
***Kurotani Corporation
and Subsidiary***

*Consolidated Financial Statements
for the Year Ended August 31, 2018,
and Independent Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kurotani Corporation:

We have audited the accompanying consolidated balance sheet of Kurotani Corporation and its subsidiary as of August 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kurotani Corporation and its subsidiary as of August 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

November 27, 2018

Kurotani Corporation and Subsidiary

Consolidated Balance Sheet August 31, 2018

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018		2018	2017	2018
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents (Notes 13 and 14)	¥ 1,549	¥ 1,491	\$ 13,958	Short-term bank loans (Notes 7 and 14)	¥ 4,650	¥ 3,820	\$ 41,888
Short-term investments (Note 14)	657	657	5,918	Current portion of long-term debt (Notes 7 and 14)	1,040	1,104	9,374
Receivables (Note 14):				Payables (Note 14):			
Trade notes	244	217	2,195	Trade notes	376	379	3,386
Electronically recorded monetary claims—operating	1,103	918	9,940	Trade accounts	1,271	1,187	11,450
Trade accounts	5,596	5,072	50,415	Other	342	327	3,084
Other	761	598	6,858	Income taxes payable		580	
Inventories (Note 3)	3,658	4,323	32,953	Accrued expenses	30	70	267
Short-term loan to associated company	51	17	458	Other current liabilities	9	34	81
Prepaid expenses and other current assets	1,493	982	13,446				
Total current assets	15,112	14,275	136,141	Total current liabilities	7,718	7,501	69,530
PROPERTY, PLANT AND EQUIPMENT—Net (Note 4):				LONG-TERM LIABILITIES:			
Land	1,521	1,521	13,704	Long-term debt (Notes 7 and 14)	2,279	1,979	20,530
Buildings and structures	386	399	3,478	Liability for retirement benefits (Note 8)	93	87	845
Machinery and equipment	224	234	2,021	Total long-term liabilities	2,372	2,066	21,375
Furniture and fixtures	99	92	890				
Construction in progress	3		30	COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)			
Total property, plant and equipment—net	2,233	2,246	20,123	EQUITY (Note 9):			
INVESTMENTS AND OTHER ASSETS:				Common stock—authorized, 28,000,000 shares; issued, 14,337,200 shares in 2018 and 2017*	1,000	1,000	9,009
Investment securities (Notes 5 and 14)	483	546	4,354	Capital surplus:			
Investments in associated company	184	166	1,654	Additional paid-in capital	293	293	2,640
Software	9	11	86	Other capital surplus	393	393	3,539
Deferred tax assets (Note 11)	35	50	315	Retained earnings:			
Other assets (Note 6)	11	12	95	Legal reserve	9	9	81
Total investments and other assets	722	785	6,504	Unappropriated	6,116	5,832	55,099
				Treasury stock—at cost, 288 shares in 2018 and 2017*			(1)
				Accumulated other comprehensive income:			
				Unrealized gain on available-for-sale securities	99	143	888
				Foreign currency translation adjustments	67	69	608
				Total equity	7,977	7,739	71,863
TOTAL	¥18,067	¥17,306	\$162,768	TOTAL	¥18,067	¥17,306	\$162,768

* Shares have been restated, as appropriate, to reflect two-for-one stock split effected March 1, 2018, as described in Note 2.n.

See notes to consolidated financial statements.

Kurotani Corporation and Subsidiary

Consolidated Statement of Income Year Ended August 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2018</u>	<u>2017</u>	<u>2018</u>
NET SALES	¥56,791	¥52,869	\$511,634
COST OF SALES	<u>54,853</u>	<u>49,549</u>	<u>494,177</u>
Gross profit	1,938	3,320	17,457
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	<u>1,193</u>	<u>1,220</u>	<u>10,745</u>
Operating income	<u>745</u>	<u>2,100</u>	<u>6,712</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	12	9	110
Insurance income	6	1	53
Foreign exchange loss	(12)	(88)	(109)
Gain (loss) on derivative transactions		(272)	1
Interest expense	(79)	(70)	(711)
Gain on sales of investment securities	3		26
Equity in earnings (losses) of associated company	15	(1)	139
Expense of transformation to the first section of the Tokyo Stock Exchange	(19)		(171)
Other—net	<u>8</u>		<u>70</u>
Other expenses—net	<u>(66)</u>	<u>(421)</u>	<u>(592)</u>
INCOME BEFORE INCOME TAXES	<u>679</u>	<u>1,679</u>	<u>6,120</u>
INCOME TAXES (Note 11):			
Current	182	546	1,635
Deferred	<u>34</u>	<u>96</u>	<u>314</u>
Total income taxes	<u>216</u>	<u>642</u>	<u>1,949</u>
NET INCOME	<u>463</u>	<u>1,037</u>	<u>4,171</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ 463</u>	<u>¥ 1,037</u>	<u>\$ 4,171</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK (Note 2.n):			
Basic net income*	¥32.29	¥72.34	\$0.29
Cash dividends applicable to the year*	12.50	5.00	0.11

* Per share figures have been restated, as appropriate, to reflect two-for-one stock split effected March 1, 2018, as described in Note 2.n.

See notes to consolidated financial statements.

Kurotani Corporation and Subsidiary

Consolidated Statement of Comprehensive Income Year Ended August 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2018</u>	<u>2017</u>	<u>2018</u>
NET INCOME	<u>¥463</u>	<u>¥1,037</u>	<u>\$4,171</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Note 12):			
Unrealized (loss) gain on available-for-sale securities	(44)	130	(403)
Foreign currency translation adjustments	(3)	18	(27)
Share of other comprehensive income in associates	<u>1</u>	<u>19</u>	<u>15</u>
Total other comprehensive (loss) income	<u>(46)</u>	<u>167</u>	<u>(415)</u>
COMPREHENSIVE INCOME	<u>¥417</u>	<u>¥1,204</u>	<u>\$3,756</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥417	¥1,204	\$3,756
Noncontrolling interests			

See notes to consolidated financial statements.

Kurotani Corporation and Subsidiary

Consolidated Statement of Changes in Equity
Year Ended August 31, 2018

	Number of Shares of Common Stock Outstanding*	Millions of Yen								Total Equity
		Common Stock	Capital Surplus		Retained Earnings		Treasury Stock	Accumulated Other Comprehensive Income (Loss)		
			Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated		Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	
BALANCE, SEPTEMBER 1, 2016	14,336,984	¥1,000	¥293	¥393	¥9	¥4,867		¥ 13	¥32	¥6,607
Net income attributable to owners of the parent						1,037				1,037
Cash dividends, ¥5.00 per share*						(72)				(72)
Purchase of treasury stock	(72)									
Net change in the year								130	37	167
BALANCE, AUGUST 31, 2017	14,336,912	1,000	293	393	9	5,832		143	69	7,739
Net income attributable to owners of the parent						463				463
Cash dividends, ¥12.50 per share*						(179)				(179)
Net change in the year								(44)	(2)	(46)
BALANCE, AUGUST 31, 2018	<u>14,336,912</u>	<u>¥1,000</u>	<u>¥293</u>	<u>¥393</u>	<u>¥9</u>	<u>¥6,116</u>		<u>¥ 99</u>	<u>¥67</u>	<u>¥7,977</u>

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus		Retained Earnings		Treasury Stock	Accumulated Other Comprehensive Income (Loss)		Total Equity
		Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated		Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	
BALANCE, AUGUST 31, 2017	\$9,009	\$2,640	\$3,539	\$81	\$52,543	\$(1)	\$1,291	\$620	\$69,722
Net income attributable to owners of the parent					4,171				4,171
Cash dividends, \$0.11 per share*					(1,615)				(1,615)
Net change in the year							(403)	(12)	(415)
BALANCE, AUGUST 31, 2018	<u>\$9,009</u>	<u>\$2,640</u>	<u>\$3,539</u>	<u>\$81</u>	<u>\$55,099</u>	<u>\$(1)</u>	<u>\$ 888</u>	<u>\$608</u>	<u>\$71,863</u>

* Shares and per share figures have been restated, as appropriate, to reflect two-for-one stock split effected March 1, 2018, as described in Note 2.n.

See notes to consolidated financial statements.

Kurotani Corporation and Subsidiary

Consolidated Statement of Cash Flows Year Ended August 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
OPERATING ACTIVITIES:			
Income before income taxes	¥ 679	¥1,679	\$ 6,120
Adjustments for:			
Income taxes—paid	(816)	(6)	(7,353)
Income taxes—refund		1	
Depreciation and amortization	177	150	1,598
Changes in assets and liabilities:			
Increase in receivables	(670)	(796)	(6,034)
Decrease (increase) in inventories	666	(1,968)	5,997
Increase in payable	99	545	894
Other—net	(738)	(108)	(6,657)
Total adjustments	<u>(1,282)</u>	<u>(2,182)</u>	<u>(11,555)</u>
Net cash used in operating activities	<u>(603)</u>	<u>(503)</u>	<u>(5,435)</u>
INVESTING ACTIVITIES:			
Payments into time deposits	(1,064)	(1,064)	(9,585)
Proceeds from withdrawal of time deposits	1,064	1,064	9,584
Purchases of property, plant and equipment	(159)	(23)	(1,431)
Purchases of software and other intangible assets	(3)	(5)	(28)
Purchases of investment securities	(7)	(7)	(67)
Proceeds from sales of securities	9		78
Payments for short-term loan to associated company	(34)	(17)	(308)
Other—net	(1)		(1)
Net cash used in investing activities	<u>(195)</u>	<u>(52)</u>	<u>(1,758)</u>
FINANCING ACTIVITIES:			
Increase in short-term bank loans—net	811	300	7,310
Proceeds from long-term debt	1,500	1,700	13,514
Repayments of long-term debt	(1,263)	(1,073)	(11,381)
Dividends paid	(179)	(72)	(1,615)
Net cash provided by financing activities	<u>869</u>	<u>855</u>	<u>7,828</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS			
	<u>(13)</u>	<u>(38)</u>	<u>(113)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	58	262	522
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,491</u>	<u>1,229</u>	<u>13,436</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 13)	<u><u>¥1,549</u></u>	<u><u>¥1,491</u></u>	<u><u>\$13,958</u></u>

See notes to consolidated financial statements.

Kurotani Corporation and Subsidiary

Notes to Consolidated Financial Statements Year Ended August 31, 2018

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Kurotani Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111 to \$1, the approximate rate of exchange at August 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation*—The consolidated financial statements as of August 31, 2018, include the accounts of the Company and its subsidiary (together the "Group").

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

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

The fiscal year-end of the subsidiary is December 31. Accordingly, it is consolidated using pro forma financial information as of June 30, and adjustments were made to accounting for significant transactions that occurred from July 1 to August 31.

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

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

- c. Inventories*—Inventories are stated at the lower of cost, determined by the average method for merchandise, finished products, work in process, raw materials and supplies, or net selling value (see Note 3).

- d. **Marketable and Investment Securities**—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

Available-for-sale securities, which are not classified as either trading securities that are held for the purpose of earning capital gains in the near term or held-to-maturity debt securities that are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- e. **Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

- f. **Property, Plant and Equipment**—Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed by the declining-balance method, while the straight-line method is applied to buildings acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016. The range of useful lives is principally from 15 to 35 years for buildings and from 4 to 7 years for machinery.

- g. **Software**—Software is carried at cost less accumulated amortization, which is calculated by the straight-line method over five years.

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

- i. **Retirement and Pension Plans**—The Company's employees' retirement benefits consist of two plans, a defined contribution pension plan and an unfunded retirement benefit plan as a defined benefit plan, which cover substantially all of the Company's employees.

The liability for the defined benefit plan is recorded at the amount that would be required if all employees retired at the balance sheet date.

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

- k. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- l. Foreign Currency Financial Statements**—The balance sheet accounts of the subsidiary are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the subsidiary are translated into yen at the average exchange rate.
- m. Derivatives and Hedging Activities**—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and nonferrous metal prices. Foreign exchange forward contracts and options are utilized by the Group to reduce foreign currency exchange risk. Also, commodity forward contracts are utilized by the Group to reduce nonferrous metal price risk. The Group does not enter into derivatives for trading or speculative purposes.

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

- n. Per Share Information**—Basic net income or loss per share is computed by dividing net income or loss attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share of common stock is not disclosed herein because the Company has not issued any securities that are potentially dilutive for the years ended August 31, 2018 and 2017.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

On March 1, 2018, the Company effected two-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors' meeting held on January 15, 2018. As a result of the stock split, 7,168,600 shares were issued to shareholders of record on February 28, 2018. All fiscal and prior year share and per share figures have been restated to reflect the impact of the stock split. Such restatements include calculations regarding the Company's weighted-average number of common shares, basic net income per share, and cash dividends per share.

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

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

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

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

- p. Changes in Presentation (Earlier Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")*—On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and noncurrent liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and noncurrent liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018.

Earlier application is permitted for annual periods ending on or after March 31, 2018. The Company applied the revised accounting standard as of August 31, 2018, and deferred tax assets of ¥56 million which were previously classified as current assets as of August 31, 2017, and deferred tax liabilities of ¥6 million which were previously classified as long-term liabilities of August 31, 2017, have been reclassified as investments and other assets in the accompanying consolidated balance sheet.

3. INVENTORIES

Inventories as of August 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Merchandise	¥ 3	¥ 3	\$ 23
Finished products	672	949	6,056
Work in process	102	128	915
Raw materials and supplies	<u>2,881</u>	<u>3,243</u>	<u>25,959</u>
Total	<u>¥3,658</u>	<u>¥4,323</u>	<u>\$32,953</u>

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of August 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Land	¥1,521	¥1,521	\$13,704
Buildings and structures	2,262	2,233	20,373
Machinery and equipment	2,626	2,537	23,661
Furniture and fixtures	394	357	3,547
Construction in progress	<u>3</u>	<u>30</u>	<u>30</u>
Acquisition cost	6,806	6,648	61,315
Accumulated depreciation	<u>(4,573)</u>	<u>(4,402)</u>	<u>(41,192)</u>
Net book value	<u>¥2,233</u>	<u>¥2,246</u>	<u>\$20,123</u>

5. INVESTMENT SECURITIES

Investment securities as of August 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Noncurrent:			
Marketable equity securities	¥468	¥531	\$4,219
Nonmarketable equity securities	<u>15</u>	<u>15</u>	<u>135</u>
Total	<u>¥483</u>	<u>¥546</u>	<u>\$4,354</u>

The cost and aggregate fair value of investment securities that have a quoted market price in an active market as of August 31, 2018 and 2017, were as follows:

	Millions of Yen			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>August 31, 2018</u>				
Equity securities	<u>¥344</u>	<u>¥136</u>	<u>¥(12)</u>	<u>¥468</u>
Total	<u>¥344</u>	<u>¥136</u>	<u>¥(12)</u>	<u>¥468</u>
<u>August 31, 2017</u>				
Equity securities	<u>¥342</u>	<u>¥192</u>	<u>¥ (3)</u>	<u>¥531</u>
Total	<u>¥342</u>	<u>¥192</u>	<u>¥ (3)</u>	<u>¥531</u>
	Thousands of U.S. Dollars			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>August 31, 2018</u>				
Equity securities	<u>\$3,095</u>	<u>\$1,227</u>	<u>\$(103)</u>	<u>\$4,219</u>
Total	<u>\$3,095</u>	<u>\$1,227</u>	<u>\$(103)</u>	<u>\$4,219</u>

The proceeds from sales of available-for-sale securities for the year ended August 31, 2018, were ¥9 million (\$78 thousand). The gross realized gains on these sales, computed on the moving-average cost basis, for the year ended August 31, 2018, were ¥3 million (\$26 thousand).

6. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The amount deducted directly from investments and other assets as of August 31, 2018 and 2017, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Other assets	¥39	¥39	\$350

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans as of August 31, 2018 and 2017, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2018</u>
Unsecured bank loans with a weighted-average interest rate of 1.25% (2018) and 1.18% (2017)	¥4,650	¥3,820	\$41,888

Long-term debt as of August 31, 2018 and 2017, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2018</u>
Unsecured bank loans due serially to 2023 with a weighted-average interest rate of 0.47% (2018) and 0.50% (2017)	¥3,319	¥3,083	\$29,904
Total	3,319	3,083	29,904
Less current portion	(1,040)	(1,104)	(9,374)
Long-term debt, less current portion	<u>¥2,279</u>	<u>¥1,979</u>	<u>\$20,530</u>

Annual maturities of long-term debt as of August 31, 2018, were as follows:

	<u>Millions of Yen</u>	<u>Thousands of</u>
		<u>U.S. Dollars</u>
Within one year	¥1,040	\$ 9,374
In the 2nd year	966	8,703
In the 3rd year	716	6,452
In the 4th year	457	4,113
In the 5th year	<u>140</u>	<u>1,262</u>
Total	<u>¥3,319</u>	<u>\$29,904</u>

8. RETIREMENT BENEFITS

a. Overview of the Company's Retirement Benefit Plan

The employees' retirement benefits consist of two plans, a defined contribution pension plan and an unfunded retirement benefit plan as a defined benefit plan, which cover substantially all of the Company's employees.

The liability for the defined benefit plan is recorded at the amount that would be required if all employees retired at the balance sheet date (the simplified method).

b. Defined Benefit Plan

Movement in liability for retirement benefit of the defined benefit plan applying the simplified method for the years ended August 31, 2018 and 2017, was as follows:

	Millions of Yen		Thousands of
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u> <u>2018</u>
Balance at beginning of year	¥87	¥89	\$786
Retirement benefit cost	11	8	101
Benefits paid	<u>(5)</u>	<u>(10)</u>	<u>(42)</u>
Balance at end of year	<u>¥93</u>	<u>¥87</u>	<u>\$845</u>

Reconciliation of retirement benefit obligations to liability for retirement benefits as of August 31, 2018 and 2017, was as follows:

	Millions of Yen		Thousands of
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u> <u>2018</u>
Unfunded retirement benefit obligations	<u>¥93</u>	<u>¥87</u>	<u>\$845</u>
Total net liability for retirement benefits at end of year	<u>¥93</u>	<u>¥87</u>	<u>\$845</u>

Retirement benefit cost of the defined benefit plan applying the simplified method for the years ended August 31, 2018 and 2017, was ¥11 million (\$101 thousand) and ¥8 million, respectively.

c. Defined Contribution Pension Plan

The amount of contributions to the defined contribution plan for the years ended August 31, 2018 and 2017, was ¥10 million (\$88 thousand) and ¥10 million, respectively.

9. EQUITY

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

a. Dividends

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

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

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

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

On March 1, 2018, the Company made a stock split as described in Note 2.n.

10. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the years ended August 31, 2018 and 2017, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2018</u>
Board members' compensation	¥163	¥154	\$1,470
Salaries	174	174	1,572
Provision of reserve for bonuses	7	19	60
Net periodic benefit costs	7	6	59
Sales charges	<u>437</u>	<u>435</u>	<u>3,935</u>
Total	<u>¥788</u>	<u>¥788</u>	<u>\$7,096</u>

11. INCOME TAXES

The Company is subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.7% for the years ended August 31, 2018 and 2017.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of August 31, 2018 and 2017, are as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2018</u>
Deferred tax assets:			
Inventories	¥ 52	¥ 49	\$ 466
Accrued expenses	7	20	63
Accrued enterprise tax	1	26	8
Depreciation and amortization	13	13	118
Liability for retirement benefits	29	27	258
Investment securities	13	13	115
Provision of allowance for doubtful accounts	12	12	107
Other		1	7
Subtotal	<u>127</u>	<u>161</u>	<u>1,142</u>
Less valuation allowance	<u>(66)</u>	<u>(65)</u>	<u>(591)</u>
Total	<u>61</u>	<u>96</u>	<u>551</u>
Deferred tax liabilities—Unrealized gain on available-for-sale securities	<u>26</u>	<u>46</u>	<u>236</u>
Total	<u>26</u>	<u>46</u>	<u>236</u>
Net deferred tax assets	<u>¥ 35</u>	<u>¥ 50</u>	<u>\$ 315</u>

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended August 31, 2018 and 2017, was as follows:

	<u>2017</u>
Normal effective statutory tax rate	30.7%
Expenses not deductible for income tax purposes	0.3
Per capita levy of corporate tax	0.3
Accumulated earnings tax	7.3
Valuation allowance for deferred tax assets	(0.1)
Equity in loss of the associated company	(0.0)
Other—net	<u>(0.3)</u>
Actual effective tax rate	<u>38.2%</u>

For the year ended August 31, 2018, a reconciliation is not disclosed since the difference of the normal effective statutory tax rate and actual effective tax rate is less than 5.0% of the normal effective statutory tax rate.

12. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended August 31, 2018 and 2017, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥(62)	¥176	\$(555)
Reclassification adjustments to profit or loss	<u>(2)</u>	<u> </u>	<u>(26)</u>
Amount before income tax effect	(64)	176	(581)
Income tax effect	<u>20</u>	<u>(46)</u>	<u>178</u>
Total	<u>¥(44)</u>	<u>¥130</u>	<u>\$(403)</u>
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (3)	¥ 18	\$ (27)
Reclassification adjustments to profit or loss	<u> </u>	<u> </u>	<u> </u>
Amount before income tax effect	(3)	18	(27)
Income tax effect	<u> </u>	<u> </u>	<u> </u>
Total	<u>¥ (3)</u>	<u>¥ 18</u>	<u>\$ (27)</u>
Share of other comprehensive loss in associates—			
Gains arising during the year	<u>¥ 1</u>	<u>¥ 19</u>	<u>\$ 15</u>
Total	<u>¥ 1</u>	<u>¥ 19</u>	<u>\$ 15</u>
Total other comprehensive (loss) income	<u>¥(46)</u>	<u>¥167</u>	<u>\$(415)</u>

13. SUPPLEMENTAL CASH FLOWS INFORMATION

A reconciliation of cash and cash equivalents between the consolidated balance sheet and the consolidated statement of cash flows as of August 31, 2018 and 2017, was as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Cash and cash equivalents in the consolidated balance sheet	<u>¥1,549</u>	<u>¥1,491</u>	<u>\$13,958</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>¥1,549</u>	<u>¥1,491</u>	<u>\$13,958</u>

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments, including bank loans and bonds, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund its ongoing operations. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables, such as trade notes, electronically-recorded monetary claims—operating and trade accounts, are exposed to customer credit risk. Also, receivables in foreign currencies are exposed to the risk of fluctuations in foreign currency exchange rates. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Short-term bank loans are used for operating funds. Long-term debt is used for capital expenditures.

Maturities of bank loans are less than five years after the consolidated balance sheet date.

Derivatives mainly include forward foreign currency contracts, options, and commodity forward contracts, which are used to manage exposure to risks of changes in foreign currency exchange rates of receivables and of fluctuations of nonferrous metal prices. Please see Note 15 for more details about derivatives.

(3) *Risk Management for Financial Instruments*

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify default risk of customers at an early stage. With respect to derivative transactions, as a means of mitigating the risk of financial loss from defaults, the Group has adopted a policy of only dealing with creditworthy counterparties.

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

Foreign currency bank deposits, bank loans, and trade receivables and payables are exposed to risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts and options.

Investment securities are managed by monitoring the market values and financial position of issuers on a regular basis.

With respect to derivative transactions, the Group has internal guidelines that prescribe the authority and the limit for each transaction by the corporate planning department. The director who is in charge of the corporate planning department is required to report the status and results of derivative transactions to the chief executive officer on a monthly and an annual basis. Reconciliation of transactions and balances with counterparties is made by the corporate treasury department.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by the corporate treasury department.

(4) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Also, please see Note 15 for details of the fair value of derivatives. The determination of the quoted price requires certain assumptions for related variable factors and the quoted price may fluctuate with different assumptions.

(a) Fair value of financial instruments

<u>August 31, 2018</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	¥ 1,549	¥ 1,549	
Short-term investments	657	657	
Receivables	7,704	7,704	
Investment securities	<u>468</u>	<u>468</u>	—
Total	<u>¥10,378</u>	<u>¥10,378</u>	==
Short-term bank loans	¥ 4,650	¥ 4,650	
Payables	1,989	1,989	
Long-term debt	<u>3,319</u>	<u>3,314</u>	¥5
Total	<u>¥ 9,958</u>	<u>¥ 9,953</u>	<u>¥5</u>
<u>August 31, 2017</u>			
Cash and cash equivalents	¥ 1,491	¥ 1,491	
Short-term investments	657	657	
Receivables	6,805	6,805	
Investment securities	<u>531</u>	<u>531</u>	—
Total	<u>¥ 9,484</u>	<u>¥ 9,484</u>	==
Short-term bank loans	¥ 3,820	¥ 3,820	
Payables	1,893	1,893	
Income taxes payable	580	580	
Long-term debt	<u>3,083</u>	<u>3,083</u>	—
Total	<u>¥ 9,376</u>	<u>¥ 9,376</u>	==
<u>August 31, 2018</u>	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	\$13,958	\$13,958	
Short-term investments	5,918	5,918	
Receivables	69,408	69,408	
Investment securities	<u>4,219</u>	<u>4,219</u>	—
Total	<u>\$93,503</u>	<u>\$93,503</u>	==
Short-term bank loans	\$41,888	\$41,888	
Payables	17,920	17,920	
Long-term debt	<u>29,904</u>	<u>29,857</u>	\$(47)
Total	<u>\$89,712</u>	<u>\$89,665</u>	<u>\$(47)</u>

Cash and cash equivalents

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

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments. Information on the fair value of investment securities by classification is included in Note 5.

Short-term investments, receivables, payables, income taxes payable, and short-term bank loans

The fair values of short-term investments, receivables, payables, income taxes payable, and short-term bank loans approximate carrying value because of their short-term maturities. Therefore, the fair values are measured at carrying value.

Long-term debt

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

Derivatives

Information on the fair value of derivatives is included in Note 15.

- (b) Financial instruments whose fair value cannot be reliably determined as of August 31, 2018 and 2017, are as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
Investments in equity instruments that do not have a quoted market price in an active market	¥ 15	¥ 15	\$ 135
Investments in associated company	184	166	1,654

(5) *Maturity Analysis for Financial Assets and Securities with Contractual Maturities*

	<u>Millions of Yen</u>			
	<u>Due in</u> <u>1 Year</u> <u>or Less</u>	<u>Due after</u> <u>1 Year</u> <u>through</u> <u>5 Years</u>	<u>Due after</u> <u>5 Years</u> <u>through</u> <u>10 Years</u>	<u>Due after</u> <u>10 Years</u>
<u>August 31, 2018</u>				
Cash and cash equivalents	¥1,545			
Short-term investments	657			
Receivables	<u>7,704</u>			
Total	<u>¥9,906</u>			

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>August 31, 2017</u>				
Cash and cash equivalents	¥1,488			
Short-term investments	657			
Receivables	6,805	—	—	—
Total	<u>¥8,950</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>August 31, 2018</u>				
Cash and cash equivalents	\$13,921			
Short-term investments	5,918			
Receivables	69,408	—	—	—
Total	<u>\$89,247</u>	<u>—</u>	<u>—</u>	<u>—</u>

Please see Note 7 for annual maturities of long-term debt.

15. DERIVATIVES

The Group enters into foreign currency forward contracts and options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into commodity forward contracts to hedge future price fluctuations of nonferrous metal inventories.

All derivative transactions are entered into to hedge foreign currency and nonferrous metal price exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, trading companies, and London Metal Exchange ("LME") brokers, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies, which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Not Applied

There were no derivative transactions to which hedge accounting is not applied at August 31, 2018.

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
<u>August 31, 2017</u>				
Commodity forward contracts:				
Selling	¥463		¥(59)	¥(59)
Buying	480	—	42	42
Total	<u>¥943</u>	<u>—</u>	<u>¥(17)</u>	<u>¥(17)</u>

The fair value of derivative transactions is measured at the quoted price obtained from trading companies and LME brokers.

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

16. RELATED PARTY DISCLOSURES

Transaction of the Company with associated company for the years ended August 31, 2018 and 2017, was as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Purchases	¥3,922	¥2,148	\$35,332

The balances of advance payment for the purchases from the associated company as of August 31, 2018 and 2017, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Advance payment	¥325	¥315	\$2,924

17. SUBSEQUENT EVENT

The following appropriation of retained earnings as of August 31, 2018, was approved at the shareholders' meeting held on November 27, 2018:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥7.5 (\$0.07) per share*	¥108	\$969

* Per share figures have been restated to reflect the stock split as described in Note 2.n.

18. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) *Description of Reportable Segments*

The Group has two segments, the "nonferrous metals segment" and "arts and crafts segment." The nonferrous metals segment is engaged in the manufacture and sale of ingots and processing and sales of scrap. The arts and crafts segment is engaged in the manufacture and sale of arts and crafts.

(2) *Method of Measurement for the Amounts of Sales, Profit, Assets and Other Items for Each Reportable Segment*

The accounting policies of each reportable segment are basically consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Operating income is applied in "Segment profit." "Intersegment sales or transfers" are calculated based on market price.

(3) *Information about Sales, Profit, Assets, Liabilities and Other Items*

	Millions of Yen				
	2018				
	Reportable Segment			Reconcil- iations	Consol- idated
Nonferrous Metals	Arts and Crafts	Total			
Sales:					
Sales to external customers	¥56,337	¥454	¥56,791		¥56,791
Intersegment sales or transfers	<u>1</u>	<u>2</u>	<u>3</u>	¥ (3)	
Total	<u>¥56,338</u>	<u>¥456</u>	<u>¥56,794</u>	<u>¥ (3)</u>	<u>¥56,791</u>
Segment profit	¥ 707	¥ 38	¥ 745		¥ 745
Segment assets	13,982	950	14,932	¥3,135	18,067
Other:					
Depreciation	154	23	177		177
Investment in associated company	184		184		184
Increase in property, plant and equipment and intangible assets	150	12	162		162

	Millions of Yen				
	2017				
	Reportable Segment			Reconcil- iations	Consol- idated
Nonferrous Metals	Arts and Crafts	Total			
Sales:					
Sales to external customers	¥52,394	¥475	¥52,869		¥52,869
Intersegment sales or transfers	<u> </u>	<u>2</u>	<u>2</u>	¥ (2)	
Total	<u>¥52,394</u>	<u>¥477</u>	<u>¥52,871</u>	<u>¥ (2)</u>	<u>¥52,869</u>
Segment profit	¥ 2,049	¥ 51	¥ 2,100		¥ 2,100
Segment assets	13,228	951	14,179	¥3,127	17,306
Other:					
Depreciation	127	23	150		150
Investment in associated company	166		166		166
Increase in property, plant and equipment and intangible assets	90	19	109		109

	Thousands of U.S. Dollars				
	2018				
	Reportable Segment			Reconcil- iations	Consol- idated
Nonferrous Metals	Arts and Crafts	Total			
Sales:					
Sales to external customers	\$507,546	\$4,088	\$511,634		\$511,634
Intersegment sales or transfers	7	18	25	\$ (25)	
Total	<u>\$507,553</u>	<u>\$4,106</u>	<u>\$511,659</u>	<u>\$ (25)</u>	<u>\$511,634</u>
Segment profit	\$ 6,366	\$ 346	\$ 6,712		\$ 6,712
Segment assets	125,963	8,561	134,524	\$28,244	162,768
Other:					
Depreciation	1,393	205	1,598		1,598
Investment in associated company	1,654		1,654		1,654
Increase in property, plant and equipment and intangible assets	1,351	111	1,462		1,462

Reconciliations to segment assets as of August 31, 2018 and 2017 (¥3,135 million (\$28,244 thousand) and ¥3,127 million, respectively), represent corporate assets. Corporate assets mainly consist of cash and cash equivalents, land and the assets associated with the administration headquarters of the Group.

The Company applied ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" as of August 31, 2018, as described in Note 2.p. Segment assets as of August 31, 2017, were reclassified in accordance with the revised accounting standard.

(4) *Information about Products and Services*

	Millions of Yen				
	2018				
	Ingots	Scrap	Arts and Crafts	Other	Total
Sales to external customers	¥17,347	¥38,875	¥454	¥115	¥56,791
	Millions of Yen				
	2017				
	Ingots	Scrap	Arts and Crafts	Other	Total
Sales to external customers	¥14,908	¥37,363	¥475	¥123	¥52,869
	Thousands of U.S. Dollars				
	2018				
	Ingots	Scrap	Arts and Crafts	Other	Total
Sales to external customers	\$ 156,279	\$ 350,227	\$ 4,087	\$ 1,041	\$ 511,634

(5) *Information about Geographical Areas*

(a) *Sales*

Millions of Yen					
2018					
<u>Japan</u>	<u>Korea</u>	<u>Asia (except Japan and Korea)</u>	<u>Europe</u>	<u>Other</u>	<u>Total</u>
¥45,832	¥4,681	¥5,635	¥615	¥28	¥56,791

Millions of Yen					
2017					
<u>Japan</u>	<u>Korea</u>	<u>Asia (except Japan and Korea)</u>	<u>Europe</u>	<u>Other</u>	<u>Total</u>
¥44,134	¥3,961	¥4,306	¥400	¥68	¥52,869

Thousands of U.S. Dollars					
2018					
<u>Japan</u>	<u>Korea</u>	<u>Asia (except Japan and Korea)</u>	<u>Europe</u>	<u>Other</u>	<u>Total</u>
\$412,898	\$42,175	\$50,770	\$5,541	\$250	\$511,634

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

(b) *Property, plant and equipment*

More than 90% of property, plant and equipment exist in Japan. The remainder is not significant, and therefore does not require disclosure.

(6) *Information about Major Customers*

<u>Name of Customer</u>	2018	
	<u>Millions of Yen Sales</u>	<u>Related Segment Name</u>
Sumitomo Metal Mining Co., Ltd.	¥11,117	Nonferrous metals segment

<u>Name of Customer</u>	2017	
	<u>Millions of Yen Sales</u>	<u>Related Segment Name</u>
Sumitomo Metal Mining Co., Ltd.	¥12,091	Nonferrous metals segment
JX Nippon Mining & Metals Corporation	5,294	Nonferrous metals segment

<u>Name of Customer</u>	2018	
	<u>Thousands of U.S. Dollars Sales</u>	<u>Related Segment Name</u>
Sumitomo Metal Mining Co., Ltd.	\$100,151	Nonferrous metals segment

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