

# Annual Report 2019

For the year ended March 31, 2019



**MARUICHI STEEL TUBE LTD.**



Since its establishment in 1947, Maruichi Steel Tube Ltd. has concentrated on accumulating industry-leading technological expertise as a specialist in steel tube production.

The Company's progress has been underpinned by R&D focused on enhancing this core competence.

Maruichi Steel Tube's network in Japan provides nationwide coverage, including affiliated companies, and manufacturing plants and logistics centers operating in close proximity based on a business model emphasizing demand-driven production systems. Overseas, the Company has been developing a global business by establishing manufacturing companies in the United States, Mexico, Indonesia, China, Vietnam, India and Philippines. Additionally, through persistent efforts to increase the efficiency of manufacturing and logistics, the Company is sharpening the cost competitiveness of products.

Convinced that fulfillment of corporate social responsibility is both a duty and a vital ingredient of business success, Maruichi Steel Tube has put in place corporate governance systems based on the Companies Act. Also, the Company is strengthening its internal control in view of the Financial Instruments and Exchange Act, Japan's version of the U.S. Sarbanes-Oxley Act (SOX), which accords the prime importance to internal control of financial reporting and is applicable to accounting periods started from April 2008 onward.

Maruichi Steel Tube's shares, listed on the first sections of the Tokyo Stock Exchange, have been included in the Nikkei 500 Average since April 2001, underlining the Company's importance.

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### Disclaimer Regarding Forward-Looking Statements

Plans, strategies and other forward-looking statements about corporate performance published in this report are not based on information concerning events in the past, but are projections based on assumptions and convictions of company executives in light of currently available information. It should be noted that risks and uncertainties are associated with any forward-looking statements included in this report.

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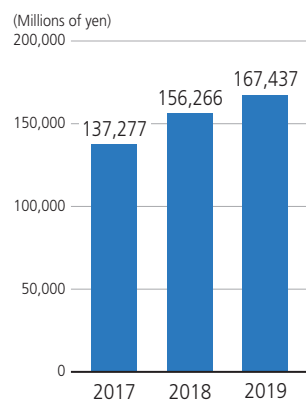
# Consolidated Financial Highlights

Maruichi Steel Tube Ltd. and Consolidated Subsidiaries  
Years ended March 31

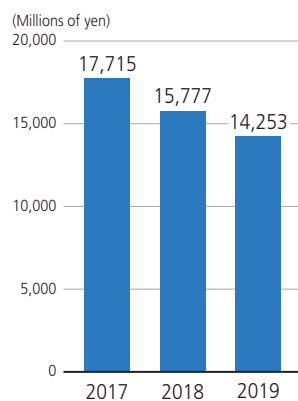
	Millions of Yen			Thousands of U.S. dollars*
	2017	2018	2019	2019
<b>For the year:</b>				
Net sales	¥137,277	¥156,266	<b>¥167,437</b>	<b>\$1,508,584</b>
Operating income	24,502	20,826	<b>19,266</b>	<b>173,587</b>
Income before income taxes	26,123	23,251	<b>21,217</b>	<b>191,168</b>
Net income attributable to owners of parent	17,715	15,777	<b>14,253</b>	<b>128,422</b>
<b>At year-end:</b>				
Total assets	¥306,453	¥315,696	<b>¥321,019</b>	<b>\$2,892,324</b>
Net assets	259,224	269,305	<b>274,935</b>	<b>2,477,123</b>
			Yen	U.S. dollars*
<b>Per share:</b>				
Net income	¥ 214.09	¥ 190.67	<b>¥ 172.25</b>	<b>\$ 1.55</b>
Net assets	3,006.58	3,125.75	<b>3,189.44</b>	<b>28.73</b>
			%	
<b>Ratio:</b>				
Return on assets (ROA)	5.9	5.1	<b>4.5</b>	
Return on equity (ROE)	7.4	6.2	<b>5.5</b>	

\* U.S. dollar amounts have been converted for convenience only at the rate of ¥110.99=US\$1, the rate of exchange on March 31, 2019.

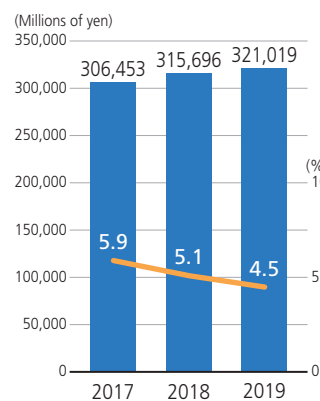
## Net Sales



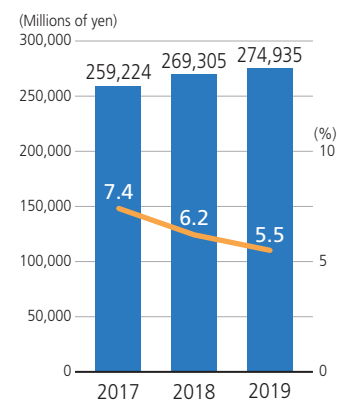
## Net Income Attributable to Owners of Parent



## Total Assets (left scale) ROA (right scale)



## Net Assets (left scale) ROE (right scale)



Due to changes in the method of presentation from 2019 with the application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) etc., total assets for 2018 are retroactively adjusted to reflect these changes.

# Status of Business

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**Hiroyuki Suzuki**

Representative Director,  
Chairman & CEO

**Yoshinori Yoshimura**

Representative Director,  
President & COO

# Management Policy, Management Environment, Issues to be Addressed, Etc.

## 1. Management Policy

The mission of the Maruichi Group is to contribute to society as a leading pipe company by supplying excellent products in response to the trust of customers. The direction of the Group's management is to promote shareholder-focused management while striving to maximize corporate value. Furthermore, we aim to grow and develop to become the world's top corporate group in the steel tube industry both in terms of quality and quantity.

The Company will work to implement the key policies of the 5th Medium-Term Management Plan announced on March 9, 2018, in order to overcome this tough business environment and continue to grow by assertively making necessary investments primarily overseas for future growth while continuously sustaining high profitability in Japan.

The details of the 5th Medium-Term Management Plan are as follows.

Period of 5th Medium-Term Management Plan: April 1, 2018 (fiscal year ended March 31, 2019) to March 31, 2021 (fiscal year ending March 31, 2021)

## 1. Consolidated Management Targets: The Group's results and targets of 5th Medium-Term Management Plan

	Results of FY2019	Targets of FY2020 (Estimates of FY2020)	Final year of 5th Medium-Term Management PlanTargets of FY2021
Net sales	¥167.4 billion	¥170.0 billion (¥170.0 billion)	¥175.0 billion
Operating income	¥19.2 billion	¥19.6 billion (¥20.0 billion)	¥24.0 billion
Operating margin	11.5%	11.5% (11.8%)	13.7%
ROE	5.5%	5.5% (5.5%)	6.5%
Shareholder return ratio	50.7%	50.0% (50.0%)	50.0%
Return of profits to society	¥25 million	¥30 million	¥30 million (3-year average)

## 2. Key Policies and Initiatives of 5th Medium-Term Management Plan

### 1) Initiatives in Japan

- i. Sustaining high profit structure and further reinforcing sales capabilities
  - Completed renewal of No. 2 tube mill at Tokyo Plant (June 2018)
  - Installed new expandable tube processing facilities at Kashima Pole Plant (December 2018)
  - Relocated Niigata Sales Office of Maruichi Kohan (March 2019)
- ii. Responding to era of labor shortages and improving productivity
  - Streamlining production and office work through use of IoT and AI
  - Renewal of facilities and revision of hiring policy and work styles
  - Utilization of female human resources and foreigners
  - Merged four Group locations, including Head Office, and relocated them to Namba Skyo (Chuo-ku, Osaka) (October 2018)

## 2) Initiatives overseas

- i. Three U.S. companies: Expanding business through use of new facilities and renewed facilities and further reinforcement of sales capabilities
  - Leavitt: Completed renewal of 2-inch mill (July 2018)
  - MOST: Completed construction of new 2-inch mill plant (November 2018)
  - MAC: Renewal of 2-inch mill (December 2018)
- ii. SUNSCO (HCM): Further reducing costs and firmly establishing profitable structure of the steel sheet section by reinforcing domestic sales capabilities and improving facility operating rate and yield, mainly for pipes
  - Began expansion of No. 2 cold rolling mill (April 2019)
- iii. Automobile and motorcycle related business: Carrying out capital investment and strengthening sales capabilities in response to production expansion in various countries
  - MPST (Philippines) began operations (May 2019)
  - Began construction of KUMA (India) No. 3 Plant (Gujarat) (April 2019)
- iv. Securing and further enhancing excellent local human resources. Promoting replacement of employees dispatched from headquarters by local human resources
- v. Using overseas earnings to enhance domestic return of profit through dividends and royalties, etc.

## 3) Initiatives for both Japan and overseas

- i. Improving labor productivity relative to work hours and labor costs
- ii. Stepping up environmental consideration, improving energy efficiency and reinforcing safety measures
- iii. Proactively considering business investments including M&A in Japan and overseas

## 4) Maintenance of shareholder-focused policies and social contribution policies

- i. Dividend policy: Maintaining “Non-consolidated ordinary income x (1 – Effective corporate tax rate) x 50%”
- ii. Continuing social contribution expenditures in the range of 0.5% of non-consolidated net income after payment of dividend
- iii. Strengthening social contribution in Japan and overseas
  - Japan: Contributing to the areas of arts and culture, sports, medicine, education and protection of the natural environment
  - Emerging nations: Strengthening contributions to poverty elimination, health and medicine, and education promotion  
(Vietnam: Support for “Asia Prevention of Blindness Association,” India: Granting scholarships to high school students in impoverished areas and creating jobs through business expansion)

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## 2. Management Environment, Issues to be Addressed, Etc.

Looking into the future, the Japanese and international economies are expected to remain strong. However, the economic outlook is becoming increasingly uncertain, with import restriction measures on steel products based on Section 232 of the U.S. Trade Expansion Act, as well as increasing trade friction between the United States and China, concerns over a slowdown of the Chinese economy, and rising interests rates in Europe and the United States due to monetary tightening, in addition to weakness in some economic indicators in Japan. We will continue to push ahead with policies to track changes in each region and minimize the negative factors, in order to ensure the implementation of our key measures in this interim year of the 5th Medium-Term Management Plan.

### **(Japan)**

Turning to the Group's business in Japan, demand is expected to increase, centered on products for construction. Meanwhile, with the current coil prices remaining at a high level, we will continue to strive to improve the spread through increased sales prices, as the rise in coil prices has not yet been transferred to product prices. We are also striving to secure earnings, by cultivating new customers, improving productivity, reducing costs and other means. In addition, we will build new plants at our consolidated subsidiaries, Kyushu Maruichi Steel Tube Ltd. and Hokkaido Maruichi Steel Tube Ltd. and push ahead with the introduction of color painting equipment, in order to meet the increasing demand for color products that meet environmental specifications.

### **(North America)**

Turning to the Group's business in North America, steel prices, which had soared within the United States due to the imposition of the U.S. import tariffs, fell substantially starting in the second half of 2018, and customers have increasingly been holding off on pipe purchases. The worsening spread due to high raw materials prices has continued into the current fiscal year. Additionally, the retaliatory tariffs by the Canadian government continued to hurt the sales of U.S.-based MOST, which has a high weight of exports to Canada. We will strive to secure profits while enhancing coordination among our three bases in North America (including MAC and Leavitt) and work to boost sales of small-diameter pipes as all of the three bases completed renewal or expansions of 2-inch mills last year. Maruichimex in Mexico will take measures including enhancement of its cutting system aimed at boosting sales of steel pipes for automobiles.

### **(Asia)**

Turning to the Group's business in Asia, the conditions of the steel market in the Asian region as a whole is gradually being roiled due to the impact of trade issues with the United States and safeguard measures imposed by the EU. Consequently, the situation for SUNSCO in Vietnam remains difficult, with weak sales volume and difficulties in improving spread due to production overcapacity caused by excessive capital investment at domestic manufacturers. However, it will focus on management that reduces borrowing by pushing ahead with the amortization of equipment in Vietnam, which is high at US\$16 million/year. It will also push ahead with the completion of No. 2 cold-rolling mill, aiming at such goals as alleviating the shortage of cold-rolling capacity, reducing costs, and improving quality. SUNSCO (HNI) in Vietnam will strive to absorb high costs due to raw materials price increases. As for KUMA in India, although sales of four-wheel and two-wheel vehicles have hit a temporary lull, growth is expected over the medium to long term. Accordingly, the company will push ahead with the construction of a new plant to maintain its market share of exhaust pipes by expanding its manufacturing capacity.

## **Management Analysis of Financial Situation, Operating Results, and Cash Flows**

The following is an outline of the financial situation, operating results, and cash flows (hereinafter, "operating results, etc.") of the Group (the Company, its consolidated subsidiaries, and equity method affiliates) for the fiscal year ended March 31, 2019 (FY2019), as well as the understanding of, and analysis and content of deliberations related to, the Group's operating results, etc. from management's viewpoint.

Forward-looking statements are based on the Group's judgment as of the end of FY2019.

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been applied from the beginning of FY2019. The new accounting standard has been applied retroactively to financial comparisons and analysis between FY2018 and FY2019.

## 1. Financial Situation

### Status of overall business and by category stated in segment information

#### a. Status of overall business

Total assets at the end of FY2019 increased by ¥5,322 million from the end of the previous fiscal year to ¥321,019 million. Current assets increased by ¥6,954 million to ¥165,662 million. This was mainly due to a ¥1,407 million decrease in short-term investments resulting from redemption of bonds payable and a ¥2,364 million increase in cash and bank deposits. Trade notes and accounts receivable increased by ¥266 million due to an increase in sales, and inventories increased by ¥5,709 million (¥2,332 million for finished goods and ¥3,377 million for raw materials and supplies) due to increased purchase prices. In addition to unit-price factors from the increase in purchase prices, inventories (finished goods, raw materials and supplies) have increased on a volume basis as well, and we recognize this as an issue.

Non-current assets decreased by ¥1,631 million to ¥155,356 million. Property, plant and equipment decreased by ¥1,204 million as a result of depreciation expenses exceeding capital investment. With regard to capital investment in Japan, we completed renewal of No. 2 tube mill at Tokyo Plant, and relocated our Head Office, Osaka Office, and other locations to Namba Skyo, located in Chuo-ku, Osaka. We also pushed ahead with the construction and relocation of Niigata Sales Office of Maruichi Kohan Ltd., aiming at boosting sales. Overseas, U.S.-based MAC and Leavitt completed renewal of 2-inch mills, while MOST completed construction of a new plant.

Total liabilities at the end of FY2019 decreased by ¥307 million to ¥46,083 million. This was attributable to a decrease of ¥505 million in deferred income taxes due to a decrease in unrealized holding gains on available-for-sale securities.

Total net assets increased by ¥5,630 million to ¥274,935 million. This was mainly due to securing ¥14,253 million in net income attributable to owners of parent, cash dividends of ¥6,668 million and a decrease of ¥1,392 million in unrealized holding gains on available-for-sale securities.

#### b. Status by category stated in segment information

##### (Japan)

Segment assets at the end of FY2019 increased by ¥2,200 million from the end of the previous fiscal year to ¥106,227 million. Accounts receivable and inventories (finished goods, raw materials and supplies) increased due to an increase in sales and other factors. Non-current assets decreased due to capital investments including renewal, which remained within the range of depreciation expenses.

##### (North America)

Segment assets at the end of FY2019 increased by ¥3,823 million from the end of the previous fiscal year to ¥25,619 million. Inventories (finished goods, raw materials and supplies) increased due to rising purchase prices and increased volume. Non-current assets also increased as a result of renewal and other capital investments in excess of depreciation expenses.

##### (Asia)

Segment assets at the end of FY2019 decreased by ¥1,121 million from the end of the previous fiscal year to ¥21,162 million. Non-current assets decreased due to depreciation, despite increased inventories (finished goods, raw materials and supplies) resulting from rising purchase prices and increased volume.

## 2. Status of Operating Results

### i. Status of business overall and by category stated in segment information

#### a. Status of business overall

In the fiscal year ended March 2019 (FY2019), net sales increased to ¥167,437 million (increased by



7.1% from the previous fiscal year) due to rising unit sale prices caused by high material prices, despite a slight decrease in the sales volume from the previous fiscal year. In terms of profits, however, operating income decreased to ¥19,266 million (decreased by 7.5% from the previous fiscal year) despite efforts to cut costs and streamline production, due to the deterioration of spread in Japan and Vietnam.

Other income and expense increased by ¥209 million from the previous fiscal year due mainly to an increase in interest and dividend income, despite an increase in exchange loss owing mainly to the depreciation of currencies in emerging nations. However, ordinary income decreased to ¥21,634 million (decreased by 5.9% from the previous fiscal year).

Extraordinary income (losses) deteriorated by ¥683 million from the previous fiscal year due mainly to a decrease in gains on sales of property, plant and equipment, and losses on valuation of investments in securities of ¥577 million. Although loss on disaster of ¥324 million was recorded due to damage from a typhoon, this was covered by ¥353 million in insurance claim income. As a result, net income attributable to owners of parent decreased to ¥14,253 million (decreased by 9.7% from the previous fiscal year).

Fluctuation in the spread between the sales price of pipes and the purchase price of feed stock coils is the most significant factor with material impact on the Group's operating results. During FY2019, we again failed to make progress in improving this spread, resulting in a decline in profits.

## **b. Status by category stated in segment information (Japan)**

Turning to the Maruichi Group's business in Japan, sales volume decreased slightly from the previous fiscal year despite an increase in sales volume in the second half from the same period of the previous fiscal year, due to a disruption of distribution due to natural disasters at the end of the first half. Meanwhile, net sales increased to ¥103,878 million (increased by 5.1% from the previous fiscal year) due to an increase in unit sales prices from the previous fiscal year. Segment profit decreased to ¥15,768 million (decreased by 10.4% from the previous fiscal year) due to difficulties in cost transfer to product prices amid the rise in the purchase price of feed stock coils, and the deterioration of spread.

### **(North America)**

Turning to the Group's business in North America, sales by MOST in the U.S., which has a high weight of exports to Canada, plummeted due to retaliatory tariffs by the Canadian government. Additionally, the soaring hot coil market in the United States peaked in July, after which prices began to fall, and sales volume of each of our subsidiaries in the United States decreased in the second half from the same period of the previous fiscal year. The increase in sales volume by double digits from the same period of previous fiscal year as well as increase in unit sales prices in the first half led to an increase in net sales for the fiscal year to ¥32,503 million (increased by 21.6% from the previous fiscal year). Import restrictions based on Section 232 of the U.S. Trade Expansion Act caused purchase prices of base materials in the United States to skyrocket. Amid this situation, segment profit was ¥2,553 million (increased by 34.2% from the previous fiscal year) through efforts to prioritize the transferring of cost increases to sales prices, and improve spread by focusing on profitable sales, also boosted by an increase up to the nine months ended December 31, 2018.

### **(Asia)**

Turning to the Group's business in Asia, net sales increased to ¥31,055 million (increased by 1.2% from the previous fiscal year) due to rising unit sale prices caused by high raw material prices, despite a decrease in sales volume from the previous fiscal year. Meanwhile, segment profit decreased to ¥698 million (decreased by 35.4% from the previous fiscal year). This was due mainly to intensified competition in the domestic Vietnamese market for SUNSCO, and increased import restrictions in other countries, resulting in weak

# Status of Business

sales and deteriorating spread pushing it into the red. Additionally, although SUNSCO (HNI) in Vietnam increased its sales volume, prices of raw materials increased, and KUMA in India saw sales of four-wheel and two-wheel vehicles, which had been strong in India, plummet due to customer inventory adjustments, reaching a temporary lull, while the depreciating rupee contributed to a slight decline in profit.

## c. Status of achievement of targeted management indicators, etc.

With regard to targeted management indicators and their status of achievement, please see the 5th Medium-Term Management Plan in “Management Policy, Management Environment, Issues to be Addressed, Etc. 1. Management Policy.”

## ii. Sales results

Sales results for FY2019 shown by segment are as follows.

Segment name	Sales revenue	Compared to previous fiscal year
Japan	¥103,878 million	+5.1%
North America	¥32,503 million	+21.6%
Asia	¥31,055 million	+1.2%
Total	¥167,437 million	+7.1%

## 3. Cash Flows

### i. Cash and Cash Equivalents

Cash and cash equivalents (hereinafter “cash”) at the end of FY2019 increased by ¥1,864 million from the end of the previous fiscal year to ¥55,096 million. The results of the various activities and their respective causes are outlined below.

### ii. Cash Flows from Operating Activities

Cash flows provided by operating activities were ¥15,663 million (¥830 million up from the previous fiscal year). Major cash inflows included income before income taxes of ¥21,217 million by PL, along with depreciation and amortization, which are non-cash expenditures, of ¥6,236 million. Major cash outflows included increase in inventories of ¥5,958 million, and income taxes paid of ¥6,807 million. The Company is aware that the increase in outflows under (increase) decrease in inventories for three straight years is an issue.

### iii. Cash Flows from Investing Activities

Cash flows used in investing activities were ¥7,589 million (¥3,505 million down from the previous fiscal year). Major cash inflows included proceeds from sales and redemption of investments in securities of ¥4,227 million. Major cash outflows included payments for purchases of investments in securities of ¥5,156 million, and payments for purchases of property, plant and equipment and intangible assets of ¥6,435 million. The outflow decreased from the previous fiscal year due to sales and redemption of investments in securities, although the Group made purchases of short-term investments and investments in securities in order to efficiently manage surplus funds.

### iv. Cash Flows from Financing Activities

Cash flows used in financing activities were ¥6,007 million (¥3,575 million down from the previous fiscal

year). Major cash inflows included net increase in short-term bank loans of ¥2,928 million. Major cash outflows included repayments of long-term debt of ¥2,111 million, and dividends paid of ¥6,668 million. The Company is progressing with long-term debt repayment, continuing from the previous fiscal year.

## v. Information regarding Capital Resources and Liquidity of Funds

The Group's working capital and funds for capital expenditures are primarily allotted from the Group's own funds and from borrowings by some overseas subsidiaries and others. The balance of funds at the end of FY2019 increased by ¥1,864 million from the previous fiscal year, to ¥55,096 million. Turning to the balance of loans at the end of FY2019, short-term bank loans amounted to ¥8,827 million, and long-term bank loans amounted to ¥1,782 million, and we consider that the Group has sufficient liquidity to repay them. We therefore believe that the Group's financial soundness continues to be ensured, and that there are no major obstacles to the funds for the Group's smooth business activities, including investments, loans, and capital investments in line with the 5th Medium-Term Management Plan.

## Dividend Policy

### 1. Basic Policy on Profit Sharing

Maruichi Steel Tube has been fully aware of the importance of dividends to shareholders and heretofore has been distributing fixed and stable dividends from profits. We have decided to pay performance-based dividends, based specifically on "issuing an annual dividend equivalent to 50% of the expected net income for the fiscal year\* indicated in non-consolidated statements of income, and maintaining an annual payout of at least 50 yen to ensure dividends are stable at previous levels."

\*Expected net income for the fiscal year: Ordinary income x (1 – Effective tax rate)

In addition, the Articles of Incorporation stipulate March 31 as the date-of-record for year-end dividend distribution and September 30 as the date-of-record for interim dividend distribution, and that a record date could be established as needed and surplus dividends paid. However, at this time, our basic policy on frequency of dividends is to pay dividends twice a year, comprising an interim dividend and year-end dividend. We also implement a shareholder special benefit plan and hold plant tours for individual shareholders in gratitude for the ongoing support of our shareholders.

In order for the Maruichi Group to continue to develop and grow as an independent specialized steel tube maker, it is a constant challenge for the Group to enhance its competitiveness by improving productivity and efficiency as a manufacturer, and by making strategic investments that expand business operations. To do so, renewal and expansion of its production facilities and distribution network are essential, and the Group has systematically made active investments directed at honing its competitive edge. We believe that securing internal reserves in preparation for pursuing strategic businesses and making capital investment is extremely critical to constantly ensuring profits for our shareholders.

### 2. Approach to Dividends for the Fiscal Year Ended March 31, 2019

Dividends are decided based on the policy outlined in 1. The following dividends from surplus with a date of record during the current business year have been resolved by the Board of Directors.

Date of resolution	Total amount of dividends	Dividend per share
November 7, 2018 Board of Directors Meeting	¥2,071 million	¥25.00
May 13, 2019 Board of Directors Meeting	¥4,059 million	¥49.00

# Product Overview

## General Structural and Building Structural Tubes



Structural columns place

The company's strength-certified structural steel tube products fulfill vital roles in diverse fields, including architecture, civil engineering and machinery, while contributing to industrial development.

Our structural steel tubes are currently used as structural columns for buildings ranging from low-rise to high-rise, scaffolding tubes and greenhouses, as well as in other construction and civil engineering fields.

In September 2002, the company started manufacturing highly corrosion-resistant 55% aluminum-zinc plated structural steel tube products for use in agricultural facilities.



Green house framing

## Water Pipes, OCTGs and Electrical Conduits



Before piping materials for steam, water, gas and oil are shipped to customers, they must undergo rigorous inspections to certify that they meet JIS and other international standards corresponding to their intended use.

The company's electrical cable conduits undergo hot dip galvanization on both sides of the tube to ensure both the wire and the cable are protected for a long period of time.

These products are widely applied in plant construction projects and power generation plants around the world.



## Mechanical Tubes



Steel tubes are integral to automobiles, motorcycles, bicycles, medical equipment, fitness machines, office automation equipment, office and educational furniture, among other products, and the company's high-precision products fulfill numerous useful roles for individuals and society.

In particular, cutting-edge technology is essential for steel tubes for automotive applications, including high tensile steel (440N-1470N), in view of automakers' ever increasing demands for lighter, stronger products at lower cost. Maruichi Steel Tube rises to the challenge by deploying expertise accumulated over the past fifty years in combination with the latest technology available.



## Maruichi Poles and Other Fabricated Products



Steel structures, such as lamp posts, road signs, traffic lights and security barriers, ensure safety while creating aesthetically pleasing cityscapes or blending with the landscape. They are becoming increasingly important in contemporary society as highway networks are extended to provincial cities, high-density urban areas with numerous high-rise buildings proliferate, new towns are constructed, and environments are enriched to suit aspirational lifestyles.

Our integrated management system encompasses design, fabrication and installation of these steel-pole products. We take pride in satisfying the most exacting safety standards for this vital infrastructure that contributes to the quality of life for everyone.



## Domestic Network

### Hokkaido Maruichi Steel Tube Ltd.

Manufacture of steel tube and steel pole products (products from this company are sold by Maruichi Steel Tube Ltd. and shipped to the Hokkaido and Tohoku regions of Japan)

### Kyushu Maruichi Steel Tube Ltd.

Manufacture of steel tubes (products of this company are sold by Maruichi Steel Tube Ltd. and shipped to the Okinawa, Kyushu and part of the Chugoku regions of Japan)

### Shikoku Maruichi Steel Tube Ltd.

Manufacture of steel tube products

### Kasuga Industry Ltd.

Cutting of steel tubes and distribution of accessory products for electrical conduits

### Maruichi Kohan Ltd.

A trading division of the Maruichi Group that specializes in the sale of steel tubes manufactured by the Group

### Okinawa Maruichi Ltd.

Sales and distribution of steel tube products as well as materials for water and electrical systems

### Alpha Metal Co., Ltd.

Manufacturing and sales of automobile parts, etc.



Hokkaido Maruichi Steel Tube Ltd.  
Tomakomai Plant



Kashima Pole Plant



Tokyo Plant



Nagoya Plant

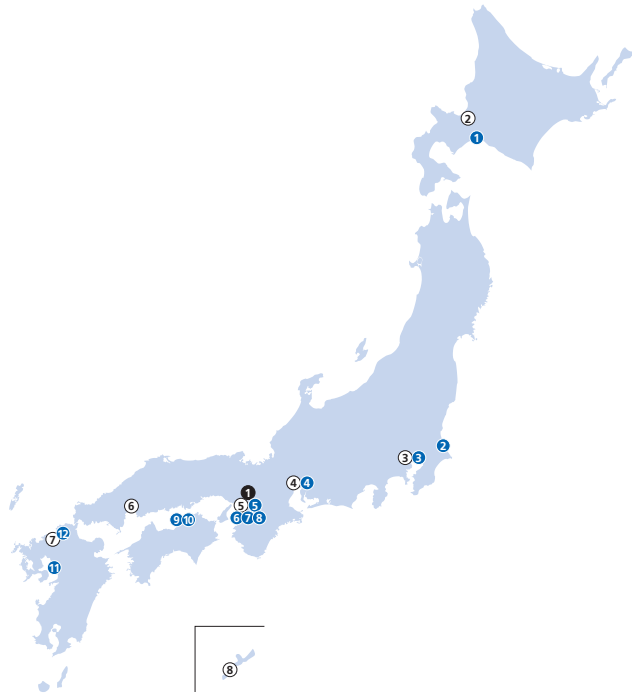


Kasuga Industry Ltd.



Sakai Plant

- ① Maruichi Steel Tube Ltd. Head Office/  
Maruichi Kohan Ltd. Head Office/
- ② Sapporo Office
- ③ Tokyo Office
- ④ Nagoya Office
- ⑤ Osaka Office
- ⑥ Hiroshima Office
- ⑦ Fukuoka Office
- ⑧ Okinawa Maruichi Ltd. Main Office



Sakai Pole Plant



Shikoku Maruichi Steel Tube Ltd.  
Tachibana Plant



Takuma Plant



Shikoku Maruichi Steel Tube Ltd.  
Shikoku Plant



Kyushu Maruichi Steel Tube Ltd.  
Kyushu Plant



Alpha Metal Co., Ltd.

## Overseas Network

### **Maruichi American Corporation (MAC)**

US-based subsidiary that manufactures and sells steel tube products to US West Coast markets

### **Maruichi Leavitt Pipe & Tube, LLC (Leavitt)**

Manufacture and sales of steel tube products

### **Maruichi Oregon Steel Tube, LLC (MOST)**

Manufacture and sales of steel tube products

### **MARUICHIMEX S.A. de C.V. (Maruichimex)**

Manufacture and sales of steel tube products

### **Alphametal Mexico S.A. de C.V. (Alphamex)**

Manufacture and sales of steel tube products

### **Maruichi Sun Steel Joint Stock Company (SUNSCO)**

Manufacture and sales of steel tube and galvanized/color steel sheet

### **Maruichi Sun Steel (Hanoi) Co., Ltd.**

Manufacture and sales of steel tube products

### **J-Spiral Steel Pipe Co., Ltd.**

Manufacturing and sales of steel pipe pile and steel pipe sheet pile

### **Maruichi Metal Product (Foshan) Co., Ltd. (MMP)**

Manufacture and sales of steel tube products

### **Maruichi Metal Product (Tianjin) Co., Ltd. (MMP)**

Manufacture and sales of steel tube products

### **PT. Indonesia Steel Tube Works (ISTW)**

Manufacture and sales of steel tube products

### **MARUICHI KUMA STEEL TUBE PRIVATE LIMITED (KUMA)**

Manufacturing and sales of stainless steel tube and aluminized steel tube

### **MARUICHI PHILIPPINES STEEL TUBE INC. (MPST)**

Manufacture and sales of steel tube products



Maruichi American Corporation (MAC)  
California, U.S.A



Maruichi Leavitt Pipe & Tube, LLC (Leavitt)  
Illinois, U.S.A



Maruichi Oregon Steel Tube, LLC (MOST)  
Oregon, U.S.A



MARUICHIMEX S.A. de  
C.V. (Maruichimex)  
Aguascalientes, Mexico



Alphametal Mexico S.A. de  
C.V. (Alphamex)  
Aguascalientes, Mexico



Maruichi Sun Steel Joint Stock  
Company (SUNSCO)  
Binh Duong Province, Vietnam



Maruichi Sun Steel (Hanoi) Co., Ltd.  
Vinh Phuc Province, Vietnam

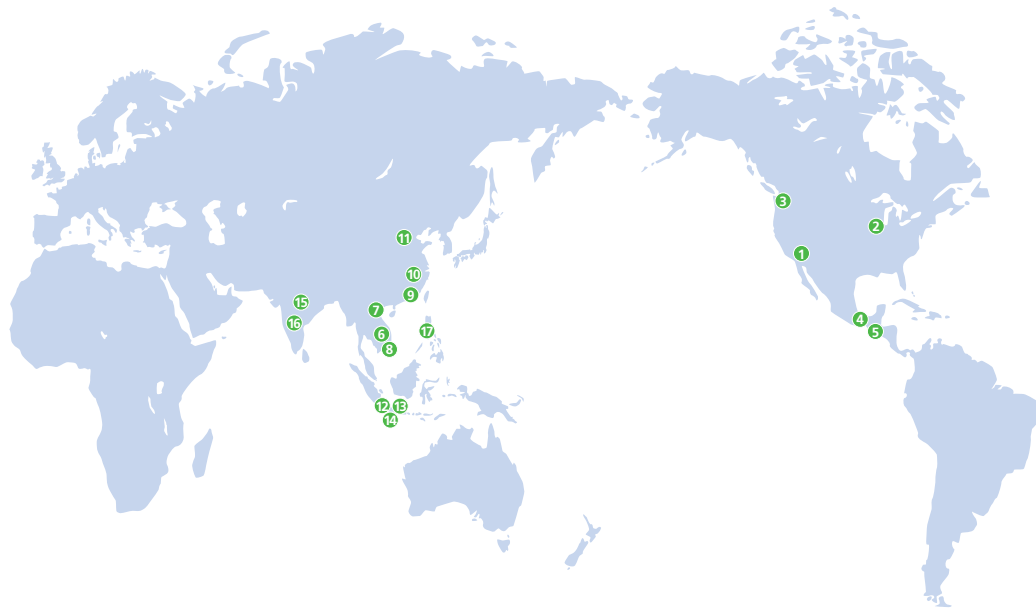


J-Spiral Steel Pipe Co., Ltd.  
Long Thanh, Vietnam



Maruichi Metal Product (Foshan)  
Co., Ltd. (MMP)  
Guangdong, China





**10**  
 Maruichi Metal Product (Foshan) Co., Ltd. (MMP) Wuhan Branch  
*Hubei, China*



**11**  
 Maruichi Metal Product (Tianjin) Co., Ltd. (MMP)  
*Tianjin, China*



**12**  
 PT. Indonesia Steel Tube Works (ISTW)  
 Jakarta Plant  
*Jakarta, Indonesia*



**13**  
 PT. Indonesia Steel Tube Works (ISTW)  
 Semarang Plant  
*Semarang, Indonesia*



**14**  
 PT. Indonesia Steel Tube Works (ISTW)  
 Cikarang Plant  
*Cikarang, Indonesia*



**15**  
 MARUICHI KUMA STEEL TUBE PRIVATE LIMITED (KUMA) MANESAR PLANT  
*Manesar, India*



**16**  
 MARUICHI KUMA STEEL TUBE PRIVATE LIMITED (KUMA) BANGALORE PLANT  
*Bangalore, India*



**17**  
 MARUICHI PHILIPPINES STEEL TUBE INC. (MPST)  
*Batangas, Philippines*

# Consolidated Balance Sheets

Maruichi Steel Tube Ltd. and Consolidated Subsidiaries  
As of March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and bank deposits (Notes 3, 7 & 11)	¥ 60,768	¥ 58,403	\$ 547,509
Short-term investments (Notes 4 & 11)	31,801	33,208	286,529
Trade notes and accounts receivable (Notes 7, 8, 11 & 14)	36,774	36,507	331,330
Less allowance for doubtful accounts (Note 11)	(172)	(26)	(1,552)
Inventories (Notes 5 & 7)	33,243	27,532	299,515
Others (Note 7)	3,247	3,082	29,259
Total current assets	165,662	158,708	1,492,591
<b>Investments and advances:</b>			
Investments in securities (Notes 4 & 11)	60,679	61,438	546,708
Investments in unconsolidated subsidiaries and affiliated companies (Note 11)	10,287	9,344	92,688
Others (Note 7)	3,073	3,419	27,692
Total investments and advances	74,040	74,202	667,089
<b>Property, plant and equipment (Note 7):</b>			
Land	32,674	32,663	294,394
Buildings and structures	53,604	52,378	482,970
Machinery and equipment	118,570	116,164	1,068,296
Construction in progress	1,582	2,000	14,257
Leased property under finance lease	373	360	3,362
	206,805	203,568	1,863,281
Less accumulated depreciation	(127,437)	(122,995)	(1,148,187)
Total property, plant and equipment	79,368	80,572	715,094
<b>Other assets:</b>			
Deferred income taxes (Note 10)	325	378	2,933
Goodwill	540	639	4,869
Others (Note 7)	1,081	1,194	9,745
Total other assets	1,947	2,212	17,548
<b>Total assets</b>	<b>¥321,019</b>	<b>¥315,696</b>	<b>\$2,892,324</b>

The accompanying notes are an integral part of these financial statements.

Due to changes in the method of presentation from 2019 with the application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) etc., total assets for 2018 are retroactively adjusted to reflect these changes.

Thousands of  
U.S. dollars  
(Note 1)

	Millions of yen	
	2019	2018
		2019
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Short-term bank loans (Notes 6 & 11)	¥ 8,827	¥ 6,339
Payables:		
Trade notes and accounts (Note 11)	19,068	18,428
Construction	935	1,650
Other	1,191	1,426
Accrued income taxes (Note 10)	2,720	3,038
Accrued bonuses to employees	882	904
Accrued bonuses to directors and corporate auditors	75	72
Accrued expenses	2,169	2,235
Others	757	556
Total current liabilities	36,629	34,652
<b>Long-term liabilities:</b>		
Long-term debt (Notes 6 & 11)	1,782	3,601
Provision for stock-based benefits	113	72
Accrued retirement benefits to directors and corporate auditors	77	63
Net defined benefit liability (Note 9)	3,096	3,125
Deferred income taxes (Note 10)	4,139	4,645
Others	244	230
Total long-term liabilities	9,453	11,738
<b>Total liabilities</b>	<b>46,083</b>	<b>46,390</b>
<b>Contingencies (Note 14)</b>		
<b>Net assets (Note 15):</b>		
Shareholders' equity:		
Common stock		
authorized: 200,000,000 shares in 2019 and 2018		
issued: 94,000,000 shares in 2019 and 2018	9,595	9,595
Additional paid-in capital	15,920	15,920
Retained earnings	256,052	248,467
Less treasury stock at cost		
11,250,927 shares in 2019 and 11,253,368 shares in 2018	(27,046)	(27,055)
Total shareholders' equity	254,520	246,927
Accumulated other comprehensive income:		
Unrealized holding gains on available-for-sale securities (Note 4)	10,969	12,362
Foreign currency translation adjustments	(1,492)	(585)
Remeasurements of defined benefit plans (Note 9)	(74)	(59)
Total accumulated other comprehensive income	9,402	11,717
Stock options (Note 16)	188	166
Non-controlling interests	10,824	10,493
<b>Total net assets</b>	<b>274,935</b>	<b>269,305</b>
<b>Total liabilities and net assets</b>	<b>¥321,019</b>	<b>¥315,696</b>
		<b>\$2,892,324</b>

# Consolidated Statements of Income

Maruichi Steel Tube Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Net sales</b>	<b>¥167,437</b>	¥156,266	<b>\$1,508,584</b>
Cost of sales (Note 17)	134,481	122,304	1,211,655
Gross profit	32,956	33,962	296,929
Selling, general and administrative expenses (Notes 12 & 17)	13,689	13,135	123,342
Operating income	19,266	20,826	173,587
<b>Other income (expense):</b>			
Interest and dividend income	1,510	1,336	13,608
Interest expense	(256)	(231)	(2,308)
Gains on sales of property, plant and equipment	161	223	1,452
Gains on sales of investments in securities (Note 4)	57	76	513
Losses on sales of investments in securities (Note 4)	(1)	(5)	(9)
Exchange loss, net	(249)	(90)	(2,247)
Equity in earnings of affiliated companies, etc.	672	623	6,057
Losses on valuation of investments in securities	(577)	–	(5,204)
Losses on disposal of property, plant and equipment, etc.	(51)	(27)	(460)
Insurance income	353	–	3,183
Losses on disaster	(324)	–	(2,921)
Other, net	656	520	5,917
	1,951	2,424	17,581
Income before income taxes	21,217	23,251	191,168
<b>Income taxes (Note 10):</b>			
Current	6,259	6,931	56,393
Deferred	50	35	454
	6,309	6,966	56,848
Net income	14,908	16,285	134,320
<b>Net income attributable to non-controlling interests</b>	<b>654</b>	507	<b>5,898</b>
<b>Net income attributable to owners of parent</b>	<b>¥ 14,253</b>	¥ 15,777	<b>\$ 128,422</b>
		Yen	U.S. dollars (Note 1)
<b>Per share amounts:</b>			
Net income:			
Basic	¥172.25	¥190.67	\$1.55
Diluted	¥172.06	¥190.47	\$1.55
Cash dividends	¥ 74.00	¥ 80.50	\$0.66
Weighted average number of shares (thousands)			
Common stock	82,747	82,745	
Dilutive securities (stock options)	82,843	82,831	

The accompanying notes are an integral part of these financial statements.

# Consolidated Statements of Comprehensive Income

Maruichi Steel Tube Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Net income</b>	<b>¥14,908</b>	¥16,285	<b>\$134,320</b>
<b>Other comprehensive income:</b>			
Unrealized holding (losses) gains on available-for-sale securities (Note 4)	(1,292)	1,620	(11,648)
Foreign currency translation adjustments	(674)	(1,006)	(6,076)
Remeasurements of defined benefit plans (Note 9)	(15)	29	(139)
Share of other comprehensive income of affiliates and subsidiaries accounted for using equity method	(502)	237	(4,530)
Total other comprehensive income (Note 18)	(2,485)	881	(22,395)
<b>Total comprehensive income</b>	<b>¥12,422</b>	¥17,166	<b>\$111,924</b>
<b>Total comprehensive income attributable to:</b>			
Owners of parent	¥11,938	¥16,854	\$107,568
Non-controlling interests	483	311	4,356

The accompanying notes are an integral part of these financial statements.

# Consolidated Statements of Changes in Net Assets

Maruichi Steel Tube Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2019 and 2018

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income				Stock options	Non-controlling interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
<b>BALANCE, April 1, 2017</b>	¥9,595	¥15,822	¥239,685	¥(26,965)	¥238,137	¥10,739	¥ 10	¥(109)	¥10,640	¥145	¥10,302	¥259,224
Changes during the year:												
Cash dividends			(6,994)		(6,994)							(6,994)
Net income attributable to owners of parent			15,777		15,777							15,777
Purchase of treasury stock				(341)	(341)							(341)
Sales of treasury stock		98		251	349							349
Net changes in items other than shareholders' equity						1,623	(595)	49	1,077	22	191	1,290
Total changes during the year	-	98	8,782	(90)	8,791	1,623	(595)	49	1,077	22	191	10,081
<b>BALANCE, April 1, 2018</b>	9,595	15,920	248,467	(27,055)	246,927	12,362	(585)	(59)	11,717	166	10,493	269,305
Changes during the year:												
Cash dividends			(6,668)		(6,668)							(6,668)
Net income attributable to owners of parent			14,253		14,253							14,253
Purchase of treasury stock				(4)	(4)							(4)
Sales of treasury stock		0		12	12							12
Net changes in items other than shareholders' equity						(1,392)	(906)	(15)	(2,314)	21	330	(1,962)
Total changes during the year	-	0	7,584	8	7,592	(1,392)	(906)	(15)	(2,314)	21	330	5,630
<b>BALANCE, March 31, 2019</b>	¥9,595	¥15,920	¥256,052	¥(27,046)	¥254,520	¥10,969	¥(1,492)	¥(74)	¥9,402	¥188	¥10,824	¥274,935

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income				Stock options	Non-controlling interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
<b>BALANCE, April 1, 2018</b>	\$86,450	\$143,439	\$2,238,646	\$(243,761)	\$2,224,774	\$111,382	\$(5,274)	\$(535)	\$105,572	\$1,504	\$94,543	\$2,426,394
Changes during the year:												
Cash dividends			(60,085)		(60,085)							(60,085)
Net income attributable to owners of parent			128,422		128,422							128,422
Purchase of treasury stock				(36)	(36)							(36)
Sales of treasury stock		0		109	109							109
Net changes in items other than shareholders' equity						(12,546)	(8,168)	(139)	(20,854)	191	2,981	(17,681)
Total changes during the year	-	0	68,336	73	68,410	(12,546)	(8,168)	(139)	(20,854)	191	2,981	(50,728)
<b>BALANCE, March 31, 2019</b>	\$86,450	\$143,439	\$2,306,983	\$(243,688)	\$2,293,184	\$98,836	\$(13,442)	\$(675)	\$84,718	\$1,695	\$97,524	\$2,477,123

The accompanying notes are an integral part of these financial statements.

# Consolidated Statements of Cash Flows

Maruichi Steel Tube Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥21,217	¥23,251	\$191,168
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	6,323	6,495	56,974
Increase (decrease) in allowance for doubtful accounts	146	(0)	1,320
Decrease in reserve for bonuses to employees	(21)	(26)	(194)
Increase in reserve for bonuses to directors and corporate auditors	3	4	27
Decrease in net defined benefit liability	(49)	(19)	(449)
Increase in accrued retirement benefits to directors and corporate auditors	13	10	123
Interest and dividend income	(1,510)	(1,336)	(13,608)
Interest expense	256	231	2,308
Equity in earnings of affiliated companies, etc.	(672)	(623)	(6,057)
Gains on sales of property, plant and equipment, net	(125)	(222)	(1,130)
Losses on disposal of property, plant and equipment, etc.	51	27	460
Losses (gains) on sales and valuation of short-term and investments in securities, net	521	(71)	4,700
Increase in trade receivables	(379)	(3,720)	(3,415)
Increase in inventories	(5,958)	(5,158)	(53,687)
Increase in trade payables	892	1,655	8,044
Other, net	22	(386)	205
Subtotal	20,731	20,110	186,791
Dividends and interest income received	1,995	2,031	17,974
Interest paid	(256)	(231)	(61,335)
Income taxes paid	(6,807)	(7,077)	(2,308)
Net cash provided by operating activities	15,663	14,832	141,121
<b>Cash flows from investing activities:</b>			
(Increase) decrease in time deposits with original maturities over three months	(500)	24,129	(4,505)
Net decrease (increase) in short-term investments	663	(23,589)	5,981
Payments for purchases of investments in securities	(5,156)	(8,138)	(46,456)
Proceeds from sales and redemption of investments in securities	4,227	1,387	38,084
Payments for purchases of property, plant and equipment and intangible assets	(6,435)	(5,039)	(57,985)
Proceeds from sales of property, plant and equipment and intangible assets	291	808	2,622
Payments for purchases of shares of subsidiaries	(1,135)	-	(10,227)
Payments for guarantee deposits	-	(800)	-
Other, net	455	145	4,104
Net cash used in investing activities	(7,589)	(11,095)	(68,380)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term bank loans	2,928	(188)	26,382
Repayments of long-term debt	(2,111)	(2,286)	(19,020)
Proceeds from sales of treasury stock	0	338	0
Payments for purchases of treasury stock	(4)	(341)	(36)
Dividends paid	(6,668)	(6,994)	(60,085)
Dividends paid to non-controlling shareholders	(151)	(110)	(1,367)
Net cash used in financing activities	(6,007)	(9,583)	(54,125)
Effect of exchange rate changes on cash and cash equivalents	(201)	(119)	(1,815)
Net increase (decrease) in cash and cash equivalents	1,864	(5,965)	16,799
Cash and cash equivalents at beginning of the year	53,231	59,196	479,607
Cash and cash equivalents at end of the year (Note 3)	¥55,096	¥53,231	\$496,407

The accompanying notes are an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Maruichi Steel Tube Ltd. (the “Company”), its consolidated subsidiaries and affiliated companies in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (the “Law”) and in conformity with accounting principles and practices generally accepted in Japan which are different in certain respects from application and disclosure requirements of International Financial Reporting Standards.

Certain reclassifications have been made to the consolidated financial statements issued domestically to present them in a form more familiar to readers outside Japan. In addition, certain notes included herein are not required under accounting principles and practices generally accepted in Japan but have been presented as additional information.

The U.S. dollar amounts included herein are provided solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥ 110.99 = \$ 1.00, the approximate rate of exchange on March 31, 2019. The translation should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate.

## 2. Summary of Significant Accounting Policies

### (a) Principles of consolidation

The accounting policies and procedures applied to the parent company and its consolidated subsidiaries for similar transactions and events under similar circumstances are in principle unified for the preparation of the consolidated financial statements. Therefore, for the financial statements prepared by consolidated overseas subsidiaries, necessary adjustments have been made in accordance with above principle in the consolidation process. However, the financial statements prepared in accordance with IFRSs or the generally accepted accounting principles in the United States (U.S. GAAP) are used with no adjustments, unless otherwise stipulated by Practical Issue Task Force (PITF) No. 18, “Revised Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” issued by the Accounting Standards Board of Japan (ASBJ) on March 29, 2017.

The consolidated financial statements include the accounts of the Company and its 13 (13 in 2018) consolidated subsidiaries (collectively, the “Group”). A subsidiary is defined to be a company more than 50% of whose shares are held by the Company or 40-50% of whose shares are held by the Company and which is controlled by the Company through certain channels. All significant inter-company balances, transactions and unrealized profit thereof are eliminated in consolidation. Other subsidiaries are not consolidated as they are not significant in terms of total assets, net sales, net income or retained earnings.

Seven (seven in 2018) foreign consolidated subsidiaries have December year-end and two (two in 2018) domestic consolidated subsidiaries have February year-end, which are reflected in the consolidated financial statements by their own fiscal years without adjusting to that of the Company. Any material events occurred during the period between March 31 and above different closing dates are adjusted for the purpose of consolidation and reflected in the accompanying consolidated financial statements.

Five (five in 2018) affiliated companies are accounted for by the equity method.

Investments in six (six in 2018) unconsolidated subsidiaries and other three (three in 2018) affiliated companies are stated at cost and are not accounted for by the equity method because of their immaterial impact.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method have been amortized by the straight-line method over the period less than 20 years, except for immaterial differences which are fully charged to income in the year of acquisition.



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**(b) Translation of foreign currencies**

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All assets and liabilities denominated in foreign currencies are translated into Japanese yen at current rate at year-end date and the resulting translation gains or losses are charged to income. Revenues and expenses are translated at the exchange rates prevailing when the transactions are made.

As to translation of financial statements of foreign subsidiaries, assets and liabilities are translated into Japanese yen at year-end exchange rates, shareholders' equity accounts are translated at historical rates, and revenues and expenses are translated at average rates prevailing during the year. The resulting foreign currency translation adjustments are shown as a separate component of net assets.

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**(c) Cash and cash equivalents**

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Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits on demand and short-term investments with original maturities of three months or less and insignificant risk of change in value.

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**(d) Short-term investments and investments in securities**

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Securities, which are included in short-term investments and investments in securities, held by the Group are classified as available-for-sale securities as defined by the accounting standard for financial instruments.

Available-for-sale securities for which market quotations are available are carried at fair value at the balance sheet date. Net unrealized gains or losses on these securities are reported as a separate item in net assets, net of applicable taxes.

Unquoted equity securities are stated at cost. The cost is determined by the moving average method.

In cases where the fair value of available-for-sale securities has declined significantly and the impairment of value is not deemed temporary, those securities are written down to the fair value and the resulting losses are charged to income for the period in which the loss incurs.

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**(e) Investments in unconsolidated subsidiaries and affiliated companies**

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Investments in unconsolidated subsidiaries and affiliated companies which are not accounted for by the equity method are stated at cost determined by the moving average method.

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**(f) Inventories**

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Inventories are measured at the lower of cost or net selling value. The costs of finished goods, raw materials and supplies are determined by the gross average method, the moving average method and the last purchase cost method, respectively. The net selling value is defined as the selling price less additional estimated manufacturing costs and estimated selling expenses.

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**(g) Property, plant and equipment**

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Property, plant and equipment are stated at cost. Depreciation is computed by the declining balance method, except for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings as well as structures acquired on or after April 1, 2016, which are depreciated by the straight-line method based on the following range of estimated useful lives of the assets.

Buildings and structures 10—50 years

Machinery and equipment 5—14 years

The cost of property, plant and equipment retired or otherwise disposed of and the related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is charged to income during the applicable period. Normal repairs and maintenance including minor renewals and improvements are charged to income as incurred.

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**(h) Allowance for doubtful accounts**

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Allowance for doubtful accounts is established to provide for future losses based on the historical rate of the credit loss experienced. In addition, allowances for specific customer accounts, which were deemed uncollectible, are provided.

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**(i) Net defined benefit liability**

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The Company and its domestic consolidated subsidiaries have unfunded lump-sum severance indemnity plans and corporate pension plans. The Company transferred a part of its retirement benefit plans from a tax qualified pension plan to a defined benefit corporate pension plan (cash balance plan) in June 2008. Foreign consolidated subsidiaries adopt defined contribution pension plans. In addition, for those defined benefit corporate pension plans and lump-sum severance indemnity plans certain consolidated subsidiaries have, net defined benefit liability and net pension expense are calculated by the simplified method. Net defined benefit liability represents mainly the estimated present value of projected benefit obligations in excess of fair value of the plan assets at the end of the fiscal year. Upon the calculation of retirement benefit obligations, projected benefit obligations attributable up to the end of this fiscal year are accounted for using the benefit formula basis. The unrecognized actuarial differences are amortized on a straight-line basis over the period of three years from the fiscal year following the fiscal year they occur. The prior service cost is charged to income when incurred. The account includes the balance for employees and operating officers, which is calculated based on the current rate of pay, length of service and consideration of each respective position.

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**(j) Accrued retirement benefits for directors and corporate auditors**

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Certain domestic consolidated subsidiaries provide for lump-sum retirement benefits with respect to directors and corporate auditors based on the current rate of pay, length of service and consideration of each respective position. The provisions are not funded.

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**(k) Provision for stock-based benefits**

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Provision for stock-based benefits is provided based on the estimated value of the shares to be granted, according to the points allocated to eligible employees under the stock-based benefits plan to allow for future stock benefits for the employees of the Company and certain of its domestic consolidated subsidiaries.

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**(l) Income taxes**

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Accrued income taxes are provided at the amount currently payable. The Group has adopted the deferred tax accounting method. Income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect to temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

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**(m) Consumption taxes**

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Consumption taxes are not included in the respective accounts in the accompanying consolidated statements of income but are recorded in the consolidated balance sheet in net of taxes receivable and payable.

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**(n) Appropriation of retained earnings**

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The Company is able to appropriate retained earnings (primarily for cash dividend payments) by resolution of the Board of Directors, provided that certain criteria are met.

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**(o) Net income per share**

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Net income per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the year.

### 3. Consolidated Statements of Cash Flows Information

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and bank deposits	¥60,768	¥58,403	\$547,509
Time deposits with maturities over 3 months	(5,671)	(5,171)	(51,101)
Cash and cash equivalents	¥55,096	¥53,231	\$496,407

### 4. Short-term Investments and Investments in Securities

Short-term investments and investments in securities held by the Group for which market quotations are available were summarized as follows:

	Millions of yen			
March 31, 2019	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Carrying amount (fair value)
Equity securities	¥19,812	¥15,612	¥ (706)	¥34,718
Bonds and debentures	22,209	176	(144)	22,242
Others	35,518	72	(186)	35,404
	¥77,541	¥15,861	¥(1,037)	¥92,365

	Thousands of U.S. dollars			
March 31, 2019	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Carrying amount (fair value)
Equity securities	\$178,508	\$140,665	\$(6,364)	\$312,809
Bonds and debentures	200,107	1,590	(1,299)	200,398
Others	320,018	655	(1,682)	318,991
	\$698,634	\$142,911	\$(9,346)	\$832,199

	Millions of yen			
March 31, 2018	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Carrying amount (fair value)
Equity securities	¥20,387	¥16,783	¥(296)	¥36,875
Bonds and debentures	21,273	199	(36)	21,436
Others	36,253	63	(99)	36,217
	¥77,914	¥17,047	¥(432)	¥94,529

The information of available-for-sale securities which were sold was as follows:

For the year ended March 31, 2019	Millions of yen		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	¥ 56	¥53	¥-
Others	170	3	1
Total	¥227	¥57	¥1

For the year ended March 31, 2019	Thousands of U.S. dollars		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	\$ 513	\$484	\$-
Others	1,532	29	9
Total	\$2,045	\$513	\$9

For the year ended March 31, 2018	Millions of yen		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	¥1,141	¥75	¥5
Others	45	1	0
Total	¥1,187	¥76	¥5

## 5. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Finished goods, including merchandise	¥12,426	¥10,093	\$111,958
Raw materials and supplies	20,816	17,439	187,557
Total	¥33,243	¥27,532	\$299,515

## 6. Short-term Bank Loans and Long-term Debt

The annual average interest rate applicable to the short-term bank loans was 2.89% for the year ended March 31, 2019.

Long-term debt at March 31, 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
Loans from banks	¥3,548		\$31,970
Less current portion with annual average interest rate of 2.48%	1,765		15,908
Long-term debt, less current portion, due 2020 serially to 2021 with annual average interest rate of 2.19%	¥1,782		\$16,062

Annual maturities of long-term debt at March 31, 2019 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥1,765	\$15,908
2021	1,022	9,209
2022	760	6,852
2023	–	–
2024	–	–
2025 and thereafter	–	–
Total	¥3,548	\$31,970

## 7. Assets Pledged as Collateral

There were no assets pledged as collateral for short-term bank loans at March 31, 2019 and 2018.

The carrying amounts of assets pledged as collateral which have no corresponding obligation at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and bank deposits	¥ 373	¥ 662	\$ 3,363
Trade notes and accounts receivable	1,462	1,724	13,175
Finished goods, including merchandise	415	385	3,747
Raw materials and supplies	1,140	1,475	10,273
Buildings and structures	76	82	686
Machinery and equipment	761	850	6,865
Land	318	326	2,870
Other	379	525	3,418
Total	¥4,928	¥6,032	\$44,401

## 8. Trade Notes Maturing on the Fiscal Year End Date

Trade notes maturing on the fiscal year end date have been treated as settled on the maturity date. Since the consolidated fiscal year end date was a holiday for financial institutions, the following trade notes maturing on the fiscal year end date have been treated as settled on the maturity date.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Trade notes receivable	¥257	¥31	\$2,320

## 9. Net Defined Benefit Liability

The Group has lump-sum severance payment plans and contributory benefit pension plans as severance benefit plans.

The Company has a cash balance plan as a defined benefit pension plan. Certain foreign consolidated subsidiaries have a defined contribution pension plan.

In addition, for defined benefit corporate pension plans and lump-sum severance indemnity plans used by certain consolidated subsidiaries, net defined benefit liability and retirement benefit costs are calculated by the simplified method.

### A. Defined benefit plans

(i) Reconciliation of projected benefit obligations at the beginning and the end of the fiscal year (except for the plan which applies the simplified method)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥3,548	¥3,559	\$31,969
Service costs	264	259	2,386
Interest costs	14	15	129
Actuarial differences	54	20	487
Benefits paid	(98)	(305)	(883)
Others	(0)	(1)	(5)
Balance at end of year	¥3,783	¥3,548	\$34,084

(ii) Reconciliation of plan assets at the beginning and the end of the fiscal year (except for the plan which applies the simplified method)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥1,701	¥1,666	\$15,333
Expected return on plan assets	35	34	319
Actuarial differences	(15)	(7)	(141)
Employer contributions	208	85	1,882
Benefits paid	(39)	(76)	(355)
Others	(0)	(1)	(5)
Balance at end of year	¥1,890	¥1,701	\$17,031

(iii) Reconciliation of net defined benefit liability at the beginning and the end of the year based on simplified method

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥1,278	¥1,295	\$11,519
Net pension expense	62	111	560
Benefits paid	(129)	(128)	(1,169)
Plan contribution	(6)	–	(62)
Balance at end of year	¥1,204	¥1,278	\$10,848

(iv) Projected benefit obligation and plan assets at end of year and reconciliation of net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded projected benefit obligations	¥4,089	¥3,901	\$36,846
Plan assets	(2,061)	(1,881)	(18,571)
	2,028	2,019	18,274
Unfunded projected benefit obligations	1,068	1,105	9,625
Net amount of liability and asset recognized in consolidated balance sheet	3,096	3,125	27,900
Net defined benefit liability	3,096	3,125	27,900
Net defined benefit asset	–	–	–
Net amount of liability and asset recognized in consolidated balance sheet	¥3,096	¥3,125	\$27,900

Note: The above included the plan which applies the simplified method.

(v) Net pension expense and its breakdown

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service costs	¥264	¥259	\$2,386
Interest costs	14	15	129
Expected return on plan assets	(35)	(34)	(319)
Amortization of net actuarial differences	47	70	428
Retirement benefit costs calculated based on simplified method	62	111	560
Net pension expense	¥353	¥422	\$3,185

(vi) Remeasurements of defined benefit plans on other comprehensive income

The components of items recognized in remeasurements of defined benefit plans (pre-tax) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Actuarial differences	¥(22)	¥42	\$(201)

(vii) Remeasurements of defined benefit plans on accumulated other comprehensive income

The components of items recognized in remeasurements of defined benefit plans (pre-tax) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized actuarial differences	¥111	¥88	\$1,002

(viii) Plan assets

(a) Percentage by major category of plans assets was as follows:

	2019	2018
Insurance assets (general account)	100.00%	100.00%

(b) Determination procedure of long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the Group considers the current and projected asset allocations, as well as current and future long-term rate of returns for various categories of the plan assets.

(ix) Basis for calculation of actuarial assumptions

	2019	2018
Discount rates	0.2%	0.3%
Long-term expected rate of return on plan assets	2.0%	2.0%

B. Defined contribution pension plans

The amount to be paid by consolidated subsidiaries to the defined contribution pension plans was ¥137 million (\$1,234 thousand) and ¥131 million for the years ended March 31, 2019 and 2018, respectively.



## 10. Income Taxes

The Company is subject to a number of different taxes based on income, which are corporation tax, inhabitant tax and enterprise tax.

The aggregate statutory tax rate on income before income taxes was approximately 30.5% and 30.7% for the years ended March 31, 2019 and 2018, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
<b>Deferred tax assets:</b>			
Unrealized gain on inventories	¥ 248	¥ 222	\$ 2,234
Enterprise tax payable	158	180	1,426
Accrued bonuses to employees	269	275	2,426
Net defined benefit liability	871	893	7,849
Accumulated depreciation	117	134	1,056
Impairment loss on property, plant and equipment	745	926	6,712
Losses on devaluation of short-term investments and investments in securities	485	321	4,375
Tax loss carryforwards (Note 1)	2,114	1,830	19,048
Other	1,361	1,146	12,268
Gross deferred tax assets	6,370	5,930	57,399
Valuation allowance on tax loss carryforwards	(2,114)	–	(19,048)
Valuation allowance on deductible temporary difference	(895)	–	(8,070)
Gross valuation allowance	(3,010)	(3,041)	(27,119)
Total gross deferred tax assets	¥ 3,360	¥ 2,888	\$ 30,280
<b>Deferred tax liabilities:</b>			
Unrealized holding gains on available-for-sale securities	4,512	5,010	40,660
Deferred gain on property, plant and equipment	364	333	3,284
Depreciation expenses of U.S. subsidiary	1,130	773	10,183
Reserve for special depreciation	264	371	2,386
Other	902	666	8,131
Total gross deferred tax liabilities	¥ 7,175	¥ 7,155	\$ 64,646
Net deferred tax liabilities	¥(3,814)	¥(4,266)	\$(34,366)

The deferred tax assets and liabilities of the consolidated subsidiary in a different tax jurisdiction are presented without offset on the accompanying consolidated balance sheets in accordance with Japanese accounting practice.

Note 1: The amounts of tax loss carryforwards and related deferred tax assets by expiry schedule subsequent to March 31, 2019 were as follows:

	Up to 1 year	More than 1 year up to 2 years	More than 2 years up to 3 years	More than 3 years up to 4 years	More than 4 years up to 5 years	More than 5 years	Total
	(Millions of yen)						
Tax loss carry forwards (a)	–	60	61	166	188	1,637	2,114
Valuation allowance	–	(60)	(61)	(166)	(188)	(1,637)	(2,114)
Deferred tax assets	–	–	–	–	–	–	– (b)
	Up to 1 year	More than 1 year up to 2 years	More than 2 years up to 3 years	More than 3 years up to 4 years	More than 4 years up to 5 years	More than 5 years	Total
	(Thousands of U.S. dollars)						
Tax loss carry forwards (a)	–	544	557	1,496	1,697	14,752	19,048
Valuation allowance	–	(544)	(557)	(1,496)	(1,697)	(14,752)	(19,048)
Deferred tax assets	–	–	–	–	–	–	–

Notes:

(a) Tax loss carryforwards were calculated by multiplying the statutory tax rate.

(b) Valuation allowance was provided for the whole amount of the tax loss carryforwards (multiplied by the statutory tax rate) of ¥2,114 million (\$19,048 thousand), since the tax loss carryforwards were considered not to be recoverable based on the projected future taxable income, and was mainly due to the recording of loss before income taxes of ¥4,443 million by MKK USA Inc. in the year ended March 31, 2016.

For the year ended March 31, 2019 and 2018, the reconciliation between the statutory tax rate and the effective tax rate after tax effect accounting is applied is not disclosed because the difference is less than 5% of the statutory tax rate.

## 11. Financial Instruments and Related Disclosures

### (1) Policy for financial instruments

Regarding fund operations, the Group invests in short-term deposits and low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to foreign currency exchange risk.

### (2) Nature and extent of risks arising from financial instruments and its risk management

Receivables such as trade notes and accounts receivable are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of internal credit exposure management guidelines, which include monitoring of payment term and balances of each customer to identify the default risk of customers on a routine basis.

Short-term investments and investments in securities, mainly consisting of equity or debt securities of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. The fair value of those is recognized on a routine basis and reported to the Board of Directors.

Payment terms of most payables, such as trade notes and accounts payable, are less than one year.

The objectives of short-term bank loans and long-term debt are mainly to raise necessary fund for working fund and capital expenditures, respectively. The majority of loans are short-term bank loans with low interest rate fluctuation risk or fixed rate long-term debt.

The derivative transactions are conducted and managed in accordance with a company regulation which dictates rules for items including authorities and transaction amount limitation.

While receivables and debt loan are exposed to liquidity risk, the Group manages the risk through measures such as a monthly financial planning.

### (a) Fair value of financial instruments

March 31, 2019	Millions of yen		
	Carrying amount	Fair value	Unrealized gain/loss
(1) Cash and bank deposits	¥ 60,768	¥ 60,768	¥ –
(2) Trade notes and accounts receivable	36,774	36,774	–
Less allowance for doubtful accounts	(172)	(172)	–
	36,602	36,602	–
(3) Short-term investments and Investments in securities	92,365	92,365	–
Total	¥189,735	¥189,735	¥ –
(1) Trade notes and accounts payable	¥19,068	¥ 19,068	¥ –
(2) Short-term bank loans	7,062	7,062	–
(3) Long-term debt	3,548	3,631	82
Total	¥ 29,679	¥ 29,761	¥82

March 31, 2019	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain/loss
(1) Cash and bank deposits	\$ 547,509	\$ 547,509	\$ –
(2) Trade notes and accounts receivable	331,330	331,330	–
Less allowance for doubtful accounts	(1,552)	(1,552)	–
	329,778	329,778	–
(3) Short-term investments and Investments in securities	832,199	832,199	–
Total	\$1,709,486	\$1,709,486	\$ –
(1) Trade notes and accounts payable	\$ 171,804	\$ 171,804	\$ –
(2) Short-term bank loans	63,627	63,627	–
(3) Long-term debt	31,970	32,716	745
Total	\$ 267,402	\$ 268,148	\$745

March 31, 2018	Millions of yen		
	Carrying amount	Fair value	Unrealized gain/loss
(1) Cash and bank deposits	¥ 58,403	¥ 58,403	¥ –
(2) Trade notes and accounts receivable	36,507	36,507	–
Less allowance for doubtful accounts	(26)	(26)	–
	36,481	36,481	–
(3) Short-term investments and Investments in securities	94,529	94,529	–
Total	¥189,414	¥189,414	¥ –
(1) Trade notes and accounts payable	¥ 18,428	¥ 18,428	¥ –
(2) Short-term bank loans	4,186	4,186	–
(3) Long-term debt	5,753	5,893	140
Total	¥ 28,368	¥ 28,508	¥140

### Assets

#### (1) Cash and bank deposits and (2) Trade notes and accounts receivable

The carrying amounts of cash and bank deposits and trade notes and accounts receivable approximate fair value because of their short maturities.

### (3) Short-term investments and Investments in securities

The fair values of short-term investments and investments in securities are determined using the quoted price at the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The carrying amounts of certificate of deposit approximate fair value because of their short maturities. The information of the fair value for short-term investments and investments in securities by classification is included in Note 4.

### Liabilities

#### (1) Trade notes and accounts payable and (2) Short-term bank loans

The carrying amounts of trade notes and accounts payable and short-term bank loans approximate fair value because of their short maturities.

#### (3) Long-term debt

The carrying amounts of variable rate long-term debt approximate fair value because the interest payment is linked to the market interest rate. The fair values of fixed rate long-term debt were calculated by discounting the cash flows related to the amount of principal and interest at the borrowing rate assuming that the Group receives loans under the same agreements.

### Derivatives

As of March 31, 2019 and 2018, there were no derivative transactions regardless of the application of hedge accounting.

#### (b) Financial instruments whose fair value cannot be reliably determined

	Millions of yen		Carrying amount Thousands of U.S. dollars
	2019	2018	2019
Investments in equity instruments that do not have a quoted market price in an active market	¥10,402	¥9,462	\$93,727

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

March 31, 2019	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and bank deposits	¥ 60,768	¥ –	¥ –	¥ –
Trade notes and accounts receivable	36,774	–	–	–
Short-term investments and investments in securities with contractual maturities				
Available-for-sale:				
Corporate debentures	3,300	5,240	1,600	4,000
Other debentures	–	4,000	4,000	–
Others	28,484	–	–	–
Total	¥129,326	¥9,240	¥5,600	¥4,000

March 31, 2019	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and bank deposits	\$ 547,509	\$ –	\$ –	\$ –
Trade notes and accounts receivable	331,330	–	–	–
Short-term investments and investments in securities with contractual maturities Available-for-sale:				
Corporate debentures	29,889	48,232	14,444	37,012
Other debentures	–	36,060	34,759	–
Others	256,640	–	–	–
<b>Total</b>	<b>\$1,165,369</b>	<b>\$84,292</b>	<b>\$49,204</b>	<b>\$37,012</b>

March 31, 2018	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and bank deposits	¥ 58,403	¥ –	¥ –	¥ –
Trade notes and accounts receivable	36,507	–	–	–
Short-term investments and investments in securities with contractual maturities Available-for-sale:				
Corporate debentures	4,007	7,773	1,606	4,086
Other debentures	–	3,963	–	–
Others	29,201	–	–	–
<b>Total</b>	<b>¥128,120</b>	<b>¥11,736</b>	<b>¥1,606</b>	<b>¥4,086</b>

## 12. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Shipping charges	¥5,985	¥5,648	\$53,930
Allowance for doubtful accounts	147	(1)	1,327
Salaries and allowances	2,220	2,225	20,004
Retirement benefit costs	158	159	1,424
Provision for bonuses to employees	338	374	3,049
Provision for bonuses to directors	74	68	670

## 13. Impairment Loss

There was no impairment loss of property, plant and equipment or other assets for the years ended March 31, 2019 and 2018.

## 14. Contingencies

(1) As of March 31, 2019 and 2018, the Company had the following contingent liabilities

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Guarantees of bank loans to the Company's affiliate companies	¥433	¥403	\$3,902
Trade notes endorsed	16	22	144

(2) As of March 31, 2019 and 2018, the Company issued letters of awareness on an affiliate's management support to raise funds.

## 15. Net Assets

The Company is subject to the Law.

### (i) Dividends

The Companies Act (the "Act") allows Japanese companies to pay dividends at any time during the fiscal year in addition to the yearend dividend upon resolution at the shareholders meeting. The Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Act permits Japanese companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements. The Act also provides certain limitations on the amounts available for dividends and the purchase of treasury stock. The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

### (ii) Common stock, reserve and surplus

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

### (iii) Treasury stock

The Act provides for Japanese companies to repurchase/dispose of treasury stock just as the Act stipulates. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, an amount which is determined by specific formula.

The movements of outstanding shares and cash dividends during the year ended March 31, 2019 were as follows:

**(a) Number of outstanding shares and treasury stock**

Type of shares	Balance at beginning of the year	Increase during the year	Decrease during the year	Balance at end of the year
Issued stock:				
Common stock	94,000,000	–	–	94,000,000
Treasury stock:				
Common stock	11,253,368	1,166	3,607	11,250,927

**(b) Dividends paid to the shareholders during the year**

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
May 10, 2018	Board of Directors	Common stock	¥4,597 million (\$41,425 thousand)	¥55.50 (\$0.50)	Mar. 31, 2018	Jun. 27, 2018
Nov. 7, 2018	Board of Directors	Common stock	¥2,071 million (\$18,659 thousand)	¥25.00 (\$0.22)	Sep. 30, 2018	Nov. 30, 2018

Dividends applicable to the year ended March 31, 2019, but not recorded in the accompanying consolidated financial statements, since the effective date is subsequent to the fiscal year:

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
May 13, 2019	Board of Directors	Common stock	¥ 4,059 million (\$36,573 thousand)	¥ 49.00(\$0.44)	Mar. 31, 2019	Jun. 26, 2019

Note: Above cash dividends are distributed from retained earnings.

## 16. Stock Options

The stock options outstanding as of March 31, 2019 were as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Vesting conditions and service period	Exercise period
2005 Stock option	5 directors	7,000	Jul. 7, 2005	No	Jul. 8, 2005 — Jun. 29, 2025
2006 Stock option	7 directors	11,100	Nov. 9, 2006	No	Nov. 10, 2006 — Nov. 9, 2026
2007 Stock option	7 directors	7,100	Sep. 10, 2007	No	Sep. 11, 2007 — Sep. 10, 2027
2008 Stock option	7 directors	7,800	Sep. 10, 2008	No	Sep. 11, 2008 — Sep. 10, 2028
2009 Stock option	6 directors	11,200	Sep. 8, 2009	No	Sep. 9, 2009 — Sep. 8, 2029
2010 Stock option	6 directors	12,500	Sep. 8, 2010	No	Sep. 9, 2010 — Sep. 8, 2030
2011 Stock option	6 directors	11,700	Sep. 8, 2011	No	Sep. 9, 2011 — Sep. 8, 2031
2012 Stock option	6 directors	14,000	Sep. 10, 2012	No	Sep. 11, 2012 — Sep. 10, 2032
2013 Stock option	6 directors	10,700	Sep. 9, 2013	No	Sep. 10, 2013 — Sep. 9, 2033
2014 Stock option	6 directors	10,600	Sep. 8, 2014	No	Sep. 9, 2014 — Sep. 8, 2034
2015 Stock option	4 directors	6,800	Sep. 8, 2015	No	Sep 9, 2015— Sep. 8, 2035
2016 Stock option	4 directors	8,000	Sep. 8, 2016	No	Sep 9, 2016— Sep. 8, 2036
2017 Stock option	4 directors	9,000	Sep. 8, 2017	No	Sep 9, 2017— Sep. 8, 2037
2018 Stock option	4 directors	8,300	Sep. 10, 2018	No	Sep 11, 2018— Sep. 10, 2038



The stock option activity was as follows:

	2005 Stock option	2006 Stock option	2007 Stock option	2008 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option	2014 Stock option	2015 Stock option
(Non-vested)											
March 31, 2018	-	-	-	-	-	-	-	-	-	-	-
Granted	-	-	-	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-	-	-	-	-
March 31, 2019	-	-	-	-	-	-	-	-	-	-	-
(Vested)											
March 31, 2018	4,000	5,700	3,400	3,800	6,900	8,700	8,200	10,700	7,800	7,900	6,800
Vested	-	-	-	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-	-	-	-	-
March 31, 2019	4,000	5,700	3,400	3,800	6,900	8,700	8,200	10,700	7,800	7,900	6,800
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise	-	-	-	-	-	-	-	-	-	-	-
Fair value price at grant date	-	¥2,281 (\$20.55)	¥2,416 (\$21.76)	¥2,431 (\$21.90)	¥1,383 (\$12.46)	¥1,391 (\$12.53)	¥1,327 (\$11.95)	¥1,188 (\$10.70)	¥1,866 (\$16.81)	¥2,135 (\$19.23)	¥2,249 (\$20.26)

	2016 Stock option	2017 Stock option	2018 Stock option
(Non-vested)			
March 31, 2018	-	-	-
Granted	-	-	8,300
Forfeited	-	-	-
Vested	-	-	8,300
March 31, 2019	-	-	-
(Vested)			
March 31, 2018	8,000	9,000	-
Vested	-	-	8,300
Exercised	-	-	-
Forfeited	-	-	-
March 31, 2019	8,000	9,000	8,300
Exercise price	¥1	¥1	¥1
Average stock price at exercise	-	-	-
Fair value price at grant date	¥2,793 (\$25.16)	¥2,467 (\$22.22)	¥2,560 (\$23.06)

The assumptions used to measure fair value of 2018 Stock option are as follows:

Estimation method:	Black-Scholes option pricing model
Volatility of stock price:	27.2 %
Estimated remaining outstanding period:	10 years
Estimated dividend:	¥80.50 (\$0.72) per share
Interest rate with risk free:	0.11 %

## 17. Research and Development Cost

The amounts of costs for the research and development activities of the Group for the years ended March 31, 2019 and 2018 were ¥145 million (\$1,310 thousand) and ¥146 million, respectively.

## 18. Comprehensive Income

Reclassification adjustments and tax effect amounts of other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

	2019	Millions of yen 2018	Thousands of U.S. dollars 2019
Unrealized holding (losses) gains on available-for-sale securities			
Amount for the year	¥(2,366)	¥2,444	\$(21,319)
Reclassification adjustment	575	(71)	5,185
Amount before tax effect	(1,790)	2,373	(16,134)
Tax effect amount	497	(752)	4,485
Unrealized holding (losses) gains on available-for-sale securities	(1,292)	1,620	(11,648)
Foreign currency translation adjustments			
Amount for the year	(674)	(1,006)	(6,076)
Foreign currency translation adjustments	(674)	(1,006)	(6,076)
Remeasurements of defined benefit plans			
Amount for the year	(66)	(34)	(598)
Reclassification adjustment	44	77	397
Amount before tax effect	(22)	42	(201)
Tax effect amount	6	(13)	61
Remeasurements of defined benefit plans	(15)	29	(139)
Share of other comprehensive income of affiliates and subsidiaries accounted for using equity method			
Amount for the year	(502)	237	(4,530)
Share of other comprehensive income of affiliates and subsidiaries accounted for using equity method	(502)	237	(4,530)
<b>Total other comprehensive income</b>	<b>¥(2,485)</b>	<b>¥ 881</b>	<b>\$(22,395)</b>

## 19. Consolidated Subsidiaries

The Company's consolidated subsidiaries were as follows:

Name	Ownership Interest	Country of Incorporation
Maruichi Kohan Ltd.	91.1%	Japan
Hokkaido Maruichi Steel Tube Ltd.	100.0%	Japan
Shikoku Maruichi Steel Tube Ltd.	100.0%	Japan
Kyushu Maruichi Steel Tube Ltd.	100.0%	Japan
Alpha Metal Co., Ltd.	93.5%	Japan
Maruichi American Corporation	61.0%	United States of America
MKK USA Inc.	100.0%	United States of America
Maruichi Leavitt Pipe & Tube Company LLC	90.0%	United States of America
Maruichimex S.A. de C.V.	60.0%	Mexico
Maruichi Oregon Steel Tube, LLC	100.0%	United States of America
Maruichi Sun Steel Joint Stock Company	72.5%	Vietnam
Maruichi Sun Steel (Hanoi) Company Limited	100.0%	Vietnam
Maruichi Kuma Steel Tube Private Limited	70.0%	India

## 20. Segment Information

### (1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Boards of Directors and corporate officers is being performed in order to decide how resources are allocated among the Company's group. The Group produces and sells mainly steel tubes, steel sheet coating, and so forth. The Company, domestic consolidated subsidiaries and overseas subsidiaries operate those businesses based on the regional comprehensive strategy designed by each company in each location.

Therefore, the Group's reportable segments consist of "Japan" "North America" and "Asia" based on the regional production and sales structure.

The principal products of each reportable segment are as follows.

(Japan)

Welded steel tubes for machine structure, construction and piping, hot dip galvanized steel sheet, lighting poles, etc.

(North America)

Welded steel tubes for machine structure, construction and piping, hot dip galvanized steel sheet, etc.

(Asia)

Welded steel tubes for machine structure, construction and piping, hot dip galvanized steel sheet, pre-painted steel sheet, etc.

### (2) Methods of measurement for sales, profit (loss), assets, liabilities and other items of each reportable segment

Methods of measurement for sales, profit (loss), assets, liabilities and other items for each reportable segment is mainly equal to "2. Summary of Significant Accounting Policies." Intersegment sales or transfers are based on current market prices.

**(3) Information regarding sales, profit (loss), assets, liabilities and other items of each reportable segment was as follows:**

Millions of yen

For the year ended March 31, 2019	Reportable segment				Reconciliations	Consolidated
	Japan	North America	Asia	Total		
Sales:						
Sales to external customers	¥103,878	¥32,503	¥31,055	¥167,437	¥ –	¥167,437
Intersegment sales or transfers	814	–	40	855	(855)	–
Total	104,693	32,503	31,095	168,292	(855)	167,437
Segment profit	¥ 15,768	¥ 2,553	¥ 698	¥ 19,020	¥ 246	¥ 19,266
Segment assets	¥106,227	¥25,619	¥21,162	¥153,009	¥168,009	¥321,019
Other:						
Depreciation	¥ 3,282	¥ 1,204	¥ 1,749	¥ 6,236	¥ –	¥ 6,236
Amortization of goodwill	–	87	–	87	–	87
Increase in property plant and equipment and intangible assets	3,092	2,388	261	5,742	–	5,742

Thousands of U.S. dollars

For the year ended March 31, 2019	Reportable segment				Reconciliations	Consolidated
	Japan	North America	Asia	Total		
Sales:						
Sales to external customers	\$935,928	\$292,854	\$279,801	\$1,508,584	\$ –	\$1,508,584
Intersegment sales or transfers	7,342	–	360	7,703	(7,703)	–
Total	943,271	292,854	280,162	1,516,288	(7,703)	1,508,584
Segment profit	\$142,067	\$ 23,005	\$ 6,296	\$ 171,370	\$ 2,217	\$ 173,587
Segment assets	\$957,088	\$230,829	\$190,671	\$1,378,590	\$1,513,734	\$2,892,324
Other:						
Depreciation	\$ 29,574	\$ 10,851	\$ 15,763	\$ 56,819	\$ –	\$ 56,189
Amortization of goodwill	–	785	–	785	–	785
Increase in property plant and equipment and intangible assets	27,861	21,518	2,354	51,734	–	51,734

Millions of yen

For the year ended March 31, 2018	Reportable segment				Reconciliations	Consolidated
	Japan	North America	Asia	Total		
Sales:						
Sales to external customers	¥ 98,843	¥26,736	¥30,686	¥156,266	¥ –	¥156,266
Intersegment sales or transfers	258	–	–	258	(258)	–
Total	99,102	26,736	30,686	156,525	(258)	156,266
Segment profit	¥ 17,600	¥ 1,902	¥ 1,081	¥ 20,584	¥ 242	¥ 20,826
Segment assets	¥104,026	¥21,796	¥22,284	¥148,106	¥167,589	¥315,696
Other:						
Depreciation	¥ 3,227	¥ 1,205	¥ 1,974	¥ 6,406	¥ –	¥ 6,406
Amortization of goodwill	–	88	–	88	–	88
Increase in property plant and equipment and intangible assets	4,117	1,061	455	5,634	–	5,634

#### (4) Related information

##### (a) Information by goods and services

Millions of yen				
For the year ended March 31, 2019	Steel tube	Steel sheet coating	Others	Total
Sales to external customers	¥132,305	¥27,427	¥7,704	¥167,437

Thousands of U.S. dollars				
For the year ended March 31, 2019	Steel tube	Steel sheet coating	Others	Total
Sales to external customers	\$1,192,052	\$247,120	\$69,412	\$1,508,584

Millions of yen				
For the year ended March 31, 2018	Steel tube	Steel sheet coating	Others	Total
Sales to external customers	¥121,275	¥27,795	¥7,195	¥156,266

##### (b) Information by region

###### Sales

Millions of yen					
For the year ended March 31, 2019	Japan	North America	Asia · Oceania	Others	Total
Sales based on customer's location	¥101,956	¥34,856	¥30,108	¥516	¥167,437

Thousands of U.S. dollars					
For the year ended March 31, 2019	Japan	North America	Asia · Oceania	Others	Total
Sales based on customer's location	\$918,611	\$314,048	\$271,273	\$4,651	\$1,508,584

Millions of yen					
For the year ended March 31, 2018	Japan	North America	Asia · Oceania	Others	Total
Sales based on customer's location	¥97,420	¥28,822	¥29,489	¥534	¥156,266

Note: Sales in the United States of America among those classified in North America amount to ¥30,451 million (\$274,361 thousand) and ¥23,891 million for the years ended March 31, 2019 and 2018, respectively.

*Property, plant and equipment*

	Millions of yen			
March 31, 2019	Japan	North America	Asia	Total
Property, plant and equipment	¥56,968	¥12,741	¥9,658	¥79,368

	Thousands of U.S. dollars			
March 31, 2019	Japan	North America	Asia	Total
Property, plant and equipment	\$513,276	\$114,795	\$87,022	\$715,094

	Millions of yen			
March 31, 2018	Japan	North America	Asia	Total
Property, plant and equipment	¥57,371	¥11,732	¥11,468	¥80,572

Notes:

1. Property, plant and equipment existing in the United States of America among those in North America amount to ¥10,386 million (\$93,581 thousand) and ¥9,377 million at March 31, 2019 and 2018, respectively.
2. Property, plant and equipment existing in Vietnam among those in Asia amount to ¥8,188 million (\$73,776 thousand) and ¥9,880 million at March 31, 2019 and 2018, respectively.

(c) Information by principal customers

Of the sales to external customers, there are no customers to whom the sales exceed 10% of the net sales on the consolidated statements of income for the years ended March 31, 2019 and 2018, therefore, this information is omitted.

**(5) Information about impairment loss of property, plant and equipment by reportable segment**

There was no impairment loss of property, plant and equipment or other assets for the years ended March 31, 2019 and 2018.

**(6) Information about amortization and unamortized balance of goodwill by reportable segment**

	Millions of yen				
March 31, 2019	Japan	North America	Asia	Elimination/ Corporate	Total
Balance at end of the year	¥–	¥540	¥–	¥–	¥540

	Thousands of U.S. dollars				
March 31, 2019	Japan	North America	Asia	Elimination/ Corporate	Total
Balance at end of the year	\$–	\$4,869	\$–	\$–	\$4,869

	Millions of yen				
March 31, 2018	Japan	North America	Asia	Elimination/ Corporate	Total
Balance at end of the year	¥–	¥639	¥–	¥–	¥639

Note: Information about amortization of goodwill is omitted since similar information is disclosed in Note 20 "Segment Information (3)."

## 21. Subsequent Events

### Resolution of dividends

At the meeting of the Board of Directors of the Company held on May 13, 2019, the following appropriations were resolved:

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥49.00 (\$0.44) per share	¥4,059	\$ 36,573

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**•Hiroshima Office:**

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**•Fukuoka Office:**

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**•Tokyo Plant:**

11, 1 Chome, Shiohama, Ichikawa, Chiba 272-0127, Japan  
Tel: +81-47-395-1201

**•Nagoya Plant:**

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Tel: +81-567-55-1101

**•Sakai Plant:**

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**•Takuma Plant:**

6883, Takuma, Takuma-cho, Mitoyo, Kagawa 769-1101, Japan  
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**•Sakai Pole Plant:**

125, 2 Cho, Ishihara-cho, Higashi-ku, Sakai, Osaka 599-8102, Japan  
Tel: +81-72-258-1858

**•Kashima Pole Plant:**

3075-27, Shimasu, Itako, Ibaraki 311-2434, Japan  
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### Hokkaido Maruichi Steel Tube Ltd.

**•Head Office and Tomakomai Plant:**

134-110, Aza Numanohata, Tomakomai, Hokkaido 059-1364, Japan  
Tel: +81-144-55-3801

### Kyushu Maruichi Steel Tube Ltd.

**•Head Office:**

12, Meishihama, Nagasu-machi, Tamana-gun, Kumamoto 869-0111, Japan  
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### Shikoku Maruichi Steel Tube Ltd.

**•Head Office:**

2112-48, Takuma, Takuma-cho, Mitoyo, Kagawa 769-1101, Japan  
Tel: +81-875-83-4135

**•Tachibana Plant:**

12, 2 Cho, Ishihara-cho, Higashi-ku, Sakai 599-8102, Japan  
Tel: +81-72-257-5101

### Kasuga Industry Ltd.

**•Head Office:**

3-2, 7 Chome, Kami-higashi, Hirano-ku, Osaka 547-0002, Japan  
Tel: +81-6-6791-4912

### Maruichi Kohan Ltd.

**•Head Office:**

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### Alpha Metal Co., Ltd.

**•Head Office:**

850, Inamitsu, Miyawaka, Fukuoka 822-0144, Japan  
Tel: +81-949-52-3355

### Okinawa Maruichi Ltd.

**•Head Office:**

388-3, Ohira, Urazoe, Okinawa 901-2113, Japan  
Tel: +81-98-876-1801



## Maruichi American Corporation (MAC)

•**Head Office:**

11529 Greenstone Avenue, Santa Fe Springs, CA 90670-4697, U.S.A.  
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## Maruichi Leavitt Pipe & Tube, LLC (Leavitt)

•**Head Office:**

1717 W, 115th Street, Chicago, Illinois, 60643, U.S.A.  
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## Maruichi Oregon Steel Tube, LLC (MOST)

•**Head Office:**

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## MARUICHIMEX S.A. de C.V. (Maruichimex)

•**Head Office:**

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## Alphametal Mexlco S.A. de C.V. (Alphamex)

•**Head Office:**

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Tel: +52-449-153-0301

## Maruichi Sun Steel Joint Stock Company (SUNSCO)

•**Head Office:**

DT743 Rd., Dong Tac Quarter, Tan Dong Hiep Ward, Di An County, Binh Duong Province, Vietnam  
Tel: +84-274-3742777

## Maruichi Sun Steel (Hanoi) Company Limited

•**Head Office:**

Binh Xuyen Industrial Zone, Huong Canh Town, Binh Xuyen District, Vinh Phuc Province, Vietnam  
Tel: +84-211-3582877

## J-Spiral Steel Pipe Co., Ltd.

•**Head Office:**

Slope47, Highway51, Tam Phuoc, Bien Hoa City, Dong Nai Province, Vietnam  
Tel: +84-251-3-511-410

## Maruichi Metal Product (Foshan) Co., Ltd. (MMP)

•**Head Office:**

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•**Wuhan Branch:**

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Tel: +86-27-8485-2881

## Maruichi Metal Product (Tianjin) Co., Ltd. (MMP)

•**Head Office:**

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Tel: +86-22-5986-8898

## PT. Indonesia Steel Tube Works (ISTW)

•**Jakarta Plant:**

Jl. Rawa Sumur I/No.1, Kawasan Industri Pulogadung, Jakarta 13940, Indonesia  
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•**Semarang Plant:**

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•**Cikarang Plant:**

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## MARUICHI KUMA STEEL TUBE PRIVATE LIMITED (KUMA)

•**MANESAR PLANT:**

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Tel: +91-124-4213059

•**BANGALORE PLANT:**

Toyota Tusho Auto Park. Plot No.33&34.  
Bidadi Industrial Area. Ramanagara Taluk & District. 562-109. India  
Tel: +91-80-46613200

## MARUICHI PHILIPPINES STEEL TUBE INC. (MPST)

Phase 2B, B3, L2-B, Lima Technology Center, Brgy.  
Bugtong na Pulo, Lipa City, Batangas, Philippines 4217  
Tel: +63-995-170-7539

Name of the Company	Maruichi Steel Tube Ltd.
Address of Registered Office	29F Nambaskyo, 1-60, 5 Chome, Namba, Chuo-ku, Osaka 542-0076, Japan
Capital	¥9,595,152,375
Date of Establishment	December 18, 1947
Number of Employees	1,984 (Consolidated basis)

#### Board of Directors & Audit & Supervisory Board Member (As of June 25, 2019)

Hiroyuki Suzuki	Representative Director, Chairman & CEO
Yoshinori Yoshimura	Representative Director, President & COO
Daiji Horikawa	Director
Yoshitaka Meguro	Director
Kenjiro Nakano	Director (Outsider)
Kenichiro Ushino	Director (Outsider)
Yuka Fujioka	Director (Outsider)
Takehiko Terao	Standing Audit & Supervisory Board Member
Masuo Okumura	Audit & Supervisory Board Member (Outsider)
Ryuta Uozumi	Audit & Supervisory Board Member (Outsider)
Yuki Uchiyama	Audit & Supervisory Board Member (Outsider)

#### Managing Officers (As of June 25, 2019)

Hiroyuki Suzuki	Chairman Managing Officer & CEO
Yoshinori Yoshimura	President Managing Officer & COO
Daiji Horikawa	Vice President Managing Officer
Yoshitaka Meguro	Senior Managing Officer, Tokyo Office
Teruyuki Horikawa	Senior Managing Officer, Nagoya Office
Minoru Kadono	Production Technology Section Supervisor & Senior Managing Officer
Takeshi Takeuchi	Senior Managing Officer & General Manager, Corporate Planning Division
Yasuo Kawamura	Senior Managing Officer & Managing Section Supervisor
Shunsaku Honda	General Manager, Deputy Director of Maruichi Leavitt Pipe & Tube, LLC
Shinichi Ishimatsu	General Manager, Human Resources & Administration Dept.
Nobuhiro Yamamoto	General Manager, Fukuoka Office
Masaharu Kabasawa	General Manager, Hiroshima Office
Kouichi Ikeda	General Manager, Nagoya Plant
Wataru Morita	General Director of Maruichi American Corporation & Maruichi Oregon Steel Tube, LLC
Kohji Aoyama	General Manager, Finance Dept.
Hiroyoshi Imoto	General Manager, Osaka Office
Yoshiaki Awane	General Manager, Tokyo Plant
Toshiyuki Narisaki	General Manager, Sakai Plant

#### Major Shareholders

Shareholder	Number of shares (thousand)	Shareholding ratio (%)
Yoshimura Holdings Limited	4,200	5.06
Japan Trustee Services Bank, Ltd. (Trust account)	3,939	4.75
Sumitomo Mitsui Banking Corporation	3,900	4.70
MUFG Bank, Ltd.	3,886	4.69
The Master Trust Bank of Japan, Ltd.	3,208	3.87
Japan Trustee Services Bank, Ltd. (JFE Steel trust account)	3,003	3.62
JFE Steel Corporation	2,602	3.14
Seiji Yoshimura	2,496	3.01
CHINA STEEL CORPORATION	2,000	2.41
Kaneko Horikawa	1,599	1.93

#### Note:

- Other than the above, the Company possesses 11,157 thousand shares of treasury stock.
- The shareholding ratio is rounded down to the second decimal place. In addition, it is calculated by deducting treasury stock. The treasury stock (11,157,927 shares) does not include the Company's shares (93,000 shares) owned by Japan Trustee Services Bank, Ltd. (Trust account) as trust assets under the employee incentive plan called "Employee Stock Ownership Plan (ESOP)."
- Although Mr. Seiji Yoshimura passed away on January 23, 2019, because his name transfer procedures are yet to be completed, the name presented is as recorded in the register of shareholders.

#### Shareholder Reference Information

Closing Date of Accounts: March 31

Annual General Meeting: Late June

#### •Record Date:

The shareholders who should exert the right of shareholders at the Annual General Meeting of Shareholders shall be those registered as such with voting rights in the final register of shareholders as of March 31 every year.

#### •Stock Exchange:

Tokyo Stock Exchange 1st Section

#### •Place of Transfer:

Transfer Agent Division

#### •Media of Public Notice:

Electronic Public Notice at our home page, or Nihon Keizai Shimbun (daily newspaper)



<http://www.maruichikokan.co.jp/>



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