

Annual Report 2021

For the year ended March 31, 2021

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MARUICHI

Everywhere, MARUICHI The One-and-Only Company, Found Everywhere.

Everywhere in daily life
Everywhere in Japan
Everywhere in the world

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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.



Hiroiyuki Suzuki
Representative Director,
Chairman & CEO

Yoshinori Yoshimura
Representative Director,
President & COO

Profile

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.

As the first step to becoming a company that continues to create value into the next century, Maruichi Steel Tube has created a vision to achieve sustainable development by 2030. On top of our established business models and value creation processes, we develop a business strategy in view of anticipated changes in the surrounding environment, with an eye to bringing about a better society with all our stakeholders.



Management philosophy

Business model

Maruichi Steel Tube's strengths

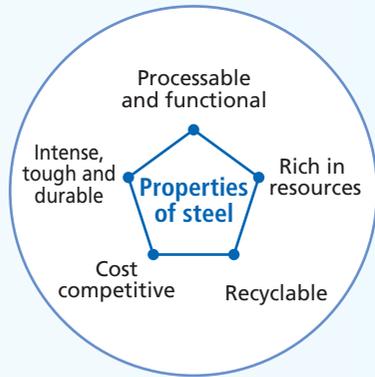
① Manufacturing and sales systems that support our status as No.1 in the industry

- Global business development
- Variety of products
- Independent management supporting unique procurement and sales systems
- Production where demand exists

② Development of multi-skilled human resources

③ Sound financial structure

④ Flat organizational structure



Values produced by Maruichi Steel Tube

Value Creation through Products Themselves

① Livable, sustainable urban development



② Safe and convenient transport and logistics methods



③ Agricultural materials to support a rich and varied diet



Value Creation through Corporate Activities

① Employment creation and the development of potential



② Construction of global partnerships



③ Reuse of waste heat and scrap from production processes



Anticipated changes in the surrounding environment

Opportunities

- The rapid development of IoT, AI, robot and other emerging technologies, and social changes
- The potential of highly recyclable steel in promoting the creation of a recycling-oriented society
- Changes in energy mix and the use of next-generation energy sources
- The development (in developing countries) and repair (in developed countries) of social infrastructure
- Building a disaster-resistant and resilient city/country
- Economic growth and higher standards of living in developing countries

Issues to be solved

- ① A structural change in the automotive industry
- ② The ongoing trend of aging population with a declining birthrate in Japan
- ③ The progress of digital disruption

MISSION

Society Maruichi Steel Tube aims to create

A sustainable society where everyone feels safe and can lead a fulfilling life.

- Customers
- Shareholders
- Business partners
- Employees
- Local communities
- Global environment

VISION

Basic Policy on Sustainability

Key points for sustainable growth

Improving profitability by deepening and evolving operations

Adopting digital transformation (DX)

- **Organizational reform through the specific use of the cutting-edge technologies, such as AI and IoT**
- **Building smart factories**

Applying accumulated manufacturing data to production facilities and mechanizing artisan skills
⇒ To achieve greater stability in the quality of steel tubes

Automating part of operations performed along production lines
⇒ To improve safety at manufacturing sites

- **Increasing the efficiency of manufacturing and sales information management**

Enhancing operational efficiency through efficient management of product information in a series of processes from order receipt/placement, manufacturing to sales, and through timely sharing of information
⇒ To improve productivity by reducing inefficient work, such as double input

Promoting open innovation

- **Acquiring knowledge and manufacturing know-hows on different types of materials by increasing interactions among different groups mainly in the steel tube business as well as with parties outside the company so as to demonstrate synergy effect with the existing technologies of our own**

⇒ To identify demand for new industries

⇒ To pursue materials and develop new products that will cater to social demand in the future (Making steel tubes that are stronger, more durable and more environmentally friendly)

Accelerating our global expansion with awareness for resolving social issues

- **Expanding business by offering product lines which will support the future of local communities and by building a sustainable supply chain**

⇒ To achieve a sustainable and effective social infrastructure in overseas areas aiming for economic growth and improvement in living standards

Proactive attempts to open up new fields

Our attempts to advance into new areas

- **New businesses and projects from a futuristic perspective**
- **A business strategy designed in view of the entire product life cycle**

What we want to be

Transforming Maruichi into an organization that can create innovation

- **Building an innovative and highly resilient organization that will bring about a dynamic change**
- **Building an organization that can flexibly adapt to change**

Key sustainability challenges

- Human resources & working styles
- Consideration for the environment
- Corporate governance
- Social contribution activity

Initiatives for Sustainable Development

Basic Policy on Sustainability

Under the management philosophy of “contributing to society by responding to the trust of customers and placing a high value on all people, based on respect for humanity,” the Maruichi Steel Tube Group aims to realize sustained growth through business activities with consideration for all stakeholders.

In addition to the Group’s own sustained growth, it engages in important issues (key sustainability challenges) in accordance with the policies set out below and aims to increase corporate value, in order to contribute to realizing sustainable societies.



Organizational Governance

The Maruichi Steel Tube Group strives to respect the rights of shareholders and ensure equitability and transparency of management while fulfilling our fiduciary responsibilities and providing accountability to our shareholders, led by our Board of Directors. At the same time, we position corporate governance as a critical management issue as we strive to achieve our management vision, and reinforce speedy and accurate decision-making supervisory functions. In addition, in order to improve medium- and long-term corporate value and maintain sound management, we pursue the optimal corporate governance and engage in ongoing efforts to enhance corporate governance.

Consumer Issues

The Maruichi Steel Tube Group strives to provide safe, high-quality products to meet the needs of its customers, while bearing in mind the effect on end-users, and to respond with sincerity, swiftness and accuracy to the trust placed in it. It also endeavors to provide appropriate product information, and secure, maintain and enhance the satisfaction of all customers. It adheres to the word and spirit of the law of each country, and thoroughly protects the personal information of customers and all other people who are involved in its business activities.

Fair Operating Practices

The Maruichi Steel Tube Group acts with proper judgement and moderation in commercial transactions, neither giving nor receiving unfair profits, to prevent mistaken or dishonorable evaluation. Commercial transactions, regardless of whether they pertain to products or services, are carried out through proper processes, after fair comparison and evaluation of transaction details based on honest and legitimate negotiation. The Maruichi Steel Tube Group does not permit bribery, discontinues relationships with antisocial forces, and does not participate in corruption of any form.

The Environment

The Maruichi Steel Tube Group regards the fulfillment of social responsibility through legal compliance as fundamental, and contributes to the further protection of the global environment, in order to provide a livable environment for future generations. By providing products using iron, which is highly recyclable, the Group plays a part in supporting a recycling-oriented society, while production activities are structured to prevent environmental pollution such as air, water or soil pollution. In addition, the Group continually strives for better technology, to realize more efficient use of resources including energy, water

and raw materials. The Group sets goals and targets related to these efforts and establishes management systems to engage in continuous improvement activities.

Human Rights

The Maruichi Steel Tube Group works to prevent any and all acts of human rights violations, including indirect involvement. The Group protects the human rights of all stakeholders, including people in a weak social position or crisis situation, regardless of individual attributes such as gender or nationality. Products are not supplied to, or purchased from, business entities that violate human rights, and measures are implemented to provide relief for people whose human rights have been violated.

Labor Practices

The Maruichi Steel Tube Group works in accordance with the philosophy of “respect for humanity,” to create companies brimming with dreams, in which diverse employees can engage in fair, decent and meaningful work, and to which they can entrust their lives. To this end, the Group facilitates a work-life balance suited to individual circumstances, and diverse and flexible working styles. Each and every employee is encouraged to develop his or her abilities under high health and safety standards, and we create a work environment that ensures the mental and physical health and safety of employees. The Group also establishes sound labor-management relations, with opportunities for dialogue with employee representatives.

Community Involvement and Development

The Maruichi Steel Tube Group aspires to develop and grow together with various countries and local communities. The Group contributes through its business activities, by providing a stable supply of products to meet diverse needs in each country or region, thus supporting the construction and development of industry platforms. In addition, the Group also contributes to realizing rich societies, through the expansion of employment opportunities and the redistribution of profits through tax payments and the like. The Group pursues business sustainability, by considering ways to reduce the environmental and social burden of its business activities. Moreover, as a member of communities, the Group is conscious of the need to solve social issues. By actively taking part in activities that contribute to society, with awareness for resolving social issues as a member of local communities, the Group strives for proactive engagement with people in the same communities, sharing the same hopes and aspirations.

Key Sustainability Challenges (Maruichi Steel Tube's Material Issues)

We specify issues considered important in the context of challenges for the whole of society, and promote initiatives for solving these issues, based on Maruichi Steel Tube's basic policy on sustainability.

Human resources & working styles

Basic Policy on Sustainability

- Human rights
- Labor practices

Material Issues (Important Tasks)

- Promotion of diversity and inclusion
- Reform of personnel & evaluation systems and education system
- Recruitment policy
- Labor health and safety
- Enhanced operational efficiency and productivity
- Human rights protection

Related SDGs



Consideration for the environment

Basic Policy on Sustainability

- The environment

Material Issues (Important Tasks)

- Global environmental conservation
- Formation of a recycling-oriented society
- Biodiversity conservation
- Transition to environmentally-friendly products

Related SDGs



Corporate governance

Basic Policy on Sustainability

- Organizational governance
- Fair operating practices

Material Issues (Important Tasks)

- Ensuring fairness and transparency in management
- Swift and accurate decision-making and a stronger supervisory function
- Stronger internal controls
- BCP completion and renewal

Related SDGs



Social contribution activity

Basic Policy on Sustainability

- Community involvement and development

Material Issues (Important Tasks)

- Cooperation and support for cultural activities
- Promotion of sports
- Contribution to local communities
- Contribution to the global community

Related SDGs



SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are global goals adopted unanimously by all 193 United Nations member states in September 2015 at the UN headquarters in New York. The SDGs are comprised of 17 goals and 169 targets that aim to resolve a broad range of social issues, such as climate change and disparity correction, on a worldwide basis and create an inclusive and brighter future by the year 2030.

The SDGs are comprehensive goals that require the involvement of all the member states, whether developed or developing countries.



About Sustainable Development Goals (SDGs)

Initiatives for Sustainable Development

Consideration for the environment

Consideration for the environment

Rather than just pursuing corporate profit, Maruichi Steel Tube is engaged in production activities with consideration for the environment, aiming at sustainable improvement in corporate value. We take such global warming prevention measures as proactive use of renewable energy through a mega solar power project, conversion of manufacturing facilities to those with energy-saving property, and switch of gases used at Takuma Plant to liquefied natural gas (LNG).



Human resources & working styles

Diversity in human resources

To enhance our corporate competitiveness in these days of globalization and aging population with declining birth rates, we have created a working environment where diverse human resources can play active roles. We promote empowerment of women by providing training and expanded childcare and return-to-work support programs, accept international students and foreign technical interns as we expand our overseas operations, provide overseas training, and offer global business training for employees stationed overseas.



Strengthening safety measures

Maruichi Steel Tube's manufacturing depends on the principle of ensuring the safety of employees. In doing our daily work, we keep in mind that "safety is for ourselves and our families." We put great emphasis on safety awareness raising activities, such as Production Safety Conference, which we conduct while touring the actual manufacturing sites, and training programs using our hazard simulation facility.



Social contribution activity

Social contribution Activity

Maruichi Steel Tube provides aid in Japan and abroad, with the goal of returning every year to society about 0.5 percent of non-consolidated net income after payment of dividend through social contribution activities. We support educational, cultural, sports, medical and environmental protection activities inside the country, and health/medicine and educational activities in emerging countries.

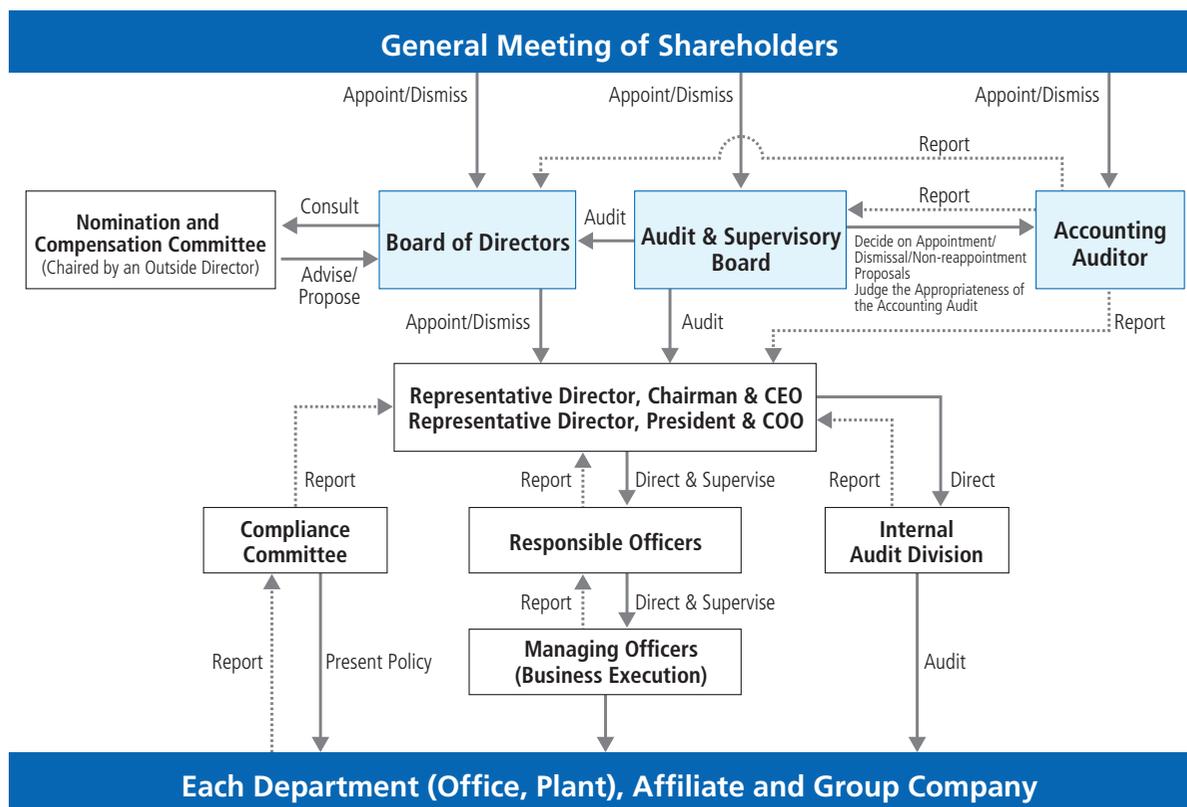


Corporate governance

Governance structure

In our aim to become a company that continues to create value into the next century, sustainable growth and corporate value are indispensable factors.

Maruichi Steel Tube has in place the following governance structure to enable fair and transparent decision-making.



Compliance Manual

To sustain corporate activities, it is important to generate profit through sound corporate activities. In order for each and every employee of Maruichi Steel Tube to have a good understanding of compliance, we formulated compliance items in our compliance manual and established the Compliance Committee, whereby supporting and giving instructions on the practice of compliance.

- Respect for human rights; prohibition of discrimination, sexual harassment, and power harassment; protection of personal information
- Compliance with Antimonopoly Act and related laws and regulations
- Prohibition against unfair competition
- Compliance with laws and regulations
- Regulations against insider trading
- Intellectual property related laws and regulations
- Prohibition against bribery, and rules on gifts, entertainment, etc.
- Prohibition against providing benefits to antisocial forces
- Environmental conservation
- Appropriate management of information
- Appropriate use of information systems
- Appropriate accounting, tax filing, and appropriate disclosure of company information
- Prohibition against conflicts of interest
- Reporting to authorities and cooperation with investigations
- Rules for participation in political movements, etc.

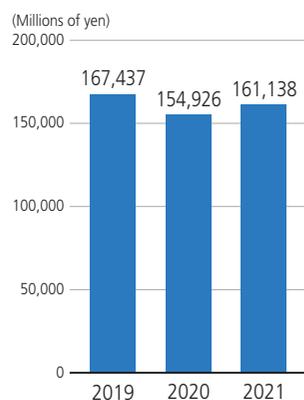
Consolidated Financial Highlights

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

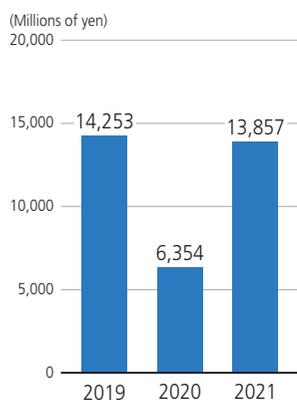
	Millions of Yen			Thousands of U.S. dollars*
	2019	2020	2021	2021
For the year:				
Net sales	¥167,437	¥154,926	¥161,138	\$1,455,500
Operating income	19,266	14,712	18,332	165,592
Income before income taxes	21,217	10,061	20,509	185,257
Net income attributable to owners of parent	14,253	6,354	13,857	125,168
At year-end:				
Total assets	¥321,019	¥310,120	¥330,252	\$2,983,040
Net assets	274,935	267,282	276,977	2,501,826
				U.S. dollars*
Per share:				
Net income	¥ 172.25	¥ 76.79	¥ 167.95	\$ 1.51
Net assets	3,189.44	3,108.63	3,286.94	29.69
				%
Ratio:				
Return on assets (ROA)	4.5	2.0	4.3	
Return on equity (ROE)	5.5	2.4	5.3	

* U.S. dollar amounts have been converted for convenience only at the rate of ¥110.71=US\$1, the rate of exchange on March 31, 2021.

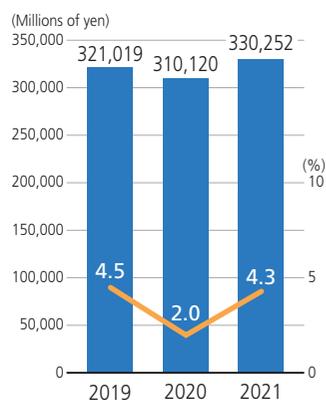
Net Sales



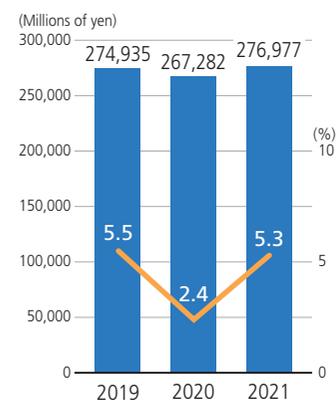
Net Income Attributable to Owners of Parent



Total Assets (left scale) ROA (right scale)



Net Assets (left scale) ROE (right scale)



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

1. Management Policy

On April 7, 2021, the Company announced its 6th Medium-Term Management Plan (April 2021 – March 2024).

As a company that is now 70 years old, under a policy aimed at becoming a sustainable corporate group that will be able to reach its 100th anniversary in a sound condition, we have positioned the three years of our new Medium-Term Management Plan as a period for reinforcing our foundations. By steadily pursuing the Management Plan, we will firm up our management foundations and pursue environmental initiatives to establish the frameworks for achieving zero carbon at an early stage. In these ways, we will aim to be a sustainable corporate group through long-term, stable growth.

The details of the 6th Medium-Term Management Plan are as follows.

1. Basic policy

- (1) Profit foundations for long-term growth: Net sales of ¥200 billion, operating income of ¥26 billion, and an operating margin of 13%
- (2) Business environment assumptions that formed the premise of the plan's formulation
 - Japan: Although steel demand is trending downward in the long term, the impacts of COVID-19 will recede in the first half of the three-year period, with demand returning to 2018 levels by the final year.
 - Overseas: Each country will break free of the impacts of COVID-19 in the latter half of the plan period and return to a growth trajectory, primarily in Asia.
 - Steel market conditions: Some turmoil is predicted in the first half of the plan period, but conditions are likely to settle down gradually.
 - Japan and overseas automobile-related markets: We will focus on the shift toward electric vehicles and start taking the necessary action.
 - We will work hard to secure a stable supply of competitive raw materials.
- (3) Improve productivity in manufacturing and sales through the further promotion of digitization
- (4) Aim for the Company's long-term, stable growth through ESG-conscious management

2. Numerical targets (assumed exchange rate: ¥105/US\$)

	Overall	Japan consolidated	Of which, non-consolidated	Overseas consolidated
Net sales (Billions of yen)	200.0	130.0	(105.0)	70.0
Operating income (Billions of yen)	26.0	19.5	(16.0)	6.5
Operating margin	13.0%	15.0%	(15.2%)	9.3%
Shareholder return ratio	50.0%			
Environmental target	Net zero direct CO ₂ emissions at head office and Hokkaido, Shikoku, and Kyushu Plants			

- i. Net sales: Project recovery of sales volumes in Japan and overseas.
- ii. Operating income/operating margin: Aim for non-consolidated operating margin of 15% and final operating margin of 10% for major consolidated subsidiaries (5% or more for Leavitt only).
- iii. Shareholder return ratio: Continue to uphold dividend policy and achieve high return ratio.
- iv. Environmental policy: Aim to achieve net zero direct CO₂ emissions at head office and at the Hokkaido, Shikoku, and Kyushu Plants.

3. Major Initiatives for Achieving the Plan

1) Commitments in Japan

- i. Recovery of sales volumes and maintenance of high-profit structure
- ii. Target of 10% operating margin for Maruichi Stainless Tube Co., Ltd.: Reinforce production capacity of BA tubes

- for semi-conductors/automobiles, improve productivity through investments in automation
- iii. Demonstration of synergy effects among Group companies: Among Maruichi Stainless Tube Co., Ltd., Toyo Superior Steel Tube Works, Ltd., Alpha Metal Co., Ltd., and Maruichi Kohan Ltd.
- iv. Investment of ¥16.8 billion, such as in the Sakai Plant's SR finishing process, the Kyushu Plant's GH line, and equipment refurbishment at the Tokyo and Nagoya Plants
- v. Improvement of productivity through the further promotion of digitalization in production and sales
 - IoT: Roll out systems for automated collection and analysis of production lines' operational data to all plants
 - Promote introduction of sales-related IT systems that take advantage of digital transformation (web migration of systems, digitization, development of remote work environment, etc.)
 - Full-scale operation of office systems that leverage AI/RPA and expansion of their scope of use
 - Full automation of testing and quality control at production sites
- vi. Preparation of ESG reports. Progressive roll-out of zero-carbon actions to affiliated companies in Japan and to overseas subsidiaries
- vii. Greater use of female human resources and foreigners
- viii. Utilization of idle land and vacant buildings
- ix. Roll-out of open innovation: Development of new tube manufacturing technologies in collaboration with equipment manufacturers
New initiatives in solutions businesses in collaboration with customers

2) Commitments Overseas

- i. Operating margin target: Set target of achieving 10% margin at all companies except Leavitt (U.S.), which will have a 5% target
- ii. SUNSCO: Raise domestic sales ratio further (to 50% or more) and reinforce profit foundations Contribute to profits through cost reductions and quality improvements with the commissioning of No. 2 cold-rolling mill
- iii. Continue capital investments and expansion of profits at automobile- and motorcycle-related plants
- iv. KUMA in India to capture demand for products other than stainless steel tubes for automobile and motorcycle exhaust pipes and consider investment
- v. Consider overseas expansion by Maruichi Stainless Tube Co., Ltd.
- vi. Further promotion of localization of workforce through development of local human resources
- vii. ESG commitments overseas
- viii. Continue proactive consideration of M&A and other business investments in Japan and overseas

3) Shareholder Returns and Social Contributions

- i. Shareholder returns: Firmly uphold dividend policy
- ii. Social contribution: Continue contributions to society in each country (aim for around 1% of net income after payment of dividends)

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

Looking into the future, harsh conditions are expected to continue due to the impact of the novel coronavirus ("COVID-19"). On the other hand, the new U.S. government has inherited the 25% tariff on imported steel under Section 232 of the Trade Expansion Act and there is a strong sense of expectation toward infrastructure development, including through large-scale fiscal stimulus measures. Hot rolled coil (HRC) prices in the United States (UK firm, CRU's U.S. Midwest Domestic Hot-Rolled Coil Steel Index) continue to soar, and while many countries in Asia are still struggling under pandemic conditions, an expansion of steel demand is expected against the backdrop of the early recovery of the Chinese economy. In Japan as well, supplies of HRC have become extremely tight, reflecting this tightening of steel sheet supply overseas, and major climbs in prices are making the situation extremely difficult.

Under these circumstances, we will strive to prevent the further spread of COVID-19 and continue to push ahead with policies to accurately track changes in each region and swiftly minimize the negative factors, in order to ensure the implementation of our key measures in the first year of the 6th Medium-Term Management Plan. The management environment and the issues to be addressed, etc. by segment are as follows.

(Japan)

In our domestic non-consolidated operations, while there are immediate signs of a recovery in demand, including

provisional demand, on the other hand, because supply of feed stock coils is extremely tight. In light of these factors, we have projected an increase in annual sales volumes of 5% from the previous fiscal year. This is just under 8% less than the sales volumes of fiscal year before that. Given the current tightness of supply of steel sheets, we have determined that sales volumes are unlikely to return to pre-COVID-19 levels in the immediate future.

Moreover, with the sharp, large increase in the purchase price of feed stock coils, we will make earnest efforts to prioritize increases in finished product prices, even more than securing sales volumes. Raising our prices will keep the spread between product sales prices and material purchase prices from worsening, and we will strive to improve productivity and reduce costs at our manufacturing plants in our efforts to ensure our forecast business performance.

At Maruichi Stainless Tube Co., Ltd., orders for stainless steel tubes have declined due to the impact of the fall in steel demand, but it will step up its efforts to capture the market for high added value BA tubes for semiconductor manufacturing equipment and automobiles. These are areas for which demand is expected to expand with the growth in 5G and digitization. Various activities are also being pursued within the Company to improve earnings capacity. In terms of capital investments, to respond to the expansion of demand for color square tubes that meet environmental specifications, Hokkaido Maruichi Steel Tube Ltd. is making steady progress with the introduction of color coating equipment, following in the footsteps of Kyushu Maruichi Steel Tube Ltd., a consolidated subsidiary. Further, after the construction of a new cutting plant in Hamamatsu in December last year, Maruichi Kohan Ltd., a consolidated subsidiary, is pursuing the construction of a new warehouse at its Shikoku Sales Office and the expansion of its warehouse at its Okayama Sales Office, among other initiatives. These are some of the ways in which we will continue to meet the detailed needs of end users.

(North America)

In the North American segment, in addition to the early recovery of economic activity, expectations of infrastructure development as part of additional economic stimulus measures by the new U.S. government have contributed to a sharp rise in steel prices, and order volumes are holding firm with the recovery in demand. In the short term, coil prices have skyrocketed to record high levels, and, as well as securing sales volumes, raising product prices will be the key to improving business performance, so we will make earnest efforts to achieve that. In addition, a possible sudden drop in HRC prices (currently US\$1,600/ton), which have reached previously unexperienced heights, is a major risk, so we will strive for meticulous control of procurement and inventory levels to maintain appropriate stock levels and mitigate inventory holding risks.

(Asia)

In the Asian segment, steel market conditions in the overall Asian region are in turmoil due to over-supply caused by U.S. trade issues and the impact of import restrictions in neighboring countries. At SUNSCO in Vietnam, we will strive to expand our share of sales, secure sales volumes, and increase sales prices in Vietnam itself, while also working to bring inventory levels down and pursue the depreciation of equipment, as well as concentrating our efforts on management that is less reliant on borrowing. Good progress is being made in the construction of the No. 2 cold-rolling mill at SUNSCO to alleviate the shortage of cold-rolling capacity, reduce costs, and improve quality. As well as securing sales volumes, SUNSCO (HNI) will proceed with negotiations with the motorcycle manufacturers to raise the prices of delivered products. At KUMA in India, demand in the motorcycle and automobile markets recovered sharply after the lifting of lockdown. In addition, with demand for exhaust pipes for motorcycles increasing due to the strengthening of environmental regulations, the decision has been made to extend the production line at the Bangalore Plant. However, COVID-19 cases are once again on the rise, and there are still concerns that restrictions on movement in response may cause demand to fall again, so we cannot relax our guard.

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, 2021 (FY2021), 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 FY2021.

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 FY2021 increased by ¥20,131 million from the end of the previous fiscal year to ¥330,252 million due in part to the new consolidation of Maruichi Stainless Tube Co., Ltd.

Current assets decreased by ¥126,138 million to ¥169,256 million. Although there was expenditure of ¥13,724 million for the purchase of shares in Maruichi Stainless Tube Co., Ltd., due to the maturation of negotiable certificates of deposit and other factors, short-term investments decreased by ¥5,876 million, leading to a ¥1,950 million decrease in cash and deposits. Meanwhile, trade notes and accounts receivable increased by ¥3,807 million and raw materials and supplies increased by ¥5,110 million due to the new consolidation of Maruichi Stainless Tube Co., Ltd. and other factors.

Non-current assets increased by ¥20,258 million to ¥160,996 million. This was mainly due to a ¥10,114 million increase in property, plant and equipment resulting from the new consolidation of Maruichi Stainless Tube Co., Ltd. and a ¥10,788 million increase in investments in securities due to the recovery of stock prices.

Total liabilities at the end of FY2021 increased by ¥10,437 million to ¥53,275 million. This was mainly due to the new consolidation of Maruichi Stainless Tube Co., Ltd. resulting in a ¥954 million increase in short-term bank loans and a ¥1,827 million increase in net defined benefit liability, and to a ¥1,885 million increase in accrued income taxes and a ¥3,269 million increase in deferred income taxes.

Total net assets increased by ¥9,694 million to ¥276,977 million. This was mainly due to securing ¥13,857 million in net income attributable to owners of parent and cash dividends of ¥7,498 million. In addition, there was an increase of ¥8,488 million in unrealized holding gains on available-for-sale securities.

There were no major changes in capital resources and the liquidity of funds from previous years, and the Group's working capital and funds for capital investment were primarily allotted from the Group's own funds, and there was sufficient liquidity to repay the debt of the Japanese and overseas subsidiaries. However, due to the uncertainty entailed by the spread of COVID-19, we will continue to pay close attention to the funds required to smoothly carry out business activities by the entire Group.

b. Status by category stated in segment information

(Japan)

Segment assets at the end of FY2021 increased by ¥18,312 million from the end of the previous fiscal year to ¥123,219 million. This was due to an increase of ¥22,205 million with the new consolidation of Maruichi Stainless Tube Co., Ltd.

(North America)

Segment assets at the end of FY2021 decreased by ¥3,316 million from the end of the previous fiscal year to ¥17,115 million. Given the urgency to reduce inventory, earnest efforts were made and, as a result, inventories (finished goods, raw materials, and supplies) decreased. Non-current assets also decreased as a result of depreciation.

(Asia)

Segment assets at the end of FY2021 increased by ¥2,340 million from the end of the previous fiscal year to ¥17,576 million. Non-current assets increased with the progress in investment in the No. 2 cold-rolling mill at SUNSCO.

2. Status of Operating Results

Status of business overall and by category stated in segment information

a. Status of business overall

Total sales volumes for the four North American locations and for the three Asian locations increased from the previous fiscal year, but the decline in Japan was significant, leading to an overall decrease of just under 10%. The effect of the new consolidation of Maruichi Stainless Tube Co., Ltd. was an increase in revenue to ¥161,138 million (increased by 4.0% from the previous fiscal year) on the surface, but in substantive terms, there was a decline in revenue of just over 10%. On the profit front, profits were up in Japan, in addition to an improvement over the previous fiscal year in North America and Asia, resulting in an increase in operating income to ¥18,332 million (increased by 24.6% from the previous fiscal year). In substantive terms, excluding Maruichi Stainless Tube Co., Ltd., the result was an increase of just under 18% in operating income from the previous fiscal year.

Other income and expense declined by ¥137 million from the previous fiscal year due to the decline in dividends received and other factors, despite there being no decrease in interest paid or exchange loss as occurred in the

previous fiscal year. Due to the increase in operating income, ordinary income increased to ¥20,587 million (increased by 20.4% from the previous fiscal year). In extraordinary income and losses, although gains on sales of property, plant and equipment decreased, losses on valuation of investments in securities that were incurred in the previous fiscal year and a major decrease in impairment losses contributed to an improvement over the previous fiscal year of ¥6,966 million.

As a result, net income attributable to owners of parent increased to ¥13,857 million (increased by 118.1% 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 FY2021, improvements continued to be made in this spread, despite a decrease in sales volume, leading to increases in both operating and ordinary income in substantive terms, with the exclusion of Maruichi Stainless Tube Co., Ltd.

b. Status by category stated in segment information

(Japan)

Turning to the Maruichi Group's business in Japan, non-consolidated sales volumes declined due to the fall in demand. While the extent of that decline improved from 16.8% in the first half of the fiscal year to 7.0% in the second half of the fiscal year, the fiscal year ended with a decline of 11.9%. In addition, unit sales prices trended downward in the first half of the fiscal year due to the slump in demand, and with the rebound in coil prices from the second half of the fiscal year, the Company worked to increase its product prices as well. At the end of the fiscal year, unit sales prices were higher than at the previous fiscal year's end, but on an annual basis, they fell below the previous year. While a surface increase in net sales to ¥111,477 million (increased by 10.1% from the previous fiscal year) was recorded with the new consolidation of Maruichi Stainless Tube Co., Ltd., net sales from existing operations fell in substantive terms by 12.3%. Segment profit increased to ¥15,541 million (increased by 0.1% from the previous fiscal year), but if Maruichi Stainless Tube Co., Ltd. is excluded, it actually decreased by 6.4% as a result of a decrease in sales volume and an increase in the burden of manufacturing costs, despite an improvement in spread on an annual basis due to falls in feed stock coil purchase prices up to the first half of the fiscal year.

(North America)

Turning to the Group's business in North America, sales volumes at the three U.S. locations, Maruichi American Corporation (MAC), Maruichi Leavitt Pipe & Tube, LLC (Leavitt), and Maruichi Oregon Steel Tube, LLC (MOST) for the fiscal year increased by 8.7% from the previous fiscal year. This was due to the steel industry being exempted from lockdown for security reasons, allowing them to keep operating, as well as to the double-digit growth year-on-year in the second half of the fiscal year with the recovery of economic conditions. On the other hand, partly due to the impact of lockdown, MARUICHIMEX S.A. de C.V. (Maruichimex) in Mexico recorded a 12.0% decrease in annual sales volume.

Total net sales for the four North American locations decreased by 9.9% from the previous fiscal year to ¥23,497 million, due mainly to the fall in unit sales prices. Segment profit, on the other hand, returned to positive figures at ¥99 million due mainly to there being no losses attributable to high-priced coil inventories, as occurred in the previous fiscal year (a segment loss of ¥1,527 million was reported in the previous fiscal year).

In addition, due to changes in the business environment and other factors, MOST's fair corporate value, including goodwill, fell below its book value, resulting in goodwill impairment losses of ¥351 million being reported as an extraordinary loss. Leavitt recorded operating losses for two consecutive fiscal years, but as a result of a retrievability test, it was decided that recognition of impairment losses of non-current assets would not be necessary.

(Asia)

Turning to the Group's business in Asia, Maruichi Sun Steel Joint Stock Company (SUNSCO) in Vietnam secured a 1.7% increase in sales volumes compared with the previous fiscal year due to the expansion of its share of the Vietnamese market, despite intensifying competition in that market and tougher import restrictions by neighboring countries. On the other hand, Maruichi Sun Steel (Hanoi) Co., Ltd. (SUNSCO (HNI)) recorded a 14.4% decrease in sales volume compared with the previous fiscal year due to the impact of suspension of sales by motorcycle dealerships as a measure to prevent the spread of COVID-19. At MARUICHI KUMA STEEL TUBE PRIVATE LIMITED (KUMA) in India, operations remained suspended from April to June due to lockdown, resulting in a major decrease in sales volumes of 80% compared with the previous fiscal year. From July to December, however, with the resumption of economic activity, there was a turnaround in sales volumes, which achieved a 40% increase over the same period in the previous fiscal year, and the result for the year was an increase of 8.0% from the previous fiscal year.

Status of Business

As a result, net sales for the segment decreased by 5.2% from the previous fiscal year to ¥26,162 million, but segment profit increased by 414.7% to ¥2,452 million. This was due mainly to the decrease in SUNSCO's depreciation expenses burden with the recognition of impairment of non-current assets in the previous fiscal year and to income from the reversal of allowance for doubtful accounts with the full recovery of debts-in-arrears.

c. Sales results

Sales results for FY2021 shown by segment are as follows.

Segment name	Sales revenue	Compared to previous fiscal year
Japan	¥111,477 million	+10.1%
North America	¥ 23,497 million	-9.9%
Asia	¥ 26,162 million	-5.2%
Total	¥161,138 million	+4.0%

- Notes: 1. Inter-segment transactions have been offset.
2. The individual sales results and the ratio to total sales results for major counterparts were less than 10% of total sales results, so these figures have been omitted.
3. The above figures do not include consumption taxes, etc.

3. Cash Flows

i. Cash and Cash Equivalents

Cash and cash equivalents (hereinafter "cash") at the end of FY2021 decreased by ¥6,645 million from the end of the previous fiscal year to ¥64,086 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 ¥24,355 million (¥5,383 million down from the previous fiscal year). Major cash inflows included income before income taxes of ¥20,509 million, along with depreciation and amortization of ¥5,828 million, and a decrease in inventories of ¥4,271 million. Major cash outflows included income taxes paid of ¥4,355 million and an increase in trade payables of ¥3,921 million.

iii. Cash Flows from Investing Activities

Cash flows used in investing activities were ¥16,841 million (¥14,151 million up from the previous fiscal year). Major cash inflows included a net decrease in short-term investments of ¥6,550 million and proceeds from sales and redemption of investments in securities of ¥3,850 million. Cash outflows included payments for purchases of property, plant and equipment and intangible assets of ¥6,267 million, and increase in time deposits with original maturities over three months of ¥4,641 million, in addition to purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥13,719 million with the aim of venturing into new product areas in Japan.

iv. Cash Flows from Financing Activities

Cash flows used in financing activities were ¥13,968 million (¥2,630 million up from the previous fiscal year). Major cash outflows included dividends paid of ¥7,498 million, ¥2,588 million in purchase of shares of subsidiaries not resulting in change in scope of consolidation, and ¥1,975 million in purchase of treasury stock conducted to improve capital efficiency and enable the flexible execution of capital policies.

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 consolidated subsidiaries. The balance of funds at the end of FY2021 decreased by ¥6,645 million from the previous fiscal year to ¥64,086 million. Turning to the balance of loans at the end of FY2021, short-term bank loans amounted to ¥6,481 million, and long-term bank loans amounted to ¥458 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 6th Medium-Term Management Plan. Additionally, due to the uncertainty entailed by the spread of COVID-19, we will pay close attention to the funds required to smoothly carry out business activities by the entire Group.

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 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, 2021

Dividends have been decided based on the policy outlined in 1. above.

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 9, 2020 Board of Directors Meeting	¥2,071 million	¥25.00
May 12, 2021 Board of Directors Meeting	¥3,894 million	¥47.50

Note: The Company has stipulated that payment of surplus dividends, etc. may be made by resolution of the Board of Directors under the provisions of Article 459 of the Companies Act.

3. Purpose of Use of Internal Reserves

As mentioned in the Basic Policy on Profit Sharing, internal reserves are held as provision for demand for funds for the renewal and expansion of production facilities. In addition, the fact that Maruichi Steel Tube has achieved relatively stable business results as an independent specialized steel tube maker in the severe business climate surrounding the industry owes significantly to the generous level of its internal reserves.

We believe that these reserves contribute to future profits, to the stability of our business performance, and, in turn, to the stable payment of dividends to our shareholders.

4. Dividend Policy for Next Fiscal Year

The Company has a basic policy of “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 ¥80 to ensure dividends are stable at previous levels.”

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



Structural columns place

General Structural and Building Structural Tubes

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



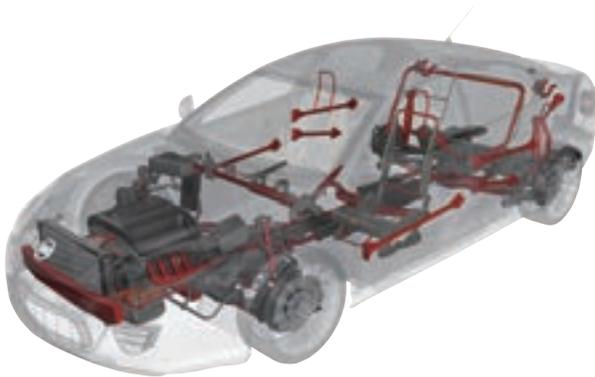
Water Pipes, OCTGs and Electrical Conduits

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.



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.

Maruichi Stainless Tube Co., Ltd.

Manufacturing and sales of seamless tubes, etc.



1 Hokkaido Maruichi Steel Tube Ltd.
Tomakomai Plant



2 Kashima Pole Plant



3 Tokyo Plant



4 Nagoya Plant



5 Kasuga Industry Ltd.



6 Sakai Plant



7 Sakai Pole Plant



8 Shikoku Maruichi Steel Tube Ltd.
Tachibana Plant



9 Takuma Plant



10 Shikoku Maruichi Steel Tube Ltd.
Shikoku Plant



11 Kyushu Maruichi Steel Tube Ltd.
Kyushu Plant



12 Alpha Metal Co., Ltd.



13 Maruichi Stainless Tube Co., Ltd.



- 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

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



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



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



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



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



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



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



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



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



9 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 Office/Factory 1
Jakarta, Indonesia



13 PT. Indonesia Steel Tube Works (ISTW)
Jakarta Office/Factory 2
Jakarta, Indonesia



14 PT. Indonesia Steel Tube Works (ISTW)
Semarang Office/Factory
Semarang, Indonesia



15 PT. Indonesia Steel Tube Works (ISTW)
Cikarang Office/Factory
Cikarang, Indonesia



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



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



18 MARUICHI KUMA STEEL TUBE PRIVATE LIMITED (KUMA) GUJARAT PLANT
Gujarat, India



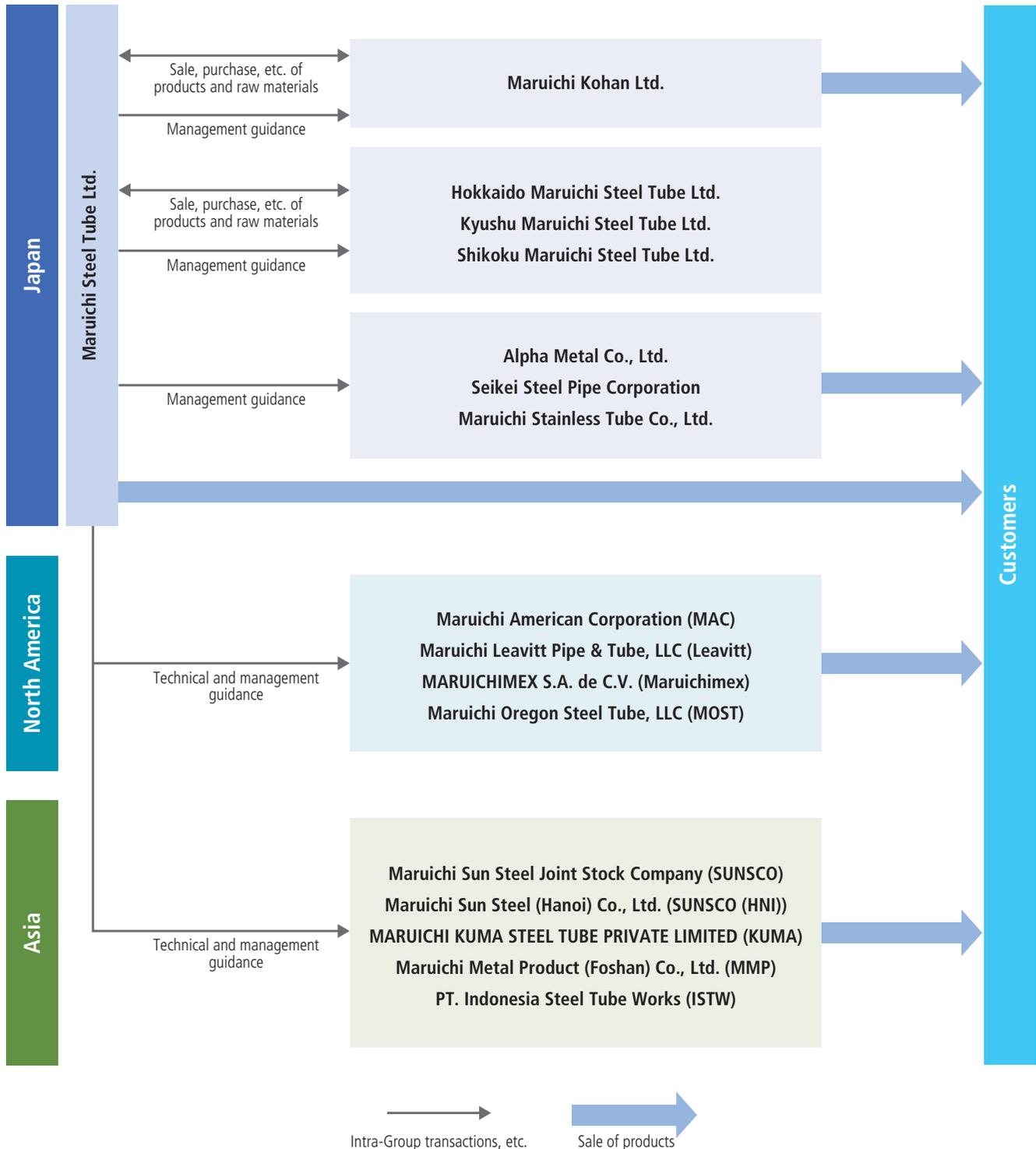
19 MARUICHI PHILIPPINES STEEL TUBE INC. (MPST)
Batangas, Philippines



Consolidated Subsidiaries

Name	Paid-in capital or equity investment	Ownership Interest	Country of Incorporation
Maruichi Kohan Ltd.	122 millions of yen	91.1%	Japan
Hokkaido Maruichi Steel Tube Ltd.	30 millions of yen	100.0%	Japan
Shikoku Maruichi Steel Tube Ltd.	67 millions of yen	100.0%	Japan
Kyushu Maruichi Steel Tube Ltd.	30 millions of yen	100.0%	Japan
Alpha Metal Co., Ltd.	300 millions of yen	93.5%	Japan
Maruichi Stainless Tube Co., Ltd.	4,250 millions of yen	100.0%	Japan
Maruichi American Corporation	7,500 thousand US\$	91.0%	United States of America
MKK USA Inc.	170,500 thousand US\$	100.0%	United States of America
Maruichi Leavitt Pipe & Tube Company LLC	25,225 thousand US\$	90.0%	United States of America
Maruichimex S.A. de C.V.	270,803 thousand MXN	60.0%	Mexico
Maruichi Oregon Steel Tube, LLC	55,000 thousand US\$	100.0%	United States of America
Maruichi Sun Steel Joint Stock Company	130,000 thousand US\$	72.5%	Vietnam
Maruichi Sun Steel (Hanoi) Company Limited	263,927 million VND	100.0%	Vietnam
Maruichi Kuma Steel Tube Private Limited	139,054 thousand Rs	70.0%	India

The organizational chart of the Company's business



Consolidated Balance Sheets

Maruichi Steel Tube Ltd. and Consolidated Subsidiaries
As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
ASSETS			
Current assets:			
Cash and bank deposits (Notes 5, 13)	¥ 81,877	¥ 83,827	\$ 739,567
Short-term investments	15,544	21,421	140,409
Trade notes and accounts receivable (Notes 4, 5, 6)	37,473	33,665	338,485
Less allowance for doubtful accounts	(17)	(202)	(158)
Inventories (Notes 3, 5)	31,927	27,862	288,389
Others (Note 5)	2,450	2,808	22,133
Total current assets	169,256	169,382	1,528,825
Investments and advances:			
Investments in securities	60,723	50,436	548,492
Investments in unconsolidated subsidiaries and affiliated companies	10,561	10,060	95,398
Others	2,289	2,573	20,682
Less allowance for doubtful accounts	(3)	–	(30)
Total investments and advances	73,571	63,070	664,543
Property, plant and equipment (Note 5):			
Land	36,588	33,032	330,490
Buildings and structures	61,356	54,290	554,210
Machinery and equipment	134,623	120,172	1,215,999
Construction in progress	3,291	2,617	29,728
Leased property under finance lease	1,752	1,431	15,828
	237,612	211,543	2,146,257
Less accumulated depreciation	(151,520)	(135,566)	(1,368,623)
Total property, plant and equipment	86,091	75,977	777,633
Other assets:			
Deferred income taxes (Note 17)	416	402	3,758
Goodwill	95	446	858
Others (Note 5)	821	839	7,419
Total other assets	1,332	1,689	12,036
Total assets	¥330,252	¥310,120	\$2,983,040

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Note 7)	¥ 6,481	¥ 5,527	\$ 58,546
Payables:			
Trade notes and accounts	23,049	22,275	208,193
Construction	1,500	1,133	13,556
Other	2,148	1,787	19,403
Accrued income taxes (Note 17)	3,505	1,620	31,664
Accrued bonuses to employees	1,080	895	9,764
Accrued bonuses to directors and corporate auditors	74	77	675
Accrued expenses	2,338	1,916	21,126
Others	1,551	1,062	14,015
Total current liabilities	41,731	36,296	376,946
Long-term liabilities:			
Long-term debt (Note 7)	458	906	4,136
Provision for stock-based benefits	207	155	1,872
Accrued retirement benefits to directors and corporate auditors	129	110	1,165
Net defined benefit liability (Note 15)	4,783	2,956	43,209
Deferred income taxes (Note 17)	5,104	1,834	46,103
Others	861	578	7,779
Total long-term liabilities	11,543	6,541	104,266
Total liabilities	53,275	42,837	481,213
Net assets (Note 12):			
Shareholders' equity:			
Common stock			
authorized: 200,000,000 shares in 2021 and 2020			
issued: 94,000,000 shares in 2021 and 2020	9,595	9,595	86,669
Additional paid-in capital	15,899	15,926	143,613
Retained earnings	261,392	255,033	2,361,054
Less treasury stock at cost			
12,089,282 shares in 2021 and 11,237,034 shares in 2020	(28,923)	(27,010)	(261,251)
Total shareholders' equity	257,963	253,545	2,330,085
Accumulated other comprehensive income:			
Unrealized holding gains on available-for-sale securities	14,568	6,079	131,591
Foreign currency translation adjustments	(3,270)	(2,359)	(29,538)
Remeasurements of defined benefit plans (Note 15)	(26)	14	(240)
Total accumulated other comprehensive income	11,271	3,734	101,812
Stock options (Note 16)	162	188	1,467
Non-controlling interests	7,579	9,814	68,461
Total net assets	276,977	267,282	2,501,826
Total liabilities and net assets	¥330,252	¥310,120	\$2,983,040

Consolidated Statements of Income

Maruichi Steel Tube Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales	¥161,138	¥154,926	\$1,455,500
Cost of sales (Note 9)	129,217	126,568	1,167,170
Gross profit	31,920	28,357	288,329
Selling, general and administrative expenses (Notes 8, 9)	13,588	13,644	122,737
Operating income	18,332	14,712	165,592
Other income (expense):			
Interest and dividend income	1,161	1,477	10,491
Interest expense	(154)	(296)	(1,391)
Gains on sales of property, plant and equipment	20	452	184
Gains on sales of investments in securities	323	256	2,922
Losses on sales of investments in securities	(7)	(393)	(66)
Exchange gain (loss), net	2	(120)	24
Equity in earnings of affiliated companies, etc.	389	440	3,518
Losses on valuation of investments in securities	—	(3,861)	—
Impairment loss (Note 10)	(351)	(3,336)	(3,174)
Losses on disposal of property, plant and equipment, etc.	(96)	(159)	(872)
Insurance income	—	107	—
Losses on disaster	—	(94)	—
Other, net	888	876	8,026
	2,177	(4,651)	19,664
Income before income taxes	20,509	10,061	185,257
Income taxes (Note 17):			
Current	5,920	4,761	53,480
Deferred	(8)	(204)	(76)
	5,912	4,557	53,403
Net income	14,597	5,503	131,853
Net income (loss) attributable to non-controlling interests	740	(850)	6,684
Net income attributable to owners of parent	¥ 13,857	¥ 6,354	\$ 125,168
		Yen	U.S. dollars (Note 1)
Per share amounts:			
Net income:			
Basic	¥167.95	¥ 76.79	\$1.51
Diluted	¥167.77	¥ 76.70	\$1.51
Cash dividends	¥ 72.50	¥105.50	\$0.65
Weighted average number of shares (thousands)			
Common stock	82,510	82,757	
Dilutive securities (stock options)	82,599	82,856	

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net income	¥14,597	¥5,503	\$131,853
Other comprehensive income:			
Unrealized holding gains (losses) on available-for-sale securities	8,285	(4,799)	74,835
Foreign currency translation adjustments	(1,443)	(897)	(13,039)
Remeasurements of defined benefit plans (Note15)	(44)	65	(403)
Share of other comprehensive income of affiliates and subsidiaries accounted for using equity method	433	(278)	3,911
Total other comprehensive income (Note 11)	7,229	(5,910)	65,305
Total comprehensive income	¥21,827	¥ (406)	\$197,158
Total comprehensive income attributable to:			
Owners of parent	¥21,394	¥ 686	\$193,247
Non-controlling interests	432	(1,093)	3,910

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, 2021 and 2020

	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			
BALANCE, April 1, 2019	¥9,595	¥15,920	¥256,052	¥(27,046)	¥254,520	¥10,969	¥(1,492)	¥(74)	¥ 9,402	¥188	¥10,824	¥274,935
Changes during the year:												
Cash dividends			(7,373)		(7,373)							(7,373)
Net income attributable to owners of parent			6,354		6,354							6,354
Purchase of treasury stock				(1)	(1)							(1)
Sales of treasury stock		6		38	44							44
Purchase of shares of consolidated subsidiaries												
Net changes in items other than shareholders' equity						(4,889)	(867)	89	(5,668)		(1,009)	(6,677)
Total changes during the year		6	(1,018)	36	(975)	(4,889)	(867)	89	(5,668)		(1,009)	(7,652)
BALANCE, April 1, 2020	9,595	15,926	255,033	(27,010)	253,545	6,079	(2,359)	14	3,734	188	9,814	267,282
Changes during the year:												
Cash dividends			(7,498)		(7,498)							(7,498)
Net income attributable to owners of parent			13,857		13,857							13,857
Purchase of treasury stock				(1,975)	(1,975)							(1,975)
Sales of treasury stock		(1)		62	60							60
Purchase of shares of consolidated subsidiaries		(25)			(25)							(25)
Net changes in items other than shareholders' equity						8,488	(910)	(41)	7,537	(25)	(2,235)	5,275
Total changes during the year		(27)	6,358	(1,913)	4,418	8,488	(910)	(41)	7,537	(25)	(2,235)	9,694
BALANCE, March 31, 2021	¥9,595	¥15,899	¥261,392	¥(28,923)	¥257,963	¥14,568	¥(3,270)	¥(26)	¥11,271	¥162	¥ 7,579	¥276,977

	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			
BALANCE, April 1, 2020	\$86,669	\$143,857	\$2,303,618	\$(243,971)	\$2,290,173	\$ 54,917	\$(21,313)	\$ 129	\$ 33,733	\$1,699	\$88,654	\$2,414,262
Changes during the year:												
Cash dividends			(67,732)		(67,732)							(67,732)
Net income attributable to owners of parent			125,168		125,168							125,168
Purchase of treasury stock				(17,840)	(17,840)							(17,840)
Sales of treasury stock		(12)		560	547							547
Purchase of shares of consolidated subsidiaries		(231)			(231)							(231)
Net changes in items other than shareholders' equity						76,673	(8,224)	(370)	68,078	(232)	(20,193)	47,653
Total changes during the year		(244)	57,435	(17,280)	39,911	76,673	(8,224)	(370)	68,078	(232)	(20,193)	87,564
BALANCE, March 31, 2021	\$86,669	\$143,613	\$2,361,054	\$(261,251)	\$2,330,085	\$131,591	\$(29,538)	\$(240)	\$101,812	\$1,467	\$68,461	\$2,501,826

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, 2021 and 2020

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2021	2020	
	2021	2021	
Cash flows from operating activities:			
Income before income taxes	¥20,509	¥10,061	\$185,257
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	5,923	6,440	53,502
Impairment loss	351	3,336	3,174
(Decrease) increase in allowance for doubtful accounts	(181)	42	(1,641)
(Decrease) increase in reserve for bonuses to employees	(28)	12	(255)
(Decrease) increase in reserve for bonuses to directors and corporate auditors	(2)	1	(24)
Increase (decrease) in net defined benefit liability	126	(73)	1,140
(Decrease) increase in accrued retirement benefits to directors and corporate auditors	(29)	32	(270)
Interest and dividend income	(1,161)	(1,477)	(10,491)
Interest expense	154	296	1,391
Equity in earnings of affiliated companies, etc.	(389)	(440)	(3,518)
Gains on sales of property, plant and equipment, net	(19)	(440)	(174)
Losses on disposal of property, plant and equipment, etc.	96	159	872
(Gains) losses on sales and valuation of short-term and investments in securities, net	(316)	3,998	(2,856)
Decrease in trade receivables	900	3,058	8,135
Decrease in inventories	4,271	4,980	38,583
(Decrease) increase in trade payables	(3,921)	3,409	(35,424)
Other, net	1,075	692	9,716
Subtotal	27,358	34,093	247,115
Dividends and interest income received	1,506	1,910	13,612
Interest paid	(154)	(296)	(1,391)
Income taxes paid	(4,355)	(5,968)	(39,338)
Net cash provided by operating activities	24,355	29,739	219,997
Cash flows from investing activities:			
Increase in time deposits with original maturities over three months	(4,641)	(8,117)	(41,921)
Net decrease in short-term investments	6,550	9,885	59,163
Payments for purchases of investments in securities	(3,153)	(8,132)	(28,480)
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	(13,719)	-	(123,919)
Proceeds from sales and redemption of investments in securities	3,850	8,454	34,776
Payments for purchases of property, plant and equipment and intangible assets	(6,267)	(5,697)	(56,610)
Proceeds from sales of property, plant and equipment and intangible assets	256	415	2,316
Other, net	282	501	2,552
Net cash used in investing activities	(16,841)	(2,690)	(152,123)
Cash flows from financing activities:			
Payments for purchase of shares of subsidiaries not resulting in change in scope of consolidation	(2,588)	-	(23,378)
Net decrease in short-term bank loans	(1,016)	(2,488)	(9,183)
Proceeds from long-term debt	340	205	3,071
Repayments of long-term debt	(1,025)	(1,746)	(9,261)
Proceeds from sales of treasury stock	0	-	3
Payments for purchases of treasury stock	(1,975)	(1)	(17,840)
Dividends paid	(7,498)	(7,378)	(67,731)
Proceeds from share issuance to non-controlling shareholders	-	289	-
Dividends paid to non-controlling shareholders	(192)	(205)	(1,737)
Other, net	(12)	(11)	(110)
Net cash used in financing activities	(13,968)	(11,337)	(126,168)
Effect of exchange rate changes on cash and cash equivalents	(191)	(76)	(1,728)
Net (decrease) increase in cash and cash equivalents	(6,645)	15,635	(60,023)
Cash and cash equivalents at beginning of the year	70,732	55,096	638,895
Cash and cash equivalents at end of the year (Note 13)	¥64,086	¥70,732	\$578,871

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 ¥110.71 = \$ 1.00, the approximate rate of exchange on March 31, 2021. 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 14 (13 in 2020) 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 2020) foreign consolidated subsidiaries have December year-end and two (two in 2020) 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 2020) affiliated companies are accounted for by the equity method.

Investments in six (six in 2020) unconsolidated subsidiaries and other three (three in 2020) 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.

(b) Translation of foreign currencies

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.

(c) Cash and cash equivalents

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.

(d) Short-term investments and investments in securities

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.

(e) Investments in unconsolidated subsidiaries and affiliated companies

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.

(f) Inventories

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.

(g) Property, plant and equipment

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.

(h) Intangible assets

Amortization is computed by the straight-line method based on the following range of estimated useful lives of the assets.

Software 5 years

Customer related intangible assets 15 years

(i) Allowance for doubtful accounts

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.

(j) Net defined benefit liability

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.

(k) Accrued retirement benefits for directors and corporate auditors

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.

(l) Provision for stock-based benefits

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.

(m) Income taxes

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.

(n) Consumption taxes

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.

(o) Appropriation of retained earnings

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.

(p) Net income per share

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

(q) Significant accounting estimates

The necessity to recognize impairment loss of property, plant and equipment related to the general tube business of Maruichi Leavitt Pipe and Tube LLC

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021.

Maruichi Leavitt Pipe and Tube LLC has continuously recorded operating loss in the general tube business. Accordingly, the Group has determined that there is an indication of impairment and has considered whether impairment loss should be recorded. As a result, for the said business, the undiscounted future cash flows are expected to exceed the book value of the property, plant and equipment of ¥1,674 million (\$15,129 thousand). Therefore, impairment loss has not been recorded.

(2) Information related to the significant account estimates for the identified item

Maruichi Leavitt Pipe and Tube LLC has applied U.S. GAAP, and impairment loss is recognized for the difference between the book value and the fair value, when it is determined that the book value of the asset group is not recoverable and exceeds the fair value. The recoverability test is required when there is an indication of impairment for the asset group, and it is determined that the book value is not recoverable when the book value exceeds the total amount of undiscounted cash flows estimated from the use of the said asset group as well as the final disposal of such asset group.

In addition, the estimates of the future cash flows used in such determination is based on the Medium-Term Management Plan, and premised on the improvement of spread following the easement of the turmoil in the market conditions surrounding steel and the increase in the business performance resulting from the recovery of demand for steel, following the containment of the spread of COVID-19. The forecast of such effect involves a high degree of uncertainty and these judgments may significantly impact the estimates of future cash flows.

3. Inventories

Inventories at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Finished goods, including merchandise	¥ 9,756	¥10,801	\$ 88,124
Raw materials and supplies	22,171	17,060	200,265
Total	¥31,927	¥27,862	\$288,389

4. Contingencies

(1) As of March 31, 2021 and 2020, the Company had the following contingent liabilities

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Guarantees of bank loans to the Company's affiliate companies	¥278	¥449	\$2,520
Trade notes endorsed	10	12	97

(2) As of March 31, 2021 and 2020, the Company issued letters of awareness on an affiliate's management support to raise funds.

5. Assets Pledged as Collateral

There were no assets pledged as collateral for short-term bank loans at March 31, 2021 and 2020.

The carrying amounts of assets pledged as collateral which have no corresponding obligation at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and bank deposits	¥ 667	¥1,133	\$ 6,031
Trade notes and accounts receivable	1,808	1,180	16,336
Finished goods, including merchandise	368	485	3,324
Raw materials and supplies	1,849	1,107	16,706
Land	300	288	2,716
Buildings and structures	67	68	613
Machinery and equipment	627	622	5,664
Construction in progress	43	46	396
Other	1,041	651	9,408
Total	¥6,775	¥5,585	\$61,199

6. 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 certain consolidated subsidiaries' fiscal year end date is the end of February and the respective consolidated fiscal year end date for such subsidiaries 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
	2021	2020	2021
Trade notes receivable	¥688	¥700	\$6,223

7. Short-term Bank Loans and Long-term Debt

The annual average interest rate applicable to the short-term bank loans was 0.73% for the year ended March 31, 2021.

Long-term debt at March 31, 2021 was as follows:

	Millions of yen	Thousands of U.S. dollars
Loans from banks	¥1,204	\$10,883
Less current portion with annual average interest rate of 2.21%	746	6,746
Long-term debt, less current portion, due 2022 serially to 2035 with annual average interest rate of 0.78%	¥ 458	\$ 4,136

Annual maturities of long-term debt at March 31, 2021 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 746	\$ 6,746
2023	112	1,018
2024	42	381
2025	29	267
2026	34	315
2027 and thereafter	238	2,153
Total	¥1,204	\$10,883

8. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Shipping charges	¥5,594	¥5,962	\$50,534
Allowance for doubtful accounts	(179)	42	(1,619)
Salaries and allowances	2,453	2,223	22,161
Retirement benefit costs	189	173	1,714
Provision for bonuses to employees	26	345	240
Provision for bonuses to directors	413	77	3,734

9. Research and Development Cost

The amounts of costs for the research and development activities of the Group for the years ended March 31, 2021 and 2020 were ¥301 million (\$2,720 thousand) and ¥147 million, respectively.

10. Impairment Loss

The Group recognized impairment losses for Maruichi Oregon Steel Tube LLC, a consolidated subsidiary, for the year ended March 31, 2021 as follows:

Considering accounting segments, the Group puts assets into some groups. The Group puts idle assets into groups based on each individual asset.

Location	Usage	Type of assets	2021	
			Millions of yen	Thousands of U.S. dollars
State of Oregon, United States of America	Steel tubes	Goodwill	¥351	\$3,174
		Total	¥351	\$3,174

The Group recognized goodwill upon acquisition of shares premised on excess profitability. However, since the business performance has been trending below the originally expected business plan, the Group has performed an impairment test based on U.S. GAAP. As a result, since the fair value was less than the book value, the unamortized balance was recorded as impairment loss for the full amount. The fair value was primarily measured by their value in use with a discount rate of 10%.

The Group recognized impairment losses for Maruichi Sun Steel Joint Stock Company, a consolidated subsidiary, for the year ended March 31, 2020 as follows:

Considering accounting segments, the Group puts assets into some groups. The Group puts idle assets into groups based on each individual asset.

Location	Usage	Type of assets	2020	
			Millions of yen	
Binh Duong Province, Vietnam	Steel tubes and Steel sheet coating	Buildings	¥	20
		Machinery		3,315
		Total		¥3,336

The Group no longer expects the buildings and the machinery to generate as much profit as it initially expected. The book value of the buildings and the machinery was written down to their recoverable amounts with the reduction amount recorded as impairment loss. The recoverable amounts are measured by their value in use with a discount rate of 10.7%.

11. Comprehensive Income

Reclassification adjustments and tax effect amounts of other comprehensive income for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrealized holding gains (losses) on available-for-sale securities			
Amount for the year	¥11,854	¥(11,160)	\$107,073
Reclassification adjustment	(315)	4,178	(2,850)
Amount before tax effect	11,538	(6,982)	104,223
Tax effect amount	(3,253)	2,182	(29,387)
Unrealized holding gains (losses) on available-for-sale securities	8,285	(4,799)	74,835
Foreign currency translation adjustments			
Amount for the year	(1,443)	(897)	(13,039)
Foreign currency translation adjustments	(1,443)	(897)	(13,039)
Remeasurements of defined benefit plans			
Amount for the year	(99)	39	(898)
Reclassification adjustment	35	55	318
Amount before tax effect	(64)	94	(579)
Tax effect amount	19	(28)	176
Remeasurements of defined benefit plans	(44)	65	(403)
Share of other comprehensive income of affiliates and subsidiaries accounted for using equity method			
Amount for the year	433	(278)	3,911
Share of other comprehensive income of affiliates and subsidiaries accounted for using equity method	433	(278)	3,911
Total other comprehensive income	¥ 7,229	¥ (5,910)	\$ 65,305

12. Net Assets

(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	11,237,034	877,812	25,564	12,089,282

(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 13, 2020	Board of Directors	Common stock	¥5,426 million (\$49,018 thousand)	¥65.50 (\$0.59)	Mar. 31, 2020	Jun. 25, 2020
Nov. 9, 2020	Board of Directors	Common stock	¥2,071 million (\$18,714 thousand)	¥25.00 (\$0.22)	Sep. 30, 2020	Nov. 30, 2020

Dividends applicable to the year ended March 31, 2021, 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 12, 2021	Board of Directors	Common stock	¥3,894 million (\$35,181 thousand)	¥47.50 (\$0.42)	Mar. 31, 2021	Jun. 28, 2021

Note: Above cash dividends are distributed from retained earnings.

13. Consolidated Statements of Cash Flows Information

(1) 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
	2021	2020	2021
Cash and bank deposits	¥81,877	¥83,827	\$739,567
Time deposits with maturities over 3 months	(18,411)	(13,752)	(166,304)
Short-term investments with maturities within 3 months from the acquisition date	621	657	5,609
Cash and cash equivalents	¥64,086	¥70,732	\$578,871

(2) The breakdown of assets and liabilities of the company which became a consolidated subsidiary following the acquisition of shares

The breakdown of assets and liabilities of Maruichi Stainless Tube Co., Ltd when it was included into the consolidation following the acquisition of its shares as well as the relationship between the acquisition cost of shares of Maruichi Stainless Tube Co., Ltd and the expenditure (net) for the acquisition of Maruichi Stainless Tube Co., Ltd is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥14,012	\$126,566
Non-current assets	9,789	88,429
Goodwill	105	954
Current liabilities	(8,448)	(76,313)
Non-current liabilities	(1,734)	(15,666)
Acquisition cost of the shares	13,724	123,969
Cash and cash equivalents	(5)	(50)
Net: Expenditure for the acquisition	13,719	123,919

14. 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.

15. 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
	2021	2020	2021
Balance at beginning of year	¥3,808	¥3,783	\$34,398
Service costs	398	281	3,603
Interest costs	37	13	336
Actuarial differences	87	(68)	788
Benefits paid	(209)	(194)	(1,894)
Increase due to business combinations	2,269	–	20,496
Others	12	(6)	117
Balance at end of year	¥6,404	¥3,808	\$57,845

(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
	2021	2020	2021
Balance at beginning of year	¥2,037	¥1,890	\$18,402
Expected return on plan assets	34	35	310
Actuarial differences	(12)	(23)	(109)
Employer contributions	244	201	2,204
Benefits paid	(88)	(64)	(797)
Increase due to business combinations	609	–	5,507
Others	1	(3)	17
Balance at end of year	¥2,826	¥2,037	\$25,534

(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
	2021	2020	2021
Balance at beginning of year	¥1,185	¥1,204	\$10,707
Net pension expense	75	119	678
Benefits paid	(44)	(130)	(403)
Plan contribution	(9)	(7)	(82)
Balance at end of year	¥1,206	¥1,185	\$10,899

(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
	2021	2020	2021
Funded projected benefit obligations	¥6,722	¥4,132	\$60,721
Plan assets	(3,004)	(2,207)	(27,136)
	3,718	1,925	33,585
Unfunded projected benefit obligations	1,065	1,031	9,624
Net amount of liability and asset recognized in consolidated balance sheet	4,783	2,956	43,209
Net defined benefit liability	4,783	2,956	43,209
Net defined benefit asset	–	–	–
Net amount of liability and asset recognized in consolidated balance sheet	¥4,783	¥2,956	\$43,209

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
	2021	2020	2021
Service costs	¥398	¥281	\$3,603
Interest costs	37	13	336
Expected return on plan assets	(34)	(35)	(310)
Amortization of net actuarial differences	35	49	318
Retirement benefit costs calculated based on simplified method	75	119	678
Net pension expense	¥512	¥427	\$4,627

(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
	2021	2020	2021
Actuarial differences	¥(64)	¥94	\$(579)

(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
	2021	2020	2021
Unrecognized actuarial differences	¥80	¥16	\$730

(viii) Plan assets

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

	2021	2020
Insurance assets (general account)	94%	100%
Other (special account)	5%	—
Total	100%	100%

(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

	2021	2020
Discount rates	0.5%	0.4%
Long-term expected rate of return on plan assets	1.2%	1.8%

B. Defined contribution pension plans

The amount to be paid by consolidated subsidiaries to the defined contribution pension plans was ¥114 million (\$1,032 thousand) and ¥130 million for the years ended March 31, 2021 and 2020, respectively.

16. Stock Options

The stock options outstanding as of March 31, 2021 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, 2020	-	-	-	-	-	-	-	-	-	-	-
Granted	-	-	-	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-	-	-	-	-
March 31, 2021	-	-	-	-	-	-	-	-	-	-	-
(Vested)											
March 31, 2020	4,000	5,700	3,400	3,800	6,900	8,700	8,200	10,700	7,800	7,900	6,800
Vested	-	-	-	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	1,000	1,000	1,900	1,500	1,400	1,200
Forfeited	-	-	-	-	-	-	-	-	-	-	-
March 31, 2021	4,000	5,700	3,400	3,800	6,900	7,700	7,200	8,800	6,300	6,500	5,600
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise	-	-	-	-	-	¥2,694	¥2,694	¥2,694	¥2,694	¥2,694	¥2,694
						(\$24.33)	(\$24.33)	(\$24.33)	(\$24.33)	(\$24.33)	(\$24.33)
Fair value price at grant date	-	¥2,281	¥2,416	¥2,431	¥1,383	¥1,391	¥1,327	¥1,188	¥1,866	¥2,135	¥2,249
		(\$20.60)	(\$21.82)	(\$21.95)	(\$12.49)	(\$12.56)	(\$11.98)	(\$10.73)	(\$16.85)	(\$19.28)	(\$20.31)
	2016 Stock option	2017 Stock option	2018 Stock option								
(Non-vested)											
March 31, 2020	-	-	-								
Granted	-	-	-								
Forfeited	-	-	-								
Vested	-	-	-								
March 31, 2021	-	-	-								
(Vested)											
March 31, 2020	8,000	9,000	8,300								
Vested	-	-	-								
Exercised	1,500	1,700	1,500								
Forfeited	-	-	-								
March 31, 2021	6,500	7,300	6,800								
Exercise price	¥1	¥1	¥1								
Average stock price at exercise	¥2,694	¥2,694	¥2,694								
	(\$24.33)	(\$24.33)	(\$24.33)								
Fair value price at grant date	¥2,793	¥2,467	¥2,560								
	(\$25.22)	(\$22.28)	(\$23.12)								

17. 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% for the years ended March 31, 2021 and 2020.

(1) The significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Unrealized gain on inventories	¥ 249	¥ 294	\$ 2,250
Enterprise tax payable	235	102	2,128
Accrued bonuses to employees	338	274	3,056
Net defined benefit liability	1,335	854	12,060
Accumulated depreciation	186	130	1,683
Impairment loss on property, plant and equipment	860	1,247	7,768
Losses on devaluation of short-term investments and investments in securities	464	469	4,194
Tax loss carryforwards (Note 1)	2,584	2,757	23,340
Other	1,316	1,305	11,888
Gross deferred tax assets	7,569	7,435	68,371
Valuation allowance on tax loss carryforwards	(2,578)	(2,751)	(23,289)
Valuation allowance on deductible temporary difference	(1,233)	(1,342)	(11,139)
Gross valuation allowance	(3,811)	(4,094)	(34,429)
Total gross deferred tax assets	¥ 3,757	¥ 3,341	\$ 33,942
Deferred tax liabilities:			
Unrealized holding gains on available-for-sale securities	5,584	2,330	50,441
Deferred gain on property, plant and equipment	457	464	4,136
Depreciation expenses of U.S. subsidiary	849	971	7,671
Reserve for special depreciation	54	158	494
Other	1,499	848	13,541
Total gross deferred tax liabilities	¥ 8,445	¥ 4,773	\$ 76,286
Net deferred tax liabilities	¥(4,687)	¥(1,432)	\$ (42,344)

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, 2021 and 2020 were as follows:

March 31, 2021	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)	57	154	172	199	32	1,967	2,584
Valuation allowance	(57)	(154)	(172)	(199)	(32)	(1,961)	(2,578)
Deferred tax assets	–	–	–	–	–	5	5 (b)

March 31, 2021	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)	522	1,398	1,561	1,798	290	17,769	23,340
Valuation allowance	(522)	(1,398)	(1,561)	(1,798)	(290)	(17,718)	(23,289)
Deferred tax assets	–	–	–	–	–	51	51 (b)

Notes:

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

(b) Deferred tax asset of ¥5 million (\$51 thousand) was recognized for the tax loss carryforwards (multiplied by the statutory tax rate) of ¥2,584 million

(\$23,340 thousand), since the tax loss carryforwards for which deferred tax asset was recognized were considered to be recoverable based on the projected future taxable income.

March 31, 2020	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 (c)	60	61	163	182	212	2,076	2,757
Valuation allowance	(60)	(61)	(163)	(182)	(212)	(2,070)	(2,751)
Deferred tax assets	–	–	–	–	–	5	5 (d)

Notes:

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

(d) Deferred tax asset of ¥5 million was recognized for the tax loss carryforwards (multiplied by the statutory tax rate) of ¥2,757 million, since the tax loss carryforwards for which deferred tax asset was recognized were considered to be recoverable based on the projected future taxable income.

(2) A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of income to the statutory tax rate for the fiscal years ended March 31, 2021 and 2020 was as follows:

For the fiscal year ended March 31,	2021	2020
Statutory tax rate	30.5%	30.5%
Permanent non-deductible expenses	0.3	0.7
Increase/decrease of valuation allowance	(1.4)	10.8
Difference of statutory tax rates of the Company and overseas consolidated subsidiaries	(0.1)	0.2
Other	(0.5)	3.0
Effective income tax rate	28.8%	45.3%

18. 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, stainless steel tubes, BA precision small tube, hot dip galvanized steel sheet, lighting poles, etc.

(North America)

Welded steel tubes for machine structure, construction and piping, 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, 2021	Reportable segment				Reconciliations	Consolidated
	Japan	North America	Asia	Total		
Sales:						
Sales to external customers	¥111,477	¥23,497	¥26,162	¥161,138	¥ –	¥161,138
Intersegment sales or transfers	211	–	124	336	(336)	–
Total	111,689	23,497	26,287	161,474	(336)	161,138
Segment profit (loss)	¥ 15,541	¥ 99	¥ 2,452	¥ 18,093	¥ 239	¥ 18,332
Segment assets	¥123,219	¥17,115	¥17,576	¥157,912	¥172,340	¥330,252
Other:						
Depreciation	¥ 4,140	¥ 1,245	¥ 441	¥ 5,828	¥ –	¥ 5,828
Amortization of goodwill	10	84	–	94	–	94
Increase in property plant and equipment and intangible assets	4,877	451	1,969	7,298	–	7,298

Thousands of U.S. dollars

For the year ended March 31, 2021	Reportable segment				Reconciliations	Consolidated
	Japan	North America	Asia	Total		
Sales:						
Sales to external customers	\$1,006,936	\$212,244	\$236,318	\$1,455,500	\$ –	\$1,455,500
Intersegment sales or transfers	1,911	–	1,126	3,038	(3,038)	–
Total	1,008,848	212,244	237,445	1,458,538	(3,038)	1,455,500
Segment profit (loss)	\$ 140,377	\$ 902	\$ 22,152	\$ 163,432	\$ 2,160	\$ 165,592
Segment assets	\$1,112,997	\$154,597	\$158,763	\$1,426,358	\$1,556,682	\$2,983,040
Other:						
Depreciation	\$ 37,401	\$ 11,252	\$ 3,990	\$ 52,645	\$ –	\$ 52,645
Amortization of goodwill	95	761	–	857	–	857
Increase in property plant and equipment and intangible assets	44,058	4,081	17,786	65,926	–	65,926

Millions of yen

For the year ended March 31, 2020	Reportable segment				Reconciliations	Consolidated
	Japan	North America	Asia	Total		
Sales:						
Sales to external customers	¥101,269	¥26,066	¥27,590	¥154,926	¥ –	¥154,926
Intersegment sales or transfers	137	–	75	212	(212)	–
Total	101,406	26,066	27,665	155,138	(212)	154,926
Segment profit (loss)	¥ 15,528	¥ (1,527)	¥ 476	¥ 14,477	¥ 235	¥ 14,712
Segment assets	¥104,907	¥20,431	¥15,235	¥140,575	¥169,545	¥310,120
Other:						
Depreciation	¥ 3,378	¥ 1,320	¥ 1,655	¥ 6,354	¥ –	¥ 6,354
Amortization of goodwill	–	86	–	86	–	86
Increase in property plant and equipment and intangible assets	4,660	586	1,037	6,284	–	6,284

(4) Related information

(a) Information by goods and services

Millions of yen				
For the year ended March 31, 2021	Steel tube	Steel sheet coating	Others	Total
Sales to external customers	¥131,510	¥21,978	¥7,649	¥161,138

Thousands of U.S. dollars				
For the year ended March 31, 2021	Steel tube	Steel sheet coating	Others	Total
Sales to external customers	\$1,187,881	\$198,519	\$69,099	\$1,455,500

Millions of yen				
For the year ended March 31, 2020	Steel tube	Steel sheet coating	Others	Total
Sales to external customers	¥122,424	¥24,697	¥7,804	¥154,926

(b) Information by region

Sales

Millions of yen					
For the year ended March 31, 2021	Japan	North America	Asia · Oceania	Others	Total
Sales based on customer's location	¥100,080	¥25,484	¥35,053	¥519	¥161,138

Thousands of U.S. dollars					
For the year ended March 31, 2021	Japan	North America	Asia · Oceania	Others	Total
Sales based on customer's location	\$903,988	\$230,189	\$316,628	\$4,693	\$1,455,500

Millions of yen					
For the year ended March 31, 2020	Japan	North America	Asia · Oceania	Others	Total
Sales based on customer's location	¥99,798	¥27,663	¥27,082	¥380	¥154,926

Note: Sales in the United States of America among those classified in North America amount to ¥22,825 million (\$206,171 thousand) and ¥24,163 million for the years ended March 31, 2021 and 2020, respectively.

Property, plant and equipment

Millions of yen				
March 31, 2021	Japan	North America	Asia	Total
Property, plant and equipment	¥68,407	¥10,274	¥7,409	¥86,091

Thousands of U.S. dollars				
March 31, 2021	Japan	North America	Asia	Total
Property, plant and equipment	\$617,895	\$92,809	\$66,928	\$777,633

Millions of yen				
March 31, 2020	Japan	North America	Asia	Total
Property, plant and equipment	¥58,055	¥11,872	¥6,048	¥75,977

Notes:

1. Property, plant and equipment existing in the United States of America among those in North America amount to ¥8,505 million (\$76,826 thousand) and ¥9,561 million at March 31, 2021 and 2020, respectively.
2. Property, plant and equipment existing in Vietnam among those in Asia amount to ¥5,425 million (\$49,007 thousand) and ¥4,401 million at March 31, 2021 and 2020, 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, 2021 and 2020, therefore, this information is omitted.

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

Millions of yen					
March 31, 2021	Japan	North America	Asia	Elimination/ Corporate	Total
Balance at end of the year	¥-	¥351	¥-	¥-	¥351

Thousands of U.S. dollars					
March 31, 2021	Japan	North America	Asia	Elimination/ Corporate	Total
Balance at end of the year	\$-	\$3,174	\$-	\$-	\$3,174

Millions of yen					
March 31, 2020	Japan	North America	Asia	Elimination/ Corporate	Total
Balance at end of the year	¥-	¥-	¥3,336	¥-	¥3,336

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

Millions of yen					
March 31, 2021	Japan	North America	Asia	Elimination/ Corporate	Total
Balance at end of the year	¥95	¥-	¥-	¥-	¥95

Thousands of U.S. dollars					
March 31, 2021	Japan	North America	Asia	Elimination/ Corporate	Total
Balance at end of the year	\$858	\$-	\$-	\$-	\$858

Millions of yen					
March 31, 2020	Japan	North America	Asia	Elimination/ Corporate	Total
Balance at end of the year	¥-	¥446	¥-	¥-	¥446

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

19. Business Combination

Business Combination by acquisition of shares

(1) Outline of the business combination

(a) Name of the acquired company, description of its business

Name: Kobelco Steel Tube

Description of its business: Production and sales of seamless stainless steel pipes and tubes, precision tubes and specialty tubes.

(b) Objective of the business combination

The Company has built some plants in the U.S. and Asia to grow in those areas, responding to decreasing demands of structural steel pipes in Japan due to the declining birthrate and aging population. The Company has acquired all shares of Kobelco Steel Tube, a manufacturer specializing in seamless stainless steel pipes and tubes, from KOBELCO to develop new product areas in the domestic market.

(c) Date of the business combination

April 1, 2020

(d) Legal form of the business combination

Acquisition of shares by cash

(e) Name of the company after the business combination

Maruichi Stainless Tube Co., Ltd

(f) Ratio of voting rights acquired

100.0%

(g) Primary reason for determining the acquiring company

The primary reason was because the Company acquired all the shares for cash consideration.

(2) The period of the acquired company which is included in the consolidated financial statements

April 1, 2020 until March 31, 2021

(3) Acquisition cost of the acquired company and breakdown of consideration

		Millions of Yen	Thousands of U.S. Dollars
Consideration for the acquisition	Cash	¥13,724	\$123,969
Acquisition cost		13,724	123,969

(4) Amount, reason, and amortization method and period of goodwill

(a) The amount of goodwill accrued

¥105 million (\$954 thousand)

(b) The reason for the accrual of goodwill

Unrecognized items related to application of accounting for retirement benefits for Maruichi Stainless Tube Co., Ltd.

(c) The amortization method and amortization period

Equal amortization over 10 years

(5) Amounts and breakdown of the assets acquired and liabilities assumed on the date of business combination

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥14,012	\$126,566
Non-current assets	9,789	88,429
Total assets	23,802	214,995
Current liabilities	8,448	76,313
Non-current liabilities	1,734	15,666
Total liabilities	10,183	91,980

Transaction under Common Control

Additional Acquisition of shares in subsidiary

(1) Outline of the transaction

(a) Name of the company subject to the business combination, description of its business

Name: Maruichi American Corporation (Consolidated subsidiary)

Description of its business: Production and sales of steel pipes and tubes

(b) Date of the business combination

March 31, 2021

(c) Legal form of the business combination

Acquisition of shares from non-controlling shareholders

(d) Name of the company after the business combination

There is no change in the name of the company.

(e) Other matters related to the transaction

The voting rights additionally acquired is 30%. The additional acquisition was executed in order to strengthen the group management structure.

(2) Outline of the accounting treatment

The transaction was accounted for as a transaction with non-controlling shareholders under common control in accordance with “Accounting Standard for Business Combinations” and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

(3) Matters related to the acquisition of additional shares in subsidiary

Acquisition cost of the acquired company and breakdown of consideration

		Millions of Yen	Thousands of U.S. Dollars
Consideration for the acquisition	Cash	¥2,588	\$23,378

(4) Matters related to the changes in our equity related to the transaction with non-controlling shareholders

(a) Primary factors for the change in additional paid-in capital

Additional acquisition of shares in subsidiary

(b) The decrease in additional paid-in capital following the transaction with non-controlling shareholders

¥25 million (\$231 thousand)

Maruichi Steel Tube Ltd.**•Head Office:**

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Tel: +81-6-6643-0101

•Sapporo Office:

151-5, Kyoei, Kitahiroshima-shi, Hokkaido 061-1112, Japan
Tel: +81-11-372-3136

•Tokyo Office:

25F KYOBASHI EDOGRAND, 2-2-1 Kyobashi, Chuo-ku, Tokyo 104-0031, Japan
Tel: +81-3-3272-5331

•Nagoya Office:

2-4, 1 Chome, Chitose, Atsuta-ku, Nagoya 456-0054, Japan
Tel: +81-52-651-7221

•Osaka Office:

29F Nambaskyo, 1-60, 5 Chome, Namba, Chuo-ku, Osaka-shi, Osaka 542-0076, Japan
Tel: +81-6-6643-5101

•Hiroshima Office:

3-72, Minami-myojinmachi, Kaita-cho, Aki-gun, Hiroshima 736-0055, Japan
Tel: +81-82-821-1901

•Fukuoka Office:

12F Nihonseimei Building, 2-1, 3 Chome, Hakata-ekimae, Hakata-ku, Fukuoka 812-0011, Japan
Tel: +81-92-411-1821

•Tokyo Plant:

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

•Nagoya Plant:

14, Kanaoka, Tobishima-mura, Ama-gun, Aichi 490-1445, Japan
Tel: +81-567-55-1101

•Sakai Plant:

16, Ishizu-nishimachi, Nishi-ku, Sakai, Osaka 592-8332, Japan
Tel: +81-72-241-0301

•Takuma Plant:

6883, Takuma, Takuma-cho, Mitoyo, Kagawa 769-1101, Japan
Tel: +81-875-83-3301

•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
Tel: +81-299-64-6901

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-cho, Tamana-gun, Kumamoto 869-0111, Japan
Tel: +81-968-78-3711

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-shi, Osaka 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:**

29F Nambaskyo, 1-60, 5 Chome, Namba, Chuo-ku, Osaka-shi, Osaka 542-0076, Japan
Tel: +81-6-6643-8101

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 Stainless Tube Co., Ltd.**•Shimonoseki Head Office:**

13-1, Chofuminato-machi, Shimonoseki-shi, Yamaguchi, 752-0953, Japan
Tel: +81-83-246-3781

•Tokyo Head Office:

9-11, Kitashinagawa 5-Chome, Shinagawa-ku, Tokyo, 141-8688, Japan
Tel: +81-3-5739-5051

Maruichi American Corporation (MAC)**•Head Office:**

11529 Greenstone Avenue, Santa Fe Springs, CA 90670-4697, U.S.A.
Tel: +1-562-903-8600

Maruichi Leavitt Pipe & Tube, LLC (Leavitt)**•Head Office:**

1717 W, 115th Street, Chicago, IL 60643, U.S.A.
Tel: +1-773-239-7700

Maruichi Oregon Steel Tube, LLC (MOST)**•Head Office:**

8735 North Harborgate Street, Portland, Oregon, 97203-6363, U.S.A.
Tel: +1-503-737-1200

MARUICHIMEX S.A. de C.V. (Maruichimex)**•Head Office:**

Circuito Japon 112, Parque Industrial San Francisco San Francisco de Los Romo, Aguascalientes, C.P.20304, Mexico
Tel: +52-449-910-7040

Alphametal Mexlco S.A. de C.V. (Alphamex)**•Head Office:**

Municipio De Tepezala 112, Parque industrial Del Valle De Aguascalientes, San Francisco De Los Rome, Aguascalientes, C.P. 20358, Mexico
Tel: +52-449-158-0301

Maruichi Sun Steel Joint Stock Company (SUNSCO)**•Head Office:**

DT743 Rd., Dong Tac Quarter, Tan Dong Hiep Ward, Di An City, 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: +84-251-351-1410

Maruichi Metal Product (Foshan) Co., Ltd. (MMP)**•Head Office:**

Huabao Nan Road, Chengxi Industrial Park, Foshan National HI-TECH, Industries Zone, Chancheng District, Foshan City, Guangdong Province, China
Tel: +86-757-8210-8558

•Wuhan Branch:

No.458 Hannan Avenue, Shamao Town, Hannan District, Wuhan City, Hubei Province, China
Tel: +86-27-8485-2881

Maruichi Metal Product (Tianjin) Co., Ltd. (MMP)**•Head Office:**

Zhongnan three street, west Tianjin economic development zone area, Tianjin City, China
Tel: +86-22-5986-8898

PT. Indonesia Steel Tube Works (ISTW)**•Jakarta Office/Factory1:**

Jl. Rawa Sumur I/No.1, Kawasan Industri Pulogadung, Jakarta 13940-INDONESIA
Tel: +62-21-4600991

•Jakarta Office/Factory2:

Jl. Pulo Sidik Kav. R19-22 Kawasan Industri Pulogadung Jakarta 13940-INDONESIA
Tel:+62-21-46821826

•Cikarang Office/Factory:

Greenland International Industrial Center (GIC) Block AE No.7 Kota Deltamas Cikarang Pusat Bekasi 17530-WEST JAVA-INDONESIA
Tel: +62-21-50555621

•Semarang Office/Factory:

Jl. Simongan 105, Semarang, 50148-CENTRAL JAVA- INDONESIA
Tel: +62-24-7600647

MARUICHI KUMA STEEL TUBE PRIVATE LIMITED (KUMA)**•MANESAR PLANT:**

Plot No.27, Sector-2A, IMT Manesar, Gurgaon-122050 (Haryana), India
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

•GUJARAT PLANT:

Plot No.28 to 45, GIDC Industrial estate, Japanese Industrial Zone, Mandal, Ahmedabad, Gujarat, India

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-shi, Osaka 542-0076, Japan
Capital	¥9,595,152,375
Date of Establishment	December 18, 1947
Number of Employees	2,381 (Consolidated basis)

Board of Directors & Audit & Supervisory Board Member (As of June 25, 2021)

Hiroyuki Suzuki	Representative Director, Chairman & CEO
Yoshinori Yoshimura	Representative Director, President & COO
Daiji Horikawa	Director
Minoru Kadono	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, 2021)

Hiroyuki Suzuki	Chairman Managing Officer & CEO
Yoshinori Yoshimura	President Managing Officer & COO
Daiji Horikawa	Vice President Managing Officer
Minoru Kadono	Production Technology Section Supervisor & Executive Managing Officer
Teruyuki Horikawa	Senior Managing Officer, Nagoya Office
Yasuo Kawamura	Senior Managing Officer & Managing Section Supervisor
Shunsaku Honda	General Manager, General 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, Tokyo Office
Kouichi Ikeda	General Manager, Nagoya Plant
Wataru Morita	General Manager, Corporate Planning Division 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 (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	4,918	5.99
Yoshimura Holdings Limited	4,700	5.73
Sumitomo Mitsui Banking Corporation	3,900	4.75
MUFG Bank, Ltd.	3,886	4.73
Custody Bank of Japan, Ltd. (Trust account)	3,755	4.58
Custody Bank of Japan, Ltd. (Portion entrusted to Sumitomo Mitsui Trust Bank, Limited under a <i>saishintaku</i> (re-entrustment) agreement/JFE Steel Corporation retirement benefits trust account)	3,003	3.66
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	2,399	2.92
CHINA STEEL CORPORATION	2,000	2.43
Maruichi Steel Tube Kyoei Shareholding Association	1,538	1.87
SSBTC CLIENT OMNIBUS ACCOUNT	1,433	1.74

Note:

- The Company holds 12,001,082 shares of treasury stock, but these are not included in the above table.
- Percentages of ownership have been rounded down to the second decimal place and have been calculated after deduction of treasury stock. Treasury stock (12,001,082 shares) does not include 88,200 shares of the Company held by Custody Bank of Japan, Ltd. (Trust account) as trust assets under the share-based ESOP scheme, the Company's employee incentive plan.

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)



MARUICHI STEEL TUBE LTD.

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