MITSUBISHI MATERIALS CORPORATION

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MITSUBISHI MATERIALS

Financial Section 2019

Management's Discussion and Analysis

Overview

Economic and Business Environment

During the consolidated fiscal year under review, although signs of an economic slowdown were seen in China, a moderate recovery was seen in the Asian economies of Thailand and Indonesia. In the United States, the economy continued to improve steadily.

In Japan during the consolidated fiscal year under review, employment and income conditions were on the road to recovery, and capital expenditure showed signs of increasing. However, improvement in corporate earnings and growth in industrial production appeared to slow down.

Regarding the business environment for the Mitsubishi Materials Group, although demand related to cemented carbide products and cement held firm, factors such as falling copper prices and rising energy costs had a negative impact.

Business Performance Summary

Under these circumstances, in accordance with its Long-Term Management Policy for the next 10 years and Medium-Term Management Strategy (FY2018-2020) that focuses on the planning and implementation of growth strategies, the Mitsubishi Materials Group continued to implement various measures as the theme of "Transformation for Growth" to achieve group-wide policies for the enhancement of corporate value, namely "optimization of business portfolio," "comprehensive efforts to increase business competitiveness," and "creation of new products and businesses."

As a result, consolidated net sales for the fiscal year under review totaled ¥1,662,990 million, up 4.0% year on year. However, given the impact of factors such as higher costs for smelting and inventory shortage loss posted at the end of the fiscal year in the Metals business, operating profit fell 49.4% year on year, to ¥36,861 million, and ordinary income dropped 36.3%, to ¥50,679 million. As a result of examining the recoverability of deferred tax assets based on various factors such as operating results during the consolidated fiscal year under review and the outlook for the future, the Company reversed ¥8.7 billion of its non-consolidated deferred tax assets. As a result, net income attributable to owners of parent fell 96.2%, to ¥1,298 million.

Financial Position and Liquidity

As of March 31, 2019, total assets amounted to ¥1,938.2 billion, down ¥72.7 billion, or 3.6%, from a year earlier. Total current assets decreased ¥35.4 billion, or 3.7%, to ¥909.6 billion mainly due to a decrease in inventories. Total non-current assets decreased ¥37.3 billion, or 3.5%, to ¥1,028.6 billion, largely as a result of a decrease in investment securities.

Total liabilities decreased ¥27.6 billion, or 2.2%, year-on-year to ¥1,214.9 billion. Total current liabilities fall ¥48.9 billion, or 6.3%, to ¥728.0 billion due primarily to a fall in bonds payable and loans payable. Total non-current liabilities rise ¥21.3 billion, or 4.6%, to ¥486.9 billion, reflecting the rise in loans payable, and other factors.

The balance of interest-bearing debt, which adds bonds payable to loans payable, came to ¥494.7 billion, down ¥26.6 billion, or 5.1%, from the previous fiscal year.

Total net assets amounted to ¥723.3 billion, down ¥45.1 billion, or 5.9%, due mainly to a decrease in valuation difference on available-for-sale securities.

As a result, the consolidated shareholders' equity ratio decreased from 33.9% at the previous fiscal year-end to 32.7%, and net assets per share, based on the total number of shares outstanding as of March 31, 2019, declined to ¥4,838.31, compared with ¥5,211.20 a year earlier.

Cash Flows

The cash flows during the consolidated fiscal year under review and their causes are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities amounted to ¥140.1 billion (an increase in net cash provided of ¥89.4 billion year on year). This rise was primarily due to a decrease in inventories in addition to income before income taxes.

(Cash flow from investing activities)

Net cash used in investing activities totaled ¥86.2 billion (an increase in net cash used of ¥2.2 billion year on year). This cash was primarily used for outlays related to capital expenditure.

(Cash flow from financing activities)

Together, operating and investing activities produced a net inflow of ¥53.9 billion, and the Company allotted these funds for the redemption of bonds, among other matters. Accordingly, net cash used in financing activities was ¥47.6 billion (an increase in net cash used of ¥36.5 billion year on year).

As a result of the above, as well as the effect of exchange rate change and other factors, the balance of cash and cash equivalents as of March 31, 2019 stood at ¥99.6 billion, up ¥12.3 billion from March 31, 2018.

Forecast for Fiscal Year 2020

Although the U.S. economy is expected to grow steadily, the future of the global economy is uncertain, with some recent economic indicators pointing to a slowdown in the U.S. economy, and with the impact of an escalation in trade tensions and economic slowdown in China.

We believe the Japanese economy will continue its modest recovery driven by domestic demand, amid continued improvements in the employment and income conditions. However, we are concerned that global economic slowdown will cause decline in exports and recognize that there may be a downside risk to the Japanese economy due to overseas political and economic trends.

Turning to the Group's operating environment, besides the uncertainness of the domestic economic outlook, rising energy costs and worsening labor shortages are also concerns.

Against this backdrop, the Group will strive to achieve "We will become the leading business group committed to creating a sustainable world through materials innovation, with use of our unique and distinctive technologies, for People, Society and the Earth." based on a corporate philosophy of "for People, Society and the Earth." as well as we will improve its corporate value by implementing the measures such as to enhance the group governance framework including quality control.

For the fiscal year ending March 31, 2020, our consolidated operating performance forecasts predict net sales of ¥1,700.0 billion, operating profit of ¥51.0 billion, ordinary income of ¥62.0 billion, and net income attributable to owners of parent of ¥30.0 billion on the assumption of average exchange rates of ¥110/USD and ¥125/EUR and a copper price of 290¢/lb.

The above forecasts are calculated based on information available as of May 13, 2019. Accordingly, actual performance may differ due to a variety of factors.

Overview by segment

For the years ended March 31	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2019		2018		2019
Advanced Products						
Net sales	¥	570,990	¥	536,083	$	5,144,520
Operating profit		11,979		18,465		107,929
Operating margin		2.1%		3.4%		
Metalworking Solutions Business						
Net sales	¥	171,551	¥	161,177	$	1,545,647
Operating profit		16,771		18,566		151,104
Operating margin		9.8%		11.5%		
Metals Business						
Net sales	¥	720,097	¥	715,340	$	6,487,948
Operating profit		(7,157)		12,788		(64,490)
Operating margin		(1.0%)		1.8%		
Cement Business						
Net sales	¥	198,291	¥	192,378	$	1,786,566
Operating profit		13,479		19,428		121,444
Operating margin		6.8%		10.1%		
Others Business						
Net sales	¥	255,720	¥	249,503	$	2,303,995
Operating profit		13,171		13,187		118,670
Operating margin		5.2%		5.3%		
Elimination, etc.						
Net sales	¥	(253,660)	¥	(254,949)	$	(2,285,431)
Operating profit		(11,381)		(9,616)		(102,543)
Total						
Net sales	¥	1,662,990	¥	1,599,533	$	14,983,247
Operating profit		36,861		72,819		332,115
Operating margin		2.2%		4.6%		

Capital Expenditures

Capital expenditures undertaken by the Group are tempered by efforts to reduce interest-bearing debt, and the content of spending plans will therefore be determined through careful selection of projects in business areas which present high profit and growth potential.

In fiscal 2019, capital expenditures amounted to ¥103,418 million, reflecting maintenance and repairs at existing facilities in each business segment, as well as expansion, rationalization and renovation at certain production facilities.

Advanced Products

Funds were mainly allocated for the maintenance and repair of existing facilities in the overall business, as well as the expansion of production facilities that produce beverage aluminum bottle cans. Capital expenditures in this segment increased ¥7,066 million, or 37.1%, compared with ¥19,054 million recorded in the previous fiscal year to ¥26,120 million.

Metalworking Solutions Business

Funds were mainly allocated for the expansion and rationalization of facilities to respond to increased production in the overall business, and the maintenance and repair of existing facilities. Capital expenditures in this segment increased ¥6,293 million, or 38.1%, compared with ¥16,516 million recorded in the previous fiscal year to ¥22,810 million.

Metals Business

The Company allocated funds for the maintenance and repair of copper smelters facilities. Capital expenditures in this segment rise ¥14,822 million, or 102.6%, compared with ¥14,451 million recorded in the previous fiscal year to ¥29,274 million.

Cement Business

The Company allocated funds to expansion works of industrial waste processing facilities in Japan as well as maintenance and repair of existing facilities mainly in Japan and the United States. Moreover, we constructed the ready-mixed concrete plant for the purpose of strengthening sales capacity and maintaining sales location in Tokyo bay area.

Capital expenditures in this segment decreased ¥232 million, or 1.4%, compared with ¥16,818 million recorded in the previous fiscal year to ¥16,585 million.

Others Business

The Company allocated funds to the maintenance and repair of existing facilities. Capital expenditures in this segment decreased ¥763 million, or 8.1%, compared with ¥9,389 million recorded in the previous fiscal year to ¥8,626 million.

Consolidated Balance Sheets

Mitsubishi Materials Corporation and Consolidated Subsidiaries
March 31, 2019 and 2018

ASSETS	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Current assets:			
Cash and time deposits (Notes 5,16 and 20)	¥ 108,648	¥ 93,389	$ 978,900
Notes and accounts receivable (Notes 5,8,11 and 16):			
Trade	237,654	249,380	2,141,255
Unconsolidated subsidiaries and affiliates	19,730	19,600	177,770
Other	12,077	7,764	108,820
Inventories (Notes 3 and 5)	335,571	366,092	3,023,436
Leased gold bullion	99,154	88,862	893,361
Other current assets (Note 17)	99,711	122,506	898,383
Allowance for doubtful accounts	(2,900)	(2,518)	(26,133)
Total current assets	909,647	945,077	8,195,763
Property, plant and equipment (Notes 4 and 5):			
Land (Note 19)	¥ 252,606	¥ 251,926	$ 2,275,940
Buildings and structures	473,358	459,134	4,264,876
Machinery and equipment	1,274,543	1,226,374	11,483,408
Construction in progress	34,211	23,105	308,240
Less accumulated depreciation	(1,347,305)	(1,314,981)	(12,138,980)
Net property, plant and equipment	687,415	645,559	6,193,485
Investments and long-term receivables:			
Investments in securities (Notes 5,15 and 16)	¥ 183,455	¥ 248,722	$ 1,652,899
Net asset for retirement benefits (Note 6)	1,050	449	9,462
Unconsolidated subsidiaries and affiliates (Note 16)	58,484	72,396	526,937
Long-term receivables	52	59	473
Other	22,502	14,138	202,746
Allowance for doubtful accounts	(4,088)	(4,297)	(36,839)
Total investments and long-term receivables	261,457	331,469	2,355,681
Other assets:			
Deferred tax assets (Note 10)	¥ 19,610	¥ 22,965	$ 176,691
Goodwill	40,816	44,636	367,747
Other (Notes 5 and 17)	19,323	21,358	174,097
Total other assets	79,750	88,960	718,536
Total assets	¥ 1,938,270	¥ 2,011,067	$ 17,463,467

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Current liabilities:			
Short-term bank loans (Notes 5 and 16)	¥ 137,689	¥ 154,413	$ 1,240,561
Current portion of long-term debt (Notes 5 and 16)	42,410	76,728	382,108
Commercial papers (Notes 5 and 16)	5,000	—	45,049
Notes and accounts payable (Notes 8 and 16):			
Trade	141,109	153,415	1,271,375
Unconsolidated subsidiaries and affiliates	4,852	4,129	43,721
Other	24,138	24,753	217,481
Income taxes payable	7,869	9,151	70,904
Accrued expenses	53,225	55,218	479,551
Provision for bonuses	12,872	13,228	115,977
Deposited gold bullion	253,918	246,227	2,287,764
Reserve for loss on disposal of inventories	624	783	5,626
Reserve for product compensation	1,435	—	12,930
Other current liabilities (Notes 7 and 17)	42,864	38,949	386,200
Total current liabilities	728,011	777,001	6,559,252
Long-term liabilities			
Long-term debt (Notes 5 and 16)	¥ 309,667	¥ 290,292	$ 2,790,048
Accrual for officers' lump-sum severance benefits	1,623	1,384	14,625
Reserve for loss on unconsolidated subsidiaries and affiliates	805	986	7,252
Reserve for product compensation	1,040	—	9,375
Reserve for environmental measures	40,427	37,833	364,247
Net defined benefit liability (Note 6)	50,003	51,647	450,526
Deferred tax liabilities (Note 10)	25,616	36,102	230,802
Deferred tax liabilities for land revaluation (Notes 10 and 19)	24,097	24,162	217,112
Other (Notes 7 and 17)	33,639	23,162	303,085
Total long-term liabilities	486,921	465,570	4,387,076
Contingent Liabilities and Commitments (Note 11)			
NET ASSETS (Notes 9 and 25)			
Shareholders' equity			
Common stock			
Authorized 340,000,000 shares			
Issued 131,489,535 shares	¥ 119,457	¥ 119,457	$ 1,076,294
Capital surplus	92,393	92,422	832,450
Retained earnings	352,932	361,430	3,179,854
Treasury stock, at cost	(2,123)	(2,089)	(19,136)
Total shareholders' equity	562,659	571,222	5,069,462
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	51,220	95,487	461,485
Deffered gains or losses on hedges (Note 17)	124	1,068	1,123
Revaluation reserve for land (Note 19)	33,023	33,071	297,536
Foreign currency translation adjustments	(5,828)	(10,312)	(52,515)
Accumulated adjustments for retirement benefits	(7,617)	(8,066)	(68,630)
Total accumulated other comprehensive income	70,922	111,249	638,999
Non-controlling interests	89,754	86,023	808,675
Total net assets	723,337	768,495	6,517,137
Total liabilities and net assets	¥ 1,938,270	¥ 2,011,067	$ 17,463,467

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net sales (Note 18)	¥ 1,662,990	¥ 1,599,533	$ 14,983,247
Cost of sales	1,469,911	1,379,877	13,243,643
Gross profit	193,078	219,655	1,739,604
Selling, general and administrative expenses (Note 13)	156,217	146,835	1,407,489
Operating profit	36,861	72,819	323,115
Other income (expenses):			
Interest and dividend income	20,831	20,260	187,688
Interest expenses (Note 5)	(4,855)	(5,058)	(43,747)
Income from leased property	5,123	4,866	46,165
Expense for leased property	(3,043)	(2,867)	(27,423)
Expense for the maintenance and management of abandoned mines	(3,382)	(4,098)	(30,473)
Loss on valuation of investment securities (Note 15)	(3,376)	(400)	(30,425)
Gain on net sales of investments in securities	1,596	5,667	14,383
Gain on sales of property, plant and equipment	5,021	6,760	45,238
Loss on disposal and sales of property, plant and equipment	(2,684)	(4,958)	(24,189)
Loss on impairment of fixed assets (Note 23)	(8,440)	(11,035)	(76,047)
Reserve for environmental measures	(6,630)	(9,092)	(59,744)
Foreign exchange losses, net	(959)	(1,805)	(8,647)
Loss on non-conforming products (Note 24)	—	(3,202)	—
Reserve for product compensation	(2,529)	—	(22,793)
Equity in loses (earnings) of affiliates	3,594	(1,336)	32,388
Other, net	(779)	1,259	(7,023)
Total other income (expenses)	(516)	(5,042)	(4,650)
Income before income taxes	36,345	67,777	327,464
Income Taxes (Note 10)	28,738	23,639	258,928
Net income	¥ 7,606	¥ 44,137	$ 68,535
Net income attributable to:			
Non-controlling interests	¥ 6,307	¥ 9,542	$ 56,833
Owners of parent	1,298	34,595	11,702
	yen		U.S. dollars (Note 1)
Amounts per share			
Basic net income (Note 21)	¥ 9.92	¥ 264.15	$ 0.09
Cash dividends applicable to the year (Note 25)	80	80	0.72

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net income	¥ 7,606	¥ 44,137	$ 68,535
Other comprehensive income (Note 14):			
Valuation difference on available-for-sale securities	(44,468)	40,535	(400,651)
Deferred gains or losses on hedges	(1,141)	490	(10,284)
Revaluation reserve for land	—	(147)	—
Foreign currency translation adjustments	7,371	(9,165)	66,417
Remeasurements of defined benefit plans	392	3,578	3,535
Share of other comprehensive income of affiliates accounted for using the equity method	(517)	637	(4,665)
Total other comprehensive income	(38,363)	35,930	(345,647)
Comprehensive income	¥ (30,756)	¥ 80,068	$ (277,111)
Comprehensive income attributable to			
Owners of parent	¥ (39,086)	¥ 73,000	$ (352,158)
Non-controlling interests	8,329	7,067	75,046

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets (Notes 9 and 25)

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2017	¥ 119,457	¥ 92,422	¥ 333,526	¥ (2,017)	¥ 543,390
Dividends			(9,168)		(9,168)
Net income attributable to owners of parent			34,595		34,595
Increase due to reversal of revaluation reserve for land			1,711		1,711
Increase in cash and cash equivalents resulting from change of accounting period of consolidated subsidiaries			83		83
Increase resulting from increase in the number of consolidated subsidiaries			681		681
Increase due to decrease in affiliates					—
Acquisition of treasury stock				(72)	(72)
Sales of treasury stock		(0)		0	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(0)			(0)
Net change other than shareholders' equity					
Balance at March 31, 2018	¥ 119,457	¥ 92,422	¥ 361,430	¥ (2,089)	¥ 571,222
Dividends			(11,786)		(11,786)
Net income attributable to owners of parent			1,298		1,298
Increase due to reversal of revaluation reserve for land			48		48
Increase in cash and cash equivalents resulting from change of accounting period of consolidated subsidiaries					—
Increase resulting from increase in the number of consolidated subsidiaries			1,940		1,940
Increase due to decrease in affiliates			0		0
Acquisition of treasury stock				(36)	(36)
Sales of treasury stock		(0)		1	1
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(28)			(28)
Net change other than shareholders' equity					
Balance at March 31, 2019	¥ 119,457	¥ 92,393	¥ 352,932	¥ (2,123)	¥ 562,659

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land (Note 19):	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2017	¥ 55,226	¥ 888	¥ 34,930	¥ (1,418)	¥ (11,735)	¥ 77,891	¥ 88,913	¥ 710,195
Dividends								(9,168)
Net income attributable to owners of parent								34,595
Increase due to reversal of revaluation reserve for land								1,711
Increase in cash and cash equivalents resulting from change of accounting period of consolidated subsidiaries								83
Increase resulting from increase in the number of consolidated subsidiaries								681
Increase due to decrease in affiliates								—
Acquisition of treasury stock								(72)
Sales of treasury stock								0
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(0)
Net change other than shareholders' equity	40,260	180	(1,858)	(8,894)	3,669	33,358	(2,889)	30,468
Balance at March 31, 2018	¥ 95,487	¥ 1,068	¥ 33,071	¥ (10,312)	¥ (8,066)	¥ 111,249	¥ 86,023	¥ 768,495
Dividends								(11,786)
Net income attributable to owners of parent								1,298
Increase due to reversal of revaluation reserve for land								48
Increase in cash and cash equivalents resulting from change of accounting period of consolidated subsidiaries								—
Increase resulting from increase in the number of consolidated subsidiaries								1,940
Increase due to decrease in affiliates								0
Acquisition of treasury stock								(36)
Sales of treasury stock								1
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(28)
Net change other than shareholders' equity	(44,267)	(944)	(48)	4,484	448	(40,326)	3,730	(36,595)
Balance at March 31, 2019	¥ 51,220	¥ 124	¥ 33,023	¥ (5,828)	¥ (7,617)	¥ 70,922	¥ 89,754	¥ 723,337

The accompanying notes are an integral part of these statements.

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2018	$ 1,076,294	$ 832,711	$ 3,256,427	$ (18,824)	$ 5,146,609
Dividends			(106,194)		(106,194)
Net income attributable to owners of parent			11,702		11,702
Increase due to reversal of revaluation reserve for land			434		434
Increase in cash and cash equivalents resulting from change of accounting period of consolidated subsidiaries					—
Increase resulting from increase in the number of consolidated subsidiaries			17,484		17,484
Increase due to decrease in affiliates					0
Acquisition of treasury stock				(327)	(327)
Sales of treasury stock		(3)		14	11
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(258)			(258)
Net change other than shareholders' equity					
Balance at March 31, 2019	$ 1,076,294	$ 832,450	$ 3,179,854	$ (19,136)	$ 5,069,462

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land (Note 18):	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2018	$ 860,324	$ 9,631	$ 297,971	$ (92,918)	$ (72,673)	$ 1,002,335	$ 775,060	$ 6,924,004
Dividends								(106,194)
Net income attributable to owners of parent								11,702
Increase due to reversal of revaluation reserve for land								434
Increase in cash and cash equivalents resulting from change of accounting period of consolidated subsidiaries								—
Increase resulting from increase in the number of consolidated subsidiaries								17,484
Increase due to decrease in affiliates								0
Acquisition of treasury stock								(327)
Sales of treasury stock								11
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(258)
Net change other than shareholders' equity	(398,838)	(8,507)	(434)	40,402	4,043	(363,335)	33,615	(329,720)
Balance at March 31, 2019	$ 461,485	$ 1,123	$ 297,536	$ (52,515)	$ (68,630)	$ 638,999	$ 808,675	$ 6,517,137

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Cash flows from operating activities:			
Income before income taxes	¥ 36,345	¥ 67,777	$ 327,464
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	59,974	57,025	540,362
Amortization of goodwill	4,544	4,395	40,944
Increase (decrease) in allowance for doubtful accounts	128	(187)	1,158
Increase (decrease) in reserve for loss on unconsolidated subsidiaries and affiliates	(181)	23	(1,630)
Increase (decrease) in reserve for product compensation	2,475	—	22,305
Increase (decrease) in reserve for environmental measures	2,594	5,265	23,373
Increase (decrease) in net liability for retirement benefits and directors' retirement benefits	(1,392)	(1,548)	(12,542)
Interest and dividend income	(20,831)	(20,260)	(187,688)
Interest expense	4,855	5,058	43,747
(Gain) loss on sales of property, plant and equipment	(4,830)	(6,368)	(43,524)
Loss on disposal of property, plant and equipment	2,435	4,494	21,946
Loss on impairment of fixed assets	8,440	11,035	76,047
Loss on Non-Confirming products (Note 24)	—	3,202	—
Loss (gain) on sales of investments in securities	(1,596)	(5,064)	(14,383)
Loss (gain) on valuation of investment securities	3,376	(736)	30,425
Decrease (increase) in notes and accounts receivable	10,792	(39,764)	97,238
Decrease (increase) in inventories	33,177	(65,635)	298,924
Proceeds from sales of gold bullion deposited from customers under consuming bailment My Gold Partner	99,992	119,985	900,916
Payment for purchases of gold bullion from market for customers under My Gold Partner	(99,684)	(99,460)	(898,138)
Decrease (increase) in other current assets	9,611	(20,182)	86,594
Increase (decrease) in notes and accounts payable	(15,535)	36,095	(139,969)
Increase (decrease) in accrued expense	(1,252)	3,201	(11,286)
Equity in (earnings) losses of affiliates	(3,594)	1,336	(32,388)
Other, net	14,018	3,124	126,307
Sub-total	143,865	62,811	1,296,204
Interest and dividend received	22,771	22,043	205,164
Interest paid	(4,847)	(5,057)	(43,674)
Income taxes (paid) refund	(20,135)	(27,365)	(181,414)
Loss on Non-Conforming products paid	(1,486)	(1,716)	(13,389)
Net cash provided by (used in) operating activities	¥ 140,168	¥ 50,715	$ 1,262,890
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	¥ (88,746)	¥ (71,494)	$ (799,590)
Proceeds from sales of property, plant and equipment	6,396	10,048	57,632
Payments for purchases of intangible fixed assets	(1,735)	(1,431)	(15,633)
Payments for purchases of investments in securities	(573)	(757)	(5,169)
Proceeds from sales of investments in securities	3,000	7,168	27,037
Payments for additional acquisition of subsidiaries' shares	(1,350)	(863)	(12,168)
Proceeds from sales of shares of subsidiaries	285	0	2,568
Proceeds from liquidation of subsidiaries' share	2,149	—	19,366
Payment for purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(38,829)	—
Proceeds from purchase of subsidiaries' shares resulting in change in scope of consolidation	—	273	—
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation	—	14,903	—
Payments for transfer of business	—	(1,541)	—
Disbursement of loan receivables	(2,720)	(6,202)	(24,514)
Proceeds from collection of loan receivables	992	4,615	8,938
Other, net	(3,935)	154	(35,459)
Net cash provided by (used in) investing activities	(86,238)	(83,957)	(776,992)
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans, net	(17,733)	20,981	(159,774)
Proceeds from long-term debt	61,547	47,358	554,531
Repayments of long-term debt	(52,462)	(66,251)	(472,675)
Increase (decrease) in commercial papers, net	5,000	—	45,049
Proceeds from issuance of bonds	—	20,000	—
Payments for redemption of bonds	(25,000)	(15,000)	(225,245)
Payments for purchase of treasury stock	(36)	(72)	(328)
Cash dividends paid	(11,786)	(9,168)	(106,194)
Cash dividends paid to non-controlling shareholders	(5,249)	(6,546)	(47,295)
Other, net	(1,893)	(2,334)	(17,056)
Net cash provided by (used in) financing activities	¥ (47,613)	¥ (11,034)	$ (428,989)
Effect of exchange rate fluctuation on cash and cash equivalents	¥ 1,375	¥ (2,927)	$ 12,393
Net Increase (decrease) in cash and cash equivalents	7,691	(47,204)	69,302
Cash and cash equivalents at beginning of year	87,355	132,616	787,055
Effect of changes in consolidated subsidiaries	4,624	714	41,669
Increase (decrease) in cash and cash equivalents resulting from change of accounting period of consolidated subsidiaries	—	1,228	—
Cash and cash equivalents at end of year (Note 20)	¥ 99,672	¥ 87,355	$ 898,028

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Mitsubishi Materials Corporation and Consolidated Subsidiaries
March 31, 2019 and 2018

Note 1 Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Mitsubishi Materials Corporation (the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to U.S.$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Fractions less than one million yen (one tenth yen in respect to per share amount) have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

Note 2 Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies which the Company controls through majority voting right or existence of certain conditions. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in affiliates of which the Company has the ability to exercise significant influence over operating and financial policies, except for insignificant companies, are accounted for by the equity method, and accordingly, stated at cost adjusted for the earnings and losses after elimination of unrealized intercompany profits from the date of acquisition.

As discussed in Note 2 (r) and (s), the accounts of consolidated overseas subsidiaries and affiliates accounted for by the equity method are prepared in accordance with either International Financial Reporting Standards or U.S. Generally Accepted Accounting Principles, with adjustments for the specified four items as applicable.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost, adjusted for any substantial and non-recoverable decline in value.

In the elimination of investments in subsidiaries, assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated based on their fair values at the time the Company acquired control of the respective subsidiaries.

The method and period of amortization for goodwill are determined on an individual basis and goodwill is amortized by the straight-line method over a period not exceeding 20 years. However, goodwill with immaterial value is fully amortized as incurred.

(b) Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Gains or losses resulting from foreign currency transactions are credited or charged to other income as incurred.

The financial statements of consolidated foreign subsidiaries and affiliates are translated into Japanese yen amounts at the current rate except for net assets, which is translated at historical rates. The difference resulting from translation adjustments is reported as a separate component of net assets.

(c) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of individually estimated uncollectible amounts, and an amount calculated using the past rate of actual losses on collection.

(d) Inventories

The amounts of inventories are stated primarily at acquisition cost modified by writing down cost to net selling value. Nonferrous metals are stated primarily at the first-in, first-out (FIFO) method. Other inventories are primarily stated at average cost method.

(e) Derivative Transactions and Hedge Accounting

Derivative financial instruments are stated at fair value. Gains or losses resulting from changes in fair value are recognized in income except for the derivative financial instruments to which hedge accounting is applied.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
(1) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated at the spot rate as of the inception date of the contract and the carrying amount of the receivable or payable is recognized in the consolidated statements of income in the period which includes the inception date, and
(2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated at the contracted forward rate and that translated at the spot rate as of the inception date of the contract) is recognized in income over the term of the contract.
2. If a forward foreign exchange contract is executed to hedge a future forecasted transaction denominated in foreign currency, the future transaction will be recorded at the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(f) Securities

Based on the intent of holding, securities are classified as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), (c) equity securities issued by unconsolidated subsidiaries and affiliates (hereafter, “equity securities”) and (d) all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”).

Held-to-maturity debt securities are stated at amortized cost. Equity securities, which are not accounted for by the equity method, are stated at moving-average cost. Available-for-sale securities with available fair value are stated at fair market value. Valuation difference on these securities is reported, net of applicable income taxes, as a separate component of net assets. Gains and losses on the sale of such securities are calculated with the moving-average cost. Available-for-sale securities with no available fair market value are stated at moving-average cost. There are no securities held for trading purposes.

If the market value of held-to-maturity debt securities, equity securities, and available-for-sale securities declines significantly, such securities are stated at fair value and the difference between the fair value and the carrying amount is recognized as losses in the period of decline. If the fair market value of these securities is not readily available, such securities are written down to net asset value with corresponding charge in the consolidated statement of income, in the event that net asset value declines significantly. In these cases, such fair value or net asset value will become the carrying amount of the securities at the beginning of the next year.

The fair value is determined based on the average market price during one month before the balance sheet date.

(g) Property, Plant and Equipment and Depreciation (except for the leased assets of which the ownership is not transferred to the lessee)

Property, plant and equipment are stated at cost, except for certain revalued land as explained in Note 19. Depreciation is calculated primarily using the straight-line method based on the estimated useful lives of depreciable assets.

Cost and accumulated depreciation applicable to assets retired or otherwise disposed of are eliminated from the related accounts, and gain on sale or loss on disposal is credited or charged to income. Expenditures for new facilities and those which substantially increase the useful lives of existing property, plant, and equipment are capitalized. Maintenance, repair and minor renewals are charged to income as incurred.

(h) Reserve for bonuses

Reserve for bonuses is provided for future payments of bonuses to employees based on the amount to be attributed to the current fiscal year.

(i) Reserve for Loss on Disposal of Inventories

Reserve for loss on disposal of inventories is provided for future payments for disposal of inventories based on the management estimation.

(j) Reserve for Loss on Unconsolidated Subsidiaries and Affiliates

Reserve for loss on unconsolidated subsidiaries and affiliates are provided based on the estimated loss which will exceed the amount of equity investments and loans receivable made by the Company and its consolidated subsidiaries.

(k) Reserve for Product Compensation

Reserve for product compensation is provided for customer compensation expenses to be incurred in the future based on management estimation.

(l) Reserve for Environmental Measures

Costs related to the implementation of safety measures and disaster prevention measures for large-scale storage space in accordance with the Amendment of the Technical Guidelines of the Mine Safety Act are required for suspended or abandoned mines. Further, in response to the recent changes in the environment, costs related to prevent the flow of untreated water, mainly through the reinforcement of water treatment capacities, are required to drastically prevent mine pollution.

In addition, future payments related to loss on waste disposal and removal of soil contamination at Kazuno (Akita Prefecture) area have been provided based on management estimation.

(m) Severance and Pension Benefits

1. For employees

The Group provide two types of post-employment benefit plans, an unfunded lump-sum severance payment plan, and a funded defined benefit pension plan, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or abolishment, the length of service, and certain other factors.

Net liability for retirement benefits is provided based on the estimated amounts of projected benefit obligations that were actuarially calculated on certain assumptions and the fair value of plan assets at balance sheet dates, as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs. Projected benefit obligations are attributed to periods on a benefit formula basis in determining retirement benefit obligations.

Past service costs are amortized by the straight-line method over a certain period (10 years) which falls within the average remaining years of service of the employees when incurred. Actuarial gains and losses are amortized in the following years after incurred by the straight-line method over a certain period (10 years) which falls within the average remaining years of service of the employees.

2. For officers

Officers (directors and corporate auditors) are entitled to lump-sum severance payments based on the length of service and certain other factors. Some consolidated subsidiaries accrue a liability for lump-sum severance payments equal to 100% of the amounts required, had all officers voluntarily retired at the balance sheet dates.

(n) Income Taxes

The Company provides for income taxes on the basis of current tax liabilities and reflects the tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

(o) Net Income per Share

Basic net income per share is calculated based upon the weighted-average number of shares of common stock outstanding during each period.

(p) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with maturity of three months or less at the time of purchase.

(q) Accounting Standard for Lease Transactions as Lessee

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. Such lease assets are depreciated over the lease terms without residual values on a straight-line method. All other leases are accounted for as operating leases.

(r) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

Under Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18") issued on March 29, 2017 , accounting policies and procedures applied by the Company and its subsidiaries to similar transactions and events under similar circumstances are in principle unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. Generally Accepted Accounting Principles. In this case, adjustments for the following four items in accordance with Japanese GAAP are required in the consolidation process unless the impact is not material.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined benefit plans recognized as outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets

(s) Unification of Accounting Policies Applied to Foreign Affiliates for the Equity Method

Under ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" and Practical Issue Task force (PITF) No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" issued on March 29, 2017, the adjustments are made to conform the affiliate's accounting policies for similar transactions and events under similar circumstances to those of the Company when the affiliate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign affiliates in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method. In this case, same adjustments as those for foreign subsidiaries are required in the consolidation process unless the impact is not material.

(t) Reclassification

(Changes due to the adoption of the "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Upon the adoption of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the current fiscal year, changes were made to the presentation and related notes for deferred tax assets and deferred tax liabilities of the Company and its domestic subsidiaries. As a result, deferred tax assets and deferred tax liabilities have been reclassified as 'investments and other assets' and 'non-current liabilities', respectively.

Accordingly, in the consolidated balance sheets of the previous fiscal year, deferred tax assets which had been classified as "current assets" have decreased by JPY 9,068 million, while deferred tax assets recorded as "investments and other assets" have increased by JPY 5,051 million. In addition, deferred tax liabilities classified as "current liabilities" have decreased by JPY 79 million and deferred tax liabilities recorded as "non-current liabilities" have decreased by JPY 3,937 million.

Further, in the notes related to deferred taxes, the requirements described in paragraphs 3 to 5 of Statement No. 28 "Accounting Standard for Tax Effect Accounting", have been included in notes 8 (excluding total amount of valuation reserves) and 9. However, this additional information is not disclosed in the notes of the previous fiscal year, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

(u) New Accounting Standard not Adopted as Yet

("Accounting Standard for Revenue Recognition" etc.)
– "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018 (hereinafter, "Statement No.29"))
– "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018 (hereinafter, "Guidance No.30"))

(1) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) collaborated on a project to develop a single, comprehensive revenue recognition model and jointly issued new revenue recognition standards "Revenue from Contracts with Customers" (IFRS 15 published by IASB, Topic 606 published by FASB) in May 2014. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018 and Topic 606 is effective for annual reporting periods beginning after December 15, 2017.

Considering the above circumstances, the Accounting Standard Board of Japan (ASBJ) also developed a new revenue recognition standards and issued Statement No.29 together with Guidance No.30.

ASBJ's basic policy in developing the new revenue recognition standards is to first incorporate the core principle of IFRS 15 in the light of improving the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired where any business practices operated in Japan need to be considered.

(2) Scheduled date of applying the new guidance

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) The effects that application of the new guidance, etc.

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

("Accounting Standard for Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries" etc.)
– "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements" (PITF No. 18 (revised 2018), September 14, 2018)
– "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24 (revised 2018), September 14, 2018)

(1) Overview

The above Practical Solutions additionally require entities whose foreign subsidiaries etc. elect to present subsequent changes in fair value of equity financial instruments in other comprehensive income to record the difference between the acquisition cost and sales vale as profit or loss of the consolidated financial year upon the sale of such equity financial instrument. In addition, if impairment loss is incurred, such valuation loss should be recorded as profit or loss for the consolidated financial year.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2020.

(3) Effects of the application of the standards

The Company, its consolidated foreign subsidiaries and affiliates are currently in the process of determining the effects of these new standards on the consolidated financial statements.

Note 3 Inventories

Inventories as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Merchandise and finished goods	¥ 92,452	¥ 91,772	$ 832,976
Work in process	108,293	132,043	975,706
Raw materials and supplies	134,825	142,275	1,214,753
Total	¥ 335,571	¥ 366,092	$ 3,023,436

Note 4 Investment and Rental Property

Information about fair value of investment and rental property included in the consolidated financial statements at March 31, 2019 and 2018 was as follows:

Millions of yen			
	Carrying amount		Fair value
April 1, 2018	Increase/(Decrease)	March 31, 2019	March 31, 2019
¥ 52,896	¥ (677)	¥ 52,219	¥ 51,770

Millions of yen			
	Carrying amount		Fair value
April 1, 2017	Increase/(Decrease)	March 31, 2018	March 31, 2018
¥ 76,583	¥ (23,687)	¥ 52,896	¥ 51,853

Thousands of U.S. dollars			
	Carrying amount		Fair value
April 1, 2018	Increase/(Decrease)	March 31, 2019	March 31, 2019
$ 476,589	$ (6,105)	$ 470,484	$ 466,441

Notes:
1. Carrying amount is net of accumulated depreciation and accumulated impairment loss.
2. The decrease in previous consolidated fiscal year is mainly due to the impact of the transfer of shares of Mitsubishi Materials Real Estate Corporation.
3. Fair values of significant properties as of March 31, 2019 and 2018 are based on appraisal by external or internal real estate appraisers. Fair value of other properties is calculated based on the reasonable indices reflecting market prices such as posted prices or property tax valuation, etc.

Operating performances of the investment and rental properties for the fiscal years ended March 31, 2019 and 2018 were as follows:

Millions of yen			
Year ended March 31, 2019			
Rental income	Rental expenses	Profit	Impairment loss
¥ 4,793	¥ 3,134	¥ 1,658	¥ 381

Millions of yen			
Year ended March 31, 2018			
Rental income	Rental expenses	Profit	Impairment loss
¥ 6,052	¥ 3,758	¥ 2,294	¥ 293

Thousands of U.S. dollars			
Year ended March 31, 2019			
Rental income	Rental expenses	Profit	Impairment loss
$ 43,185	$ 28,240	$ 14,945	$ 3,435

Note:
Rental expenses include costs related to depreciation, maintenance and repairs, insurance premiums, taxes and dues and others.

Note 5 Short-Term Bank Loans, Commercial Papers and Long-Term Debt

Short-term bank loans and commercial papers outstanding as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unsecured	¥ 120,057	¥ 119,993	$ 1,081,699
Secured	22,632	34,420	203,911
Total	¥ 142,689	¥ 154,413	$ 1,285,611

The average interest rate per annum for short-term bank loans outstanding at March 31, 2019 and 2018 was 1.0% and 1.1%, respectively. The average interest rate per annum for commercial papers at March 31, 2019 was -0.00%. (No commercial papers outstanding at March 31, 2018)

Long-term debt as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Banks, insurance companies and other financial institutions, maturing serially until 2033 with an average rate of 0.5% per annum as of March 31, 2019			
Unsecured	¥ 300,123	¥ 287,132	$ 2,704,059
Secured	1,954	4,889	17,605
1.160% unsecured yen bonds, due 2018	—	10,000	—
0.780% unsecured yen bonds, due 2018	—	15,000	—
0.200% unsecured yen bonds, due 2021	20,000	20,000	180,196
0.470% unsecured yen bonds, due 2026	10,000	10,000	90,098
0.160% unsecured yen bonds, due 2022	10,000	10,000	90,098
0.380% unsecured yen bonds, due 2027	10,000	10,000	90,098
	352,077	367,021	3,172,756
Less current portion	(42,410)	(76,728)	(382,108)
Total	¥ 309,667	¥ 290,292	$ 2,790,048

The aggregate annual maturities of long-term debt as of March 31, 2019 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥ 42,410	$ 382,108
2021	63,020	567,804
2022	39,305	354,138
2023	27,472	247,518
2024	44,407	400,103
2025 and thereafter	135,461	1,220,483
Total	¥ 352,077	$ 3,172,156

Assets pledged as collateral for short-term bank loans and long-term debt as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and time deposits	¥ 30,860	¥ 20,108	$ 278,043
Notes and accounts receivable	16,001	18,493	144,174
Inventories	40,182	38,708	362,037
Investments:			
Investments in securities	3,076	6,611	27,715
Property, plant and equipment, at net book value	41,470	42,094	373,638
Other assets	4	5	41
Total	¥ 131,595	¥ 126,021	$ 1,185,650

Note 6 Employees' Severance and Pension Benefits

1. Retirement benefit plans
The Company and its consolidated subsidiaries have funded and unfunded defined benefit pension plans and defined contribution plans, which cover the benefits payable for all employees under these plans. Under the funded defined benefit pension plan, benefits are calculated based on the job qualifications and length of service of the employee, and are paid at a lump-sum or in annuities. Under the unfunded defined pension plans (they are principally unfunded plans, however some plans are funded by a retirement benefit trust), benefits are calculated based on the job qualifications and length of service of the employees, and are paid at a lump-sum.

Certain consolidated subsidiaries calculate their retirement benefits and retirement benefit costs based on the "simplified method" allowed under Japanese GAAP.

2. Movement in retirement benefit obligations for the years ended March 31, 2019 and 2018, was as follows (excluding plans to which a simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥ 147,499	¥ 143,242	$ 1,328,943
Service costs	6,014	6,941	54,192
Interest costs	290	299	2,621
Actuarial gains and losses	648	360	5,843
Benefits paid	(7,662)	(8,986)	(69,041)
Past service costs	—	555	—
Reduction associated with transition to defined contribution plans	—	(532)	—
Increase due to business combination	—	5,548	—
Other	(196)	69	(1,773)
Balance at end of year	¥ 146,594	¥ 147,499	$ 1,320,787

3. Movement in plan assets for the years ended March 31, 2019 and 2018, was as follows (excluding plans to which a simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥ 98,672	¥ 89,950	$ 889,023
Expected return on plan assets	1,739	1,522	15,675
Actuarial gains and losses	(1,067)	1,600	(9,613)
Contributions paid by the employer	5,315	5,283	47,891
Benefits paid	(4,061)	(3,943)	(36,596)
Increase due to business combination	—	3,701	—
Other	(548)	557	(4,934)
Balance at end of year	¥ 100,051	¥ 98,672	$ 901,446

4. Movement in net liability for retirement benefits under the plans to which a simplified method is applied for the years ended March 31, 2019 and 2018, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥ 2,371	¥ 2,351	$ 21,362
Retirement benefit costs	264	302	2,385
Benefits paid	(116)	(228)	(1,047)
Contributions to the plans	(63)	(67)	(572)
Other	(45)	13	(406)
Balance at end of year	¥ 2,410	¥ 2,371	$ 21,722

5. Reconciliation between net liability or asset for retirement benefits recorded in the consolidated balance sheets and the balances of retirement benefit obligations and plan assets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded retirement benefit obligations	¥ 131,364	¥ 137,150	$ 1,183,572
Plan assets	(96,760)	(99,017)	(871,794)
	34,604	38,132	311,777
Unfunded retirement benefit obligations	14,349	13,064	129,285
Net liability recorded in the consolidated balance sheets	¥ 48,953	¥ 51,197	$ 441,063

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net liability for retirement benefits	¥ 50,003	¥ 51,647	$ 450,526
Net asset for retirement benefits	(1,050)	(449)	(9,462)
Net liability recorded in the consolidated balance sheets	¥ 48,953	¥ 51,197	$ 441,063

6. The components of retirement benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service costs	¥ 6,279	¥ 7,244	$ 56,577
Interest costs	290	299	2,621
Expected return on plan assets	(1,739)	(1,522)	(15,675)
Amortization of actuarial gains and losses	2,598	4,002	23,410
Amortization of past service costs	(316)	(849)	(2,853)
Retirement benefit costs on defined benefit plans	¥ 7,111	¥ 9,175	$ 64,077
Gains and losses associated with the transition to the defined contribution plan	—	532	—

Notes:
Retirement benefit costs under the plans to which a simplified method is applied are included in "Service costs."

7. Adjustments for retirement benefits
Components of adjustments for retirement benefits (before adjusting for tax effects) for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Past service costs	¥ (316)	¥ (339)	$ (2,853)
Actuarial gains and losses	882	5,242	7,953
Total	¥ 566	¥ 4,903	$ 5,099

8. Accumulated adjustments for retirement benefits
Components of accumulated adjustments for retirement benefits (before adjusting for tax effects) as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized past service costs	¥ (537)	¥ (854)	$ (4,842)
Unrecognized actuarial gains and losses	10,926	11,808	98,443
Total	¥ 10,388	¥ 10,954	$ 93,601

9. Plan assets
(1) Components of plan assets
Plan assets consisted of the followings:

	2019	2018
Bonds	38%	35%
Equity securities	44	47
Insurance assets (general account)	11	11
Cash and deposits	6	6
Other	1	1
Total	100%	100%

Note: Total plan assets include retirement benefit trust established on lump-sum severance payment plans or corporate pension plans by 25% and 26% at March 31, 2019 and 2018, respectively.

(2) Method of determining the long-term expected rate of return on plan assets
The long-term expected rate of return on plan assets is determined by considering the allocation of plan assets which are expected currently and in the future and long-term rates of return which are expected currently and in the future from the various components of the plan assets.

10. The principal assumptions used for the years ended March 31, 2019 and 2018, were set forth as follows:

	2019	2018
Discount rate	Mainly 0.05%	Mainly 0.05%
Long-term expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

11. Defined contribution plans
The amount of the required contribution to the defined contribution plans of the consolidated subsidiaries was ¥1,038 million ($9,360 thousand) and ¥816 million for the years ended March 31, 2019 and 2018, respectively.

Note 7 Asset Retirement Obligations

The asset retirement obligations are based on the reasonably estimated amount for the obligation regarding treatment of hazardous substances such as asbestos and PCB as prescribed by the various laws and ordinances, and greening obligation for mine closure of coal and limestone.

In computing the amount of asset retirement obligations, the Group estimates the expected terms until expenditure (maximum 67 years) and applies discount rates ranging from 0.4% to 2.7%.

The changes in asset retirement obligations for the fiscal years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31,	2019	2018	2019
Balance at beginning of year	¥ 3,811	¥ 3,493	$ 34,339
Increase associated with acquisitions of tangible fixed assets	49	112	442
Reconciliation associated with passage of time	23	23	213
Reduction associated with settlement of asset retirement obligations	(8)	(68)	(76)
Decrease due to changes in estimates	(118)	612	(1,072)
Foreign currency translation adjustments	58	(161)	529
Other, net	(1)	(201)	(10)
Balance at end of year	¥ 3,814	¥ 3,811	$ 34,365

Note 8 Notes Receivable and Notes Payable

The balance sheet date for the years ended March 31, 2019 and 2018 fell on a bank holiday. Consequently, notes receivable of ¥4,622 million ($41,648 thousand) and notes payable of ¥2,403 million ($21,657 thousand) with the due date of March 31, 2019 are included in the consolidated balance sheets and were settled on the next business day. Notes receivable of ¥2,785 million and notes payable of ¥2,675 million with the due date of March 31, 2018 are included in the consolidated balance sheets and were settled on the next business day.

Note 9 Net Assets

Under the Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, both elimination and capitalization related to legal earnings reserve and additional paid-in capital generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the laws and regulations.

Note 10 Income Taxes

The income taxes reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current	¥ 16,187	¥ 18,941	$ 145,847
Deferred	12,550	4,698	113,080
Total	¥ 28,738	¥ 23,639	$ 258,928

The following table summarizes the significant differences between the statutory income tax rate and the effective income tax rate for the fiscal years ended March 31, 2019 and 2018:

	2019	2018
Statutory income tax rate	30.6%	30.9%
Nondeductible expenses	2.5	1.0
Temporary differences for which tax effect cannot be recognized	54.5	1.5
Differences in statutory tax rates of consolidated subsidiaries	(6.2)	(0.4)
Equity in earnings of affiliates	(2.9)	0.6
Nontaxable dividends received	(10.3)	(7.1)
Nondeductible foreign withholding taxes	6.8	3.2
Amortization of goodwill	4.0	2.0
Impact of U.S. tax reform	—	3.3
Other	0.3	(0.1)
Effective tax rate	79.3%	34.9%

Significant components of deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31,	2019	2018	2019
Deferred tax assets:			
Tax loss carryforward	¥ 19,170	¥ 18,607	$ 172,721
Net liability for retirement benefits	15,749	16,057	141,898
Nondeductible loss on impairment of fixed assets	15,064	15,888	135,730
Loss on write-down of securities	14,546	16,202	131,061
Reserve for environmental measures	12,378	11,584	111,532
Retirement benefit trust asset	7,608	7,591	68,548
Intercompany profits	4,268	4,941	38,461
Loss on write-down of buildings	4,096	4,222	36,908
Accrued employees' bonuses	3,956	4,059	35,642
Loss on write-down of inventories	3,327	1,821	29,976
Depreciation	2,182	1,851	19,662
Allowance for doubtful accounts	1,723	1,982	15,528
Other	16,303	14,345	146,915
Subtotal	120,378	119,160	1,084,587
Valuation allowance for tax loss carryforward (*2)	(14,366)	—	(129,437)
Valuation allowance for deductible temporary differences	(66,704)	—	(600,992)
Valuation allowance (*1)	(81,070)	(64,813)	(730,429)
Total deferred tax assets	¥ 39,307	¥ 54,346	$ 354,157
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ (21,789)	¥ (40,913)	$ (196,316)
Excess of fair value over the book value of the assets and liabilities of the consolidated subsidiaries and affiliates at the acquisition date	(9,756)	(10,237)	(87,906)
Gain on contribution of securities to retirement benefit trust	(3,332)	(3,603)	(30,021)
Investment difference in overseas consolidated subsidiaries	(3,184)	(764)	(28,688)
Retained earnings of overseas consolidated subsidiaries	(2,191)	(1,915)	(19,740)
Revaluation of land, as a result of the merger	(1,502)	(1,502)	(13,536)
Accelerated depreciation of property, plant and equipment	(1,065)	(1,937)	(9,601)
Deferred gain on sale of property, plant and equipment	(447)	(3,382)	(4,032)

Year ended March 31,	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Deferred gains or losses on hedges	¥ (226)	¥ (818)	$ (2,042)
Reserve for mining exploration	(16)	(10)	(151)
Reserve for special account for advanced depreciation of fixed assets	—	(290)	—
Other	(1,801)	(2,106)	(16,230)
Total deferred tax liabilities	(45,313)	(67,483)	(408,269)
Net deferred tax assets	¥ (6,005)	¥ (13,136)	$ (54,111)
Deferred tax liabilities for land revaluation	¥ (24,097)	¥ (24,162)	$ (217,112)

(*1) Valuation allowance increased by ¥16,257 million ($146,467 thousand), because the Company had increased its Reserve for environmental measures.

(*2) Tax loss carryforward and the related deferred tax assets by expiration periods are presented as below.

March 31, 2019

Millions of yen	2020	2021	2022	2023	2024	2025 and beyond	Total
Tax loss carryforward (*a)	¥ 619	¥ 1,550	¥ 808	¥ 687	¥ 1,663	¥ 13,841	¥ 19,170
Valuation allowance	(612)	(1,544)	(808)	(687)	(1,663)	(9,051)	(14,366)
Net deferred tax assets	7	6	—	—	—	4,789	(*b) 4,804

March 31, 2019

Thousands of US. dollar	2020	2021	2022	2023	2024	2025 and beyond	Total
Tax loss carryforward (*a)	$ 5,585	$ 13,972	$ 7,281	$ 6,190	$ 14,984	$ 124,706	$ 172,721
Valuation allowance	(5,516)	(13,912)	(7,281)	(6,190)	(14,984)	(81,551)	(129,437)
Net deferred tax assets	69	59	—	—	—	43,155	(*b) 43,284

(*a) Tax loss carryforward shown in the above table is after multiplying the statutory tax rate.

(*b) Deferred tax asset of ¥4,804 million ($43,284 thousand) was recognized for tax loss carryforward of ¥19,170 million ($172,721 thousand) (amount multiplied by the statutory tax rate). No valuation allowance is recognized for the tax loss carryforward since the amount was determined to be recoverable based on expected future taxable income.

Note 11 Contingent Liabilities

1. Contingent liabilities regarding notes and loans guaranteed:
Contingent liabilities for notes receivable discounted with banks, notes receivable endorsed with recourse, notes and accounts receivable securitized with recourse, and loans guaranteed by the Group primarily on behalf of unconsolidated subsidiaries and affiliates, including employees' housing loans from banks, as of March 31, 2019 and 2018 were as follows:

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Notes receivable discounted	¥ 580	¥ 275	$ 5,227
Notes receivable endorsed	0	0	4
Notes and accounts receivable securitized with recourse	3,848	4,169	34,675
Loans guaranteed	19,950	21,043	179,751
Total	¥ 24,379	¥ 25,488	$ 219,659

2. Contingent liabilities regarding the consolidated subsidiaries:
(Matters concerning Taxation in Indonesia)
March 31, 2018
On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company received a notice of reassessment in an amount of US$47 million (¥5,312 million based on the exchange rate at the end of the current consolidated fiscal year) from the Indonesian National Tax Authority regarding the sales transaction pricing of PT. Smelting for the year ended December 2009.

On January 28, 2015, PT. Smelting made a provisional deposit of US$14 million (¥1,553 million) as a part of the additional collection.

However, PT. Smelting submitted a written objection to the Indonesian National Tax Authority on March 25, 2015, because this assessment, which claimed there was a sales shortage on the part of PT. Smelting based on a comparison of the profit margin ratio with other companies selected by the Indonesian National Tax Authority, was highly unreasonable and found to be unacceptable by the Company and PT. Smelting.

The written objection submitted by PT. Smelting on March 25, 2015 was dismissed by the Indonesian National Tax Authority on March 16, 2016. Therefore, PT. Smelting filed a complaint to the Tax Court in Indonesia on June 6, 2016 to present the fairness of the view of the Company and PT. Smelting.

On November 29, 2017, PT. Smelting received a notice of reassessment in an amount of US$22 million (¥2,553 million) from the Indonesian National Tax Authority, primarily regarding its posting of gains or losses on hedging for the fiscal year ended December 2012. On December 27, 2017, PT. Smelting made a provisional deposit of US$6 million (¥698 million) as part of the additional collection.

However, PT. Smelting submitted a written objection to the Indonesian National Tax Authority on February 27, 2018, because this assessment was a view that unilaterally negated the act of recording gains or losses on hedges, etc. of PT. Smelting and was found to be unacceptable by the Company and PT. Smelting.

March 31, 2019
The objection submitted by PT. Smelting on February 27, 2018 was rejected by the Indonesia National Tax Authority on February 25, 2019. Accordingly, PT. Smelting filed a lawsuit to the Tax Court on May 17, 2019 in order to claim the legitimacy of the Company and PT. Smelting.

On December 5, 2018, PT. Smelting received a notice of reassessment in an amount of US$15 million (¥1,688 million) from the Indonesian National Tax Authority, primarily regarding its posting of gains or losses on hedging for the fiscal year ended December 2014. On December 27, 2018 PT. Smelting made a provisional deposit of US$5 million (¥651 million) as part of the additional collection.

However, PT. Smelting submitted a written objection to the Indonesian National Tax Authority on February 27, 2019, because this assessment was a view that unilaterally negated the act of recording gains or losses on hedges, etc. of PT. Smelting and was found to be unacceptable by the Company and PT. Smelting.
At the end of March 31, 2019, total amount of the additional correction that PT. Smelting is disputing is US$101 million (¥11,309 million). In addition to the amount for the above fiscal year, the fiscal year ended December 2010, December 2011, December 2013 and December 2015 are included in the additional correction.

(Matters concerning Non-Conforming Products)
March 31, 2018
With regard to certain products produced and sold in the past, Mitsubishi Cable Industries, Ltd., Mitsubishi Shindoh Co., Ltd., Mitsubishi Aluminum Co., Ltd., Tachibana Metal Mfg. Co., Ltd. and Diamet Corporation, which are all consolidated subsidiaries of Mitsubishi Materials Corporation (MMC), were found to have delivered products, etc. deviated from customer standards or internal company specifications due to misconduct, including the rewriting of inspection records data and the insufficient testing concerning some of the products manufactured and sold in the past.

Based on the above fact, some of the aforementioned subsidiaries received notification of revocation of their JIS certification and ISO certifications from the accrediting agencies. Since quality control related problems were also discovered with respect to the copper slag products manufactured at MMC's Naoshima copper smelter and refinery, MMC reported the fact to the Japan Quality Assurance Organization (JQA) and a special inspection was conducted. As a result, JQA revoked the JIS certification for copper slag products manufactured at MMC's Naoshima copper smelter and refinery.

Depending on how the progress of the above mentioned issues, the Company's consolidated business results may be affected, due to costs incurred to compensate customers and other parties and other losses. However, such amounts which are currently difficult to estimate are not reflected in the consolidated financial statements.

March 31, 2019
With regard to certain products produced and sold in the past, Consolidated subsidiaries of Mitsubishi Materials Corporation (MMC), were found to have delivered products, etc. which deviated from customer standards or internal company specifications due to misconduct, including the rewriting of inspection records data and the insufficient testing concerning some of the products manufactured and sold in the past.

Based on the above facts, some of the aforementioned subsidiaries received notification of revocation of their JIS certification and ISO certifications from the accrediting agencies.

Depending on the progress of the above mentioned matter, the Company's consolidated business results may be affected, due to costs incurred to compensate customers and other parties as well as other losses. However, such amounts which are currently difficult to estimate are not reflected in the consolidated financial statements.

(On-site inspection by the Japan Fair Trade Commission)
March 31, 2018
Universal Can Corporation, a consolidated subsidiary of the Company, was inspected on-site by the Japan Fair Trade Commission on February 6, 2018, due to a suspected violation of the Antimonopoly Act concerning its transactions related to empty beverage cans.

Depending on the future progress of the inspection, there is a possibility that our consolidated business results may be affected. However since it is difficult to reasonably estimate the impact of this incident at present, it is not reflected in the Company's consolidated financial statements.

Note 12 Lease Transactions

1. Noncancelable operating lease commitments as lessee were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥ 3,202	¥ 2,719	$ 28,857
Due after one year	26,698	6,641	240,552
Total	¥ 29,901	¥ 9,361	$ 269,410

2. Noncancelable operating lease commitments as lessor were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥ 757	¥ 752	$ 6,828
Due after one year	1,226	1,394	11,048
Total	¥ 1,984	¥ 2,146	$ 17,877

Note 13 Research and Development Expenses

Research and development expenses for the fiscal years ended March 31, 2019 and 2018 were ¥10,912 million ($98,322 thousand) and ¥11,614 million, respectively, and were included in selling, general and administrative expenses.

Note 14 Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Valuation difference on available-for-sale securities:			
Gains (losses) incurred during the year	¥ (62,716)	¥ 59,057	$ (565,067)
Reclassification adjustment to net income	(842)	(332)	(7,591)
Amount before tax effect	(63,559)	58,725	(572,658)
Tax effect	19,091	(18,189)	172,007
Valuation difference on available-for-sale securities	(44,468)	40,535	(400,651)
Deferred gains or losses on hedges:			
Gains (losses) incurred during the year	12,385	7,026	111,587
Reclassification adjustment to net income	(14,048)	(6,301)	(126,573)
Amount before tax effect	(1,663)	725	(14,985)
Tax effect	521	(234)	4,701
Deferred gains or losses on hedges	(1,141)	490	(10,284)
Revaluation reserve for land			
Tax effect	—	(147)	—
Foreign currency translation adjustments:			
Gains (losses) incurred during the year	7,371	(8,719)	66,417
Reclassification adjustment to net income	—	(446)	—
Amount before tax effect	7,371	(9,165)	66,417
Tax effect	—	—	—
Foreign currency translation adjustments	7,371	(9,165)	66,417
Remeasurements of defined benefit plans:			
Gains (losses) incurred during the year	(1,715)	1,217	(15,457)
Reclassification adjustment to net income	2,281	3,686	20,557
Amount before tax effect	566	4,903	5,099
Tax effect	(173)	(1,324)	(1,563)
Remeasurements of defined benefit plans	392	¥ 3,578	3,535
Share of other comprehensive income of affiliates accounted for using the equity method:			
Gains (losses) incurred during the year	(584)	831	(5,269)
Reclassification adjustment to net income	67	(193)	603
Share of other comprehensive income of affiliates accounted for using the equity method	(517)	637	(4,665)
Total other comprehensive income (loss)	¥ (38,363)	¥ 35,930	$ (345,647)

Note 15 Securities

1. The following tables summarize carrying amounts and acquisition costs of securities with available fair values as of March 31, 2019:

Available-for-sale securities
(1) Securities with carrying amount exceeding acquisition cost
At March 31, 2019

	Millions of yen			Thousands of U.S. dollars		
Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Equity securities	¥ 164,355	¥ 87,071	¥ 77,284	$ 1,480,816	$ 784,500	$ 696,316
Bonds	30	28	1	271	254	16
Total	¥ 164,385	¥ 87,099	¥ 77,286	$ 1,481,088	$ 784,754	$ 696,333

(2) Securities with carrying amount not exceeding acquisition cost
At March 31, 2019

	Millions of yen			Thousands of U.S. dollars		
Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Equity securities	¥ 11,423	¥ 14,784	¥ (3,361)	$ 102,922	$ 133,206	$ (30,284)
Bonds	—	—	—	—	—	—
Total	¥ 11,423	¥ 14,784	¥ (3,361)	$ 102,922	$ 133,206	$ (30,284)

Note:
Unlisted equity securities of which carrying amount is ¥7,645 million ($68,888 thousand) are not included in the above table, because there is no market price and it is extremely difficult to recognize their fair values.

2. The following tables summarize carrying amounts and acquisition costs of securities with available fair values as of March 31, 2018:

Available-for-sale securities
(1) Securities with carrying amount exceeding acquisition cost
At March 31, 2018

	Millions of yen		
Type	Carrying amount	Acquisition cost	Difference
Equity securities	¥ 230,397	¥ 90,789	¥ 139,608
Bonds	—	—	—
Total	¥ 230,397	¥ 90,789	¥ 139,608

(2) Securities with carrying amount not exceeding acquisition cost
At March 31, 2018

	Millions of yen		
Type	Carrying amount	Acquisition cost	Difference
Equity securities	¥ 11,073	¥ 12,537	¥ (1,464)
Bonds	—	—	—
Total	¥ 11,073	¥ 12,537	¥ (1,464)

Note:
Unlisted equity securities of which carrying amount is ¥7,250 million are not included in the above table, because there is no market price and it is extremely difficult to recognize their fair values.

3. The Group did not hold any available-for-sale securities with maturity, and held-to-maturity debt securities as of March 31, 2019 and 2018.

4. Total amounts of available-for-sale securities sold, and the resulting gains and losses, for the fiscal years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Sales amount	¥ 3,004	¥ 705	$ 27,073
Gains	1,446	471	13,030
Losses	(0)	(—)	(0)

5. The amounts of write-down of investments in securities for the years ended March 31, 2019 and 2018 were ¥3,376 million ($30,425 thousand) and ¥400 million, respectively.

When the fair value of each issue of securities declined more than 50% of the acquisition cost, losses on write-down were recognized. When the fair value declined between 30% and 50% of the acquisition cost, the write-down amount was determined by considering the recoverability, etc. by each issue.

Note 16 Financial Instruments

Information on financial instruments for the fiscal years ended March 31, 2019 and 2018 was as follows.

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Group raises the necessary funds for its capital investment plans to conduct its business mainly by bank loans or issuance of bonds. The Group invests temporary cash surpluses in highly secured financial instruments and raises short-term working funds by bank loans and commercial papers. The Group follows the policy of using derivatives not for speculative purposes, but for managing financial risks as described later.

(2) Details of financial instruments used and the exposures to risk and how they arise

Notes and accounts receivable are exposed to customer's credit risk. As trade receivables denominated in foreign currencies arising from the development of global business are exposed to foreign currency exchange fluctuation risk, they are principally hedged using forward foreign exchange contracts. Investment securities, mainly consisting of equity securities related to customers and suppliers in relation to business or capital alliances, are exposed to the risk of market price fluctuations.

Payment terms of notes and accounts payable are less than one year. As certain payables in foreign currencies arising from the import transactions of raw materials are exposed to foreign currency exchange fluctuation risk, they are principally hedged using forward foreign exchange contracts. Short-term bank loans and commercial papers are used for raising funds related to operating transactions.

Long-term debt including corporate bonds is used mainly for raising the necessary funds related to capital investments. The longest maturity of long-term debt including corporate bonds is 2033. As some of them with floating interest rates are exposed to interest rate fluctuation risk, they are hedged using derivatives.

Derivative transactions mainly include forward foreign currency contracts and currency swap contracts for the purpose of hedging foreign currency exchange fluctuation risk on trade receivables and payables denominated in foreign currencies, forward commodity contracts and commodity price swap contracts for the purpose of hedging commodity price fluctuation risk on nonferrous metal and interest rate swaps for the purpose of hedging interest rate fluctuation risk on debt and reducing fund raising costs. Interest rate swaps which convert fixed interest rates into floating rates are exposed to market interest rate fluctuation. Hedging instruments and hedged items, hedge policy, assessment method for hedge effectiveness and others related to hedge accounting, are described in Note 2. (e) "Derivative Transactions and Hedge Accounting" and Note 17 "Derivative Transactions."

(3) Policies and processes for managing the risk

a. Credit Risk Management (customers' default risk)

The Company manages and mitigates customers' credit risk on trade receivables in accordance with the Credit Control Policy, which includes monitoring of payment term and balances of customers by each responsible department of each company to recognize the customers' default risk at an early stage. Consolidated subsidiaries also manage and mitigate the risk in accordance with a similar credit control policy based on the Group Accounting Policy and Manual. The Company deals with highly creditworthy foreign or domestic financial institutions or trading firms only to mitigate the default risk.

b. Market Risk Management (foreign currency exchange and interest rate fluctuation risks)

The Company and its certain consolidated subsidiaries use principally forward foreign exchange contracts to hedge foreign currency exchange fluctuation risk identified by currency and monthly basis for trade receivables and payables denominated in foreign currencies. In addition, interest rate swap contracts are used to manage interest rate fluctuation risk on debt.

With respect to investment securities, the Company identifies and monitors fair values and financial positions of the issuers on a regular basis and continuously reviews its status of these securities considering the relationships with the issuers.

With respect to derivative transactions, the Company has "Rules on Utilizing Derivative Transactions" in its "Operation Standards" applicable to the whole Company. In addition, there are specific rules and standards for derivative transactions provided for each business unit based on the type of business. In accordance with the authority and limits provided in these rules and standards, forward foreign currency contracts are utilized and controlled by the Finance Department and other responsible departments; interest rate swap contracts are utilized and controlled by the Finance Department; and forward commodity contracts are utilized and controlled by each responsible department. Furthermore, departments utilizing derivative transactions are required to report the status and results of derivative transactions to the Internal Audit Department for financial transaction at each annual and semi-annual year-end. Consolidated subsidiaries utilizing derivative transactions have provided the operational standards individually, according to the purpose of derivative transactions.

c. Liquidity Risk Management on Fund Raising

The Group manages its liquidity risk by preparing and updating cash flow plans on a timely basis at each company.

(4) Supplemental information on fair values

Fair values of financial instruments include market prices and values calculated reasonably when there is no market price. Since variable factors are incorporated in calculating the relevant fair values, the fair values may change depending on the different assumptions. The contract amounts described in Note 17 "Derivative Transactions" do not indicate the amounts of market risk or credit risk related to derivative transactions.

2. Fair values of financial instruments

Carrying amounts, fair value of the financial instruments and the difference between them as of March 31, 2019 and 2018 were as follows (Financial instruments whose fair values are not readily determinable are excluded from the following table):

	Millions of yen		
March 31, 2019	Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥ 108,648	¥ 108,648	¥ —
(2) Notes and accounts receivable	248,220	248,220	—
(3) Investment securities:			
Shares in affiliates	10,753	9,861	(892)
Available-for-sale securities	175,809	175,809	—
Total assets	¥ 543,431	¥ 542,539	¥ (892)
(1) Notes and accounts payable	¥ 147,566	¥ 147,566	¥ —
(2) Short-term bank loans	180,100	180,100	—
(3) Current portion of bonds	—	—	—
(4) Commercial papers	5,000	5,000	—
(5) Bonds	50,000	49,789	(211)
(6) Long-term loans payable	259,667	261,128	1,461
Total liabilities	¥ 642,334	¥ 643,585	¥ 1,250
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	¥ 2,334	¥ 2,334	¥ —
b. Derivatives to which hedge accounting is applied	(521)	(1,791)	(1,270)
Total derivative transactions	¥ 1,813	¥ 542	¥ (1,270)

	Millions of yen		
March 31, 2018	Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥ 93,389	¥ 93,389	¥ —
(2) Notes and accounts receivable	260,427	260,427	—
(3) Investment securities:			
Shares in affiliates	8,571	19,129	10,558
Available-for-sale securities	241,471	241,471	—
Total assets	¥ 603,859	¥ 614,417	¥ 10,558
(1) Notes and accounts payable	¥ 158,369	¥ 158,369	¥ —
(2) Short-term bank loans	206,142	206,142	—
(3) Current portion of bonds	25,000	25,025	25
(4) Commercial papers	—	—	—
(5) Bonds	50,000	48,757	(1,243)
(6) Long-term loans payable	240,292	242,110	1,817
Total liabilities	¥ 679,804	¥ 680,404	¥ 599
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	¥ (171)	¥ (171)	¥ —
b. Derivatives to which hedge accounting is applied	1,069	(378)	(1,448)
Total derivative transactions	¥ 898	¥ (550)	¥ (1,448)

(*) Receivables and payables arising from derivative transactions are presented in net. Net payables are presented in parenthesis.

March 31, 2019	Thousands of U.S. dollars Carrying amount	Fair value	Difference
(1) Cash and time deposits	$ 978,900	$ 978,900	$ —
(2) Notes and accounts receivable	2,236,421	2,236,421	—
(3) Investment securities:			
Shares in affiliates	96,888	88,847	(8,040)
Available-for-sale securities	1,584,010	1,584,010	—
Total assets	$ 4,896,220	$ 4,888,179	$ (8,040)
(1) Notes and accounts payable	$ 1,329,551	$ 1,329,551	$ —
(2) Short-term bank loans	1,622,670	1,622,670	—
(3) Current portion of bonds	—	—	—
(4) Commercial papers	45,049	45,049	—
(5) Bonds	450,491	448,589	(1,901)
(6) Long-term loans payable	2,339,557	2,352,725	13,168
Total liabilities	$ 5,787,319	$ 5,798,586	$ 11,267
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	$ 21,034	$ 21,034	$ —
b. Derivatives to which hedge accounting is applied	(4,695)	(16,144)	(11,448)
Total derivative transactions	$ 16,338	$ 4,890	$ (11,448)

(*) Receivables and payables arising from derivative transactions are presented in net. Net payables are presented in parenthesis.

Notes:
1. Calculation method of fair values of financial instruments as well as securities and derivative transactions are as follows:
Assets:
(1) Cash and time deposits and (2) Notes and accounts receivable
The fair values approximate book values because of their short-term maturities. Therefore, the fair values are recognized using book values.
(3) Investment securities (Shares in affiliates and available-for-sale securities)
The fair values of equity securities are determined based on the market price. The information of securities categorized by holding purposes is described in Note 15 “Securities.”
Liabilities:
(1) Notes and accounts payable, (2) Short-term bank loans and (4) Commercial papers
The fair values approximate book values because of their short-term maturities. Therefore, the fair values are recognized using book values.
(3) Current portion of bonds and (5) Bonds
The fair values of these liabilities are determined based on the market price.
(6) Long-term loans payable
The fair values of long-term loans payable are determined by discounting the aggregated values of the principal and interest using an assumed interest rate if the same type of loans were newly made.
Derivative financial instruments:
The information on derivative transactions is described in Note 17 “Derivative Transactions.”

2. Financial instruments that fair values are extremely difficult to calculate

Category	Carrying amount Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Shares in affiliates (unlisted equity securities)	¥ 42,363	¥ 46,631	$ 381,685
Available-for-sale securities (unlisted equity securities)	7,645	7,250	68,888

It is extremely difficult to calculate their fair values because there is no market price. Therefore, these items are not included in “(3) Investment securities.”

3. Redemption schedule of monetary assets with contractual maturities as of March 31, 2019 and 2018

March 31, 2019	Millions of yen Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	¥ 108,648	¥ —	¥ —	¥ —	¥ —	¥ —
Notes and accounts receivable	248,220	—	—	—	—	—
Total	¥ 356,868	¥ —	¥ —	¥ —	¥ —	¥ —

March 31, 2018	Millions of yen Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	¥ 93,389	¥ —	¥ —	¥ —	¥ —	¥ —
Notes and accounts receivable	260,427	—	—	—	—	—
Total	¥ 353,816	¥ —	¥ —	¥ —	¥ —	¥ —

March31, 2019	Thousands of U.S. dollars Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	$ 978,900	$ —	$ —	$ —	$ —	$ —
Notes and accounts receivable	2,236,421	—	—	—	—	—
Total	$ 3,215,321	$ —	$ —	$ —	$ —	$ —

4. Repayment schedule of short-term bank loans, bonds and long-term loans payable as of March 31, 2019 and 2018

March31, 2019	Millions of yen Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term bank loans	¥ 180,100	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	5,000	—	—	—	—	—
Bonds	—	—	20,000	10,000	—	20,000
Long-term loans payable	—	43,020	29,305	27,472	44,407	115,461
Total	¥ 185,100	¥ 43,020	¥ 49,305	¥ 37,472	¥ 44,407	¥ 135,461

March31, 2018	Millions of yen Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term bank loans	¥ 206,142	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	—	—	—	—	—	—
Bonds	25,000	—	—	20,000	10,000	20,000
Long-term loans payable	—	40,656	40,825	26,263	18,881	113,665
Total	¥ 231,142	¥ 40,656	¥ 40,825	¥ 46,263	¥ 28,881	¥ 133,665

March31, 2019	Thousands of U.S. dollars Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term bank loans	$ 1,622,670	$ —	$ —	$ —	$ —	$ —
Commercial papers	45,049	—	—	—	—	—
Bonds	—	—	180,196	90,098	—	180,196
Long-term loans payable	—	387,608	264,039	247,518	400,103	1,040,286
Total	$ 1,667,719	$ 387,608	$ 444,236	$ 337,616	$ 400,103	$ 1,220,483

Note 17 Derivative Transactions

Derivative financial instruments currently utilized by the Group include forward foreign currency contracts, interest rate swap contracts, currency swap contracts, forward commodity contracts and commodity price swap contracts.

The Company utilizes forward foreign currency contracts to hedge the impact of foreign exchange fluctuations on receivables and payables, and on advance payments for purchase of ores.

The Company enters into interest rate swap contracts to reduce exposure to adverse movements in interest rates, and to lower finance costs on debts.

The Company also utilizes forward commodity contracts to hedge the impact of future price fluctuations of nonferrous metal inventories and sold gold bullion deposited from customers under consuming bailment named "My Gold Partner."

Some consolidated subsidiaries utilize forward foreign currency contracts and interest swap contracts to hedge the impact of foreign currency fluctuations on foreign currency receivables and payables, and forward commodity contracts and commodity price swap contracts to hedge the impact of price fluctuations of nonferrous metal inventories.

The Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of the hedged items with the corresponding changes in the hedging derivative instruments. Furthermore, the Company periodically controls the transaction volume of forward commodity contracts in order to balance them with hedged nonferrous metal inventories and to evaluate their hedge effectiveness at each annual and semi-annual year-end.

As of March 31, 2019 and 2018, the Group had outstanding derivative transactions as follows:

1. Derivative transactions to which hedge accounting is not applied at March 31, 2019 and 2018

(1) Currency related derivatives

	Millions of yen			
March 31, 2019	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts:				
Sell U.S. dollars	¥ 2,733	¥ —	¥ (31)	¥ (31)
Other	716	—	10	10
Buy U.S. dollars	5,741	—	(12)	(12)
Other	1,167	—	(9)	(9)
Currency swaps:				
Pay Japanese yen / Receive U.S. dollars	—	—	—	—
Total	¥ —	¥ —	¥ —	¥ (44)

	Millions of yen			
March 31, 2018	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts:				
Sell U.S. dollars	¥ 6,967	¥ —	¥ 99	¥ 99
Other	830	—	10	10
Buy U.S. dollars	2,850	—	(30)	(30)
Other	628	—	13	13
Currency swaps:				
Pay Japanese yen / Receive U.S. dollars	5,288	—	6	6
Total	¥ —	¥ —	¥ —	¥ 99

	Thousands of U.S. dollars			
March 31, 2019	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts:				
Sell U.S. dollars	$ 24,624	$ —	$ (287)	$ (287)
Other	6,456	—	90	90
Buy U.S. dollars	51,726	—	(116)	(116)
Other	10,523	—	(90)	(90)
Currency swaps:				
Pay Japanese yen / Receive U.S. dollars	—	—	—	—
Total	$ —	$ —	$ —	$ (404)

Note:
Fair value is determined based on the price obtained from financial institutions.

(2) Interest rate related derivatives
Not applicable

(3) Interest rate and currency swaps

	Millions of yen			
March 31, 2019	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Interest rate currency swap:				
Euro pay fixed / U.S. dollars receive floating	¥ 4,444	¥ 4,444	¥ 11	¥ 11
Total	¥ —	¥ —	¥ —	¥ 11

	Millions of yen			
March 31, 2018	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Interest rate currency swap:				
Euro pay fixed / U.S. dollars receive floating	¥ 4,657	¥ 4,657	¥ (414)	¥ (414)
Total	¥ —	¥ —	¥ —	¥ (414)

	Thousands of U.S. dollars			
March 31, 2019	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Interest rate currency swap:				
Euro pay fixed / U.S. dollars receive floating	$ 40,045	$ 40,045	$ 104	$ 104
Total	$ —	$ —	$ —	$ 104

Note:
Fair value is determined based on the price obtained from financial institutions.

(4) Commodity related derivatives

	Millions of yen			
March 31, 2019	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	¥ 49,181	¥ —	¥ 398	¥ 398
Buy	139,587	—	1,969	1,969
Total	¥ —	¥ —	¥ —	¥ 2,367

	Millions of yen			
March 31, 2018	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	¥ 68,381	¥ —	¥ 296	¥ 296
Buy	144,937	—	(153)	(153)
Total	¥ —	¥ —	¥ —	¥ 143

	Thousands of U.S. dollars			
March 31, 2019	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	$ 443,116	$ —	$ 3,590	$ 3,590
Buy	1,257,660	—	17,743	17,743
Total	$ —	$ —	$ —	$ 21,333

Note:
Fair value is determined based on the price obtained from financial institutions.

2. Derivative transactions to which hedge accounting is applied at March 31, 2019 and 2018

(1) Currency related derivatives

March 31, 2019

Hedge accounting method	Transaction type	Major hedged items	Millions of yen Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable, accounts payable	¥ 49,128	¥ 2	¥ (279)
	Other		1,571	—	0
	Buy U.S. dollars		341	—	0
	Other		477	40	(15)
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable, accounts payable	¥ 8,388	¥ —	Note 2
	Other		5,182	—	
	Buy U.S. dollars		390	—	
	Other		3	—	
Hedged items are translated using currency swaps	Currency swaps: Pay Japanese yen / Receive U.S. dollars	Long-term debt	¥ 7,000	¥ 7,000	

March 31, 2018

Hedge accounting method	Transaction type	Major hedged items	Millions of yen Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable, accounts payable	¥ 77,713	¥ —	¥ 1,006
	Other		1,576	—	1
	Buy U.S. dollars		1,984	—	17
	Other		267	82	(3)
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable, accounts payable	¥ 12,052	¥ —	Note 2
	Other		4,929	—	
	Buy U.S. dollars		824	—	
	Other		0	—	
Hedged items are translated using currency swaps	Currency swaps: Pay Japanese yen / Receive U.S. dollars	Long-term debt	¥ 7,300	¥ 7,000	

March 31, 2019

Hedge accounting method	Transaction type	Major hedged items	Thousands of U.S. dollars Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable, accounts payable	$ 442,642	$ 23	$ (2,517)
	Other		14,161	—	5
	Buy U.S. dollars		3,079	—	4
	Other		4,305	365	(143)
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable, accounts payable	$ 75,579	$ —	Note 2
	Other		46,696	—	
	Buy U.S. dollars		3,514	—	
	Other		31	—	
Hedged items are translated using currency swaps	Currency swaps: Pay Japanese yen / Receive U.S. dollars	Long-term debt	$ 63,068	$ 63,068	

Notes:

1. Fair value is determined based on the price obtained from financial institutions.
2. Fair value of derivatives is included in the fair values of the related accounts receivable, accounts payable and long-term debt, since accounts receivable, accounts payable and long-term debt in foreign currencies as hedged items are translated into Japanese yen using the forward contract rates, etc.

(2) Interest rate related derivatives

March 31, 2019

Hedge accounting method	Transaction type	Major hedged items	Millions of yen Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts: Pay fixed rate, receive floating rate	Long-term debt	¥ 50,523	¥ 37,137	¥ (1,270)

March 31, 2018

Hedge accounting method	Transaction type	Major hedged items	Millions of yen Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts: Pay fixed rate, receive floating rate	Long-term debt	¥ 66,866	¥ 51,023	¥ (1,449)

March 31, 2019

Hedge accounting method	Transaction type	Major hedged items	Thousands of U.S. dollars Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts: Pay fixed rate, receive floating rate	Long-term debt	$ 455,203	$ 334,597	$ (11,448)

Note:

Fair value is determined based on the price obtained from financial institutions.

(3) Interest rate and currency swaps

March 31, 2019

Hedge accounting method	Transaction type	Major hedged items	Millions of yen Contract amount	Contract amount due after one year	Fair value
Principle method	Interest rate currency swap: Indonesian rupiah pay fixed / U.S. dollars receive floating	Long-term debt	¥ 1,068	¥ 803	¥ 108

March 31, 2018

Hedge accounting method	Transaction type	Major hedged items	Millions of yen Contract amount	Contract amount due after one year	Fair value
Principle method	Interest rate currency swap: Indonesian rupiah pay fixed / U.S. dollars receive floating	Long-term debt	¥ 1,199	¥ 976	¥ 65

March 31, 2019

Hedge accounting method	Transaction type	Major hedged items	Thousands of U.S. dollars Contract amount	Contract amount due after one year	Fair value
Principle method	Interest rate currency swap: Indonesian rupiah pay fixed / U.S. dollars receive floating	Long-term debt	$ 9,623	¥ 7,243	¥ 979

Note:

Fair value is determined based on the price obtained from financial institutions.

(4) Commodity related derivatives

March 31, 2019

Hedge accounting method	Transaction type	Major hedged items	Contract amount (Millions of yen)	Contract amount due after one year (Millions of yen)	Fair value (Millions of yen)
Principle method	Nonferrous metals forward:	Accounts receivable, accounts payable			
	Sell		¥ 56,180	¥ 18,408	¥ (578)
	Buy		29,780	13,332	242

March 31, 2018

Hedge accounting method	Transaction type	Major hedged items	Contract amount (Millions of yen)	Contract amount due after one year (Millions of yen)	Fair value (Millions of yen)
Principle method	Nonferrous metals forward:	Accounts receivable, accounts payable			
	Sell		¥ 46,637	¥ 20,455	¥ 2,096
	Buy		36,397	14,865	(2,113)

March 31, 2019

Hedge accounting method	Transaction type	Major hedged items	Contract amount (Thousands of U.S. dollars)	Contract amount due after one year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Principle method	Nonferrous metals forward:	Accounts receivable, accounts payable			
	Sell		$ 506,174	$ 165,854	$ (5,212)
	Buy		268,316	120,119	2,188

Note:
Fair value is determined based on the price obtained from financial institutions.

Note 18 Segment Information

(a) General information about reportable segments
The Company's reportable segments are composed of those individual business units for which separate financial information is available, about which the Board of Directors makes decisions regarding the allocation of management resources and for which operating performance can be evaluated.

The Company operates a system of in-house companies. Each in-house company and business department formulates comprehensive domestic and overseas strategies for its own products and services and advances its business accordingly. Consequently, the in-house companies are classified into segments along these in-house companies' product and service lines. There are four segments: "Advanced Products", "Metalworking Solutions Business", "Metals Business", and "Cement Business" which has high performance within the Company's business departments.

Primary products and services included in each segment are as follows:
Advanced Products: Copper and copper alloy products, electronic materials and components, aluminum products
Metalworking Solutions Business: Cemented carbide products, sintering products
Metals Business: Copper smelting and refining (copper, gold, silver, sulfuric acid, etc.)
Cement Business: Cement, aggregate, ready-mixed concrete, concrete products

(b) Basis of measurement of reported segment profit or loss, segment assets, segment liabilities and other material items
The accounting method for business segments reported in this note is consistent with those stated in Note 2 "Summary of Significant Accounting Policies." Segment profit or loss is based on the figures of ordinary income or loss. Intersegment sales are based on the market prices.

(c) Matters regarding the change of reporting segments
At the meeting of the Board of Directors held on August 7, 2018, the Company resolved to partially change the organization of its business divisions. This change was made on October 1, 2018.

The Copper & Copper Alloy Products in the Metals Company, the Electronic Materials & Components Company and the Aluminum business have merged to become the "Advanced Products Company", with the aim of strengthening its product planning, marketing and proposal capabilities for key areas and main customers in a cross-functional manner.

As a result, the Company's reporting segment has changed from the "Cement Business", "Metals Business", "Advanced Materials & Tools Business", "Electronic Materials & Components Business", "Aluminum Business" and "Others business" to the "Advanced Products", "Metalworking Solutions Business", "Metal Business", "Cement Business" and "Others business".

In this regard, the segment information for the previous consolidated fiscal year are disclosed under the new reportable segment.

(d) Information about reportable segment profit or loss, segment assets, segment liabilities and other material items.

(1) Segment information as of and for the fiscal year ended March 31, 2019 is as follows:

March 31, 2019 (Millions of yen)	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Adjustment	Consolidated
Sales:								
External customers	¥ 557,323	¥ 159,632	¥ 549,232	¥ 195,028	¥ 201,772	¥ 1,662,990	¥ —	¥ 1,662,990
Intersegment	13,666	11,918	170,864	3,262	53,947	253,660	(253,660)	—
Total	¥ 570,990	¥ 171,551	¥ 720,097	¥ 198,291	¥ 255,720	¥ 1,916,650	¥ (253,660)	¥ 1,662,990
Segment profit	¥ 13,227	¥ 15,609	¥ 2,323	¥ 15,447	¥ 14,656	¥ 61,264	¥ (10,584)	¥ 50,679
Segment assets	531,846	230,636	559,421	329,007	181,327	1,832,239	106,030	1,938,270
Segment liabilities	437,966	126,598	391,460	146,428	107,930	1,210,385	4,548	1,214,933
Other items:								
Depreciation	¥ 17,228	¥ 11,381	¥ 11,897	¥ 12,515	¥ 3,270	¥ 56,294	¥ 3,680	¥ 59,974
Amortization of goodwill	434	1,230	—	2,876	2	4,544	—	4,544
Interest income	416	56	852	115	335	1,776	(522)	1,254
Interest expense	2,197	856	1,803	1,046	299	6,204	(1,348)	4,855
Equity in earnings of affiliates	1,304	—	(577)	2,399	468	3,595	(0)	3,594
Investments in affiliates accounted for by the equity method	11,697	—	3,941	22,960	5,265	43,864	(150)	43,714
Increase in tangible and intangible fixed assets	26,120	22,810	29,274	16,585	4,081	98,873	4,545	103,418

March 31, 2019 (Thousands of U.S. dollars)	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Adjustment	Consolidated
Sales:								
External customers	$ 5,021,388	$ 1,438,260	$ 4,948,488	$ 1,757,174	$ 1,817,936	$ 14,983,247	$ —	$ 14,983,247
Intersegment	123,131	107,387	1,539,460	29,392	486,059	2,285,431	(2,285,431)	—
Total	$ 5,144,520	$ 1,545,647	$ 6,487,948	$ 1,786,566	$ 2,303,995	$ 17,268,678	$ (2,285,431)	$ 14,983,247
Segment profit	$ 119,177	$ 140,637	$ 20,931	$ 139,178	$ 132,052	$ 551,978	$ (95,361)	$ 456,616
Segment assets	4,791,840	2,077,990	5,040,286	2,964,302	1,633,731	16,508,152	955,314	17,463,467
Segment liabilities	3,946,001	1,140,627	3,526,992	1,319,297	972,433	10,905,352	40,976	10,946,329
Other items:								
Depreciation	$ 155,228	$ 102,546	$ 107,197	$ 112,762	$ 29,465	$ 507,200	$ 33,162	$ 540,362
Amortization of goodwill	3,917	11,086	—	25,917	23	40,944	—	40,944
Interest income	3,754	511	7,682	1,036	3,021	16,007	(4,708)	11,298
Interest expense	19,802	7,714	16,250	9,430	2,700	55,896	(12,149)	43,747
Equity in earnings of affiliates	11,748	—	(5,200)	21,622	4,221	32,392	(3)	32,388
Investments in affiliates accounted for by the equity method	105,391	—	35,509	206,872	47,441	395,214	(1,357)	393,857
Increase in tangible and intangible fixed assets	235,343	205,518	263,761	149,433	36,772	890,829	40,950	931,780

Notes:
1. "Others Business" includes nuclear energy-related business, environmental and recycling-related business, real estate business and engineering-related business.
2. Included in "Adjustment" of "Segment profit" in the amount of ¥ (10,584) million ($(95,361) thousand) are intersegment transaction elimination in the amount of ¥81 million ($737 thousand) and corporate expenses that cannot be allocated to each reportable segment in the amount of ¥ (10,666) million ($(96,099) thousand). Corporate expenses consist mainly of general and administrative expenses, basic research and development expenses and financial income or expenses which are not attributable to any reportable segment.
3. "Adjustment" of "Segment assets" in the amount of ¥106,030 million ($955,314 thousand) includes intersegment transaction elimination of ¥ (51,667) million ($(465,519) thousand) and corporate assets that are not allocated to each reportable segment in the amount of ¥157,698 million ($1,420,834 thousand). Corporate assets are mainly assets related to administrative departments which do not belong to any reportable segment and assets related to basic research and development.
4. "Adjustment" of "Segment liabilities" in the amount of ¥4,548 million ($40,976 thousand) includes intersegment transaction elimination of ¥ (51,808) million ($(466,781) thousand) and corporate liabilities that are not allocated to each reportable segment in the amount of ¥56,356 million ($507,758 thousand). Corporate liabilities are mainly liabilities related to administrative departments which do not belong to any reportable segments and liabilities related to basic research and development.
5. "Adjustment" of "Increase in tangible and intangible fixed assets" in the amount of ¥4,545 million ($40,950 thousand) mainly consist of capital expenditures related to the Central Research Institute.
6. "Segment profit" is reconciled with ordinary income.

(2) Segment information as of and for the fiscal year ended March 31, 2018 is as follows:

March 31, 2018	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Adjustment	Consolidated
	Millions of yen							
Sales:								
External customers	¥ 523,071	¥ 149,635	¥ 542,833	¥ 188,612	¥ 195,381	¥ 1,599,533	¥ —	¥ 1,599,533
Intersegment	13,012	11,542	172,506	3,766	54,122	254,949	(254,949)	—
Total	¥ 536,083	¥ 161,177	¥ 715,340	¥ 192,378	¥ 249,503	¥ 1,854,482	¥ (254,949)	¥ 1,599,533
Segment profit	¥ 18,491	¥ 16,808	¥ 25,400	¥ 21,044	¥ 8,312	¥ 90,057	¥ (10,436)	¥ 79,621
Segment assets	597,317	217,271	585,152	323,857	163,442	1,887,041	124,025	2,011,067
Segment liabilities	463,870	118,309	416,668	150,384	106,939	1,256,172	(13,601)	1,242,571
Other items:								
Depreciation	¥ 16,232	¥ 11,227	¥ 11,235	¥ 11,533	¥ 3,663	¥ 53,893	¥ 3,131	¥ 57,025
Amortization of goodwill	288	1,230	—	2,873	2	4,395	—	4,395
Interest income	407	41	481	80	329	1,340	(527)	812
Interest expense	2,346	892	1,377	1,233	513	6,364	(1,305)	5,058
Equity in earnings of affiliates	1,355	43	1,305	1,891	(5,940)	(1,343)	7	(1,336)
Investments in affiliates accounted for by the equity method	10,974	—	5,103	21,569	4,948	42,596	(152)	42,444
Increase in tangible and intangible fixed assets	19,054	16,516	14,451	16,818	5,106	71,948	4,283	76,231

Notes:

1. "Others Business" includes nuclear energy-related business, environmental and recycling-related business, real estate business and engineering-related business.
2. Included in "Adjustment" of "Segment profit" in the amount of ¥ (10,436) million are intersegment transaction elimination in the amount of ¥ (5) million and corporate expenses that cannot be allocated to each reportable segment in the amount of ¥ (10,431) million. Corporate expenses consist mainly of general and administrative expenses, basic research and development expenses and financial income or expenses which are not attributable to any reportable segment.
3. "Adjustment" of "Segment assets" in the amount of ¥124,025 million includes intersegment transaction elimination of ¥ (45,289) million and corporate assets that are not allocated to each reportable segment in the amount of ¥169,314 million. Corporate assets are mainly assets related to administrative departments which do not belong to any reportable segment and assets related to basic research and development.
4. "Adjustment" of "Segment liabilities" in the amount of ¥ (13,601) million includes intersegment transaction elimination of ¥ (44,762) million and corporate liabilities that are not allocated to each reportable segment in the amount of ¥31,161 million. Corporate liabilities are mainly liabilities related to administrative departments which do not belong to any reportable segments and liabilities related to basic research and development.
5. "Adjustment" of "Increase in tangible and intangible fixed assets" in the amount of ¥4,283 million mainly consist of capital expenditures related to the Central Research Institute.
6. "Segment profit" is reconciled with ordinary income.

(d) Related information

1. Information about products and services

This information is omitted because the same information is disclosed above.

2. Information about geographic areas

March 31, 2019	Japan	U.S.A.	Europe	Asia	Others	Total
	Millions of yen					
Net sales	¥ 916,687	¥ 159,656	¥ 84,863	¥ 480,389	¥ 21,394	¥ 1,662,990
Tangible fixed assets	544,068	83,929	9,188	48,657	1,570	687,415

March 31, 2018	Japan	U.S.A.	Europe	Asia	Others	Total
	Millions of yen					
Net sales	¥ 865,373	¥ 144,243	¥ 52,315	¥ 520,350	¥ 17,250	¥ 1,599,533
Tangible fixed assets	523,681	80,496	5,383	34,254	1,742	645,559

March 31, 2019	Japan	U.S.A.	Europe	Asia	Others	Total
	Thousands of U.S. dollars					
Net sales	$ 8,259,186	$ 1,438,473	$ 764,602	$ 4,328,227	$ 192,758	$14,983,247
Tangible fixed assets	4,901,957	756,193	82,786	438,398	14,150	6,193,485

Notes:

1. Countries or regions have been classified in terms of their geographic proximity.
2. Main countries or regions that belong to the geographic segments other than Japan and the United States are as follows:
   (1) Europe: Germany, United Kingdom, Spain, France, Finland
   (2) Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand
   (3) Others: Australia, Canada, Brazil
3. Information about major customers

This information is omitted because the Company does not have any major customers that account for 10% or more of net sales in the consolidated statements of income.

(e) Information about loss on impairment of fixed assets by reportable segments

March 31, 2019	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Elimination and corporate assets or expenses	Consolidated
	Millions of yen							
Loss on impairment	¥ 2,445	¥ 5,547	¥ —	¥ 232	¥ 66	¥ 8,291	¥ 148	¥ 8,440

March 31, 2018	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Elimination and corporate assets or expenses	Consolidated
	Millions of yen							
Loss on impairment	¥ 6,047	¥ 4,785	¥ —	¥ 31	¥ 165	¥ 11,029	¥ 6	¥ 11,035

March 31, 2019	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Elimination and corporate assets or expenses	Consolidated
	Thousands of U.S. dollars							
Loss on impairment	$ 22,035	$ 49,978	$ —	$ 2,092	$ 602	$ 74,709	$ 1,338	$ 76,047

Note:

"Elimination and corporate assets or expenses" of "Loss on impairment" for the fiscal year ended March 31, 2019 in an amount of ¥148 million ($1,338 thousand) mainly refers to loss on impairment of idle assets

"Elimination and corporate assets or expenses" of "Loss on impairment" for the fiscal year ended March 31, 2018 in an amount of ¥6 million mainly refers to loss on impairment of idle assets.

(f) Information about amortization and unamortized balance of goodwill by reportable segments

	Millions of yen							
March 31, 2019	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	¥ 434	¥ 1,230	¥ —	¥ 2,876	¥ 2	¥ 4,544	¥ —	¥ 4,544
Unamortized balance	7,762	7,302	—	25,746	4	40,816	—	40,816

	Millions of yen							
March 31, 2018	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	¥ 288	¥ 1,230	¥ —	¥ 2,873	¥ 2	¥ 4,395	¥ —	¥ 4,395
Unamortized balance	8,697	8,525	—	27,405	7	44,636	—	44,636

	Thousands of U.S. dollars							
March 31, 2019	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	$ 3,917	$ 11,086	$ —	$ 25,917	$ 23	$ 40,944	$ —	$ 40,944
Unamortized balance	69,936	65,796	—	231,973	40	367,747	—	367,747

Amortization and unamortized balance of negative goodwill incurred from business combinations that were conducted prior to April 1, 2010 are as follows:

	Millions of yen							
March 31, 2019	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	2,221	—	—	—	—	2,221	—	2,221

	Millions of yen							
March 31, 2018	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	2,221	—	—	—	—	2,221	—	2,221

	Thousands of U.S. dollars							
March 31, 2019	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unamortized balance	20,014	—	—	—	—	20,014	—	20,014

(g) Gain from negative goodwill by reportable segment
Fiscal years ended March 31, 2019 and 2018
Not applicable

Note 19 Revaluation Reserve for Land

Pursuant to Article 2, Paragraphs 3, 4 and 5 of the Enforcement Ordinance for the Law concerning Revaluation Reserve for Land (the "Revaluation Law"), effective on March 31, 1998, and to the partial revision to this law on March 31, 2001, the Company and its certain consolidated subsidiary revalued their own lands for business at fair value. The related unrealized gain, net of income taxes and non-controlling interests, was directly credited to "Revaluation reserve for land" in net assets in the consolidated balance sheets, and the applicable income tax effect was recorded as "Deferred tax liabilities for land revaluation" in liabilities in the consolidated balance sheets. When such land is sold, the revaluation reserve for land is reversed and credited to the retained earnings.

According to the Revaluation Law, the Group is not permitted to revalue the land at any time even if fair value of the land declines. Such unrecorded revaluation losses at March 31, 2019 and 2018 amounted to ¥38,347 million ($ 345,500 thousand) and ¥42,193 million, respectively.

Note 20 Notes to the Consolidated Statements of Cash Flows

Reconciliation between cash and cash equivalents in the consolidated statements of cash flows and the year-end balance of the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥ 108,648	¥ 93,389	$ 978,900
Less time deposits with original maturities greater than three months	(8,790)	(5,850)	(79,202)
Less restricted cash	(185)	(184)	(1,669)
Cash and cash equivalents	¥ 99,672	¥ 87,355	$ 898,028

Note 21 Net Income per Share of Common Stock

Reconciliation of the numbers and amounts used in the basic net income per share of common stock computation for the fiscal years ended March 31, 2019 and 2018 is as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
Year ended March 31, 2019	Net income	Weighted average shares	Net income per share	Net income per share
Basic net income per share:				
Net income attributable to owners of parent	¥ 1,298			
Net income attributable to common Shareholders of parent	1,298	130,956	¥ 9.92	$ 0.09

	Millions of yen	Thousands	Yen
Year ended March 31, 2018	Net income	Weighted average shares	Net income per share
Basic net income per share:			
Net income attributable to owners of parent	¥ 34,595		
Net income attributable to common Shareholders of parent	34,595	130,972	¥ 264.15

Notes:
Diluted net income per share has not been disclosed since there were no dilutive securities for the fiscal years ended March 31, 2019 and 2018.

Note 22 Related party Information

1. Transactions with related parties
Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

The information for the fiscal year ended March 31, 2019 and 2018 was omitted because there were no significant transactions with related parties for the fiscal year ended March 31, 2019 and 2018.

2. There was no applicable information about a significant affiliate for the fiscal years ended March 31, 2019 and 2018.

Note 23 Loss on Impairment of Fixed Assets

In reviewing fixed assets for impairment, the Group categorizes their operating assets mainly by product group within the reportable segments, and idle assets by asset unit.

For the fiscal years ended March 31, 2019 and 2018, the Company and the consolidated subsidiaries recognized the loss on impairment of fixed assets amounting to ¥8,440 million ($76,047 thousand) and ¥11,035 million, respectively, as other expenses in the consolidated statements of income by devaluating the carrying amount of each fixed asset to its recoverable amount. The devalued assets were in operating asset groups whose profitability has significantly deteriorated due to the decline in market value of products or others and also were idle assets whose recoverable amounts were lower than their carrying amounts due to the decline in market value of each asset, etc.

The details for the fiscal year ended March 31, 2019 were as follows:

			Loss on impairment	
Asset group	Location	Asset type	Millions of yen	Thousands of U.S. dollars
Advanced Products	Azumino, Nagano prefecture, etc.	Buildings, machinery and equipment, etc.	¥ 2,432	$ 21,914
Metalworking Solutions Business	Niigata, Niigata prefecture, etc.	Construction in progress, buildings	5,547	49,978
Cement Business	Nakatsu, Fukuoka prefecture	Tools, instruments	0	0
Others Business	Chiyoda-ku, Tokyo prefecture etc.	Lease assets, rights, etc	66	596
Idle assets	Mutsu, Aomori prefecture, etc.	Land, buildings, etc.	394	3,556
Total			¥ (*) 8,440	$ 76,047

(*) Details of loss on impairment by account
Buildings ¥1,131 million ($10,196 thousand), Machinery and equipment ¥812 million ($7,324 thousand), Land ¥655 million ($5,903 thousand), Construction in progress ¥5,513 million ($49,675 thousand) and Others ¥327 million ($2,947 thousand).

The details for the fiscal year ended March 31, 2018 were as follows:

			Loss on impairment
Asset group	Location	Asset type	Millions of yen
Advanced Products	Mobile in Alabama, America	Machinery and equipment, buildings, etc.	¥ 5,875
Metalworking Solutions Business	Niigata, Niigata prefecture, etc.	Machinery and equipment, tools, instruments, etc.	4,785
Cement Business	Onojo, Fukuoka prefecture, etc.	Tools, instruments, etc.	0
Others Business	Chuo-ku, Tokyo prefecture etc.	Software, buildings, etc	81
Rental Property	Bibai, Hokkaido prefecture	Land	1
Idle assets	Sakai, Osaka prefecture, etc.	Land, buildings, etc.	292
Total			¥ (*) 11,035

(*) Details of loss on impairment by account
Buildings ¥896 million, Machinery and equipment ¥7,267 million, Land ¥313 million and Others ¥2,558 million.

Note 24 Loss on Non-Conforming products

This expense was temporarily incurred for an investigation into the revealed fact that some of the products that the Group manufactured and sold in the past deviated from customer standards or internal company specifications as a result of misconduct, including the rewriting of inspection records data and the insufficient testing.

Note 25 Information on Net Assets

(a) Type and Number of Shares Issued and Treasury Stock
For the fiscal years ended March 31, 2019 and 2018, information on shares issued and treasury stock is presented as follows:

	Type of shares issued	Type of treasury stock
	Common stock	Common stock
Number of shares as of March 31, 2017	131,489,535	507,863
Increase during the fiscal year ended March 31, 2018	—	(*1) 19,324
Decrease during the fiscal year ended March 31, 2018	—	(*2) 98
Number of shares as of March 31, 2018	131,489,,535	527,089
Increase during the fiscal year ended March 31, 2019	—	(*3) 11,816
Decrease during the fiscal year ended March 31, 2019	—	(*4) 412
Number of shares as of March 31, 2019	131,489,535	538,493

(*1) Increase in the number of treasury shares during the fiscal year ended March 31, 2018
Purchase of less-than-one-unit shares 19,324 shares
(*2) Decrease in the number of shares issued during the fiscal year ended March 31, 2018
Sales of less-than one unit shares 98 shares
(*3) Increase in the number of treasury shares during the fiscal year ended March 31, 2019
Purchase of less-than-one-unit shares 11,816 shares
(*4) Decrease in the number of shares issued during the fiscal year ended March 31, 2019
Sales of less-than one unit shares 412 shares

(b) Dividends
1. Dividend payment
Approvals by the Board of Directors' meeting held on May 10, 2018 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥6,548 million ($58,998 thousand)
Dividends per share:	¥50.00 ($0.45)
Record date:	March 31, 2018
Effective date:	June 1, 2018

Approvals by the Board of Directors' meeting held on November 6, 2018 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥5,238 million ($47,196 thousand)
Dividends per share:	¥40.00 ($0.36)
Record date:	September 30, 2018
Effective date:	December 4, 2018

2. Dividends whose record date is attributable to the fiscal year ended March 31, 2019, but to be effective in the following fiscal year.
Approvals by the Board of Directors' meeting held on May 13, 2019 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥5,238 million ($47,194 thousand)
Source:	Retained earnings
Dividends per share:	¥40.00 ($0.36)
Record date:	March 31, 2019
Effective date:	June 3, 2019

Note 26 Subsequent Events

(A notice of hearing from the Japan Fair Trade Commission)
Universal Can Corporation, a consolidated subsidiary of the Company, was inspected on-site by the Japan Fair Trade Commission (the "JFTC") on February 6, 2018, due to a suspected violation of the Antimonopoly Act concerning its transactions related to empty beverage cans.

On July 2, 2019, Universal Can Corporation has received a notice of hearing from the JFTC pertaining to cease and desist order (draft) and surcharge payment order (draft). In accordance with the surcharge payment order (draft), ¥10,400 million ($93,702 thousand) of extraordinary loss will be recorded as a provision for the loss related to the Antimonopoly Act in the Company's consolidated financial statements of the 1st quarter for the fiscal year ending March 31, 2020.

(Change of segmentation)
At the meeting of the Board of Directors held on February 12, 2019, the Company resolved to partially change the organization of its business division. This change was made on April 1, 2019.

The coal-related business in the "Other business" was reclassified into the "Cement Business", which uses coal to produce thermal energy. This change in segment was made to achieve more efficient business management.

Revised segment information about profit or loss, assets, liabilities and other material items as of and for the fiscal year ended March 31, 2019 is as follows

	Millions of yen							
March 31, 2019	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Adjustment	Consolidated
Sales:								
External customers	¥ 557,323	¥ 159,632	¥ 549,232	¥ 249,552	¥ 147,249	¥ 1,662,990	¥ —	¥ 1,662,990
Intersegment	13,666	11,918	170,864	4,098	47,515	248,064	(248,064)	—
Total	570,990	171,551	720,097	253,650	194,764	1,911,055	(248,064)	1,662,990
Segment profit	13,227	15,609	2,323	19,725	10,378	61,264	(10,584)	50,679
Segment assets	531,846	230,636	559,421	368,081	142,254	1,832,239	106,030	1,938,270
Segment liabilities	437,966	126,598	391,460	132,014	122,344	1,210,385	4,548	1,214,933
Other items								
Depreciation	¥ 17,228	¥ 11,381	¥ 11,897	¥ 12,708	¥ 3,077	¥ 56,294	¥ 3,680	¥ 59,974
Amortization of goodwill	434	1,230	—	2,876	2	4,544	—	4,544
Interest income	416	56	852	161	289	1,776	(522)	1,254
Interest expense	2,197	856	1,803	1,193	152	6,204	(1,348)	4,855
Equity in earnings of affiliates	1,304	—	(577)	2,399	468	3,595	(0)	3,594
Investment in affiliates accounted for by the equity method	11,697	—	3,941	22,960	5,265	43,864	(150)	43,714
Increase in tangible and intangible fixed assets	26,120	22,810	29,274	16,972	3,694	98,873	4,545	103,418

	Thousands of US dollars							
March 31, 2019	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Adjustment	Consolidated
Sales:								
External customers	$ 5,021,388	$ 1,438,260	$ 4,948,488	$ 2,248,420	$ 1,326,689	$ 14,983,247	$ —	$ 14,983,247
Intersegment	123,131	107,387	1,539,460	36,928	428,107	2,235,015	(2,235,015)	—
Total	5,144,520	1,545,647	6,487,948	2,285,349	1,754,796	17,218,263	(2,235,015)	14,983,247
Segment profit	119,177	140,637	20,931	177,719	93,511	551,978	(95,361)	456,616
Segment assets	4,791,840	2,077,990	5,040,286	3,316,343	1,281,690	16,508,152	955,314	17,463,467
Segment liabilities	3,946,001	1,140,627	3,526,992	1,189,430	1,102,300	10,905,352	40,976	10,946,329
Other items								
Depreciation	155,228	102,546	107,197	114,500	27,727	507,200	33,162	540,362
Amortization of goodwill	3,917	11,086	—	25,917	23	40,944	—	40,944
Interest income	3,754	511	7,682	1,453	2,605	16,007	(4,708)	11,298
Interest expense	19,802	7,714	16,250	10,756	1,373	55,896	(12,149)	43,747
Equity in earnings of affiliates	11,748	—	(5,200)	21,622	4,221	32,392	(3)	32,388
Investment in affiliates accounted for by the equity method	105,391	—	35,509	206,872	47,441	395,214	(1,357)	393,857
Increase in tangible and intangible fixed assets	235,343	205,518	263,761	152,915	33,290	890,829	40,950	931,780

Notes:
1. "Others Business" includes nuclear energy-related business, environmental and recycling-related business, real estate business and engineering-related business.
2. Included in "Adjustment" of "Segment profit" in the amount of ¥ (10,584) million ($(95,361) thousand) are intersegment transaction elimination in the amount of ¥81 million ($737 thousand) and corporate expenses that cannot be allocated to each reportable segment in the amount of ¥ (10,666) million ($(96,099) thousand). Corporate expenses consist mainly of general and administrative expenses, basic research and development expenses and financial income or expenses which are not attributable to any reportable segment.
3. "Adjustment" of "Segment assets" in the amount of ¥106,030 million ($955,314 thousand) includes intersegment transaction elimination of ¥ (51,667) million ($(465,519) thousand) and corporate assets that are not allocated to each reportable segment in the amount of ¥157,698 million ($1,420,834 thousand). Corporate assets are mainly assets related to administrative departments which do not belong to any reportable segment and assets related to basic research and development.
4. "Adjustment" of "Segment liabilities" in the amount of ¥4,548 million ($40,976 thousand) includes intersegment transaction elimination of ¥ (51,808) million ($(466,781) thousand) and corporate liabilities that are not allocated to each reportable segment in the amount of ¥56,356 million ($507,758 thousand). Corporate liabilities are mainly liabilities related to administrative departments which do not belong to any reportable segments and liabilities related to basic research and development.
5. "Adjustment" of "Increase in tangible and intangible fixed assets" in the amount of ¥4,545 million ($40,950 thousand) mainly consist of capital expenditures related to the Central Research Institute.
6. "Segment profit" is reconciled with ordinary income.

Independent Auditor's Report

To the Board of Directors of Mitsubishi Materials Corporation:

KPMG

Independent Auditor's Report

To the Board of Directors of Mitsubishi Materials Corporation:

We have audited the accompanying consolidated financial statements of Mitsubishi Materials Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsubishi Materials Corporation and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in Note 26 Subsequent Events to the Company's consolidated financial statements, on July 2, 2019, Universal Can Corporation, a consolidated subsidiary of the Company, has received a notice of hearing from the Japan Fair Trade Commission pertaining to cease and desist order (draft) and surcharge payment order (draft). In accordance with the surcharge payment order (draft), ¥10,400 million of extraordinary loss will be recorded as a provision for the loss related to the Antimonopoly Act in the Company's consolidated financial statements of the 1st quarter for the fiscal year ending March 31, 2020. Our opinion is not modified in respect of this matter.

KPMG

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
July 8, 2019
Tokyo, Japan

Main Consolidated Subsidiaries and Affiliates (As of March 31, 2019)

Main Consolidated Subsidiaries

	Line of Business	Percentage of Ownership (including indirect ownership)
Advanced Products		
Mitsubishi Cable Industries, Ltd.	Production and sales of sealing products	100.0%
Mitsubishi Shindoh Co., Ltd.	Production and sales of processed copper products and processed copper alloy products	100.0%
MMC Copper Products Oy	Business administration of subsidiaries that produce and sell processed copper products	100.0%
Sambo Metals Corp.	Sales of rolled copper products and electric wires	100.0%
Mitsubishi Aluminum Co., Ltd.	Production and sales of rolled and processed aluminum products	90.4%
Universal Can Corp.	Production and sales of aluminum beverage cans	80.0%
Metalworking Solutions Business		
Mitsubishi Hitachi Tool Engineering, Ltd.	Production and sales of cemented carbide tools	51.0%
Metals Business		
Materials Eco-Refining Co., Ltd.	Smelting, processing and recycling of non-ferrous metals	100.0%
Onahama Smelting & Refining Co., Ltd.	Smelting on consignment of copper concentrate	55.7%
PT. Smelting	Production and sales of copper cathode in Indonesia	60.5%
Cement Business		
MCC Development Corp.	Investment in ready-mixed concrete businesses in the U.S.	70.0%
Mitsubishi Cement Corp.	Production and sales of cement in the south-west area of the U.S.	67.0%
Robertson's Ready Mix, Ltd.	Production and sales of ready-mixed concrete and aggregate in the south-west area of the U.S.	100.0%
Others Business		
Materials' Finance Co., Ltd.	Financing the Company and its affiliates	100.0%
Mitsubishi Materials Techno Corp.	Technical construction and civil engineering; production and sales of industrial machinery	100.0%
Mitsubishi Materials Trading Corp.	Sales of the Company's products and other non-ferrous metal products	100.0%

Main Affiliates

	Line of Business	Percentage of Ownership (including indirect ownership)
Advanced Products		
Kobelco & Materials Copper Tube Co., Ltd.	Production and sales of copper tubes and fabricated copper tubes	45.0%
Cement Business		
NM Cement Co., Ltd.	Investment in Nghi Son Cement Corp. (Vietnam)	30.0%
P.S. Mitsubishi Construction Co., Ltd.	Pre-stressed concrete works, civil engineering and sales of concrete products	33.9%
Ube-Mitsubishi Cement Corp.	Sales of cement and cement-related products	50.0%
Others Business		
LM Sun Power Co., Ltd.	Operation of solar power generation	50.0%