,058**
Due after 3 years through 4 years	**22,034**	**1,222**
Due after 4 years through 5 years	**43,086**	**377**
Due after 5 years	**98,916**	**46**

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

19. Securities

(a) Other securities

March 31, 2020

	Acquisition cost	Carrying amount	Unrealized gain (loss)
			Millions of yen
Carrying amount exceeding the acquisition cost: Stocks	**¥ 7,413**	**¥11,596**	**¥ 4,182**
Carrying amount not exceeding the acquisition cost: Stocks	**10,389**	**7,672**	**(2,716)**
Total	**¥17,802**	**¥19,268**	**¥ 1,466**

	Acquisition cost	Carrying amount	Unrealized gain (loss)
			Thousands of U.S. dollars
Carrying amount exceeding the acquisition cost: Stocks	**$68,115**	**$106,552**	**$ 38,427**
Carrying amount not exceeding the acquisition cost: Stocks	**95,461**	**70,495**	**(24,956)**
Total	**$163,576**	**$177,047**	**$ 13,471**

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

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

	Millions of yen		Thousands of U.S. dollars
For the year ended March 31, 2019	2019	**2020**	**2020**
Other securities			
Stock	¥51	**¥3,589**	**$32,978**

20. Derivative Transactions

(a) Derivatives not subject to hedge accounting

Year ended March 31, 2020
None applicable

Year ended March 31, 2019
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, 2020

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		**¥14,045**	**¥589**	**¥(100)**
		Euros		**2,534**	**716**	**29**
		Canadian dollars		**15**	**—**	**1**
		JPY		**28**	**—**	**1**
		Thai baht		**57**	**—**	**(0)**
		Chinese Yuan		**1**	**—**	**0**
	Foreign exchange forward contracts		Accounts payable			
	Buy:	U.S. dollars		**¥ 2,052**	**¥ —**	**¥ 14**
		Euros		**2,321**	**218**	**(43)**

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		**$129,054**	**$5,412**	**$(919)**
		Euros		**23,284**	**6,579**	**266**
		Canadian dollars		**138**	**—**	**9**
		JPY		**257**	**—**	**9**
		Thai baht		**524**	**—**	**(0)**
		Chinese Yuan		**9**	**—**	**0**
	Foreign exchange forward contracts		Accounts payable			
	Buy:	U.S. dollars		**$ 18,855**	**$ —**	**$ 129**
		Euros		**21,327**	**2,003**	**(395)**

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

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)

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

(ii) Interest-related transactions

Year ended March 31, 2020

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	**$229,716**	**$229,716**	**(*)**
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	**6,506**	**6,506**	**(*)**

(*) 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, 2019

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, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Balance at the beginning of the year	¥19,792	**¥20,031**	**$184,058**
Service cost	996	**1,110**	**10,199**
Interest cost	112	**97**	**891**
Actuarial gain and loss	438	**60**	**551**
Retirement benefit paid	(1,328)	**(947)**	**(8,702)**
Prior service cost	20	**—**	**—**
Increase by merger	—	**404**	**3,712**
Other	—	**8**	**74**
Balance at the end of the year	¥20,031	**¥20,764**	**$190,793**

The changes in plan assets for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Balance at the beginning of the year	¥15,517	**¥14,924**	**$137,131**
Expected return on plan assets	310	**298**	**2,738**
Actuarial gain and loss	(493)	**(1,168)**	**(10,732)**
Contributions by the Company	475	**562**	**5,164**
Retirement benefits paid	(885)	**(659)**	**(6,055)**
Balance at the end the year	¥14,924	**¥13,956**	**$128,237**

The changes in retirement benefit liability accounted for using the simplified method for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Balance at the beginning of the year	¥3,034	**¥3,012**	**$27,676**
Retirement benefit expenses	642	**589**	**5,412**
Retirement benefits paid	(473)	**(390)**	**(3,584)**
Contributions	(191)	**(192)**	**(1,764)**
Transfer amount due to change from Simplified method to principle method	—	**(247)**	**(2,270)**
Contributions	—	**6**	**55**
Balance at the end the year	¥3,012	**¥2,776**	**$25,508**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2020 and 2019 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Funded retirement benefit obligation	¥ 19,804	**¥ 20,559**	**$ 178,430**
Plan assets at the value	(16,180)	**(15,215)**	**(145,779)**
	3,623	**5,343**	**32,643**
Unfunded retirement benefit obligation	4,496	**4,239**	**40,508**
Net liability for retirement benefits in the balance sheet	8,119	**9,583**	**88,055**
Retirement benefit liability	10,494	**11,172**	**102,656**
Retirement benefit assets	(2,374)	**(1,588)**	**(14,592)**
Net liability for retirement benefits in the balance sheet	¥ 8,119	**¥ 9,583**	**$ 88,055**

The components of retirement benefit expense for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Service cost	¥ 996	**¥1,110**	**$10,199**
Interest cost	112	**97**	**891**
Expected return on plan assets	(310)	**(298)**	**(2,738)**
Amortization of actuarial gain and loss	261	**(134)**	**(1,231)**
Amortization of prior service cost	2	**2**	**18**
Simplified method for retirement benefit expenses	642	**589**	**5,412**
Transfer amount due to change from Simplified method to principle method	—	**156**	**1,433**
Other	42	**2**	**18**
Retirement benefit expense	¥1,747	**¥1,524**	**$14,003**

The components of retirement benefits plans adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Prior service costs	¥ (18)	**¥ 2**	**$ 18**
Actuarial gain and loss	(670)	**(1,363)**	**(12,524)**
Total	¥(689)	**¥(1,361)**	**$(12,506)**

The components of retirement benefits plans adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unrecognized prior service costs	¥ (18)	**¥ (16)**	**$ (147)**
Unrecognized actuarial gain and loss	(138)	**(1,501)**	**(13,792)**
Total	¥(157)	**¥(1,518)**	**$(13,948)**

The fair value of plan assets, by major category, as a percentage of total plan as of March 31, 2020 and 2019 is as follows:

March 31,	2019	2020
Bonds	30%	**33%**
Stocks	44	**40**
Cash on hand and in banks	0	**0**
General account	17	**18**
Other	9	**9**
Total	100%	**100%**

Retirement benefit trust set for the lump-sum and corporate pension plans accounts for 17% and 20% of the total plan assets, for the years ended March 31, 2020 and 2019, 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,	2019	2020
Discount rates	0.51%	**0.58%**
Expected rates of return on plan assets	2.00	**2.00**

Contributions made to defined contribution plans for the years ended March 31, 2020 and 2019 were ¥56 million ($515 thousand) and ¥64 million, respectively.

22. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Deferred tax assets:			
Accrued enterprise taxes	¥ 245	¥ 61	$ 561
Accrued bonuses	1,105	1,109	10,190
Depreciation	890	881	8,095
Amortization of long-term prepaid expenses	105	105	965
Loss on revaluation of inventory items	1,216	692	6,359
Loss on revaluation of financial instruments	184	184	1,691
Impairment loss	12,383	11,029	101,342
Retirement benefit liability	4,468	4,821	44,298
Provision for warranties for completed construction	137	61	561
Provision for loss on construction contracts	86	168	1,544
Provision for loss on wind power generator business	575	433	3,979
Provision for business restructuring	1,615	1,706	15,676
Less allowance for doubtful accounts	131	149	1,369
Asset retirement obligations	397	397	3,648
Percentage-of-completion method	280	423	3,887
Tax loss carry forwards	1,630	1,473	13,535
Unrealized loss on investment securities	849	814	7,480
Deferred loss on hedges	120	56	515
Unrealized gain on intercompany transactions	624	542	4,980
Other	1,113	1,063	9,768
Gross deferred tax assets	28,163	26,178	240,540
Valuation allowance for tax loss carryforwards	(1,465)	(1,461)	(13,425)
Valuation allowance for the total of future deductible temporary differences etc.	(2,584)	(2,517)	(23,128)
Total valuation allowance	(4,049)	(3,978)	(36,552)
Total deferred tax assets	24,113	22,199	203,979
Deferred tax liabilities:			
Reserve for advanced depreciation	2,051	1,828	16,797
Net defined benefit asset	712	530	4,870
Disposal cost with asset retirement obligations	230	230	2,113
Unrealized gain on investment securities	2,296	1,276	11,725
Deferred gain on hedges	20	26	239
Other	326	387	3,556
Total deferred tax liabilities	5,637	4,280	39,327
Net deferred tax assets	¥18,475	¥17,919	$164,651

Tax loss carry forward and its deferred tax asset carry forward due date at March 31, 2020 and 2019 were as follows:

Year ended March 31, 2020

	Millions of yen		
	Tax loss carry forwards	Valuation allowance	Deferred tax assets
Due in 1 year or less	¥ —	¥ —	¥—
Due after 1 year through 2 years	28	(28)	—
Due after 2 years through 3 years	329	(329)	—
Due after 3 years through 4 years	464	(464)	—
Due after 4 years through 5 years	208	(208)	—
Due after 5 years	443	(431)	12
Total	¥1,473	¥(1,461)	¥12

	Thousands of U.S. dollars		
	Tax loss carry forwards	Valuation allowance	Deferred tax assets
Due in 1 year or less	$ —	$ —	$ —
Due after 1 year through 2 years	257	(257)	—
Due after 2 years through 3 years	3,023	(3,023)	—
Due after 3 years through 4 years	4,264	(4,264)	—
Due after 4 years through 5 years	1,911	(1,911)	—
Due after 5 years	4,071	(3,960)	110
Total	$13,535	$(13,425)	$110

Year ended March 31, 2019

	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

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

	2019	2020
Statutory tax rates	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.	30.5%
Effect of:		
Permanent differences (Expense)		1.0
Expired loss carryforwards		1.0
Other		0.1
Effective tax rates		32.6%

23. Business Combinations

1. Transactions under common control

(Nikko Information Systems Co., Ltd.)

Based on a resolution of the Board of Directors meeting held on January 29, 2019, the Company absorbed Nikko Information Systems Co., Ltd. On April 1, 2019.

(1) Transaction overview

(a) The names and business details of the company subject to business combination

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 Merged 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 the Company to strengthen its functions.

(2) Overview of accounting

In accordance with "Accounting Standards for Business Combinations" (Corporate Accounting Standards No. 21, January 16, 2019) and "Implementation Guidance for Accounting Standards for Business Combinations and Accounting Standards for Business Separation" (Corporate Accounting Standards Implementation Guidance No. 10, January 16, 2019) the accounting treatment has been made as a transaction under common control .

2. Business combination by acquisition

(GM Engineering Co., Ltd.)

At the meeting of the Board of Directors held on March 19, 2019, The Company resolved to acquire additional shares of GM Engineering Co., Ltd, a former affiliate and became its subsidiary on April 1, 2019.

(1) Transaction overview

(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

The Company acquired the shares in exchange for cash.

(2) The period of performance of the acquired company included in the consolidated income statement of the Company for the consolidated cumulative period

From April 1, 2019 to March 31, 2020

(3) Acquisition costs of acquired enterprises and their breakdown type

Market value of shares held on business combination date:	¥ 34 million
Cash spent for additional acquisition:	¥ 96 million
Acquisition cost:	¥131 million

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

¥5 million for advisory expenses

(5) 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

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

(a) The amount of negative goodwill that occurred
¥361 million

(b) Cause of occurrence
This was because the net assets at market value of GM Engineering Co., Ltd. exceeded the acquisition cost.

(7) 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

(Nichiyu Machinery Co., Ltd.)
At the meeting of the Board of Directors held on June 18, 2019, The Company resolved to acquire the shares of Nichiyu Machinery Co., Ltd. and make it a subsidiary. Based on the resolution, the Company entered into a stock purchase agreement on September 17, 2019, and acquired the shares on November 1, 2019.

(1) Transaction overview

(a) The name of the acquired enterprise and the nature of its business
Name of acquired company: Nichiyu Machinery Co., Ltd.
Nature of business: Manufacture, sales, parts sales, maintenance service of various unwinders and winders

(b) The main reasons for the business combination
To further expand business in the film sheet manufacturing equipment business by incorporating the winder business, which is indispensable for providing a full line product

(c) Date of business combination
November 1, 2019

(d) Legal form of business combination
Share 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
100% of total voting rights after acquisition

(g) Main basis for determining acquiring companies
Our Company acquired the shares in exchange for cash.

(2) The period of performance of the acquired company included in the consolidated income statement of the Company for the consolidated cumulative period
From November 1, 2019 to March 31, 2020

(3) Acquisition costs of acquired enterprises and their breakdown type

Cash spent on acquisition:	¥950 million
Settlement payment confirmed after acquisition:	¥ (2) million
Acquisition cost:	¥948 million

(4) Details and amounts of major acquisition-related expenses
¥1 million for advisory expenses

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

(a) The amount of goodwill that occurred
¥809 million

(b) Cause of occurrence
This was mainly due to the excess earning power expected from future business development.

(c) Amortization method and period
Straight-line depreciation over 5 years

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

Current assets:	¥957 million
Fixed assets:	¥ 30 million
Total assets:	¥987 million
Current liabilities:	¥845 million
Fixed liabilities:	¥ 3 million
Total liabilities:	¥849 million

24. Asset Retirement Obligations

The following table presents the changes in asset retirement obligations for the years ended March 31, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Balance at beginning of year	¥1,364	**¥1,308**	**$12,019**
Liabilities incurred due to the acquisition of property, plant and equipment	2	**—**	**—**
Accretion expense	22	**23**	**211**
Liabilities settled	(71)	**(2)**	**(18)**
Other	(9)	**—**	**—**
Balance at end of year	¥1,308	**¥1,329**	**$12,212**

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, 2020 and 2019.

26. 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 Executive Committee to make decisions about resource allocation and to assess performance.

The Industrial Machinery Products segment includes injection molding machines, film and sheet machinery, other. The Steel and Energy Products segment includes steel castings and forgings, steel plates and pipes. The Other Businesses segment includes deposition business, crystal business and wind power generation equipment.

Millions of yen

	Reportable segments					
Year ended March 31, 2020	**Industrial Machinery Products**	**Steel and Energy Products**	**Other Businesses**	**Total**	**Adjustments and Eliminations**	**Consolidated**
Sales and operating income:						
Sales to third parties	**¥171,416**	**¥41,418**	**¥4,691**	**¥217,527**	**¥ —**	**¥217,527**
Intra-segment sales and transfers	**1,499**	**5,320**	**2,152**	**8,972**	**(8,972)**	**—**
Total sales	**172,916**	**46,739**	**6,844**	**226,499**	**(8,972)**	**217,527**
Operating income	**¥ 19,272**	**¥ 2,484**	**¥ (146)**	**¥ 21,610**	**¥ (2,901)**	**¥ 18,709**
Assets, depreciation, and capital expenditures:						
Total assets	**¥147,703**	**¥39,036**	**¥9,946**	**¥196,686**	**¥100,486**	**¥297,173**
Depreciation and amortization	**4,022**	**866**	**681**	**5,570**	**163**	**5,733**
Capital expenditures	**5,813**	**3,234**	**1,226**	**10,275**	**309**	**10,585**

Thousands of U.S. dollars

	Reportable segments					
Year ended March 31, 2020	**Industrial Machinery Products**	**Steel and Energy Products**	**Other Businesses**	**Total**	**Adjustments and Eliminations**	**Consolidated**
Sales and operating income:						
Sales to third parties	**$1,575,080**	**$380,575**	**$43,104**	**$1,998,778**	**$ —**	**$1,998,778**
Intra-segment sales and transfers	**13,774**	**48,884**	**19,774**	**82,441**	**(82,441)**	**—**
Total sales	**1,588,863**	**429,468**	**62,887**	**2,081,218**	**(82,441)**	**1,998,778**
Operating income	**$ 177,084**	**$ 22,825**	**$ (1,342)**	**$ 198,567**	**$ (26,656)**	**$ 171,910**
Assets, depreciation, and capital expenditures:						
Total assets	**$1,357,190**	**$358,688**	**$91,390**	**$1,807,277**	**$923,330**	**$2,730,617**
Depreciation and amortization	**36,957**	**7,957**	**6,257**	**51,181**	**1,498**	**52,678**
Capital expenditures	**53,414**	**29,716**	**11,265**	**94,413**	**2,839**	**97,262**

Notes: 1. Adjustments and eliminations for segment profit of ¥2,901 million ($26,656 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 ¥100,486 million ($923,330 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 ¥163 million ($1,498 thousand) include depreciation and amortization for corporate assets. Adjustments and eliminations for capital expenditures of ¥309 million ($2,839 thousand) include capital expenditures for corporate assets.

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
						Millions of yen
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

Notes: 1. Adjustments and eliminations for segment profit of ¥2,328 million 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 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 include depreciation and amortization for corporate assets.
Adjustments and eliminations for capital expenditures of ¥219 million include capital expenditures for corporate assets.

(a) Product and service information

Millions of yen

Year ended March 31, 2020	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Total
Sales to third parties	**¥171,416**	**¥41,418**	**¥4,691**	**¥217,527**

Thousands of U.S. dollars

Year ended March 31, 2020	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Total
Sales to third parties	**$1,575,080**	**$380,575**	**$43,104**	**$1,998,778**

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

(b) Geographical information

(i) Sales

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Japan	¥103,898	**¥103,249**	**$ 948,718**
China	54,318	**44,126**	**405,458**
Others	61,936	**70,151**	**644,592**
Consolidated	¥220,153	**¥217,527**	**$1,998,778**

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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019 are summarized as follows:

Millions of yen

Year ended March 31, 2020	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Adjustments and Eliminations	Total
Impairment loss	—	—	—	—	—

Thousands of U.S. dollars

Year ended March 31, 2020	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Adjustments and Eliminations	Total
Impairment loss	—	—	—	—	—

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

(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, 2020 and 2019 by reportable segment:

Millions of yen

Year ended March 31, 2020	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Adjustments and Eliminations	Total
Amortization	**¥283**	—	—	—	**¥283**
Balance as of March 31	**782**	—	—	—	**782**

Thousands of U.S. dollars

Year ended March 31, 2020	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Adjustments and Eliminations	Total
Amortization	**$2,600**	—	—	—	**$2,600**
Balance as of March 31	**7,186**	—	—	—	**7,186**

Millions of yen

Year ended March 31, 2020	Industrial Machinery Products	Steel and Energy Products	Other Businesses	Adjustments and Eliminations	Total
Amortization	¥215	—	—	—	¥215
Balance as of March 31	268	—	—	—	268

(f) Information on gain on negative goodwill

Year ended March 31, 2020

In the Industrial Machinery segment, we recorded a negative goodwill gain of ¥361 million ($3,317 thousand). This is because GM Engineering Co., Ltd. became a consolidated subsidiary.

Year ended March 31, 2019

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, 2020 and 2019 and for the years then ended were as follows:

	Yen 2019	Yen 2020	U.S. dollars 2020
Profit (loss) attributable to owners of parent	¥ 271.69	**¥ 126.66**	**$ 1.16**
Net assets	1,746.91	**1,778.94**	**16.35**

29. Subsequent Events

(Absorption-type split of steel business and absorption-type merger of 4 four subsidiaries)

Based on a resolution of the Board of Directors meeting held on January 28, 2020, the Company split the technical departments of our material and energy business and wind power generation equipment maintenance service with April 1, 2020 as the effective date(Simplified absorption-type split). These departments were succeeded to a consolidated subsidiary, Nikko MEC Co., Ltd. (hereinafter, Nikko MEC). Nikko MEC has also merged Nikko Machine Center Co., Ltd. (hereinafter Nikko Machine Center), Nikko Inspection Service Co., Ltd. (hereinafter, Nikko Inspection Service) and J-Win Co., Ltd. (hereinafter, J-Win), all a non-consolidated subsidiary of the Company.

(1) Transaction overview including the purpose of the transaction

Since the Great East Japan Earthquake in March 2011, the market for materials for nuclear power plants and thermal power plants, which had been the main source of profits for our raw materials/energy business, had shrinked and as a result the competition intensified.

We have been proceeding with a study on reorganization centered on the Muroran manufacturing plant.

We have reorganized the material and energy business of the Company, three subsidiaries responsible for its manufacturing function, the technical department and one subsidiary responsible for the maintenance service function of wind power generation equipment to optimize the organization for aim to establish a stable profitable structure at the current scale of this business by improving profitability through construction and integrated operation.

(2) Summary of reorganization

(a) Absorption-type split

1. Name of the company involved in the combination or the target business and the content of the business
   The Company:
   Engineering department of the raw material/energy business and maintenance service of wind power generation equipment
   Nikko MEC:
   Installation/maintenance/maintenance of factory equipment, manufacturingprocessing/sales of various cast steel products/steel plates/pipes
2. Business combination date
   April 1, 2020
3. Legal form of business combination
   An absorption-type company split (simplified absorption-type company split) in which the Company is the splitting company and Nikko MEC is the succeeding company.

(b) Absorption merger

1. Name of the company involved or the business to be combined and the content of the business.
   Nikko MEC
   Installation/maintenance/maintenance of factory equipment, manufacture/processing/sales of various cast steel products/steel plates/pipes, etc.
   Nikko Machine Center
   Machining of large cast and forged steel products, welded structures and dies, finish assembly, etc.
   Nikko Steel inspection service Intermediate and shipment inspection business of various cast and forged steel products, steel plates, welded structures and industrial machines, etc.
   J-Win
   Wind generator monitoring, maintenance, inspection and repair work, etc.
2. Business combination date
   April 1, 2020
3. Legal form of business combination
   Nikko MEC is the surviving company, Nikko Machinery Center, Nikko Inspection Service and J-Win are absorption-type mergers. J-Win is disbanded.
4. Name of the combined company
   Nikko MEC changed its trade name to Japan Steel M&E Co., Ltd. as of April 1, 2020.

(3) Overview of accounting

In accordance with "Accounting Standards for Business Combinations" (Corporate Accounting Standards No. 21, January 16, 2019) and "Implementation Guidance for Accounting Standards for Business Combinations and Accounting Standards for Business Separation" (Corporate Accounting Standards Implementation Guidance No. 10, January 16, 2019) the accounting treatment will be made as a transaction under common control.

(Absorption of consolidated subsidiary)

Following the resolution of the Board of Directors meeting held on December 18, 2019, the Company merged with its consolidated subsidiary Meiki Co., Ltd. on April 1, 2020.

(1) Transaction overview

1. Name and business content of the company
   Name of the company involved in the merger
   Meiki Co., Ltd.
   Business description
   Manufacture and sale of injection molding machines, etc.
2. Business combination date
   April 1, 2020
3. Legal form of business combination
   Absorption-type merger with our company as the surviving company and Meiki Co., Ltd. as the merged company.
4. Name of the combined company
   Japan Steel Works, Ltd.
5. Other matters regarding the outline of transactions
   Meiki Co., Ltd., as a pioneer in developing injection molding machines for the first time in Japan, has manufactured and sold various products adapted to each era. In March 2016, we made Meiki Co., Ltd. a wholly owned subsidiary through a stock exchange method.
   The merger aims at further improving production capacity and production efficiency, strengthening new product development, and expanding sales and service systems.

(2) Overview of accounting

In accordance with "Accounting Standards for Business Combinations" (Corporate Accounting Standards No. 21, January 16, 2019) and "Implementation Guidance for Accounting Standards for Business Combinations and Accounting Standards for Business Separation" (Corporate Accounting Standards Implementation Guidance No. 10, January 16, 2019) the accounting treatment will be made as a transaction under common control.

(Important business transfer)

At the Board of Directors meeting held on February 18, 2020, the Company resolved to transfer its compressor business to Burckhardt Compression (Japan) Ltd. and transferred them on April 17, 2020.

(1) Overview of business transfer

1. Name of company to be separated
   Burckhardt Compression (Japan) Ltd.
2. Content of the separated business
   Compressor business
3. Main reason for business separation
   This is done to expand the business by putting the resources of the compressor business into a business that is expected to grow.
4. Business separation date
   April 17, 2020
5. Matters concerning the outline of other transactions including legal form
   Business transfer where the consideration received is only cash and other assets

(2) Outline of accounting

1. Transfer amount
   Gain on business transfer ¥2,537 million
2. Appropriate book value of assets and liabilities related to the transferred business and its main breakdown
   Current assets ¥112 million yen
   Total assets ¥112 million yen
3 Accounting
   In accordance with "Accounting Standards for Business Separation" (Corporate Accounting Standard No. 7, September 13, 2017) and "Implementation Guidance for Business Combination Accounting Standards and Accounting Standards for Business Separation" (Corporate Accounting Standard Implementation Guidance No. 10, January 16, 2019) the accounting treatment will be made as a business transfer.

(3) Segment classification that includes the transferred business

Industrial machinery business

(4) Approximate amount of sales related to the separated business recorded in the income statement for the current consolidated fiscal year.

Net sales ¥3,552 million yen

(Significant borrowings)

Based on a resolution of the Board of Directors meeting held on January 28, 2020, the Company entered into a syndicate loan agreement with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited as arrangers on March 31, 2020 as follows and borrowed on April 7, 2020.

(1) Use of funds
Repayment of debt, investment and loan funds

(2) Borrowing amount
10,000 million yen

(3) Borrowing rate
Fixed interest rate

(4) Borrowing date
April 7, 2020

(5) Repayment deadline
April 7, 2027

(6) Repayment method
Lump sum repayment

(7) Provision of collateral
None

Independent Auditor's Report

The Board of Directors
The Japan Steel Works, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of The Japan Steel Works, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 30, 2020

Yoshiyuki Nomizu
Designated Engagement Partner
Certified Public Accountant

Kazuki Hayashi
Designated Engagement Partner
Certified Public Accountant

Shingo Arai
Designated Engagement Partner
Certified Public Accountant