Financial Data 2020

NIPPON STEEL TRADING

Contents

NIPPON STEEL TRADING CORPORATION and its Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2020

ASSETS	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 1) 2020
CURRENT ASSETS :			
Cash and cash equivalents (Note 13)	**¥ 25,314**	¥ 24,063	**$ 232,606**
Receivables (Note 13):			
Trade notes (Note 15)	**57,575**	87,196	**529,042**
Trade accounts (Notes 14 and 15)	**473,227**	519,155	**4,348,320**
Associated companies	**27,612**	32,423	**253,720**
Other	**6**	5	**63**
Allowance for doubtful receivables	**(1,088)**	(1,541)	**(9,997)**
Inventories (Notes 4 and 14)	**123,261**	135,110	**1,132,603**
Advances to suppliers	**7,735**	12,327	**71,082**
Prepaid expenses and other current assets	**5,988**	6,645	**55,025**
Total current assets	**719,634**	815,385	**6,612,467**
PROPERTY, PLANT, AND EQUIPMENT (Notes 5):			
Land	**21,425**	22,252	**196,867**
Buildings and structures	**37,690**	40,413	**346,326**
Machinery and equipment	**38,387**	37,165	**352,726**
Furniture and fixtures	**7,677**	7,424	**70,541**
Lease assets	**4,290**	3,022	**39,420**
Construction in progress	**2,059**	548	**18,928**
Total property, plant, and equipment	**111,530**	110,827	**1,024,811**
Accumulated depreciation	**(54,749)**	(54,990)	**(503,077)**
Net property, plant, and equipment	**56,780**	55,837	**521,734**
INVESTMENTS AND OTHER ASSETS :			
Investment securities (Notes 3, 9, and 13)	**32,942**	45,074	**302,695**
Investments in and advances to associated companies (Note 13)	**38,040**	35,429	**349,538**
Long-term loans	**38**	46	**355**
Goodwill (Note 8)	**408**		**3,756**
Deferred tax assets (Note 12)	**3,105**	1,944	**28,537**
Other assets (Note 10)	**9,813**	9,437	**90,170**
Allowance for doubtful receivables	**(3,019)**	(2,982)	**(27,744)**
Total investments and other assets	**81,329**	88,951	**747,308**
TOTAL	**¥ 857,744**	¥ 960,173	**$ 7,881,510**

See notes to consolidated financial statements.

NIPPON STEEL TRADING CORPORATION and its Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2020

LIABILITIES AND EQUITY	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 1) 2020
CURRENT LIABILITIES :			
Short-term borrowings (Notes 9, 13, and 14)	¥ 78,248	¥ 128,425	$ 719,001
Current portion of long-term debt (Notes 9, 13, and 14)	26,392	15,943	242,509
Payables (Note 13):			
Trade notes (Notes 14 and 15)	29,198	44,996	268,294
Trade accounts (Notes 14 and 15)	223,826	275,411	2,056,663
Associated companies	4,913	4,630	45,149
Other	1,865	1,666	17,138
Commercial papers (Notes 9 and 13)	50,000	50,000	459,432
Advances from customers	10,696	20,769	98,287
Income taxes payable (Note 12)	3,627	4,710	33,329
Accrued expenses	10,485	11,210	96,351
Other	6,621	5,962	60,841
Total current liabilities	445,876	563,727	4,096,998
LONG-TERM LIABILITIES :			
Bonds payable (Notes 9 and 13)	80,000	60,000	735,091
Long-term debt (Notes 9, 13, and 14)	67,502	75,842	620,260
Liability for retirement benefits (Note 10)	4,276	4,072	39,292
Asset retirement obligations	131	130	1,207
Deferred tax liabilities (Note 12)	745	3,212	6,848
Other	4,334	3,831	39,830
Total long-term liabilities	156,990	147,089	1,442,531
COMMITMENTS AND CONTINGENT LIABILITIES (Note 16)			
EQUITY (Notes 11, 17 and 18):			
Common stock	16,389	16,389	150,593
Capital surplus	54,689	54,814	502,523
Retained earnings	160,669	147,181	1,476,334
Treasury stock	(153)	(147)	(1,408)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	2,168	9,517	19,926
Deferred loss on derivatives under hedge accounting	(371)	(483)	(3,417)
Foreign currency translation adjustments	3,989	3,549	36,656
Defined retirement benefit plans	(940)	(167)	(8,645)
Total	236,440	230,654	2,172,563
Noncontrolling interests	18,437	18,701	169,417
Total equity	254,877	249,356	2,341,980
TOTAL	¥ 857,744	¥ 960,173	$ 7,881,510

See notes to consolidated financial statements.

Consolidated Statement of Income

March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	**2020**
NET SALES (Note 15)	**¥ 2,480,256**	¥ 2,550,612	**$ 22,790,191**
COST OF SALES (Note 15)	**2,338,742**	2,402,965	**21,489,866**
Gross profit	**141,514**	147,647	**1,300,324**
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 8 and 10)	**109,425**	111,477	**1,005,474**
Operating income	**32,088**	36,170	**294,850**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,953**	1,674	**17,947**
Interest expense	**(4,166)**	(4,465)	**(38,284)**
Purchase discount	**499**	529	**4,588**
(Loss) gain on sales of investment securities-net (Note 3)	**(22)**	758	**(203)**
Loss on devaluation of investment securities (Note 3)	**(1,870)**	(4,038)	**(17,183)**
Impairment losses of fixed assets (Note 5)	**(795)**		**(7,312)**
Equity in earnings of associated companies	**2,786**	2,106	**25,607**
Gain on negative goodwill (Note 19)		2,050	
Loss on liquidation of subsidiaries and affiliates (Note 6)		(367)	
Gain (loss) on sales of property, plant, and equipment	**1,171**	(55)	**10,763**
Loss on business of subsidiaries and associates (Note 7)		(1,485)	
Other-net	**83**	410	**762**
Other expense-net	**(360)**	(2,879)	**(3,315)**
INCOME BEFORE INCOME TAXES	**31,727**	33,290	**291,535**
INCOME TAXES (Note 12):			
Current	**9,017**	9,959	**82,856**
Deferred	**573**	(972)	**5,270**
Total income taxes	**9,590**	8,986	**88,127**
NET INCOME	**22,136**	24,304	**203,407**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**1,427**	1,055	**13,120**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 20,708**	¥ 23,249	**$ 190,287**

PER SHARE OF COMMON STOCK (Note 2.s):	Yen		U.S. Dollars (Note 1)
Basic net income	**¥ 641.97**	¥ 720.68	**$ 5.89**
Cash dividends applicable to the year	**225.00**	230.0	**2.06**

See notes to consolidated financial statements.

NIPPON STEEL TRADING CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	**2020**
NET INCOME	**¥ 22,136**	¥ 24,304	**$ 203,407**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized loss on available-for-sale securities	**(7,301)**	(2,047)	**(67,094)**
Deferred gain on derivatives under hedge accounting	**109**	17	**1,005**
Foreign currency translation adjustments	**(187)**	(1,480)	**(1,723)**
Defined retirement benefit plans	**(827)**	(645)	**(7,600)**
Share of other comprehensive income (loss) in associated companies	**533**	(402)	**4,898**
Total other comprehensive loss	**¥ (7,674)**	¥ (4,559)	**$ (70,514)**
COMPREHENSIVE INCOME	**¥ 14,462**	¥ 19,745	**$ 132,893**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**13,229**	18,944	**121,563**
Noncontrolling interests	**1,232**	800	**11,329**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

March 31, 2020

	Thousands	Millions of Yen		
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings
BALANCE, APRIL 1, 2018	30,910	¥ 12,335	¥ 50,751	¥ 131,006
Net income attributable to owner of the parent				23,249
Issuance of new shares	1,350	4,054	4,054	
Cash dividends				(7,258)
Change of scope of equity method				98
Effect of change in ownership ratio of an associated company			8	
Change of scope of consolidation				85
Purchase of treasury stock	(1)			
Disposal of treasury stock			0	
Net change in the year				
BALANCE, MARCH 31, 2019 (APRIL 1, 2019, as previously reported)	32,258	16,389	54,814	147,181
Cumulative effect of accounting change				34
BALANCE, APRIL 1, 2019 (as restated)	32,258	16,389	54,814	147,216
Net income attributable to owner of the parent				20,708
Cash dividends				(7,258)
Change of scope of equity method				3
Effect of change in ownership ratio of an associated company			(125)	
Purchase of treasury stock	(1)			
Disposal of treasury stock			0	
Net change in the year				
BALANCE, MARCH 31, 2020	32,257	¥ 16,389	¥ 54,689	¥ 160,669

	Thousands of U.S. Dollars (Note 1)		
	Common Stock	Capital Surplus	Retained Earnings
BALANCE, MARCH 31, 2019 (APRIL 1, 2019, as previously reported)	$ 150,593	$ 503,675	$ 1,352,399
Cumulative effect of accounting change			316
BALANCE, APRIL 1, 2019 (as restated)	150,593	503,675	1,352,716
Net income attributable to owner of the parent			190,287
Cash dividends			(66,699)
Change of scope of equity method			30
Effect of change in ownership ratio of an associated company		(1,152)	
Purchase of treasury stock			
Disposal of treasury stock		1	
Net change in the year			
BALANCE, MARCH 31, 2020	$ 150,593	$ 502,523	$ 1,476,334

See notes to consolidated financial statements.

Millions of Yen							
	Accumulated Other Comprehensive Income (Loss)						
Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
¥ (140)	¥ 11,581	¥ (502)	¥ 5,190	¥ 452	¥ 210,675	¥ 17,293	¥ 227,968
					23,249		23,249
					8,108		8,108
					(7,258)		(7,258)
					98		98
					8		8
					85		85
(7)					(7)		(7)
0					0		0
	(2,064)	19	(1,641)	(619)	(4,306)	1,408	(2,897)
(147)	9,517	(483)	3,549	(167)	230,654	18,701	249,356
	(87)				(52)	(30)	(83)
(147)	9,430	(483)	3,549	(167)	230,601	18,671	249,272
					20,708		20,708
					(7,258)		(7,258)
					3		3
					(125)		(125)
(5)					(5)		(5)
0					0		0
	(7,261)	111	439	(773)	(7,484)	(233)	(7,717)
¥ (153)	¥ 2,168	¥ (371)	¥ 3,989	¥ (940)	¥ 236,440	¥ 18,437	¥ 254,877

Thousands of U.S. Dollars (Note 1)							
	Accumulated Other Comprehensive Income (Loss)						
Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
$ (1,358)	$ 87,454	$ (4,440)	$ 32,614	$ (1,537)	$ 2,119,400	$ 171,843	$ 2,291,243
	(802)				(485)	(277)	(763)
(1,358)	86,652	(4,440)	32,614	(1,537)	2,118,914	171,565	2,290,480
					190,287		190,287
					(66,699)		(66,699)
					30		30
					(1,152)		(1,152)
(52)					(52)		(52)
2					3		3
	(66,725)	1,022	4,041	(7,107)	(68,768)	(2,148)	(70,916)
$ (1,408)	$ 19,926	$ (3,417)	$ 36,656	$ (8,645)	$ 2,172,563	$ 169,417	$ 2,341,980

NIPPON STEEL TRADING CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Cash Flows

March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	**2020**
OPERATING ACTIVITIES:			
Income before income taxes	¥ **31,727**	¥ 33,290	$ **291,535**
Adjustments for:			
Income taxes-paid	**(10,126)**	(11,328)	**(93,047)**
Depreciation and amortization	**5,784**	5,324	**53,154**
Equity in earnings of associated companies	**(2,786)**	(2,106)	**(25,607)**
Gain on negative goodwill		(2,050)	
Provision for doubtful receivables	**(367)**	43	**(3,378)**
Impairment losses on fixed assets	**795**		**7,312**
Loss (gain) on sales of securities-net	**22**	(758)	**203**
Loss on devaluation of investment securities	**1,870**	4,038	**17,183**
(Gain) loss on sales of property, plant, and equipment-net	**(1,171)**	55	**(10,763)**
Changes in assets and liabilities-net of effects from newly consolidated subsidiaries			
Decrease (increase) in receivables	**72,568**	(15,306)	**666,806**
Decrease (increase) in inventories	**8,249**	(13,623)	**75,805**
(Decrease) increase in payables	**(64,907)**	7,521	**(596,407)**
Increase in liability for retirement benefits	**760**	3	**6,988**
Other-net	**(2,687)**	4,284	**(24,696)**
Total adjustments	**8,004**	(23,904)	**73,554**
Net cash provided by (used in) operating activities	**39,732**	9,386	**365,089**
INVESTING ACTIVITIES:			
Decrease (increase) in time deposits	**328**	(442)	**3,015**
Purchases of property, plant, and equipment	**(7,823)**	(6,250)	**(71,886)**
Proceeds from sales of property, plant, and equipment	**2,231**	400	**20,507**
Purchases of intangible assets	**(245)**	(112)	**(2,251)**
Proceeds from sales of intangible assets	**59**		**547**
Purchases of investment securities	**(974)**	(1,429)	**(8,956)**
Proceeds from sales of investment securities	**433**	160	**3,984**
Purchases of the shares of companies previously unconsolidated	**(126)**	(2,195)	**(1,160)**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	**937**	978	**8,610**
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation		(3)	
Payments For Acquisition of Businesses		(66,858)	
(Increase) decrease in short-term loans receivable	**(745)**	2	**(6,849)**
Payments of long-term loans receivable	**(24)**	(38)	**(227)**
Proceeds from long-term loans receivable	**32**	29	**301**
Other-net	**179**	(579)	**1,651**
Net cash used in investing activities	**(5,736)**	(76,339)	**(52,712)**
FINANCING ACTIVITIES:			
Decrease in short-term borrowings-net	**(43,632)**	(18,536)	**(400,927)**
Proceeds from issuance of commercial papers		30,000	
Proceeds from long-term debt	**15,882**	26,821	**145,935**
Repayments of long-term debt	**(15,320)**	(4,137)	**(140,773)**
Dividends paid	**(7,256)**	(7,261)	**(66,677)**
Dividends paid to noncontrolling interests	**(555)**	(672)	**(5,100)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(1,004)**	(16)	**(9,229)**
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**57**	448	**526**
Proceeds from issuance of bonds	**19,902**	29,845	**182,877**
Proceeds from issuance of shares		8,108	
Other-net	**(752)**	(787)	**(6,910)**
Net cash provided by financing activities	**(32,679)**	63,812	**(300,279)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(65)**	(675)	**(601)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,251**	(3,816)	**11,496**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**24,063**	27,879	**221,110**
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ **25,314**	¥ 24,063	$ **232,606**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2020

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements 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 accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2019 consolidated financial statements to conform to the classifications used in 2020.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which NIPPON STEEL TRADING CORPORATION (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to $1, the rate of exchange at March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements as of March 31, 2020, include the accounts of the Company and its 89 (91 in 2019) significant subsidiaries (collectively, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 31 (31 in 2019) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the consolidation or equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the 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 the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development ("R&D"); (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method - ASBJ Statement No.16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method, if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs if R&D; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit and all of which mature or become due within three months of the date of acquisition.

e. Allowance for Doubtful Receivables - The allowance for doubtful receivables is provided principally at an amount computed based on the actual ratio of bad debts in the past, plus the aggregate amount of estimated losses based on an analysis of certain individual receivables.

f. Inventories - Inventories are principally stated as follows:
Steel products are stated at cost determined by the moving-average method or by the specific identification method. Industrial machinery, nonferrous metals, cast and forged steel production, and railway wheels are stated at cost determined by the moving-average method or by the specific

identification method. Textiles are stated at cost determined by the first-in, first-out method or by the specific identification method. Food items are stated at cost determined by the specific identification method.

g. Investment Securities - Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
Available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. Property, Plant, and Equipment - Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company and 63 (63 in 2019) of its consolidated subsidiaries is computed by the straight-line method based on the estimated useful lives of the assets. Depreciation of property, plant, and equipment of 27 (29 in 2019) of its consolidated subsidiaries is computed principally by the declining-balance method based on the estimated useful lives of the assets.

Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

i. Long–Lived Assets - The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Goodwill - Goodwill is amortized on a straight-line basis over five years.

k. Bond Issue Costs - Bond issue costs are charged to income as incurred.

l. Retirement and Pension Plans - The Company and certain consolidated subsidiaries have noncontributory-funded pension plans covering substantially all of their employees. Certain consolidated subsidiaries have severance payment plans for directors and Audit & Supervisory Board members.

m. Asset Retirement Obligations - An asset retirement obligation ("ARO") is recorded for a legal obligation imposed by either law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The ARO is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the ARO cannot be made in the period the ARO is incurred, the liability should be recognized when a reasonable estimate of the ARO can be made. Upon initial recognition of a liability for an ARO, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Leases - In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standards for Lease Transactions," which revised the previous accounting standard for lease transactions. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

o. Income Taxes - The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

p. Foreign Currency Transactions - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign currency forward contracts.

q. Foreign Currency Financial Statements - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income (loss) in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

r. Derivatives and Hedging Activities - The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Derivatives include foreign currency forward contracts, interest rate swaps, and commodity swaps, which are utilized by the Group to reduce foreign currency exchange, interest rate risks, and market price. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows:

(1) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income.

(2) For derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts and currency options are utilized to hedge foreign currency exposures for imports from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Interest rate swaps are utilized to hedge interest rate exposures of short-term borrowings and long-term debt. Commodity swaps are utilized to manage the price fluctuation risk of merchandise. Borrowings denominated in foreign currencies are utilized to hedge foreign currency exposures of securities and Investment in overseas subsidiaries. The swaps that qualify for hedge accounting are measured at market value at the consolidated balance sheet date, and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.Those interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

Short-term bank loans are used to fund the Group’s ongoing operations and long-term debt, including bank loans are utilized to fund capital investment. Although a portion of such bank loans with floating rates are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

s. Per Share Information - Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares stock outstanding for the period, retroactively adjusted for stock splits.
The weighted-average number of shares of common stock used in the computation was 32,259 thousand shares and 32,258 thousand shares for the years ended March 31, 2019 and 2020, respectively.

Diluted net income per share is not disclosed because no potentially dilutive securities have been issued.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year, retrospectively adjusted for stock splits and consolidation.

t. New Accounting Pronouncements - On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

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

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Noncurrent:			
Marketable equity securities	**¥ 20,984**	¥ 33,459	**$ 192,818**
Others	**11,957**	11,615	**109,876**
Total	**¥ 32,942**	¥ 45,074	**$ 302,695**

The costs and aggregate fair values of marketable and investment securities at March 31, 2020 and 2019, were as follows:

	Millions of Yen			
March 31, 2020	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 18,868**	**¥ 5,176**	**¥ 3,059**	**¥ 20,984**

	Millions of Yen			
March 31, 2019				
Noncurrent:	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 19,808	¥ 14,148	¥ 498	¥ 33,459

	Thousands of U.S. Dollars			
March 31, 2020	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 173,372**	**$ 47,561**	**$ 28,114**	**$ 192,818**

The information for available-for-sale securities that were sold during the years ended March 31, 2020 and 2019, is as follows:

March 31, 2020	Millions of Yen Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Marketable equity securities	¥ 98	¥ 32	¥ 4
Other	141	43	5
Total	¥ 240	¥ 75	¥ 10

March 31, 2019	Millions of Yen Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Marketable equity securities	¥ 39	¥ 21	
Other	120	102	¥ 44
Total	¥ 160	¥ 123	¥ 44

March 31, 2020	Thousands of U.S. Dollars Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Marketable equity securities	$ 908	$ 295	$ 42
Other	1,299	396	51
Total	$ 2,207	$ 691	$ 93

The impairment losses on other available-for-sale equity securities for the years ended March 31, 2020 and 2019, were ¥1,870 million ($17,183 thousand) and ¥3,679 million, respectively.

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Merchandise and finished products	¥ 98,488	¥ 105,781	$ 904,979
Work in process	6,035	5,943	55,456
Raw materials and supplies	18,736	23,385	172,167
Total	¥ 123,261	¥ 135,110	$ 1,132,603

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2020. As a result, the Group recognized an impairment loss of ¥795 million ($7,312 thousand) for operating assets.

The Company and its consolidated subsidiaries classify fixed assets into groups, at the minimum cash-generating unit level, by the type of the respective business. Certain consolidated subsidiaries classify groups by store. For idle assets, each property is considered to constitute a group.

Due to consecutive operating losses of the unit, the book values of long-lived assets are written down to the recoverable amount, and the amounts are recorded as impairment losses on fixed assets.

The recoverable amounts are calculated based on value in use, and the relevant assets are evaluated based on expected future cash flows discounted mainly at 6.1% for the year ended March 31, 2020.

6. LOSS ON LIQUIDATION OF SUBSIDARIES AND AFFILIATES

Loss on liquidation of subsidiaries and affiliates for the years ended March 31, 2020 and 2019, related to losse from liquidation of a wholly owned subsidiary of the Company, which consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Loss on sales of property, plant, and equipment	¥	¥ 119	$
Loss on valuation of inventories			
Additional retirement benefits			
Others		247	
Total	¥	¥ 367	$

7. LOSS ON BUSINESS OF SUBSIDIARIES AND ASSOCIATES

There was no loss on business of subsidiaries and associates for the year ended March 31, 2020.

The Group recognized losses ¥1,485 million on material coal coil-related investment for the year ended March 31, 2019.

8. GOODWILL

Goodwill as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Consolidation goodwill	**¥ 408**	¥	**$ 3,756**
Total	**¥ 408**	¥	**$ 3,756**

Amortization charged to selling, general, and administrative expenses for the years ended March 31, 2020 and 2019, was ¥45 million ($ 417 thousand) and ¥51 million, respectively.

9. SHORT-TERM BORROWINGS, LONG-TERM DEBT, AND BONDS PAYABLE

Short-term borrowings at March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Loans, primarily from banks with interest principally at 0.020% to 7.000% in 2020 and 0.020% to 8.620% in 2019:			
Collateralized		¥ 2,200	
Unsecured	**¥ 78,248**	126,225	**$ 719,001**
Commercial papers, -0.004% to -0.000% in 2020	**50,000**	50,000	**459,432**
Total	**¥ 128,248**	¥ 178,425	**$ 1,178,433**

Long-term debt at March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Bonds payable			
Unsecured 0.150% Japanese yen bonds payable due in 2023	**¥ 15,000**	¥ 15,000	**$ 137,829**
Unsecured 0.190% Japanese yen bonds payable due in 2024	**10,000**		**91,886**
Unsecured 0.290% Japanese yen bonds payable due in 2025	**20,000**	20,000	**183,772**
Unsecured 0.395% Japanese yen bonds payable due in 2028	**15,000**	15,000	**137,829**
Unsecured 0.390% Japanese yen bonds payable due in 2029	**10,000**		**91,886**
Unsecured 0.950% Japanese yen bonds payable due in 2038	**10,000**	10,000	**91,886**
Loans, primarily from banks and insurance companies with interest principally at 0.190% to 2.620% in 2020 and 0.022% to 2.620% in 2019, due serially through 2020:			
Unsecured	**91,704**	90,579	**842,639**
Obligations under finance leases	**2,190**	1,207	**20,129**
Total	**173,895**	151,786	**1,597,861**
Less current portion	**(26,392)**	(15,943)	**(242,509)**
Long-term debt, less current portion	**¥ 147,502**	¥ 135,842	**$ 1,355,352**

The annual maturities of long-term debt and bonds payable excluding finance leases as of March 31, 2020, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	**¥ 25,469**	**$ 234,029**
2022	**7,173**	**65,916**
2023	**25,635**	**235,553**
2024	**24,805**	**227,924**
2025	**29,621**	**272,177**
2026 and thereafter	**59,000**	**542,129**
Total	**¥ 171,704**	**$ 1,577,731**

The carrying amounts of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2020, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investment securities	**¥ 1,486**	**$ 13,661**
Total	**¥ 1,486**	**$ 13,661**

As is customary in Japan, the Company maintains deposit balances with banks with which it has bank loans. Such deposit balances are not legally or contractually restricted as to withdrawal.

In addition, the bank borrowings are subject to agreements under which collateral must be given if requested by the lending banks, and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the bank concerned. The Company has never received any such request.

10. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees, and certain consolidated subsidiaries have severance payment plans for directors and Audit & Supervisory Board members. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits at March 31, 2020 and 2019, for directors and Audit & Supervisory Board members is ¥601 million ($5,530 thousand) and ¥530 million, respectively.

(1) Defined benefit plan

(a) The changes in defined benefit obligation for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Balance at beginning of year	**¥ 22,993**	¥ 19,740	**$ 211,283**
Current service cost	**1,696**	1,625	**15,590**
Interest cost	**90**	83	**829**
Actuarial difference	**4**	144	**39**
Benefits paid	**(1,167)**	(1,170)	**(10,727)**
Decrease of consolidated subsidiaries	**(632)**	(224)	**(5,807)**
Increase of newly consolidated subsidiaries	**20**	2,288	**185**
Increase resulting from business acquisition		505	
Other	**17**		**164**
Balance at end of year	**¥ 23,023**	¥ 22,993	**$ 211,557**

(b) The changes in plan assets for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Balance at beginning of year	**¥ 20,416**	¥ 19,443	**$ 187,595**
Expected return on plan assets	**379**	591	**3,486**
Actuarial difference	**(1,133)**	(651)	**(10,412)**
Contributions from the employer	**1,437**	873	**13,207**
Benefits paid	**(849)**	(939)	**(7,809)**
Decrease of consolidated subsidiaries	**(416)**	(248)	**(3,829)**
Increase of newly consolidated subsidiaries		859	
Increase resulting from business acquisition		487	
Balance at end of year	**¥ 19,833**	¥ 20,416	**$ 182,238**

(c) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the years ended March 31, 2020 and 2019, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Funded defined benefit obligation	**¥ 20,832**	¥ 21,018	**$ 191,425**
Plan assets	**(19,833)**	(20,416)	**(182,238)**
Total	**999**	602	**9,186**
Unfunded defined benefit obligation	**2,792**	2,505	**25,663**
Net liability arising from defined benefit obligation	**¥ 3,792**	¥ 3,108	**$ 34,849**

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Liability for retirement benefits	**¥ 4,276**	¥ 4,072	**$ 39,292**
Asset for retirement benefits	**(483)**	(964)	**(4,442)**
Net liability arising from defined benefit obligation	**¥ 3,792**	¥ 3,108	**$ 34,849**

(d) The components of net periodic benefit costs for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Service cost	**¥ 1,217**	¥ 1,087	**$ 11,190**
Interest cost	**90**	83	**829**
Expected return on plan assets	**(379)**	(591)	**(3,486)**
Recognized actuarial difference	**14**	(100)	**136**
Pension expenses for which the simplified method is applied	**478**	537	**4,399**
Others	**68**	168	**631**
Net periodic benefit costs	**¥ 1,491**	¥ 1,185	**$ 13,701**

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Actuarial difference	**¥ (1,122)**	¥ (896)	**$ (10,315)**
Total	**¥ (1,122)**	¥ (896)	**$ (10,315)**

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Unrecognized actuarial difference	**¥ 1,367**	¥ 244	**$ 12,564**
Total	**¥ 1,367**	¥ 244	**$ 12,564**

(g) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2020 and 2019, consisted of the following:

	2020	2019
Debt investments	**62%**	60%
Equity investments	**26**	31
Others	**12**	9
Total	**100%**	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return that are expected currently and in the future from the various components of the plan assets.

(h) Assumptions used for the years ended March 31, 2020 and 2019, were set forth as follows:

	2020	2019
Discount rate	**0.5%**	0.5%
Expected rate of return on plan assets	**2.0%**	2.0%
Expected rate of future salary increases	**4.0-5.1%**	3.0-5.1%

(2) Defined contribution plan

The estimated amount of contribution to the defined contribution plan was ¥314million ($2,885 thousand), and ¥293 million for the year ended March 31, 2020 and 2019.

11. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

The Company issued new shares through a third-party allotment to Mitsui & Co., Ltd. ("Mitsui & Co.") and payment process was completed on April 2, 2018.

Outline of the Third-Party Allotment were as follows:

1) Number of shares to be newly issued	1,350,000 shares of common stock
2) Issue price	¥6,006 per unit
3) Amount of proceeds	¥8,108 million ($73,052 thousand)
4) Method of offering and allotment (allottee)	All of the shares were allotted to Mitsui & Co. By way of third-party allotment.
5) Total amounts by which common stock and capital surplus are to be increased (excluding issuance and other expenses)	Common stock: ¥4,054 million ($36,526 thousand) Capital surplus: ¥4,054 million ($36,526 thousand)

(3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to a number of different taxes based on income, which, in the aggregate, resulted in an effective normal statutory tax rate of approximately 31% for the years ended March 31, 2020 and 2019, respectively. The consolidated foreign subsidiaries are subject to a number of different taxes based on income at tax rates specific to the rates of each country.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2020 and 2019, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Deferred Tax Assets:			
Inventories	**¥ 428**	¥ 476	**$ 3,937**
Provision for doubtful receivables	**1,063**	1,226	**9,768**
Excess depreciation	**735**	640	**6,762**
Impairment Loss	**634**	623	**5,832**
Loss on devaluation of investment securities	**613**	628	**5,639**
Loss on devaluation of stock and investments in associated companies	**1,000**	1,020	**9,189**
Loss on devaluation of golf club membership	**264**	278	**2,428**
Business taxes payable	**306**	405	**2,818**
Accrued bonuses to employees	**1,385**	1,381	**12,729**
Liability for retirement benefits	**1,137**	1,089	**10,448**
Tax loss carryforwards	**1,082**	1,716	**9,947**
Elimination of unrealized gain on inventories	**462**	504	**4,253**
Elimination of unrealized gain on property, plant, and equipment	**146**	146	**1,344**
Tax effects attributable to investment in a subsidiary in the course of liquidation		814	
Other	**3,515**	2,650	**32,306**
Less valuation allowance	**(4,932)**	(5,844)	**(45,324)**
Total	**¥ 7,844**	¥ 7,759	**$ 72,083**
Deferred Tax Liabilities:			
Net unrealized gain on available-for-sale securities	**¥ 1,855**	¥ 5,271	**$ 17,048**
Unrealized gains on assets and liabilities of consolidated subsidiaries	**527**	520	**4,849**
Undistributed earnings of foreign subsidiaries	**1,761**	1,384	**16,189**
Asset for retirement benefits	**35**	106	**329**
Differential liability adjustment	**525**	700	**4,827**
Other	**778**	1,043	**7,149**
Total	**¥ 5,484**	¥ 9,027	**$ 50,393**
Net deferred tax (liabilities) assets	**¥ 2,360**	¥ (1,267)	**$ 21,689**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2020 and 2019, is as follows:

	2020	2019
Normal effective statutory tax rate	**30.6%**	30.6%
Nondeductible expenses	**2.0**	2.1
Effect of taxation on dividends eliminated in consolidation	**4.7**	6.1
Nontaxable gain	**(3.9)**	(4.8)
Tax rate difference at overseas subsidiaries	**(1.5)**	(1.2)
Gain and loss on investments from equity method	**(2.7)**	(2.0)
Consolidation adjustment of gain on sales of investment securities-net		(0.5)
Gain on Negative goodwill		(2.5)
Variation Allowance	**0.6**	0.1
Tax credit		(0.6)
Other-net	**0.5**	(0.3)
Actual effective tax rate	**30.2%**	27.0%

At March 31, 2020, certain subsidiaries have tax loss carryforwards aggregating approximately ¥3,739 million ($34,357 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ **525**	$ **4,827**
2022	**393**	**3,612**
2023	**260**	**2,391**
2024	**531**	**4,880**
2025 and thereafter	**2,029**	**18,645**
Total	¥ **3,739**	$ **34,357**

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group utilizes indirect and direct financing, such as bank loans, bonds payable, commercial papers, and liquidation of receivables for working capital including inventory funds and funds of capital investments, positions to secure mobility, reduction of costs, and stable procurement as the basic funding policy. In addition, the Group does not invest for speculative purposes because it does not have cash surplus, and uses minimum necessary imprest funds as short-term deposits. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Payment terms of receivables, such as trade notes and trade accounts, are typically less than one year. They are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables, is hedged by using foreign currency forward contracts. Marketable and investment securities, mainly securities of financial institutions or customers and suppliers of the Group, are additionally exposed to the risk of market price fluctuations. Marketable and investment securities in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

Payment terms of payables, such as trade notes and trade accounts, are typically less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of receivables, is hedged by using foreign currency forward contracts. Although merchandise that is sold at fixed price is exposed to the risk of market price fluctuations, those risks are hedged by using commodity swaps.

Short-term borrowings and commercial papers are used for the Group’s ongoing operations, and long-term debt, such as bank loans, and bonds payable are utilized to fund capital investment. Although a portion of such bank loans with floating rates is exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps. Although a portion of long-term debt in foreign currency is exposed to market risks of fluctuation in foreign currency exchange rate, those risks are mitigated by using derivatives of currency swaps. Derivatives include foreign currency forward contracts, currency swaps, currency options, interest rate swaps, and commodity swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, from changes in interest rates of bank loans, and from fluctuations in merchandise prices. Please see Note 14 for more details of derivatives.

(3) Risk management for financial instruments

(i) Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Company manages its credit risk on the basis of credit management guidelines, which include assessing customers quantitatively and qualitatively by the Credit Control Department to set credit limits. The credit limits are periodically reviewed. The consolidated subsidiaries manage credit risk under similar credit management guidelines.

With respect to derivative transactions, the Company manages its exposure to counterparty risk by limiting its transactions to high-credit-rating financial institutions.

(ii) Market risk management (foreign exchange risk and interest rate risk)

The Company and certain consolidated subsidiaries manage the market risk of fluctuation in foreign currency exchange rates of foreign currency trade receivables and payables principally by using foreign currency forward contracts. In addition, foreign exchange risk is hedged by foreign currency forward contracts when foreign currency trade receivables and payables are expected from forecasted transactions.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.
Marketable and investment securities are managed by monitoring market values and the financial position of issuers periodically, and the Company continuously reviews the status of holding securities by considering its relationship with customers and suppliers of the Group. The loans in foreign currencies are used to manage exposure to the market risk from fluctuation in foreign currency exchange rates of some investment securities in foreign currencies.

Derivative transactions are entered into by the Finance Department under the limits of transactions which are approved at the Board of Directors' meeting based on the internal guidelines that prescribe the limit for each transaction, and the balances of transactions with customers are verified by the Accounting Department. In addition, the consolidated subsidiaries manage derivative transactions based on the Company's internal guidelines.

(iii) Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk via the Group's treasury management through its Cash Management System, diversification of financing measures, loans from several financial institutions, and the adjustment for the length of financing from Asset Liability Management. In addition, the Finance Department manages short-term liquidity daily by reviewing the funds, along with renewal of financial planning based on the reports from each section and the Company's subsidiaries.

(4) Fair values of financial instruments

Carrying amounts, fair values, and unrealized gain or loss of financial instruments as of March 31, 2020 and 2019, are as follows. Financial instruments whose fair value cannot be reliably determined are not cluded in below. Also, please see Note 14 for the details of fair value for derivatives.

(i) Fair value of financial instruments

	Millions of Yen		
March 31, 2020	Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	**¥ 25,314**	**¥ 25,314**	
Receivables	**558,422**		
Allowance for doubtful receivables	**(1,088)**		
Receivables-net	**557,334**	**557,334**	
Investment securities	**20,984**	**20,984**	
Investments in unconsolidated subsidiaries			
and associated companies	**10,218**	**5,205**	**¥ (5,012)**
Total	**¥ 613,852**	**¥ 608,839**	**¥ (5,012)**
Short-term borrowings	**¥ 78,248**	**¥ 78,248**	
Current portion of long-term debt	**26,392**	**26,392**	
Commercial papers	**50,000**	**50,000**	
Payables	**259,803**	**259,803**	
Long-term debt	**67,502**	**68,064**	**¥ 561**
Bonds payable	**80,000**	**79,539**	**(461)**
Total	**¥ 561,948**	**¥ 562,048**	**¥ 100**

	Millions of Yen		
March 31, 2019	Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	¥ 24,063	¥ 24,063	
Receivables	638,780		
Allowance for doubtful receivables	(1,541)		
Receivables-net	637,239	637,239	
Investment securities	33,459	33,459	
Investments in unconsolidated subsidiaries			
and associated companies	8,873	7,383	¥ (1,489)
Total	¥ 703,635	¥ 702,145	¥ (1,489)
Short-term borrowings	¥ 128,425	¥ 128,425	
Current portion of long-term debt	15,943	15,943	
Commercial papers	50,000	50,000	
Payables	326,705	326,705	
Long-term debt	75,842	76,643	¥ 801
Bonds payable	60,000	60,641	641
Total	¥ 656,916	¥ 658,358	¥ 1,442

March 31, 2020	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	$ 232,606	$ 232,606	
Receivables	5,131,147		
Allowance for doubtful receivables	(9,997)		
Receivables-net	5,121,150	5,121,150	
Investment securities	192,818	192,818	
Investments in unconsolidated subsidiaries and associated companies	93,893	47,831	$ (46,062)
Total	$ 5,640,469	$ 5,594,407	$ (46,062)
Short-term borrowings	$ 719,001	$ 719,001	
Current portion of long-term debt	242,509	242,509	
Commercial papers	459,432	459,432	
Payables	2,387,245	2,387,245	
Long-term debt	620,260	625,422	$ 5,162
Bonds payable	735,091	730,855	(4,235)
Total	$ 5,163,540	$ 5,164,466	$ 926

Assets

(a) Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

(b) Receivables

The fair values of receivables are measured at the carrying values because the collection term is short. The allowance for doubtful receivables is computed based on the actual ratio of bad debt in the past, plus the aggregate amount of estimated losses based on the analysis of certain individual receivables with recoverable collateral and guarantees. Therefore, the fair values are approximately equal to the values that are deducted from the current estimated bad debts from balance sheet accounts. In addition, a portion of receivables denominated in foreign currencies and hedged by foreign currency forward contracts is translated at the applicable contract rate.

(c) Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 3.

Liabilities

(a) Payables and short-term borrowings

The carrying values of payables and short-term borrowings approximate fair value because such balances are settled in the short term. In addition, a portion of payables denominated in foreign currencies and hedged by foreign currency forward contracts is translated at the applicable contract rate.

(b) Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the bank loans at the Group's assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 14.

(ii) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Investments in equity instruments that do not have a quoted market price in an active market	**¥ 11,957**	¥ 11,615	**$ 109,876**
Investments in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	**27,821**	26,555	**255,645**

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2020	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**¥ 25,314**			
Receivables	**558,422**			
Total	**¥ 583,737**			

	Millions of Yen			
March 31, 2019	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 24,063			
Receivables	638,780			
Total	¥ 662,844			

	Thousands of U.S. Dollars			
March 31, 2020	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**$ 232,606**			
Receivables	**5,131,147**			
Total	**$ 5,363,754**			

Please see Note 9 for annual maturities of long-term debt.

14. DERIVATIVES

The Group enters into foreign currency forward contracts in the normal course of business to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.
The Group enters into interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities. Interest rate swaps effectively convert some floating rate debt to a fixed basis, or convert some fixed rate debt to a floating basis.
The Group enters into commodity swap agreements as a means of managing the price fluctuation risk of merchandise that is to be sold at fixed price. Commodity swaps effectively convert some quoted prices to fixed prices.

It is the Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Since most of the Group's derivative transactions are related to qualified hedges of underlying business exposures, market gain or loss risk in derivative instruments is basically offset by opposite movements in the value of the hedged assets or liabilities. Also, because the counterparties to those derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies, which regulate the authorization and credit limit amount. The basic policies for the use of derivatives are approved by the Board of Directors and the execution and control of derivatives are performed by the Finance Department and monitored by the Corporate Planning Section. Each derivative transaction is periodically reported to management, where evaluation and analysis of such derivatives are performed.

Derivative transactions to which hedge accounting is not applied

March 31, 2020	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain(Loss)
Foreign currency forward contracts:				
Selling:				
USD	**¥ 816**		**¥ 0**	**¥ 0**
JPY	**99**		**(1)**	**(1)**
Buying:				
USD	**2,157**		**(29)**	**(29)**
JPY	**259**		**(4)**	**(4)**
Total	**¥ 3,333**		**¥ (35)**	**¥ (35)**
Interest rate swaps				
(fixed-rate payment and floating-rate receipt)	**¥ 43**		**¥ (0)**	**¥ (0)**

March 31, 2019	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain(Loss)
Foreign currency forward contracts:				
Selling:				
USD	¥ 446		¥ (0)	¥ (0)
JPY	196		0	0
Buying:				
USD	4,366		(59)	(59)
JPY	334		0	0
Total	¥ 5,344		¥ (58)	¥ (58)
Interest rate swaps				
(fixed-rate payment and floating-rate receipt)	¥ 88	¥ 88	¥ 1	¥ 1

March 31, 2020	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain(Loss)
Foreign currency forward contracts:				
Selling:				
USD	**$ 7,506**		**$ 1**	**$ 1**
JPY	**916**		**(12)**	**(12)**
Buying:				
USD	**19,821**		**(272)**	**(272)**
JPY	**2,387**		**(38)**	**(38)**
Total	**$ 30,631**		**$ (321)**	**$ (321)**
Interest rate swaps				
(fixed-rate payment and floating-rate receipt)	**$ 402**		**$ (0)**	**$ (0)**

Derivative transactions to which hedge accounting is applied

March 31, 2020	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		**¥ 5,348**	**¥ 702**	**¥ (48)**
EUR		**650**	**183**	**0**
RMB		**514**		**2**
JPY		**3,648**		**(11)**
Buying:	Payables			
USD		**66,028**	**20,842**	**187**
EUR		**649**		**(8)**
GBP		**29**		**(1)**
AUD		**361**		**(40)**
RMB		**13**		**(0)**
JPY		**72**		**(0)**
Currency options:	Payables			
USD		**689**		**(1)**
Total		**¥ 78,006**	**¥ 21,728**	**¥ 79**
lInterest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	**¥ 7,500**	**¥ 2,500**	
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	**¥ 318**		**¥ (38)**

March 31, 2019	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		¥ 7,250	¥ 647	¥ (60)
EUR		409		6
RMB		1,016		(16)
JPY		3,299		87
Buying:	Payables			
USD		63,548	18,906	74
EUR		390		(1)
GBP		65		0
THB		24		(0)
AUD		425	54	1
RMB		118		2
NOK		6		(0)
JPY		40		(1)
Currency options:	Payables			
USD		574		0
Total		¥ 77,169	¥ 19,608	¥ 92
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	¥ 18,500	¥ 7,500	
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	¥ 196		¥ (18)

March 31, 2020	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		$ 49,147	$ 6,452	$ (444)
EUR		5,980	1,683	9
RMB		4,724		24
JPY		33,523		(109)
Buying:	Payables			
USD		606,709	191,514	1,727
EUR		5,966		(73)
GBP		274		(11)
AUD		3,319		(368)
RMB		122		(2)
JPY		661		(3)
Currency options:	Payables			
USD		6,339		(11)
Total		$ 716,770	$ 199,651	$ 734
IInterest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	$ 68,914	$ 22,971	
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	$ 2,924		$ (350)

The fair value of derivative transactions is measured at the quoted price obtained from a financial institution.

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

15. RELATED PARTY DISCLOSURES

Transactions of the Company with Nippon Steel Corporation (“NSC”) and Mitsui & Co., which owned 34.54% and 19.93% of the Company’s issued shares at March 31, 2020, for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
NSC			
Sales	**¥ 96,145**	¥ 124,473	**$ 883,447**
Purchases	**923,897**	1,014,206	**8,489,364**
Mitsui & Co., Ltd.			
Third-Party Allotment		8,108	
Business Acquisition		14,191	

The balances due to or from NSC at March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Trade receivables	**¥ 28,146**	¥ 31,914	**$ 258,625**
Trade payables	**17,257**	23,182	**158,577**

Transactions of the Company with subsidiaries of NSC and Mitsui & Co. for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Nippon Steel Coated Sheet Corporation			
Sales	**¥ 26,701**	¥ 27,371	**$ 245,349**
Purchases	**35,844**	35,412	**329,366**
Nippon Steel Metal Products Co., Ltd.			
Purchases		27,815	
Mitsui & Co. Steel Ltd.			
Business Acquisition		53,719	

The balances due to or from Nippon Steel Coated Sheet Corporation and Nippon Steel Metal Products Co., Ltd. at March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Nippon Steel Coated Sheet Corporation			
Trade receivables	**¥ 10,034**	¥ 7,952	**$ 92,205**
Trade payables	**10,033**	10,710	**92,195**
Nippon Steel Metal Products Co., Ltd.			
Trade payables		7,895	

Transactions of subsidiaries of the Company with subsidiaries of NSC for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Nippon Steel Nisshin Co., Ltd.			
Purchases	**¥ 34,542**	¥ 12,168	**$ 317,400**
Tukiboshi Shoji Co., Ltd.			
Sale		4,809	

The balances due to or from these companies at March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Nippon Steel Nisshin Co., Ltd.			
Trade payables	**¥ 11,440**	¥ 14,398	**$ 105,125**
Tukiboshi Shoji Co., Ltd.			
Trade receivables		10,083	

16. CONTINGENT LIABILITIES

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	**¥ 13,782**	**$ 126,646**
Trade notes endorsed	**96**	**890**
Guarantees for loans	**2,655**	**24,396**
Maximum amount of obligations to repurchase transferred receivables under certain conditions	**2,933**	**26,956**
Total	**¥ 19,468**	**$ 178,890**

17. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Unrealized gain (loss) on available-for-sale securities			
(Losses) gains arising during the year	**¥ (12,481)**	¥ 796	**$ (114,692)**
Reclassification adjustments to profit or loss	**1,812**	(3,560)	**16,650**
Amount before income tax effect	**(10,669)**	(2,764)	**(98,041)**
Income tax effect	**3,367**	716	**30,946**
Total	**¥ (7,301)**	¥ (2,047)	**$ (67,094)**
Deferred gain (loss) on derivatives under hedge accounting			
Gains (losses) arising during the year	**¥ 159**	¥ (0)	**$ 1,466**
Reclassification adjustments to profit or loss	**(7)**	29	**(69)**
Amount before income tax effect	**151**	28	**1,396**
Income tax effect	**(42)**	(11)	**(391)**
Total	**¥ 109**	¥ 17	**$ 1,005**
Foreign currency translation adjustments			
Adjustments arising during the year	**¥ (185)**	¥ (1,480)	**$ (1,704)**
Amount before income tax effect	**(185)**	(1,480)	**(1,704)**
Income tax effect	**(2)**	(0)	**(19)**
Total	**¥ (187)**	¥ (1,480)	**$ (1,723)**
Defined retirement benefit plan(s)			
Adjustments arising during the year	**¥ (1,137)**	¥ (796)	**$ (10,451)**
Reclassification adjustments to profit or loss	**14**	(100)	**136**
Amount before income tax effect	**(1,122)**	(896)	**(10,315)**
Income tax effect	**295**	251	**2,714**
Total	**¥ (827)**	¥ (645)	**$ (7,600)**
Share of other comprehensive income (loss) in associated companies			
Gains (losses) arising during the year	**¥ 532**	¥ (402)	**$ 4,897**
Reclassification adjustments to profit or loss	**¥ 0**		**$ 1**
Total	**¥ 533**	¥ (402)	**$ 4,898**
Total other comprehensive loss	**¥ (7,674)**	¥ (4,559)	**$ (70,514)**

18. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2020, was approved at the Company's shareholders' meeting held on June 25, 2020:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥85.0 ($ 0.78) per share	**¥ 2,742**	**$ 25,196**

19. SEGMENT INFORMATION

An entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. As such, the Group's reportable segments consist of the steel, industrial supply and infrastructure, textiles, and foodstuffs segments. Steel consists of various steel products, construction materials, raw materials, and machinery products. Industrial Supply and Infrastructure consists of industrial machinery, nonferrous metals, cast and forged steel production, and railway wheels. An associated company operates development, sales of industrial park, and generation of electric power. Textiles consists of yarns and fabrics, clothing, bedding, interior items, uniforms, and undergarments. Foodstuffs consists of beef, pork, chicken, and marine products.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, and other items for each reportable segment.
The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies"

(3) Information about sales, profit (loss), assets, and other items

	Millions of Yen						
	2020						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales:							
Sales to external customers	**¥ 2,118,646**	**¥ 87,738**	**¥ 130,048**	**¥ 142,851**	**¥ 970**		**¥2,480,256**
Intersegment sales or transfers	**628**	**608**	**5**		**132**	**¥ (1,375)**	
Total	**¥ 2,119,275**	**¥ 88,346**	**¥ 130,054**	**¥ 142,851**	**¥ 1,102**	**¥ (1,375)**	**¥2,480,256**
Segment profit (losses)	**¥ 22,230**	**¥ 3,773**	**¥ 4,695**	**¥ 2,438**	**¥ 106**	**¥ (0)**	**¥ 33,244**
Segment assets	**686,188**	**60,308**	**57,071**	**44,540**	**2,266**	**7,369**	**857,744**
Other:							
Depreciation	**3,509**	**843**	**1,376**	**39**	**16**		**5,784**
Amortization of goodwill				**45**			**45**
Interest income	**501**	**4**	**8**	**23**	**0**		**537**
Interest expense	**3,476**	**195**	**293**	**170**	**31**		**4,166**
Equity in earnings of associated companies	**252**	**2,622**	**(87)**				**2,786**
Investments under the equity method	**11,832**	**23,333**	**368**				**35,534**
Increase in property, plant, and equipment and intangible assets	**6,267**	**1,192**	**467**	**106**	**34**		**8,068**

	Millions of Yen						
	2019						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 2,162,996	¥ 92,328	¥ 150,869	¥ 142,411	¥ 2,007		¥2,550,612
Intersegment sales or transfers	746	765	5		158	¥ (1,675)	
Total	¥ 2,163,742	¥ 93,094	¥ 150,874	¥ 142,411	¥ 2,166	¥ (1,675)	¥2,550,612
Segment profit (losses)	¥ 26,410	¥ 2,750	¥ 4,431	¥ 2,803	¥ 33	¥ (1)	¥ 36,427
Segment assets	773,068	61,304	78,026	39,326	2,298	6,149	960,173
Other:							
Depreciation	3,212	762	1,246	87	15		5,324
Amortization of goodwill	45			6			51
Interest income	401	4	19	26	1		454
Interest expense	3,634	154	402	232	41		4,465
Equity in earnings of associated companies	659	1,446	1				2,106
Investments under the equity method	12,183	20,789	44				33,018
Increase in property, plant, and equipment and intangible assets	4,351	1,499	359	111	41		6,362

	Thousands of U.S. Dollars						
	2020						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales:							
Sales to external customers	$ 19,467,489	$ 806,196	$1,194,973	$1,312,615	$ 8,917		$ 22,790,191
Intersegment sales or transfers	5,775	5,591	54		1,216	$ (12,638)	
Total	$ 19,473,265	$ 811,788	$1,195,027	$1,312,615	$ 10,133	$ (12,638)	$ 22,790,191
Segment profit (losses)	$ 204,265	$ 34,668	$ 43,148	$ 22,407	$ 980	$ (0)	$ 305,471
Segment assets	6,305,138	554,157	524,407	409,267	20,824	67,716	7,881,510
Other:							
Depreciation	32,244	7,754	12,647	358	150		53,154
Amortization of goodwill				417			417
Interest income	4,612	41	74	213	0		4,941
Interest expense	31,940	1,795	2,698	1,562	287		38,284
Equity in earnings of associated companies	2,316	24,093	(802)				25,607
Investments under the equity method	108,720	214,407	3,386				326,514
Increase in property, plant, and equipment and intangible assets	57,589	10,959	4,295	976	316		74,137

Notes for the year ended March 31, 2020

(a) "Other" represents operating segments that are not included in a reportable segment, consisting of real estate and other transactions.

(b) The reconciliation in segment profit of ¥-0 million ($-0 thousand) represents the elimination of intersegment trades.

(c) The reconciliation in segment assets of ¥7,369 million ($67,716 thousand) represents the result of elimination of intersegment trades of ¥310 million ($2,848 thousand) and the Group's assets of ¥7,679 million ($70,564 thousand) that are not included in a reportable segment. The Group's assets mainly consist of cash and cash equivalents of the Company.

(d) Items causing the difference between the aggregated amounts of segment profit of reportable segments and others, and income before income taxes and minority interests in the consolidated financial statements include mainly the following:

- ¥795 million ($7,312 thousand) of impairment losses of fixed assets, which is included in other income (expenses)
- ¥1,870 million ($17,183 thousand) of loss on devaluation of investments securities, which is included in other income (expenses)

Notes for the year ended March 31, 2019

(a) "Other" represents operating segments that are not included in a reportable segment, consisting of real estate and other transactions.

(b) The reconciliation in segment profit of ¥-1 million represents the elimination of intersegment trades.

(c) The reconciliation in segment assets of ¥6,149 million represents the result of elimination of intersegment trades of ¥344 million and the Group's assets of ¥6,493 million that are not included in a reportable segment. The Group's assets mainly consist of cash and cash equivalents of the Company.

(d) Items causing the difference between the aggregated amounts of segment profit of reportable segments and others, and income before income taxes and minority interests in the consolidated financial statements include mainly the following:

- ¥367 million of loss on liquidation of subsidiaries and affiliates, which is included in other income (expenses)
- ¥1,485 million of loss on business of subsidiaries and associates , which is included in other income (expenses)

(4) Information about products and services

See operating segments information above because the reportable segments are determined on the basis of products and services.

(5) Information about geographical areas

(i) Sales

Millions of Yen			
2020			
Japan	Asia	Others	Total
¥ 1,784,706	**¥ 533,002**	**¥ 162,547**	**¥ 2,480,256**

Millions of Yen			
2019			
Japan	Asia	Others	Total
¥ 1,868,998	¥ 557,242	¥ 124,371	¥ 2,550,612

Thousands of U.S. Dollars			
2020			
Japan	Asia	Others	Total
$16,399,028	**$ 4,897,570**	**$ 1,493,592**	**$22,790,191**

Sales are classified by country or region based on the location of customers.

(ii) Property, plant, and equipment

Millions of Yen			
2020			
Japan	Asia	Others	Total
¥ 35,433	**¥ 9,834**	**¥ 11,512**	**¥ 56,780**

Millions of Yen			
2019			
Japan	Asia	Others	Total
¥ 37,814	¥ 9,706	¥ 8,315	¥ 55,837

Thousands of U.S. Dollars			
2020			
Japan	Asia	Others	Total
$ 325,587	**$ 90,361**	**$ 105,785**	**$ 521,734**

(6) Information about major customers

Information about major customers is not disclosed because there was no single external customer who accounted for 10% or more of the Group's revenues for the years ended March 31, 2020 and 2019.

(7) Impairment losses of assets are as follows:

	Millions of Yen						
	2020						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets	**¥ 730**			**¥ 65**			**¥ 795**

	Thousands of U.S. Dollars						
	2020						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets	**$ 6,709**			**$ 603**			**$ 7,312**

There was no impairment loss of long-lilved assets for the year ended March 31, 2019.

(8) Amortization of goodwill and goodwill are as follows:

	Millions of Yen						
	2020						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill				**¥ 45**			**¥ 45**
Goodwill				**408**			**408**

	Millions of Yen						
	2019						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	¥ 45			¥ 6			¥ 51
Goodwill							

	Thousands of U.S. Dollars						
	2020						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill				**$ 417**			**$ 417**
Goodwill				**3,756**			**3,756**

(9) Information on gain on negative goodwill by segment

Notes for the year ended March 31, 2020

There was no gain on negative goodwill.

Notes for the year ended March 31, 2019

In the steel segment, the Company recorded negative goodwill of ¥2,050 million related to the business acquisition from Mitsui & Co. and the acquisition of shares of companies related to the business, and the acquisition of shares of NST NIHON TEPPAN Co., Ltd. during the third quarter consolidated accounting period.

The gain on negative goodwill is not included in segment income as it is an extraordinary income.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NIPPON STEEL TRADING CORPORATION:

Opinion

We have audited the consolidated financial statements of NIPPON STEEL TRADING CORPORATION and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Deloitte Touche Tohmatsu LLC

June 25, 2020

Corporate Data
(As of March 31, 2020)

Date of Establishment

August 2, 1977

Tokyo Head Office

5-27 Akasaka 8-chome, Minato-ku, Tokyo 107-8527

Number of Employees

1,861

Number of Subsidiaries and Associated Companies

105 and 47

NIPPON STEEL
TRADING