Financial Information 2019

Iwatani Corporation

CONTENTS

Consolidated Balance Sheets

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 4)
ASSETS	2018	**2019**	**2019**
Current assets:			
Cash and cash equivalents (Note 7)	¥ 17,769	**¥ 19,510**	**$ 175,781**
Time deposits (Note 7)	464	**437**	**3,937**
Notes and accounts receivable (Note 7)			
Trade	121,698	**122,179**	**1,100,810**
Other	4,863	**5,165**	**46,535**
Allowance for doubtful accounts	(328)	**(269)**	**(2,423)**
Inventories (Note 9)	39,367	**41,019**	**369,573**
Other	7,367	**9,791**	**88,215**
Total current assets	191,202	**197,835**	**1,782,457**
Property, plant and equipment:			
Land (Notes 10 and 15)	61,104	**62,251**	**560,870**
Buildings and structures (Note 10)	125,872	**129,198**	**1,164,050**
Machinery, vehicles, equipment and tools (Note 10)	165,063	**171,622**	**1,546,283**
Lease assets	9,112	**7,232**	**65,159**
Construction in progress	1,540	**2,661**	**23,975**
	362,693	**372,966**	**3,360,356**
Accumulated depreciation	(202,443)	**(208,524)**	**(1,878,763)**
Net property, plant and equipment	160,249	**164,441**	**1,481,583**
Intangible assets:			
Goodwill	14,313	**14,135**	**127,353**
Other	3,339	**3,596**	**32,399**
Total intangible assets	17,653	**17,732**	**159,762**
Investments and other assets:			
Investments in securities (Notes 7, 8 and 10)	50,186	**45,532**	**410,235**
Investments in nonconsolidated subsidiaries and affiliates (Note 7)	19,554	**18,012**	**162,284**
Net defined benefit asset (Note 12)	1,265	**1,424**	**12,829**
Deferred tax assets (Note 11)	3,589	**3,263**	**29,399**
Other	10,401	**9,950**	**89,647**
Allowance for doubtful accounts	(585)	**(588)**	**(5,297)**
Total investments and other assets	84,413	**77,593**	**699,099**
Total assets	¥ 453,518	**¥ 457,603**	**$ 4,122,920**

See the accompanying Notes to the Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2018	2019	Thousands of U.S. dollars (Note 4) 2019
Current liabilities:			
Short-term borrowings (Notes 7 and 10)	¥ 26,667	**¥ 23,064**	**$ 207,802**
Current portion of long-term debt (Notes 7 and 10)	16,719	**11,661**	**105,063**
Notes and accounts payable–trade (Note 7)	71,782	**72,512**	**653,320**
Electronically recorded obligations–operating (Note 7)	23,076	**25,873**	**233,111**
Income taxes payable	6,369	**5,436**	**48,977**
Accrued bonuses	4,909	**5,039**	**45,400**
Other	28,994	**29,134**	**262,492**
Total current liabilities	178,519	**172,722**	**1,556,194**
Long-term liabilities:			
Long-term debt (Notes 7 and 10)	83,838	**87,679**	**789,972**
Deferred tax liabilities (Note 11)	6,918	**5,806**	**52,311**
Net defined benefit liability (Note 12)	5,843	**5,770**	**51,986**
Allowance for retirement benefits for directors and statutory auditors	1,538	**1,639**	**14,767**
Provision for loss on litigation (Note 2 (17))	—	**157**	**1,414**
Other	10,958	**9,841**	**88,665**
Total long-term liabilities	109,097	**110,894**	**999,135**
Total liabilities	287,617	**283,617**	**2,555,338**
Contingent liabilities (Note 13)			
Net assets (Note 18)			
Shareholders' equity:			
Common stock Authorized–120,000,000 shares in 2019 and 2018 Issued–50,273,005 shares in 2019 and 2018	20,096	**20,096**	**181,061**
Capital surplus	18,077	**16,680**	**150,283**
Retained earnings	96,455	**112,968**	**1,017,821**
Treasury stock, at cost 1,071,902 shares in 2019 1,068,451 shares in 2018	(1,508)	**(1,521)**	**(13,703)**
Total shareholders' equity	133,121	**148,223**	**1,335,462**
Accumulated other comprehensive income:			
Unrealized gains (losses) on securities	19,593	**16,283**	**146,706**
Deferred gains (losses) on hedges	(58)	**661**	**5,955**
Foreign currency translation adjustments	1,548	**(22)**	**(198)**
Remeasurements of defined benefit plans	203	**263**	**2,369**
Total accumulated other comprehensive income	21,287	**17,186**	**154,842**
Noncontrolling interests	11,491	**8,577**	**77,277**
Total net assets	165,901	**173,986**	**1,567,582**
Total liabilities and net assets	¥ 453,518	**¥ 457,603**	**$ 4,122,920**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Income

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
Net sales	¥ 670,792	**¥ 715,085**	**$ 6,442,787**
Cost of sales	502,764	**544,471**	**4,905,586**
Gross profit	168,027	**170,613**	**1,537,192**
Selling, general and administrative expenses (Note 19)	140,834	**144,157**	**1,298,828**
Operating income	27,193	**26,456**	**238,363**
Other income (expenses):			
Interest and dividend income	1,205	**1,473**	**13,271**
Interest expense	(1,076)	**(962)**	**(8,667)**
Equity in earnings of nonconsolidated subsidiaries and affiliates	241	**590**	**5,315**
Impairment loss on fixed assets (Note 15)	(45)	**(135)**	**(1,216)**
Other, net (Note 20)	1,521	**2,015**	**18,154**
	1,846	**2,982**	**26,867**
Income before income taxes	29,040	**29,438**	**265,231**
Income taxes (Note 11):			
Current	9,710	**9,209**	**82,971**
Deferred	758	**59**	**531**
	10,469	**9,268**	**83,503**
Net income	18,571	**20,169**	**181,719**
Net income attributable to noncontrolling interests	993	**948**	**8,541**
Net income attributable to owners of parent	¥ 17,577	**¥ 19,221**	**$ 173,177**

	Yen		U.S. dollars (Note 4)
	2018	2019	2019
Per share (Note 17):			
Basic net income	¥ 357.20	**¥ 390.62**	**$ 3.51**
Diluted net income	306.31	**334.88**	**3.01**
Cash dividends applicable to the period	55.00	**65.00**	**0.58**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
Net income	¥ 18,571	**¥ 20,169**	**$ 181,719**
Other comprehensive income:			
Unrealized gains (losses) on securities	3,179	**(3,306)**	**(29,786)**
Deferred gains (losses) on hedges	(26)	**717**	**6,460**
Foreign currency translation adjustments	1,204	**(1,586)**	**(14,289)**
Remeasurements of defined benefit plans, net of tax	49	**67**	**603**
Share of other comprehensive income of associates accounted for using equity method	124	**(106)**	**(955)**
Total other comprehensive income	4,531	**(4,214)**	**(37,967)**
Comprehensive income	¥ 23,102	**¥ 15,955**	**$ 143,751**
Comprehensive income attributable to:			
Owners of the parent	22,023	**15,120**	**136,228**
Noncontrolling interests	¥ 1,079	**¥ 834**	**$ 7,514**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

		Millions of yen									
	Number of shares of common stock (thousands)	Shareholders' equity				Accumulated other comprehensive income					
		Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Noncontrolling interests	Total
Balance as of April 1, 2017	251,365	¥ 20,096	¥ 18,107	¥ 80,849	¥ (1,478)	¥ 16,364	¥ (31)	¥ 355	¥ 153	¥ 10,464	¥ 144,879
Net income attributable to owners of parent for the year	—	—	—	17,577	—	—	—	—	—	—	17,577
Cash dividends	—	—	—	(1,970)	—	—	—	—	—	—	(1,970)
Purchase of treasury stock	—	—	—	—	(33)	—	—	—	—	—	(33)
Disposal of treasury stock	—	—	0	—	0	—	—	—	—	—	1
Purchase of shares of consolidated subsidiaries	—	—	28	—	—	—	—	—	—	—	28
Decrease by merger	—	—	(58)	—	—	—	—	—	—	—	(58)
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	3	—	—	—	—	—	3
Changes in scope of equity method	—	—	—	0	—	—	—	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	3,228	(26)	1,193	50	1,027	5,473
Balance as of April 1, 2018	50,273	¥ 20,096	¥ 18,077	¥ 96,455	¥ (1,508)	¥ 19,593	¥ (58)	¥ 1,548	¥ 203	¥ 11,491	¥ 165,901
Net income attributable to owners of parent for the year	—	—	—	19,221	—	—	—	—	—	—	19,221
Cash dividends	—	—	—	(2,708)	—	—	—	—	—	—	(2,708)
Purchase of treasury stock	—	—	—	—	(13)	—	—	—	—	—	(13)
Disposal of treasury stock	—	—	0	—	0	—	—	—	—	—	0
Purchase of shares of consolidated subsidiaries	—	—	(1,397)	—	—	—	—	—	—	—	(1,397)
Decrease by merger	—	—	—	—	—	—	—	—	—	—	—
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	0	—	—	—	—	—	0
Changes in scope of equity method	—	—	—	—	—	—	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	(3,309)	719	(1,571)	59	(2,914)	(7,016)
Balance as of March 31, 2019	**50,273**	**¥ 20,096**	**¥ 16,680**	**¥ 112,968**	**¥ (1,521)**	**¥ 16,283**	**¥ 661**	**¥ (22)**	**¥ 263**	**¥ 8,577**	**¥ 173,986**

		Thousands of U.S. dollars (Note 4)									
	Number of shares of common stock (thousands)	Shareholders' equity				Accumulated other comprehensive income					
		Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Noncontrolling interests	Total
Balance as of April 1, 2018	50,273	$ 181,061	$ 162,870	$ 869,042	$ (13,586)	$ 176,529	$ (522)	$ 13,947	$ 1,828	$ 103,531	$ 1,494,738
Net income attributable to owners of parent for the year	—	—	—	173,177	—	—	—	—	—	—	173,177
Cash dividends	—	—	—	(24,398)	—	—	—	—	—	—	(24,398)
Purchase of treasury stock	—	—	—	—	(117)	—	—	—	—	—	(117)
Disposal of treasury stock	—	—	0	—	0	—	—	—	—	—	0
Purchase of shares of consolidated subsidiaries	—	—	(12,586)	—	—	—	—	—	—	—	(12,586)
Decrease by merger	—	—	—	—	—	—	—	—	—	—	—
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	0	—	—	—	—	—	0
Changes in scope of equity method	—	—	—	—	—	—	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	(29,813)	6,478	(14,154)	531	(26,254)	(63,212)
Balance as of March 31, 2019	**50,273**	**$ 181,061**	**$ 150,283**	**$ 1,017,821**	**$ (13,703)**	**$ 146,706**	**$ 5,955**	**$ (198)**	**$ 2,369**	**$ 77,277**	**$ 1,567,582**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	**2019**	**2019**
Cash flows from operating activities:			
Income before income taxes	¥ 29,040	**¥ 29,438**	**$ 265,231**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	19,865	**20,772**	**187,151**
Insurance claim income	—	**(115)**	**(1,036)**
Impairment loss on fixed assets	45	**135**	**1,216**
Subsidy income	(840)	**(84)**	**(756)**
Loss on reduction of noncurrent assets	795	**194**	**1,747**
Increase (decrease) in allowance for doubtful accounts	(172)	**(63)**	**(567)**
Increase (decrease) in allowance for employees' bonuses	146	**113**	**1,018**
Increase (decrease) in net defined benefit liability	211	**(73)**	**(657)**
Decrease (increase) in net defined benefit asset	343	**(158)**	**(1,423)**
Decrease (increase) in provision for loss on litigation	—	**157**	**1,414**
Increase (decrease) in allowance for retirement benefits to directors and statutory auditors	146	**100**	**900**
Interest and dividend income	(1,205)	**(1,473)**	**(13,271)**
Interest expense	1,076	**962**	**8,667**
Foreign exchange (gains) losses	221	**33**	**297**
Equity in earnings of nonconsolidated subsidiaries and affiliates	(241)	**(590)**	**(5,315)**
Loss (gain) on sales and disposals of fixed assets	315	**347**	**3,126**
Loss (gain) on sales of investments in securities	0	**(152)**	**(1,369)**
Loss on valuation of investments in securities	1	**31**	**279**
Loss (gain) on liquidation of subsidiaries and affiliates	36	**—**	**—**
Loss (gain) on valuation of investments in capital	—	**0**	**0**
Changes in assets and liabilities			
Decrease (increase) in notes and accounts receivable–trade	(8,441)	**(1,042)**	**(9,388)**
Decrease (increase) in inventories	(1,431)	**(2,040)**	**(18,380)**
Increase (decrease) in notes and accounts payable–trade	830	**3,853**	**34,714**
Increase (decrease) in advances received	(4,600)	**204**	**1,838**
Other, net	2,253	**(1,776)**	**(16,001)**
Subtotal	¥ 38,397	**¥ 48,772**	**$ 439,426**
Interest and dividend received	1,134	**1,388**	**12,505**
Dividends received from equity method subsidiaries and affiliates	145	**147**	**1,324**
Interest paid	(1,010)	**(853)**	**(7,685)**
Income taxes paid	(10,156)	**(10,337)**	**(93,134)**
Net cash provided by (used in) operating activities	¥ 28,510	**¥ 39,117**	**$ 352,437**
Cash flows from investing activities:			
Payments for purchase of investments in securities	(2,742)	**(548)**	**(4,937)**
Proceeds from sales and redemption of investments in securities	201	**182**	**1,639**
Proceeds from sales of investments in capital	8	**1**	**9**
Payments for purchases of fixed assets	(24,742)	**(24,420)**	**(220,019)**
Proceeds from sales of fixed assets	996	**1,131**	**10,190**
Investments in loans receivable	(2,700)	**(3,092)**	**(27,858)**
Collection of loans receivable	2,836	**3,187**	**28,714**
Other, net	(285)	**(134)**	**(1,207)**
Net cash provided by (used in) investing activities	¥ (26,427)	**¥ (23,693)**	**$ (213,469)**
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	3,203	**(3,416)**	**(30,777)**
Proceeds from long-term debt	17,943	**17,128**	**154,320**
Repayment of long-term debt	(23,777)	**(18,246)**	**(164,393)**
Cash dividends paid	(1,972)	**(2,703)**	**(24,353)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(98)	**(4,817)**	**(43,400)**
Other, net	(1,630)	**(1,559)**	**(14,046)**
Net cash provided by (used in) financing activities	¥ (6,332)	**¥ (13,614)**	**$ (122,659)**
Effect of exchange rate changes on cash and cash equivalents	358	**(502)**	**(4,522)**
Net increase (decrease) in cash and cash equivalents	(3,890)	**1,306**	**11,766**
Cash and cash equivalents at beginning of year	21,200	**17,769**	**160,095**
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	271	**297**	**2,675**
Increase (decrease) in cash and cash equivalents resulting from merger with nonconsolidated subsidiaries	187	**138**	**1,243**
Cash and cash equivalents at end of period	¥ 17,769	**¥ 19,510**	**$ 175,781**

See the accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Iwatani Corporation and its Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Iwatani Corporation ("the Company") and its consolidated subsidiaries (together, "the Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act 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 restructured and translated into English, with some expanded descriptions, 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 Act. Some 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.

As permitted, amounts of less than one million yen are omitted in the presentation for 2018 and 2019. As a result, the totals shown in the accompanying consolidated financial statements, both in yen and in U.S. dollars, do not necessarily agree with the sum of the individual amounts.

2. Summary of Major Accounting Policies

(1) Scope of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 107 of its subsidiaries for the year ended March 31, 2019. Certain subsidiaries have fiscal years ending on December 31. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the fiscal year-end of those subsidiaries and the fiscal year-end of the Company.

(2) Equity method of accounting for investments in nonconsolidated subsidiaries and affiliates

As of March 31, 2019, the Company had 52 nonconsolidated subsidiaries and 80 affiliates (Companies over which the Company exercises significant influence over operating and financial policies). The equity method has been applied to the investments in 52 of the subsidiaries and 39 of the affiliates. Since the investments in the remaining affiliates do not have a material effect on consolidated net income and retained earnings, the investments in these affiliates are carried at cost and are not accounted for by the equity method.

(3) Translation of foreign currencies

Foreign currency transactions are translated at the applicable rate of exchange prevailing at the transaction date. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Japanese yen at the applicable rate of exchange prevailing at the balance sheet date. Exchange differences are charged or credited to income. Assets and liabilities of foreign consolidated subsidiaries and affiliates accounted for by the equity method are translated into Japanese yen at applicable year-end rates of exchange, and all income and expense accounts are translated at the average rate of exchange prevailing during the year. The resulting translation adjustments are accumulated and included in "Foreign currency translation adjustments" classified as part of net assets.

(4) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally, with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of change in value because of a change in interest rates.

(5) Securities

Securities are classified into four categories: trading securities, held-to-maturity debt securities, equity securities of nonconsolidated subsidiaries and affiliates and other securities.

As of March 31, 2018 and 2019, the Companies did not hold any trading securities.

Held-to-maturity debt securities are stated at amortized cost. Equity securities of nonconsolidated subsidiaries and affiliates are accounted for, with minor exceptions due to materiality, using the equity method of accounting. Other securities whose fair market values are readily determinable are carried at fair value with unrealized gains and losses included as a component of net assets, net of related taxes. Other securities for which it is not practicable to estimate fair value are stated at cost. In cases in which a significant decline in the value of net assets is assessed to be other than temporary, the cost of other securities is written-down by the impaired amount and charged to income. Realized gains and losses are determined by the moving average cost method and are reflected in the consolidated statement of income.

(6) Allowance for doubtful accounts

An allowance for doubtful accounts is provided in an amount based on past experience with bad debts generally and an evaluation of the collectibility of specific receivables with the possibility of default.

(7) Inventories

Inventories are stated mainly at the lower of first-in, first-out cost or net realizable value.

(8) Property, plant and equipment and depreciation

Fixed assets, including significant renewals and additions, are carried at cost. When these assets are retired or otherwise disposed of, the cost and related depreciation are cleared from the respective accounts, and the net difference less any amount realized on disposal is reflected in earnings.

Principal estimated useful lives are as follows:

Buildings and structures	3 to 50 years
Machinery, vehicles, equipment and tools	2 to 20 years

Depreciation is calculated by the declining balance method over the useful life of the asset, except that the straight-line method is applied to the Sakai LPG Plant, hydrogen stations, certain fixed assets for lease, certain gas generators, buildings purchased since April 1, 1998 and facilities attached to buildings and structures purchased since April 1, 2016.

Lease assets are depreciated using the straight-line method over the lease term as the useful life, with zero residual value. However, finance lease transactions that do not transfer ownership of the lease assets and have total lease payments of not more than ¥3 million ($27 thousand) under a single lease contract are accounted for as operating leases. Maintenance and repairs, including minor renewals and improvements are charged to income as incurred.

(9) Intangible assets

Computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years. Other intangible assets are amortized by the straight-line method over the estimated useful life of the respective asset.

(10) Income taxes

The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income taxes are measured by applying currently enacted tax laws. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the change is enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(11) Accrued bonuses

Accrued bonuses are calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees as of the date of the balance sheet.

(12) Retirement benefits

(i) Employees' severance and retirement benefits

To provide for retirement benefit payments to employees, net defined benefit asset and liability are recorded at the amounts deemed to be incurred at the fiscal year-end based on the amount of projected benefit obligations and the fair value of plan assets at the fiscal year-end. The retirement benefit obligations are attributed to periods on a benefit formula basis.

Prior service cost is amortized by the straight-line method over a period of 12 to 14 years, which is within the average remaining years of service of employees. Actuarial differences are amortized by the straight-line method over a period of 12 to 14 years, which is within the average remaining years of service of employees, commencing with the following period.

Unrecognized actuarial differences and unrecognized prior service cost are accrued as remeasurements of defined benefit plans, net of tax, in accumulated other comprehensive income in net assets.

Certain consolidated subsidiaries apply the simplified method to estimate the amount required for voluntary resignations at the end of the fiscal year as the retirement benefit liability in order to calculate net defined benefit liability and retirement benefit expenses.

(ii) Retirement benefits for directors and statutory auditors

To provide for the payment of lump-sum retirement benefits to directors and statutory auditors, certain consolidated subsidiaries provide an allowance for retirement benefits to directors and statutory auditors at an amount that would be required by their internal regulations if all directors and statutory auditors retired on the balance sheet date.

(13) Goodwill and negative goodwill

Goodwill is amortized on a straight-line basis over a period not to exceed 10 years.

(14) Derivative financial instruments

Derivative financial instruments are used by the Companies principally to reduce interest rate and foreign exchange rate risks.

Derivative financial instruments are measured at fair value. Hedging transactions which meet the criteria for hedge accounting are accounted for using deferral hedge accounting, which requires the unrealized gain or loss on a hedging instrument to be deferred as a liability or asset until the loss or gain on the related hedged item is recognized. In addition, certain forward exchange contracts and certain interest rate swap transactions are accounted for using the allocation method and the special method. The allocation method requires that recognized foreign currency receivables and payables covered by forward exchange contracts be translated at contract rates. Under the special method, interest rate swap transactions are accounted for as if the interest rates under those transactions were originally applied to the underlying borrowings and bonds.

(15) Expenses for research and development

Expenses for research and development are charged to income when incurred.

(16) Reclassifications

Certain reclassifications of the financial statements for the year ended March 31, 2018 have been made to conform to the presentation for the year ended March 31, 2019.

(17) Provision for loss on litigation

In order to cover the probable losses on lawsuit, an allowance for loss is provided for the estimated amount acceptable as needed.

3. Accounting Changes

(Changes in presentation method)

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

Upon application of "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 period, the Company and its domestic subsidiaries changed the presentation of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of 'investments and other assets' and 'noncurrent liabilities,' respectively.

As a result, ¥1,464 million and ¥1,917 million of deferred tax assets classified as "current assets" have been included in deferred tax assets (¥3,589 million) in "investments and other assets" and deferred tax liabilities (¥6,918 million) classified as "noncurrent liabilities," respectively, in the balance sheet as of the end of the previous fiscal year.

(Standards and guidance not yet adopted)

The following standard and guidance were issued but not yet adopted.

—"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)

—"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following 5 steps:

Step 1: Identify contracts with customers.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective dates

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

(3) Effects of application of the standards

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.

4. U.S. Dollar Amounts

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2019, which was ¥110.99 to U.S.$1.00. The translations should not be construed as representations 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.

5. Accounting Standards for Presentation of Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	2018	2019	2019
Unrealized gains (losses) on securities			
Increase (decrease) during the year	¥ 4,584	**¥ (4,782)**	**$ (43,084)**
Reclassification adjustments	0	**31**	**279**
Subtotal, before tax	4,585	**(4,751)**	**(42,805)**
Tax (expense) or benefit	(1,405)	**1,445**	**13,019**
Subtotal, net of tax	3,179	**(3,306)**	**(29,786)**
Deferred gains (losses) on hedges			
Increase (decrease) during the year	(63)	**1,052**	**9,478**
Subtotal, before tax	(63)	**1,052**	**9,478**
Tax (expense) or benefit	37	**(335)**	**(3,018)**
Subtotal, net of tax	(26)	**717**	**6,460**
Foreign currency translation adjustments			
Increase (decrease) during the year	1,167	**(1,586)**	**(14,289)**
Reclassification adjustments	36	**—**	**—**
Subtotal, before tax	1,204	**(1,586)**	**(14,289)**
Subtotal, net of tax	1,204	**(1,586)**	**(14,289)**
Remeasurements of defined benefit plans, net of tax			
Increase (decrease) during the year	21	**66**	**594**
Reclassification adjustments	50	**30**	**270**
Subtotal, before tax	71	**96**	**864**
Tax (expense) or benefit	(21)	**(29)**	**(261)**
Subtotal, net of tax	49	**67**	**603**
Share of other comprehensive income of associates accounted for using equity method			
Increase (decrease) during the year	124	**(106)**	**(955)**
Reclassification adjustments	—	**—**	**—**
Subtotal, net of tax	124	**(106)**	**(955)**
Total other comprehensive income	¥ 4,531	**¥ (4,214)**	**$ (37,967)**

6. Supplemental Information on the Consolidated Statements of Cash Flows

There were no significant noncash transactions to report for the years ended March 31, 2018 and 2019.

7. Financial Instruments

Information on Financial instruments as of March 31, 2018 and 2019 was as follows:

1. Status of financial instruments

(1) Policies for financial instruments

The Group primarily obtains funds through borrowing from banks and the issuance of corporate bonds for funding of its capital expenditures plan. After adequate liquidity has been ensured, the Companies invest temporary excess funds in deposits with low risk. Additionally, the Companies obtain short-term funds through bank borrowings, etc. The Companies utilize derivative transactions only for hedging purposes and not for speculative or dealing purposes.

(2) Description and risks of financial instruments

Notes and accounts receivable are exposed to customer credit risk. Additionally, some notes and accounts receivable are denominated in foreign currencies and are exposed to exchange rate fluctuation risk. If necessary, the Companies utilize foreign exchange forward contracts to reduce foreign currency risk.

Investments in securities are composed primarily of held-to-maturity debt securities and stocks in companies with which the Companies have business alliances and are exposed to credit risk in relation to issuers and market price fluctuation risk.

Notes, accounts payable such as accounts payable–trade and electronically recorded obligations–operating are generally payable within six months. Some notes and accounts payable are denominated in foreign currencies. If necessary, the

Tables show ¥ in millions and US$ in thousands.

Companies utilize foreign exchange forward contracts to reduce foreign currency risk.

Borrowings and bonds are used mainly to procure funds for capital expenditures. The longest redemption period is twelve years after the fiscal year closing date. Because some of these instruments have a variable interest rate, they are exposed to interest rate fluctuation risk.

Derivative transactions consist of the use of foreign exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to notes and accounts receivable and notes and accounts payable. Hedging instruments and hedged items, hedging policy, assessment of hedge effectiveness and hedge accounting are discussed in Note 2 (14), "Summary of Major Accounting Policies–Derivative financial instruments."

(3) Risk management of financial instruments

(i) Management of credit risk (risk of default by customers and counterparties)

In accordance with the internal policies of the Companies for managing credit risk arising from receivables and long-term loan receivables, each related sales management section monitors the credit worthiness of their main customers and counterparties on a regular basis and monitors due dates and outstanding balances by individual customer. In addition, the Companies are making efforts to quickly identify and mitigate risks of bad debts of customers who are having financial difficulties. In investments in securities, the Companies monitor the financial condition, etc., of the issuing companies on a regular basis. The Companies believe that the credit risk of the derivatives themselves is insignificant as they enter into derivatives only with financial institutions which have a high credit rating.

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

The Companies utilize foreign exchange forward contracts within the requirements of their business activities in respect to a portion of their trade receivables and trade liabilities denominated in foreign currencies to mitigate exchange rate fluctuation risk. In investments in securities, the Companies review the fair value of these securities and the financial condition of the issuing companies on a quarterly basis. For investments in securities, except held-to-maturity debt securities, the Companies monitor the market price and financial condition of the issuers and regularly evaluate the investment in each company, taking into account the relationship with the counterparty.

The accounting department enters into and manages derivative transactions within the requirements of the Companies' business activities and regulations established by the internal policies of the Companies. Based on policies approved by the Board of Directors, the issuance of bonds and the borrowing of large amounts, etc., are decided only by the Board of Directors. Therefore, foreign exchange forward contracts and interest rate swap contracts in respect to the aforementioned transactions are decided by the Board of Directors at the same time.

(iii) Management of liquidity risk (risk that the Companies may not be able to meet their obligations on scheduled due dates)

The Companies prepare cash flow projections and monitor funding requirements in the accounting department based on reports from each section and maintain fund liquidity.

(4) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on market price, but in cases in which the market price is not available, the fair value is reasonably estimated. As variable factors are incorporated in the estimation of values, values may vary depending on the assumptions used. The contract amount related to derivative transactions under "Note 16, Derivative Transactions," does not express the market risk related to the derivative transactions themselves.

2. Fair values of financial instruments

For financial instruments, amounts recorded on the consolidated balance sheet, the fair values as of March 31, 2018 and 2019 and the difference between the two are set forth in the following table. It should be noted that financial instruments for which it was considered extremely difficult to assess the fair value were not included in the table.

	2018		
	Amounts on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 18,233	¥ 18,233	¥ —
(2) Notes and accounts receivable–trade	121,698	121,698	—
(3) Investments in securities			
Other securities	48,107	48,107	—
Subsidiaries and affiliates	4,755	3,733	(1,022)
Total assets	192,794	191,772	(1,022)
(1) Notes and accounts payable–trade	71,782	71,782	—
(2) Electronically recorded obligations–operating	23,076	23,076	—
(3) Short-term borrowings	26,667	26,667	—
(4) Bonds	38,076	41,499	3,422
(5) Long-term borrowings	62,481	62,513	31
Total liabilities	222,084	225,538	3,454
Derivative transactions*			
Hedge accounting not applied	(17)	(17)	—
Hedge accounting applied	(104)	(104)	—
Total derivative transactions	¥ (121)	¥ (121)	¥ —

	2019		
	Amounts on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	**¥ 19,947**	**¥ 19,947**	**¥ —**
(2) Notes and accounts receivable–trade	**122,179**	**122,179**	**—**
(3) Investments in securities			
Other securities	**43,438**	**43,438**	**—**
Subsidiaries and affiliates	**4,866**	**4,516**	**(350)**
Total assets	**190,432**	**190,082**	**(350)**
(1) Notes and accounts payable–trade	**72,512**	**72,512**	**—**
(2) Electronically recorded obligations–operating	**25,873**	**25,873**	**—**
(3) Short-term borrowings	**23,064**	**23,064**	**—**
(4) Bonds	**35,046**	**35,462**	**415**
(5) Long-term borrowings	**64,293**	**64,700**	**407**
Total liabilities	**220,790**	**221,613**	**822**
Derivative transactions*			
Hedge accounting not applied	**6**	**6**	**—**
Hedge accounting applied	**932**	**932**	**—**
Total derivative transactions	**¥ 938**	**¥ 938**	**¥ —**

	2019		
	Amounts on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	**$ 179,718**	**$ 179,718**	**$ —**
(2) Notes and accounts receivable–trade	**1,100,810**	**1,100,810**	**—**
(3) Investments in securities			
Other securities	**391,368**	**391,368**	**—**
Subsidiaries and affiliates	**43,841**	**40,688**	**(3,153)**
Total assets	**1,715,758**	**1,712,604**	**(3,153)**
(1) Notes and accounts payable–trade	**653,320**	**653,320**	**—**
(2) Electronically recorded obligations–operating	**233,111**	**233,111**	**—**
(3) Short-term borrowings	**207,802**	**207,802**	**—**
(4) Bonds	**315,758**	**319,506**	**3,739**
(5) Long-term borrowings	**579,268**	**582,935**	**3,666**
Total liabilities	**1,989,278**	**1,996,693**	**7,406**
Derivative transactions*			
Hedge accounting not applied	**54**	**54**	**—**
Hedge accounting applied	**8,397**	**8,397**	**—**
Total derivative transactions	**$ 8,451**	**$ 8,451**	**$ —**

*The amounts for derivative transactions shown above are net of assets and liabilities. When the net amount results in a liability, it is shown in parentheses.

Tables show ¥ in millions and US$ in thousands.

(Note 1) The calculation method used to determine fair value of financial instruments and matters related to securities and derivative transactions

Assets

(1) Cash and deposits
(2) Notes and accounts receivable–trade

The book value is used as the fair value for these items as fair value approximates book value due to the short maturity of these instruments.

(3) Investments in securities

The fair value of equity securities is based on the market price on securities exchanges. Refer to Note 8, "Investments in Securities," for notes on securities categorized by holding purposes.

Liabilities

(1) Notes and accounts payable–trade
(2) Electronically recorded obligations–operating
(3) Short-term borrowings

The book value is used as the fair value for these items as the fair value approximates book value due to the short maturity of these instruments.

(4) Bonds

The fair values of bonds that have market prices are based on the market prices. The fair values of bonds that do not have market prices are based on present values calculated by discounting the sum of the future principal and interest payments at rates that would be applied to similar new borrowings at the present time.

(5) Long-term borrowings

The fair value of long-term borrowings is based on present value calculated by discounting the sum of future principal and interest payments at rates that would be applied to similar new borrowings at the present time.

(Note 2) Financial instruments with no fair value as of March 31, 2018 and 2019 were as follows:

	2018	**2019**	**2019**
Held-to-maturity debt securities	¥ 180	**¥ 180**	**$ 1,621**
Unlisted securities	1,899	**1,913**	**17,235**
Investments in subsidiaries and affiliates	13,127	**11,721**	**105,604**
Investments in capital of subsidiaries and affiliates	1,671	**1,424**	**12,829**

(Note 3) The maturity profile of the anticipated future contractual cash flows in relation to the Companies' financial assets as of March 31, 2018 and 2019 was as follows:

	2018			
	Due within 1 year	Due over 1 year but within 5 years	Due over 5 years but within 10 years	Due over 10 years
Cash and deposits	¥ 18,233	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	121,698	—	—	—
Investment in securities	—	—	—	—
Held-to-maturity debt securities (Bonds)	—	—	—	180
Total	¥ 139,932	¥ —	¥ —	¥ 180

	2019			
	Due within 1 year	Due over 1 year but within 5 years	Due over 5 years but within 10 years	Due over 10 years
Cash and deposits	**¥ 19,947**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable–trade	**122,179**	**—**	**—**	**—**
Investment in securities	**—**	**—**	**—**	**—**
Held-to-maturity debt securities (Bonds)	**—**	**—**	**—**	**180**
Total	**¥ 142,127**	**¥ —**	**¥ —**	**¥ 180**

	2019			
	Due within 1 year	Due over 1 year but within 5 years	Due over 5 years but within 10 years	Due over 10 years
Cash and deposits	**$ 179,718**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable–trade	**1,100,810**	**—**	**—**	**—**
Investment in securities	**—**	**—**	**—**	**—**
Held-to-maturity debt securities (Bonds)	**—**	**—**	**—**	**1,621**
Total	**$ 1,280,538**	**$ —**	**$ —**	**$ 1,621**

Tables show ¥ in millions and US$ in thousands.

(Note 4) The aggregate annual maturities of bonds and long-term borrowings as of March 31, 2018 and 2019 were as follows:

	2018					
	Due within 1 year	Due over 1 year but within 2 years	Due over 2 years but within 3 years	Due over 3 years but within 4 years	Due over 4 years but within 5 years	Due over 5 years
Short-term borrowings	¥ 26,667	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	3,000	—	35,000	—	—	—
Long-term borrowings	13,719	11,107	2,665	7,413	5,772	21,801
Total	¥ 43,387	¥ 11,107	¥ 37,665	¥ 7,413	¥ 5,772	¥ 21,801

	2019					
	Due within 1 year	Due over 1 year but within 2 years	Due over 2 years but within 3 years	Due over 3 years but within 4 years	Due over 4 years but within 5 years	Due over 5 years
Short-term borrowings	**¥ 23,064**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bonds	**—**	**35,000**	**—**	**—**	**—**	**—**
Long-term borrowings	**11,661**	**3,195**	**8,675**	**8,339**	**7,986**	**24,435**
Total	**¥ 34,725**	**¥ 38,195**	**¥ 8,675**	**¥ 8,339**	**¥ 7,986**	**¥ 24,435**

	2019					
	Due within 1 year	Due over 1 year but within 2 years	Due over 2 years but within 3 years	Due over 3 years but within 4 years	Due over 4 years but within 5 years	Due over 5 years
Short-term borrowings	**$ 207,802**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bonds	**—**	**315,343**	**—**	**—**	**—**	**—**
Long-term borrowings	**105,063**	**28,786**	**78,160**	**75,132**	**71,952**	**220,154**
Total	**$ 312,866**	**$ 344,130**	**$ 78,160**	**$ 75,132**	**$ 71,952**	**$ 220,154**

8. Investments in Securities

Investments in other securities with fair value as of March 31, 2018 and 2019 consisted of the following:

	2018		
	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book value exceeding acquisition cost			
Securities	¥ 47,859	¥ 19,417	¥ 28,442
Securities with book value not exceeding acquisition cost			
Securities	247	295	(47)
Total	¥ 48,107	¥ 19,712	¥ 28,394

	2019					
	Book value	Acquisition cost	Unrealized gains (losses)	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book value exceeding acquisition cost						
Securities	**¥ 42,874**	**¥ 19,109**	**¥ 23,765**	**$ 386,287**	**$ 172,168**	**$ 214,118**
Securities with book value not exceeding acquisition cost						
Securities	**564**	**686**	**(122)**	**5,081**	**6,180**	**(1,099)**
Total	**¥ 43,438**	**¥ 19,795**	**¥ 23,643**	**$ 391,368**	**$ 178,349**	**$ 213,019**

Total sale of other securities as of March 31, 2018 and 2019 consisted of the following:

	2018	**2019**	**2019**
Amount sold	¥ 5	**¥ 0**	**$ 0**
Total gain on sales	0	**0**	**0**
Total loss on sales	¥ —	**¥ —**	**$ —**

Impairment loss on investments in securities was ¥1 million and ¥31 million ($279 thousand) for the years ended March 31, 2018 and 2019, respectively.

Tables show ¥ in millions and US$ in thousands.

9. Inventories

Inventories as of March 31, 2018 and 2019 were as follows:

	2018	2019	2019
Merchandise and finished goods	¥ 32,167	**¥ 33,222**	**$ 299,324**
Work-in-process	3,176	**3,376**	**30,417**
Raw materials and supplies	4,023	**4,421**	**39,832**
Total	¥ 39,367	**¥ 41,019**	**$ 369,573**

10. Short-term Borrowings and Long-term Debt

The weighted average interest rate of short-term bank borrowings outstanding as of March 31, 2018 and 2019 was 1.0% and 0.8%, respectively.

Short-term borrowings as of March 31, 2018 and 2019 consisted of the following:

	2018	2019	2019
Secured	¥ 140	**¥ 140**	**$ 1,261**
Unsecured	26,527	**22,924**	**206,541**
Total	¥ 26,667	**¥ 23,064**	**$ 207,802**

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

	2018	2019	2019
Loans, principally from banks and maturing serially through 2031 with interest ranging from 0.2% to 20.6%			
Secured	¥ 1,894	**¥ 518**	**$ 4,667**
Unsecured	60,586	**63,774**	**574,592**
Unsecured bonds			
0.590% bonds, due September 2018	3,000	**—**	**—**
0.690% bonds, due September 2021	5,000	**5,000**	**45,049**
Zero Coupon Convertible Bonds due 2020	30,076	**30,046**	**270,709**
Subtotal	100,558	**99,340**	**895,035**
Current portion of long-term debt	(16,719)	**(11,661)**	**(105,063)**
Total	¥ 83,838	**¥ 87,679**	**$ 789,972**

As of March 31, 2018 and 2019, the following assets were pledged as security.

Net book value	2018	2019	2019
Land	¥ 3,582	**¥ 2,740**	**$ 24,686**
Buildings and structures	2,206	**1,268**	**11,424**
Machinery, vehicles, equipment and tools	557	**140**	**1,261**
Investments in securities	1,045	**1,031**	**9,289**
Total	¥ 7,392	**¥ 5,181**	**$ 46,679**

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

Year ended March 31,		
2021	**¥ 38,195**	**$ 344,130**
2022	**8,675**	**78,160**
2023	**8,339**	**75,132**
2024	**7,986**	**71,952**
2025 and thereafter	**24,435**	**220,154**
Total	**¥ 87,632**	**$ 789,548**

Tables show ¥ in millions and US$ in thousands.

11. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on earnings which, in the aggregate, resulted in a statutory rate of approximately 30.8% for both years ended March 31, 2018 and 2019. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

Deferred tax assets and liabilities consisted of the following:

	2018	**2019**	**2019**
Deferred tax assets			
Tax loss carryforwards	¥ 1,292	**¥ 1,106**	**$ 9,964**
Allowance for doubtful accounts	231	**223**	**2,009**
Accrued bonuses	1,495	**1,539**	**13,866**
Net defined benefit liability	1,587	**1,555**	**14,010**
Accrued enterprise taxes	397	**356**	**3,207**
Intercompany profits and write-downs (inventories, investments in securities and fixed assets)	1,631	**1,662**	**14,974**
Loss on valuation of securities	269	**306**	**2,757**
Loss on cancellation of real estate trust	328	**328**	**2,955**
Impairment loss	608	**663**	**5,973**
Other	2,441	**2,542**	**22,902**
Valuation allowance	(2,687)	**(2,816)**	**(25,371)**
Total deferred tax assets	¥ 7,595	**¥ 7,468**	**$ 67,285**
Deferred tax liabilities			
Reserve for advanced depreciation of noncurrent assets	(201)	**(191)**	**(1,720)**
Unrealized gains on securities	(8,514)	**(7,073)**	**(63,726)**
Valuation of assets and liabilities of consolidated subsidiaries on acquisition	(956)	**(1,176)**	**(10,595)**
Unrealized gains on hedging	—	**(319)**	**(2,874)**
Other	(1,251)	**(1,250)**	**(11,262)**
Total deferred tax liabilities	(10,924)	**(10,011)**	**(90,197)**
Net deferred tax assets	¥ (3,328)	**¥ (2,543)**	**$ (22,911)**

Reconciliation of the differences between the statutory tax rate and the effective tax rate was as follows:

	2018	**2019**
Statutory tax rate	30.8%	**—**
Permanently nondeductible expenses	3.5	**—**
Permanently nontaxable gain	(0.3)	**—**
Change in valuation allowance	1.9	**—**
Taxation on per capita basis	0.7	**—**
Equity in earnings of nonconsolidated subsidiaries and affiliates	(0.3)	**—**
Retained earnings of foreign consolidated subsidiaries	(0.7)	**—**
Other	0.5	**—**
Effective tax rate	36.1%	**—**

Note: Information for the year ended March 31, 2019 is not provided because the difference between the statutory tax rate and the effective tax rate was less than 5%.

Tables show ¥ in millions and US$ in thousands.

12. Employees' Severance and Retirement Benefits

The Company and some domestic consolidated subsidiaries have contributory funded defined benefit pension plans and lump-sum benefit plans, and some domestic and overseas consolidated subsidiaries have defined contribution plans.

1. Defined benefit plans

(1) Movement in retirement benefit obligations

	2018	2019	2019
Balance as of April 1,	¥ 21,321	**¥ 21,957**	**$ 197,828**
Service cost	1,593	**1,605**	**14,460**
Interest cost	171	**174**	**1,567**
Actuarial loss (gain)	65	**(242)**	**(2,180)**
Benefits paid	(1,196)	**(1,565)**	**(14,100)**
Other	1	**(6)**	**(54)**
Balance as of March 31,	¥ 21,957	**¥ 21,922**	**$ 197,513**

(2) Movements in plan assets

	2018	2019	2019
Balance as of April 1,	¥ 17,298	**¥ 17,379**	**$ 156,581**
Expected return on plan assets	292	**305**	**2,747**
Actuarial loss (gain)	87	**(176)**	**(1,585)**
Contributions paid by the employer	416	**1,067**	**9,613**
Benefits paid	(767)	**(1,010)**	**(9,099)**
Other	52	**10**	**90**
Balance as of March 31,	¥ 17,379	**¥ 17,576**	**$ 158,356**

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	2018	2019	2019
Funded retirement benefit obligations	¥ 16,937	**¥ 18,617**	**$ 167,735**
Plan assets	(17,379)	**(17,576)**	**(158,356)**
	(442)	**1,040**	**9,370**
Unfunded retirement benefit obligations	5,020	**3,305**	**29,777**
Total net defined benefit liability (asset) as of March 31,	¥ 4,578	**¥ 4,346**	**$ 39,156**
Net defined benefit liability	¥ 5,843	**¥ 5,770**	**$ 51,986**
Net defined benefit asset	(1,265)	**(1,424)**	**(12,829)**
Total net defined benefit liability (asset) as of March 31,	¥ 4,578	**¥ 4,346**	**$ 39,156**

(4) Retirement benefit costs

	2018	2019	2019
Service cost	¥ 1,593	**¥ 1,605**	**$ 14,460**
Interest cost	171	**174**	**1,567**
Expected return on plan assets	(292)	**(305)**	**(2,747)**
Amortization of actuarial differences	(58)	**(78)**	**(702)**
Amortization of prior service cost	108	**108**	**973**
Other	(34)	**31**	**279**
Total retirement benefit costs for the year ended March 31,	¥ 1,489	**¥ 1,536**	**$ 13,839**

(5) Remeasurements of defined benefit plans

	2018	2019	2019
Prior service cost	¥ 108	**¥ 108**	**$ 973**
Actuarial differences	(36)	**(12)**	**(108)**
Total balance as of March 31,	¥ 71	**¥ 96**	**$ 864**

Tables show ¥ in millions and US$ in thousands.

(6) Accumulated remeasurements of defined benefit plans

	2018	2019	2019
Unrecognized prior service cost	¥ 317	**¥ 208**	**$ 1,874**
Unrecognized actuarial differences	(601)	**(589)**	**(5,306)**
Total balance as of March 31,	¥ (284)	**¥ (380)**	**$ (3,423)**

(7) Plan assets

(i) Plan assets comprise

	2018	2019
Bonds	51.9%	**51.9%**
Equity securities	21.1%	**20.6%**
Cash and cash equivalents	2.6%	**2.8%**
General account	23.0%	**23.3%**
Other	1.4%	**1.4%**
Total	100.0%	**100.0%**

(ii) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions are set forth below:

	2018	2019
Discount rate	1.0%	**1.0%**
Expected return on plan assets	0.0–2.2%	**0.0–2.2%**
Expected rate of salary increase	4.6–7.9%	**4.6–7.9%**

2. Defined contribution plans

Some domestic consolidated subsidiaries expended ¥250 million and ¥278 million ($2,504 thousand) on contributions for defined contribution plans for the years ended March 31, 2018 and 2019, respectively.

3. Multi-employer pension plans

The funded status of the multi-employer pension plans as of March 31, 2017 and 2018 (based on information available as of March 31, 2018 and 2019) to which contributions were recorded as net periodic retirement benefit costs was as follows:

	2018	2019	2019
Fair value of plan assets	¥ 101,454	**¥ 62,621**	**$ 564,203**
Total of actuarial liabilities and minimum reserves in the calculation of pension financing	117,807	**74,823**	**674,141**
Difference	¥ (16,352)	**¥ (12,201)**	**$ (109,928)**

The contribution ratio of the Companies to the multi-employer pension plans from April 1, 2016 to March 31, 2017 and from April 1, 2017 to March 31, 2018 was 14.9% and 15.0%, respectively. Some domestic consolidated subsidiaries expended ¥58 million and ¥44 million ($396 thousand) on contributions for the multi-employer pension plans for the years ended March 31, 2018 and 2019, respectively.

13. Contingent Liabilities

Contingent liabilities as of March 31, 2018 and 2019 were as follows:

	2018	2019	2019
Notes receivable endorsed	¥ 21	**¥ 18**	**$ 162**

	2018	2019	2019
Guarantees of loans made by:			
Nonconsolidated subsidiaries and affiliates	¥ 55	**¥ 65**	**$ 585**
Other	3	**3**	**27**
Total	¥ 59	**¥ 69**	**$ 621**

14. Leases

As Lessee

As of March 31, 2017 and 2018, lease payments for finance lease transactions that did not transfer ownership of the lease assets and commenced prior to April 1, 2008 were as follows:

	2018	2019	2019
Lease payments	¥ 104	**—**	**—**

The amounts of outstanding future minimum lease payments due as of March 31, 2018 and 2019, including the portion of interest, were as follows:

	2018	2019	2019
Future minimum lease payments			
Due within one year	¥ 58	**—**	**—**
Due over one year	10	**—**	**—**
Total	¥ 69	**—**	**—**

Assumed acquisition cost, accumulated depreciation, net book value and depreciation of lease assets as of March 31, 2018 and 2019, including the portion of interest, were as follows:

	2018	2019	2019
Acquisition cost	¥ 1,248	**—**	**—**
Buildings and structures	60	**—**	**—**
Machinery, vehicles, equipment and tools	1,187	**—**	**—**
Accumulated depreciation	1,179	**—**	**—**
Buildings and structures	48	**—**	**—**
Machinery, vehicles, equipment and tools	1,131	**—**	**—**
Net book value	69	**—**	**—**
Buildings and structures	12	**—**	**—**
Machinery, vehicles, equipment and tools	56	**—**	**—**
Depreciation	¥ 104	**—**	**—**

Depreciation is computed by the straight-line method over the lease term as the useful life with the assumption of no residual value.

Tables show ¥ in millions and US$ in thousands.

Future minimum lease payments under noncancelable operating leases as of March 31, 2018 and 2019 were as follows:

	2018	2019	2019
Future minimum lease payments			
Due within one year	¥ 2,547	**¥ 2,387**	**$ 21,506**
Due over one year	5,390	**4,541**	**40,913**
Total	¥ 7,938	**¥ 6,928**	**$ 62,420**

As Lessor

Lease investment assets as of March 31, 2018 and 2019 were as follows:

	2018	2019	2019
Amount of lease payments receivable	¥ 1,049	**¥ 1,071**	**$ 9,649**
Estimated residual value	6	**6**	**54**
Amount equivalent to interest receivable	(94)	**(106)**	**(955)**
Lease investment assets	¥ 961	**¥ 971**	**$ 8,748**

The collection schedule for lease payments from lease investment assets after March 31, 2019 was as follows:

Year ended March 31,		
2020	**¥ 327**	**$ 2,946**
2021	**274**	**2,468**
2022	**209**	**1,883**
2023	**138**	**1,243**
2024	**78**	**702**
2025 and thereafter	**42**	**378**
Total	**¥ 1,071**	**$ 9,649**

Future minimum lease receipts from noncancelable operating lease transactions as of March 31, 2018 and 2019 were as follows:

	2018	2019	2019
Due within one year	¥ 143	**¥ 156**	**$ 1,405**
Due over one year	251	**230**	**2,072**
Total	¥ 394	**¥ 386**	**$ 3,477**

15. Impairment Loss on Fixed Assets

The Companies reduced the book value of a portion of their idle assets and fixed assets and recognized the reduced amount as impairment loss.

(Method of grouping)
The Companies grouped assets based on operating segments for which the Companies reviewed performance and profitability regularly. Idle assets not in operation were treated individually.

Impairment loss recognized for the years ended March 31, 2018 and 2019 was as follows:

Year ended March 31, 2018	2018
Land	¥ 45
Total	¥ 45

Year ended March 31, 2019	2019	2019
Land	**¥ 30**	**$ 270**
Building and structures	**81**	**729**
Machinery, vehicles, equipment and tools	**23**	**207**
Total	**¥ 135**	**$ 1,216**

Tables show ¥ in millions and US$ in thousands.

16. Derivative Transactions

Derivative transactions to which hedge accounting is not applied

Currency related transactions

	2018			
	Contract amount	Contract amount over 1 year	Fair value*	Valuation gain (loss)
Foreign exchange forward contracts				
To sell	¥ 474	¥ —	¥ 0	¥ 0
To buy	393	—	(8)	(8)
Nondeliverable forwards				
To sell	399	—	(9)	(9)
	¥ 1,267	¥ —	¥ (17)	¥ (17)

	2019							
	Contract amount	Contract amount over 1 year	Fair value*	Valuation gain (loss)	Contract amount	Contract amount over 1 year	Fair value*	Valuation gain (loss)
Foreign exchange forward contracts								
To sell								
U.S. dollars	**¥ 259**	**¥ —**	**¥ 2**	**¥ 2**	**$ 2,333**	**$ —**	**$ 18**	**$ 18**
Other currencies	**791**	**—**	**5**	**5**	**7,126**	**—**	**45**	**45**
To buy								
U.S. dollars	**122**	**—**	**(1)**	**(1)**	**1,099**	**—**	**(9)**	**(9)**
Other currencies	**283**	**—**	**(0)**	**(0)**	**2,549**	**—**	**(0)**	**(0)**
Nondeliverable forwards								
To sell	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	¥ 1,457	**¥ —**	**¥ 6**	**¥ 6**	**$ 13,127**	**$ —**	**$ 54**	**$ 54**

*Fair values are based on quotes obtained from financial institutions.

Derivative transactions to which hedge accounting is applied

(1) Currency related transactions

	2018			
	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value*1
Principle method / Allocation method Foreign exchange forward contracts	Foreign exchange forward transactions			
Foreign exchange forward contracts				
To sell				
U.S. dollars		¥ 2,533	¥ —	¥ 68
Other currencies		1,339	—	(6)
To buy				
U.S. dollars		8,662	1,858	(158)
Other currencies		687	106	(7)
Allocation method Foreign exchange forward contracts				
To sell				
U.S. dollars*2	Accounts receivable	3,855	—	—
Other currencies*2	Accounts receivable	189	—	—
To buy				
U.S. dollars*2	Accounts payable	2,788	—	—
Other currencies*2	Accounts payable	107	—	—
		¥ 20,165	¥ 1,965	¥ (104)

Tables show ¥ in millions and US$ in thousands.

	2019							
	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value*1	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value*1
Principle method / Allocation method Foreign exchange forward contracts	**Foreign exchange forward transactions**				**Foreign exchange forward transactions**			
Foreign exchange forward contracts								
To sell								
U.S. dollars		**¥ 1,797**	**¥ 42**	**¥ (11)**		**$ 16,190**	**$ 378**	**$ (99)**
Other currencies		**3,606**	**581**	**(110)**		**32,489**	**5,234**	**(991)**
To buy								
U.S. dollars		**25,257**	**15,057**	**1,063**		**227,561**	**135,660**	**9,577**
Other currencies		**704**	**51**	**(9)**		**6,342**	**459**	**(81)**
Allocation method Foreign exchange forward contracts								
To sell								
U.S. dollars*2	**Accounts receivable**	**4,934**	**—**	**—**	**Accounts receivable**	**44,454**	**—**	**—**
Other currencies*2	**Accounts receivable**	**224**	**—**	**—**	**Accounts receivable**	**2,018**	**—**	**—**
To buy								
U.S. dollars*2	**Accounts payable**	**2,323**	**—**	**—**	**Accounts payable**	**20,929**	**—**	**—**
Other currencies*2	**Accounts payable**	**43**	**—**	**—**	**Accounts payable**	**387**	**—**	**—**
		¥ 38,893	**¥ 15,732**	**¥ 932**		**$ 350,418**	**$ 141,742**	**$ 8,397**

*1 Fair values are based on quotes obtained from financial institutions.
*2 The hedged foreign currency receivables and payables were recorded using the Japanese yen amounts at the contracted forward rate, and no gains or losses on the foreign exchange forward contracts were recorded. The fair values of foreign exchange forward contracts were included in accounts receivable and accounts payable.

(2) Interest related transactions

Interest rate swap contracts have not been presented as of March 2018 and 2019.

17. Earnings Per Share

The basis of calculating net income per share for the years ended March 31, 2018 and 2019 was as follows:

Year ended March 31,	2018	2019	2019
Net income	¥ 17,577	**¥ 19,221**	**$ 173,177**
Net income attributable to common stockholders	17,577	**19,221**	**173,177**
Net income not attributable to common stockholders	—	**—**	**—**
Effect of dilutive bonds	(20)	**(20)**	**(180)**
Diluted net income	¥ 17,556	**¥ 19,200**	**$ 172,988**

		(Thousands)
Weighted average number of shares outstanding	49,209	**49,208**
Effect of dilutive securities	8,108	**8,128**
Diluted weighted average number of shares outstanding	57,317	**57,337**

The one for five share consolidation of common stocks were effective October 1, 2017.

Net income per share assuming that consolidation of shares had been carried out at the beginning of the fiscal year ended March 31, 2017.

18. Net Assets

Under the Japanese laws 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 Japanese Corporate Law ("The Law"), in cases in which 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 and additional paid-in capital may not be distributed as dividends. By the resolution of shareholders' meeting, legal earnings reserve and additional paid-in capital may be transferred to other retained earnings and capital surplus, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law. Cash dividends charged to retained earnings during the two years ended March 31, 2019 represent dividends paid out during those periods. The accompanying consolidated financial statements do not include any provision for the year-end dividend of ¥65 ($0.58) per share, aggregating to ¥3,201 million

Tables show ¥ in millions and US$ in thousands.

($28,840 thousand), which was approved at the Company's shareholders' meeting on June 19, 2019 in respect to the year ended March 31, 2019.

19. Expenses for Research and Development

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 2018 and 2019 were ¥1,912 million and ¥2,428 million ($21,875 thousand), respectively.

20. Other Income (Expenses)

Other, net consisted of the following:

	2018	**2019**	**2019**
Gain (loss) on sales of investments in securities	¥ 0	**¥ 152**	**$ 1,369**
Loss on valuation of investments in securities	(1)	**(31)**	**(279)**
Gain (loss) on sales and disposals of fixed assets	(315)	**(347)**	**(3,126)**
Loss on valuation of investments in capital	—	**0**	**0**
Gain (loss) on liquidation of subsidiaries and affiliates	(36)	**—**	**—**
Foreign exchange gains (losses)	275	**409**	**3,685**
Sales discounts	(475)	**(501)**	**(4,513)**
Retirement benefits for directors and statutory auditors	(15)	**—**	**—**
Subsidy income	840	**84**	**756**
Insurance claim income	—	**115**	**1,036**
Loss on reduction of noncurrent assets	(795)	**(194)**	**(1,747)**
Provision for loss on litigation	—	**157**	**1,414**
Other, net	2,043	**2,487**	**22,407**
Total	¥ 1,521	**¥ 2,331**	**$ 21,001**

21. Business Combinations

Previous fiscal year (April 1, 2017 to March 31, 2018)
(Transactions under common control)

(1) Outline of the business combination

1) Name and main business of the companies in the business combination
   Acquired company
   Name : Iwatani International Corporation (Okinawa) (subsidiary of the Company, "Okinawa Iwatani")
   Main business: Sales of general high pressure gas and mechanical solvent and water supply materials and building material and civil engineering materials.
2) Date of combination
   October 1, 2017
3) Legal method used for combination
   Merger between Marui Sangyo Corporation (subsidiary of the Company) as the surviving company and Okinawa Iwatani as the absorbed company.
4) Name of company after combination
   Marui Sangyo Corporation
5) Purpose of transaction
   The purpose of the merger was to enhance the business base in the Okinawa area by synergy effect.

(2) Outline of accounting policy applied

The Company accounted for the Merger as a transaction under common control based on the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(3) Changes in the portion held by the Company in connection with transactions with noncontrolling interests

1) Main reasons for changes in capital surplus
   Merger between subsidiaries of the Company
2) Decreases in capital surplus due to transactions with noncontrolling interests
   ¥58 million ($545 thousand)

(Transactions under common control)

(1) Outline of the business combination

1) Name and main business of the companies in the business combination
   Acquired company
   Name : Onarimonkosan Corporation (subsidiary of the Company, "Onarimonkosan")
   Main business: Sales and brokerage of property and rental management business
2) Date of combination
   January 1, 2018
3) Legal method used for combination
   Merger between Iwatani Creative Corporation (subsidiary of the Company) as the surviving company and Onarimonkosan as the absorbed company

Tables show ¥ in millions and US$ in thousands.

4) Name of company after combination
Iwatani Creative Corporation

5) Purpose of transaction
The purpose of the merger was to integrate the management of property and implement the management and operation of property effectively.

(2) Outline of accounting policy applied

The Company accounted for the Merger as a transaction under common control based on the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

22. Segment Information

1. General information about reportable segments

The Company's reportable segments are regularly reviewed by the Board of Directors using the financial information available within each segment to determine the allocation of management resources and evaluate business results. The Company maintains commercial divisions classified by merchandise and products. Each commercial division develops comprehensive business strategies for Japan and the world. Therefore, the Company is organized by operating segments which are classified by merchandise, products and sales channels based on commercial divisions.

In order to reflect the Company's actual business condition more suitably, the Company reviewed overseas consolidated subsidiaries segmentation.

For reference, segment information for the fiscal year ended March 31, 2018 was prepared based on the current segmentation.

The main products of the four reportable segments were as follows:

(1) Energy: LPG for household, commercial and industrial use, LPG supply equipment and facilities, LNG, petroleum products, household kitchen appliances, home energy components, ENE FARM, GHP, daily necessities, portable cooking stoves, gas canisters, mineral water, electricity, etc.

(2) Industrial Gases & Machinery: air-separation gases, hydrogen, helium, other specialty gases, gas supply facilities, welding materials, welding and cutting equipment, industrial machinery and facilities, industrial robots, pumps and compressors, facilities for hydrogen stations, disaster prevention equipment, high-pressure gas containers, semiconductor manufacturing equipment, electronic component manufacturing equipment, factory automation systems, medicine and food packing machinery, environmental equipment, etc.

(3) Materials: stainless steel, aluminum, nonferrous metals, plastic resins, plastic molding, functional film, electronic display materials, secondary battery materials, mineral sand, ceramics materials, biomass fuel, etc.

(4) Agri-bio & Foods: frozen vegetables and fruits, fresh foods, health foods, livestock related products, agri-bio related goods, etc.

2. Basis of measurement for reported segment profit and loss, segment assets and other material items by reportable segment

Accounting methods for reportable segments are basically the same as the accounting methods described in "Summary of Major Accounting Policies." Income by reportable segment is equivalent to operating income. Intersegment sales and transfers are based on market values.

3. Information related to sales, operating income (loss), assets and other items by reportable segment

2018

	Reportable Segments								
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal	Others*1	Total	Adjustments*2	Consolidated statements of operations*3
Net sales									
Outside customers	¥320,939	¥174,603	¥139,172	¥31,062	¥665,777	¥5,014	¥670,792	¥—	¥670,792
Intersegment	6,169	5,216	2,614	188	14,189	18,646	32,836	(32,836)	—
Total	327,108	179,820	141,787	31,251	679,967	23,661	703,628	(32,836)	670,792
Segment income	¥13,815	¥9,816	¥4,470	¥1,332	¥29,433	¥941	¥30,375	¥(3,181)	¥27,193
Segment assets	¥155,997	¥128,704	¥59,747	¥11,257	¥355,706	¥49,179	¥404,886	¥48,632	¥453,518
Other items:									
Depreciation and amortization	¥5,374	¥5,979	¥888	¥263	¥12,506	¥2,993	¥15,500	¥1,521	¥17,021
Impairment loss on fixed assets	14	—	—	—	14	—	14	30	45
Amortization of goodwill	2,133	655	50	4	2,843	—	2,843	—	2,843
Increase in fixed assets and intangible assets	8,420	8,745	1,387	360	18,913	5,292	24,205	844	25,050

Tables show ¥ in millions and US$ in thousands.

	2019								
	Reportable Segments					Others*1	Total	Adjustments*2	Consolidated statements of operations*3
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal				
Net sales									
Outside customers	**¥ 335,962**	**¥ 186,027**	**¥ 159,102**	**¥ 28,741**	**¥ 709,834**	**¥ 5,251**	**¥ 715,085**	**¥ —**	**¥ 715,085**
Intersegment	**5,346**	**4,246**	**2,229**	**197**	**12,020**	**19,938**	**31,959**	**(31,959)**	**—**
Total	**341,308**	**190,274**	**161,332**	**28,939**	**721,854**	**25,190**	**747,044**	**(31,959)**	**715,085**
Segment income	**¥ 10,871**	**¥ 11,141**	**¥ 5,740**	**¥ 1,115**	**¥ 28,867**	**¥ 976**	**¥ 29,844**	**¥ (3,388)**	**¥ 26,456**
Segment assets	**¥ 157,816**	**¥ 128,886**	**¥ 65,121**	**¥ 10,989**	**¥ 362,814**	**¥ 54,349**	**¥ 417,164**	**¥ 40,439**	**¥ 457,603**
Other items:									
Depreciation and amortization	**¥ 5,835**	**¥ 5,897**	**¥ 941**	**¥ 266**	**¥ 12,940**	**¥ 3,352**	**¥ 16,293**	**¥ 1,624**	**¥ 17,917**
Impairment loss on fixed assets	**2**	**104**	**—**	**—**	**107**	**25**	**132**	**2**	**135**
Amortization of goodwill	**2,133**	**655**	**50**	**4**	**2,843**	**—**	**2,843**	**—**	**2,843**
Increase in fixed assets and intangible assets	**8,097**	**7,120**	**1,596**	**177**	**16,992**	**5,825**	**22,817**	**2,581**	**25,399**

	2019								
	Reportable Segments					Others*1	Total	Adjustments*2	Consolidated statements of operations*3
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal				
Net sales									
Outside customers	**$ 3,026,957**	**$ 1,676,069**	**$ 1,433,480**	**$ 258,951**	**$ 6,395,477**	**$ 47,310**	**$ 6,442,787**	**$ —**	**$ 6,442,787**
Intersegment	**48,166**	**38,255**	**20,082**	**1,774**	**108,298**	**179,637**	**287,944**	**(287,944)**	**—**
Total	**3,075,123**	**1,714,334**	**1,453,572**	**260,735**	**6,503,775**	**226,957**	**6,730,732**	**(287,944)**	**6,442,787**
Segment income	**$ 97,945**	**$ 100,378**	**$ 51,716**	**$ 10,045**	**$ 260,086**	**$ 8,793**	**$ 268,889**	**$ (30,525)**	**$ 238,363**
Segment assets	**$ 1,421,893**	**$ 1,161,239**	**$ 586,728**	**$ 99,008**	**$ 3,268,889**	**$ 489,674**	**$ 3,758,572**	**$ 364,348**	**$ 4,122,920**
Other items:									
Depreciation and amortization	**$ 52,572**	**$ 53,130**	**$ 8,478**	**$ 2,396**	**$ 116,587**	**$ 30,200**	**$ 146,797**	**$ 14,631**	**$ 161,428**
Impairment loss on fixed assets	**18**	**937**	**—**	**—**	**964**	**225**	**1,189**	**18**	**1,216**
Amortization of goodwill	**19,551**	**5,901**	**261**	**—**	**25,723**	**—**	**25,723**	**—**	**25,723**
Increase in fixed assets and intangible assets	**72,952**	**64,149**	**14,379**	**1,594**	**153,094**	**52,482**	**205,577**	**23,254**	**228,840**

*1 "Others" is an operating segment not included in reportable segments. "Others" represents business in finance, insurance, transportation, information processing, etc.
*2 Adjustments are as follows:
(1) Adjustments for segment income include companywide expenses not allocated to each segment and the elimination of intersegment transactions.
(2) Adjustments for segment assets is mainly assets in cash, deposits and investments in securities of the Company along with general and administrative departments of the Company.
(3) Adjustments for depreciation and amortization are mainly depreciation and amortization for general and administrative departments of the Company.
(4) Adjustments for impairment loss on fixed assets are mainly impairment loss within the general and administrative departments of the Company.
(5) Adjustments for increases in fixed assets and intangible assets are increases in fixed assets and intangible assets for general and administrative departments of the Company.
(6) "Depreciation and amortization" and "Increase in fixed assets and intangible assets" include long-term prepaid expenses and their amortization.
*3 Segment income is adjusted with operating income of the consolidated statements of income.

(Related Information)

1. Information about products and services

Since the segments' products and services are the same as those for the reportable segments, information for products and services is omitted.

2. Information about geographic areas

(1) Net sales

2018				
Japan	East Asia	Southeast Asia	Others	Total
¥ 599,191	¥ 42,960	¥ 18,376	¥ 10,264	¥ 670,792

2019				
Japan	East Asia	Southeast Asia	Others	Total
¥ 633,332	**¥ 50,985**	**¥ 19,502**	**¥ 11,265**	**¥ 715,085**

2019				
Japan	East Asia	Southeast Asia	Others	Total
$ 5,706,207	**$ 459,365**	**$ 175,709**	**$ 101,495**	**$ 6,442,787**

Notes: 1. Net sales are classified by country or region based on customer locations.
2. Main countries and regions outside Japan are grouped as follows:
(1) East Asia .... China, Taiwan, South Korea
(2) Southeast Asia.......... Singapore, Thailand, Malaysia, Indonesia, Vietnam
(3) Others....................... United States, Australia

(2) Tangible fixed assets

Since tangible fixed assets in Japan accounted for over 90% of tangible fixed assets on the consolidated balance sheets, information regarding tangible fixed assets is omitted.

Tables show ¥ in millions and US$ in thousands.

3. Information about major customers

Since sales to no customer accounted for 10% or more of the net sales on the consolidated statements of income, information by major customer is omitted.

(Information on amortization of goodwill and unamortized balance by reportable segment)

	2018							
	Reportable Segments					Others*	Corporate assets and elimination	Total
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal			
Goodwill								
Amortization	¥ 2,037	¥ 655	¥ 50	¥ 4	¥ 2,748	¥ 95	¥ —	¥ 2,843
Balance at end of year	11,447	2,240	99	—	13,787	526	—	14,313
Negative goodwill								
Amortization	¥ 4	¥ —	¥ 32	¥ —	¥ 36	¥ —	¥ —	¥ 36
Balance at end of year	—	—	—	—	—	—	—	—

	2019							
	Reportable Segments					Others*	Corporate assets and elimination	Total
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal			
Goodwill								
Amortization	**¥ 2,170**	**¥ 655**	**¥ 29**	**¥ —**	**¥ 2,855**	**¥ —**	**¥ —**	**¥ 2,855**
Balance at end of year	**12,480**	**1,585**	**69**	**—**	**14,135**	**—**	**—**	**14,135**
Negative goodwill								
Amortization	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Balance at end of year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

	2019							
	Reportable Segments					Others*	Corporate assets and elimination	Total
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal			
Goodwill								
Amortization	**$ 19,551**	**$ 5,901**	**$ 261**	**$ —**	**$ 25,723**	**$ —**	**$ —**	**$ 25,723**
Balance at end of year	**112,442**	**14,280**	**621**	**—**	**127,353**	**—**	**—**	**127,353**
Negative goodwill								
Amortization	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Balance at end of year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

*"Others" is an operating segment not included in reportable segments. "Others" represents business in finance, insurance, transportation, information processing, etc.

(Information on gain on negative goodwill by reportable segment)

There was no significant gain on negative goodwill to report.

Tables show ¥ in millions and US$ in thousands.

KPMG

Independent Auditor's Report

To the Board of Directors of Iwatani Corporation:

We have audited the accompanying consolidated financial statements of Iwatani Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, statements of 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 judgment, 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 Iwatani 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.

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 4 to the consolidated financial statements.

KPMG AZSA LLC

July 29, 2019
Osaka, Japan

Iwatani Corporation

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