April 28, 2021

Summary of Fiscal 2020

(The Fiscal Year ended March 31, 2021)

Tokuyama Corporation

1. Summary of performance and other corporate data (consolidated)

(Unit: Billions of yen, except number of employees)

	Fiscal 2020	Fiscal 2019	Changes
Net sales	302.4	316.0	(13.6)
Operating profit	30.9	34.2	(3.3)
Ordinary profit	30.7	32.8	(2.0)
Profit attributable to owners of parent	24.5	19.9	+4.5
Basic earnings per share (Unit: yen)	351.11	287.05	+64.06
Capital expenditures	26.4	23.7	+2.6
Depreciation and amortization	17.0	16.1	+0.8
R&D expenses	10.8	9.1	+1.6
Financial income and expenses	(1.0)	(1.1)	+0.1

	As of March 31, 2021	As of March 31, 2020	Changes
Interest-bearing debt	98.4	116.3	(17.9)
Number of employees	5,476	5,679	(203)

2. Net sales and operating profit by business segment (year on year)

(Unit: Billions of yen)

	FY2020		FY2019		Changes	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating Profit
Chemicals	85.4	14.1	93.7	15.3	(8.2)	(1.2)
Specialty Products	57.7	6.5	54.4	7.0	+3.3	(0.4)
Cement	90.8	4.5	87.2	3.8	+3.5	+0.7
Life & Amenity	45.9	3.1	56.3	2.8	(10.3)	+0.2
Others	53.6	5.6	65.2	6.9	(11.5)	(1.3)
Total	333.6	34.0	357.0	36.0	(23.3)	(2.0)
Inter-segment eliminations and corporate-wide expenses	(31.2)	(3.0)	(40.9)	(1.8)	+9.6	(1.2)
Consolidated results	302.4	30.9	316.0	34.2	(13.6)	(3.3)

- ○ In the Chemicals segment, there were lower earnings on lower sales due to the spread of COVID-19.
- ○ In the Specialty Products segment, although high-purity chemicals for electronics manufacturing was a robust sales, the sales volumes in fumed silica dropped owing to the spread of COVID-19. Consequently, the segment reported lower earnings on higher sales.
- ○ In the Cement segment, there were higher earnings on higher sales due to a decline in raw material prices.
- ○ In the Life & Amenity segment, although sales decreased due to impact of deconsolidation of Sun・Tox Co., Ltd., advertising expenses decreased. Consequently, the segment reported higher earnings on lower sales.

3. Net sales and operating profit by business segment (forecasts)

(1) Net sales and operating profit by business segment (full year comparison)

(Unit: Billions of yen)

	FY2021 Forecast		FY2020 Results		Changes	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Chemicals	90.0	13.5	81.3	13.5	+8.6	(0.0)
Cement	53.0	3.0	89.5	4.3	(36.5)	(1.3)
Electronic Materials	68.5	5.0	61.8	7.1	+6.6	(2.1)
Life Science	31.0	4.0	28.6	3.4	+2.3	+0.5
Eco Business	11.0	0.0	9.5	(0.3)	+1.4	+0.3
Others	33.0	5.0	62.3	5.6	(29.3)	(0.6)
Total	286.5	30.5	333.4	33.9	(46.9)	(3.4)
Inter-segment eliminations and corporate-wide expenses	(15.5)	(4.5)	(31.0)	(3.0)	+15.5	(1.4)
Consolidated results	271.0	26.0	302.4	30.9	(31.4)	(4.9)

(Note) Effective from fiscal 2021, the fiscal year ending March 31, 2022, Tokuyama will change to six business segments: Chemicals, Cement, Electronics Materials, Life Science, Eco Business, and Others. The actual results for the fiscal year ended March 2021 are shown after having been rearranged into the changed segments.

(Note) Due to the application of the Accounting Standard for Revenue Recognition and other standards, net sales of Chemicals will decrease by ¥1.3 billion, Cement by ¥38.1 billion, Electronic Materials by ¥0.3 billion, Life Science by ¥0.2 billion, Eco Business by ¥0.4 billion Others by ¥18.6 billion. The total decrease in sales, including inter-segment eliminations and corporate-wide expenses, will be 42.8 billion yen. The impact of the application of this and other standards on the operating profit in each segment is not significant.

(2) Assumptions of performance forecasts for fiscal 2021

	Fiscal 2021	**Fiscal 2020**
Domestic Naphtha Price (¥/kl)	**45,000**	**31,200**
Exchange Rate (¥/$)	**105**	**106**

Sales and operating profit are forecast to decline due to the costs attributable to upfront investments for growth, increases in raw material and fuel prices and other factors.

- ○ In the Chemicals segment, the Group has taken into account an increase in raw material and fuel costs.
- ○ In the Cement segment, the Group has taken into account an increase in raw material costs.
- ○ In the Electronic Materials segment, the Group has taken into account an increase in sales of semiconductor-related materials as well as an increase in capex.
- ○ In the Life Science segment, the Group has taken into account an increase in sales of healthcare products.
- ○ The Eco Business Segment is a new segment established in the fiscal year ended March 31, 2022.

Summary of Consolidated Financial Statements for Fiscal 2020 (JP GAAP)
(The Fiscal Year ended March 31, 2021)

April 28, 2021

Tokuyama Corporation Stock exchange listings: Tokyo
(URL https://www.tokuyama.co.jp/eng/) Code number: 4043
Representative: Hiroshi Yokota
President and Representative Director
Contact: Taro Kobayashi
General Manager, Corporate Communications & Investor Relations Dept.
+81-3-5207-2552
Scheduled date for the Ordinary General Meeting of Shareholders: June 25, 2021
Scheduled date of year-end dividends payout: June 28, 2021
Scheduled date for the filing of the consolidated financial statements: June 28, 2021
Preparation of supplementary explanatory materials: Yes
Business results IR briefing to be held: Yes (for institutional investors and analysts)

1. Consolidated results for fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.
% indicates year-on-year changes.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2020	302,407	(4.3)	30,921	(9.8)	30,796	(6.2)	24,534	23.1
Fiscal 2019	316,096	(2.6)	34,281	(2.8)	32,837	(1.7)	19,937	(41.8)

(Note) Comprehensive income: FY19: 21,293million yen [(32.0)%] FY18: 31,321 million yen [14.2%]

	Basic earnings per share	Diluted net income per share	Net income to shareholders' equity	Ordinary profit to total assets	Operating profit to net sales
	(yen)	(yen)	[%]	[%]	[%]
Fiscal 2020	351.11	―	13.4	8.0	10.2
Fiscal 2019	287.05	―	12.4	8.6	10.8

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates: FY20: 949 million yen FY19: 756million yen

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2021	386,794	205,261	51.3	2,758.37
Mar 31, 2020	383,447	180,429	44.0	2,431.21

(Reference) Shareholders' equity: FY20: 198,561 million yen FY18: 168,861 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Fiscal 2020	43,314	(19,276)	(22,530)	83,050
Fiscal 2019	52,364	(20,548)	(18,348)	80,918

2. Dividends

(Period)	Annual dividens					Total dividends paid (Total)	Dividend payout ratio (Consolidated)	Dividend on net assets ratio (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Total			
	(yen)	(yen)	(yen)	(yen)	(yen)	(millions of yen)	[%]	[%]
Fiscal 2019	–	35.00	--	35.00	70.00	4,868	24.4	3.0
Fiscal 2020	–	35.00	--	35.00	70.00	4,956	19.9	2.7
Fiscal 2021 (Forecast)	–	35.00	–	35.00	70.00		22.9	

3. Consolidated performance forecast for fiscal 2021 (April 1, 2021 – March 31, 2022)

(% indicates the rate of change over the corresponding previous periods respectively)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(yen)
Fiscal 2021	271,000	(10.4)	26,000	(15.9)	26,000	(15.6)	22,000	(10.3)	305.62

(Note) The Company plans to apply the Accounting Standard for Revenue Recognition (ASBJ Corporate Accounting Standard No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ending March 2022. The above results forecast was prepared by applying the relevant standard.

*Notes

(1) Changes of significant subsidiaries in the scope of consolidation during this period : Yes

Addition to the scope of consolidation: -

Reduction from the scope of consolidation: Tianjin Tokuyama Plastics Co., Ltd. , Tokuyama Logistics Co., Ltd.,

(2) Changes of accounting policies, changes in accounting estimates, and retrospective restatements

i. Changes of accounting policies by revision of accounting standards : No

ii. Changes of accounting policies other than the above : No

iii. Changes in accounting estimates : No

iv. Retrospective restatements : No

(3) Number of shares issued (in common stock)

i.	Number of shares issued at end of period (including treasury stock):	FY20:	72,088,327	FY19:	69,934,375
ii.	Number of treasury stock at end of period:	FY20:	103,403	FY19:	478,862
iii.	Average number of shares over period:	FY20:	69,877,138	FY19:	69,455,287

(Reference) Summary of Non-Consolidated Operating Results

1. Non-consolidated results for fiscal year ended March 31, 2020 (April 1, 2021 – March 31, 2022)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.
% indicates year-on-year changes.

	Net sales		Operating profit		Ordinary profit		Net profit	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2020	180,946	(4.4)	22,232	(15.2)	23,127	(9.4)	22,514	51.0
Fiscal 2019	189,271	(3.1)	26,222	(5.0)	25,519	2.0	14,908	(48.5)

	Net profit per share	Diluted net profit per share
	(yen)	(yen)
Fiscal 2020	322.20	―
Fiscal 2019	214.66	―

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2021	315,154	150,983	47.9	2,097.44
Mar 31, 2020	297,999	124,668	41.8	1,794.94

(Reference) Shareholders' equity: FY20: 150,983 million yen FY19: 124,668 million yen

(Note) Notice on the implementation of audit procedures

This Summary of Consolidated Financial Statements is not subject to audit procedures of the consolidated financial statements in line with the Financial Instruments and Exchange Act. At the point of disclosure of this Summary of Consolidated Financial Statements, audit procedures of the consolidated financial statements in line with the Financial Instruments and Exchange Act are underway.

(Note) Cautions pertaining to the appropriate use of performance forecasts and other particular items

(Cautions related to Forward-looking statement)

The performance forecast and other forward-looking statements contained in this material have been prepared on the basis of information available at this point and certain assumptions which are judged to be rational, and may be substantially different from the actual performance etc. because of various factors that may arise from now on.

(Access to supplementary explanations on business results)

The Company also supplementary materials "Presentation for IR Meeting" through TDnet at the same date.

Contents for Accompanying Materials

1. Management Policy

(1) Assessment of Operating Environment

Our Tokuyama Factory's highly efficient integrated production processes are the source of our competitiveness, and energy-intensive businesses dependent on coal-fired power generation are our earnings drivers. However, changes in the industrial structure are accelerating, while a number of factors are expected to remain ongoing: changes in the social environment, including the rapid progress of the digital revolution; shrinkage in domestic demand in Japan due to the low birthrate and aging demographics; increased health awareness; growing environmental awareness and the tightening of regulations toward the realization of a recycling-based society. We therefore believe that it is essential to secure earnings power and competitiveness by building and growing businesses that branch out in new directions.

(2) Management Policy and Medium- to Long-Term Management Strategies and Performance Targets

Based on this assessment of the operating environment, we are acutely aware of the need to stay in harmony with the environment and have adopted the goal of remaining a company that creates the value that consumers demand in collaboration with its customers. We have also updated our mission statement (management philosophy): "To create a bright future in harmony with the environment, in collaboration with its customers, based on chemistry." To serve as a management policy based on our mission statement, we have also formulated the following ideals.

- Be a value-creative company that places first priority on R&D and marketing
- Be a company that never stops challenging new domains while refining and exploiting its unique strengths
- Be a company with healthy employees who have healthy families and take pride in their work at their company
- Be a company that fosters bonds with people in communities and societies worldwide

To serve as Tokuyama's management strategies over the medium to long term, the following three themes have been positioned as priority measures in the Medium-Term Management Plan 2025, which was formulated on February 25, 2021.

1. Transform business portfolio

   Positioning electronics, health, and the environment as new growth fields, we are aiming for these to account for 50% or more of the consolidated net sales ratio. In the Chemicals and Cement business segments, we will promote increased efficiency and ensure stable profits.

   As measures to achieve the goal, we will promote "technological differentiation by collaborating more with external partners" and "Group-wide operational efficiency by promoting DX" as well as "expand operations in growing overseas markets," while shifting to a business structure centered on the growth businesses. We will also strengthen marketing and research and development, while making the transition to become a company that creates value and provides solutions.

2. Contribute to mitigation of global warming

In response to growing global environmental awareness, we have set the goal of "achieving carbon neutrality in 2050." To achieve this goal, we are aiming to decarbonize raw material and fuel inputs by developing and deploying green products as well as to accelerate the technological development and the starting of new businesses in next-generation energies, such as hydrogen and ammonia. In addition, we will work to improve the processes at the Tokuyama Factory, promote the development and utilization of biomass fuels in Japan and overseas, and realize a 30% reduction in total CO_2 emissions (compared with FY2019) in FY2030.

3. Practice socially responsible management

Tokuyama approaches its CSR activities in accordance with a basic philosophy of continuously working with society to build a sustainable future by contributing to the resolution of social issues and earning greater trust from various stakeholders with the aim of improving corporate value. To achieve this, we extracted social issues related to CSR management and identified the following 10 items as materiality (important issues) by adding the promotion of mental and physical health to the nine items listed up to last year. We are now working on solving each of these problems.

- Helping to fight global warming
- Conserving the environment
- Preventing accidents and preparing for disasters
- Developing products and technologies that address social issues
- Better chemical management and product safety
- Engaging with localcommunities
- Promoting CSR procurement
- Developing human resources
- Promotion of diversity and career fulfillment
- Promotion of physical / mental health

(3) Targets of Medium-Term Management Plan 2025

The goals to be achieved in 2025 are as follows.

Index	FY2020 (Results)	FY2025 (Target)
Net Sales	302.4 billions of yen	320.0 billions of yen
Operating Profit	30.9 billions of yen	40.0 billions of yen
Growth Business Net Sales Growth Rate (CAGR)	-	Over 10%
ROE	13.4%	Over 10%
Assumption Exchange rate (¥/US$) Domestic naphtha price (¥/kl)	 106 31,200	 105 32,500

(Note) The figures of FY2025 are based on the application of Accounting Standard for Revenue Recognition (Corporate Accounting Standard No. 29, March 31, 2020) and other standards.

2. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

<1> Operating results for the fiscal year under review

[1] Overview of performance for the fiscal year under review

The global economy in the fiscal year ended March 31, 2021, slowed significantly due to the restraints placed on economic activity due to the spread of novel coronavirus (COVID-19) infections at the beginning of the period. Subsequently, the global economy was on a recovery trend due to the gradual resumption of economic activities, the fiscal and monetary policies of each country, and the start of vaccine requisitioning in developed countries. In Japan as well, GDP fell sharply at the beginning of the period when a state of emergency declaration was in place, but both domestic and external demand later recovered significantly and maintained positive growth due to a raft of measures. In the Tokuyama Group, we have been addressing the four priority issues—"Change the Group's organizational culture and structure," "Rebuild the Group's business strategies," "Strengthen Group management" and "Improve the Company's financial position"—adopted for the "Cornerstone of the Group's Revitalization" Medium-Term Management Plan, the final fiscal year of which was that now under review.

As a result, although sales of semiconductor-related products were firm against the backdrop of the introduction of the 5G communications standard and an increase in remote work, the sales volumes of caustic soda and other products decreased due to the spread of COVID-19 infections, resulting in lower sales and profits.

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parerent
Fiscal 2020	**302,047**	**30,921**	**30,796**	**24,534**
Fiscal 2019	316,096	34,281	32,837	19,937
Rate of change (%)	(4.3)	(9.8)	(6.2)	23.1

Net sales

Consolidated net sales decreased 4.3%, or ¥13,689 million compared with the previous fiscal year, to ¥302,407 million. Despite firm sales of semiconductor-related products, this decrease was largely attributable to the impact of deconsolidation of Sun・Tox Co., Ltd., and the novel coronavirus (COVID-19) pandemic, which triggered the drop in sales volumes of caustic soda in Japan and weak petrochemical product sales prices.

Cost of sales

Cost of sales decreased 4.7%, or ¥10,191 million compared the previous fiscal year, to ¥207,254 million. This decrease largely reflected the downswing in raw material and fuel costs.

SG&A expenses

SG&A expenses decreased 0.2%, or ¥138 million compared with the previous fiscal year, to ¥64,230 million. While R&D and other expenses increased, this decrease largely reflected the drop in such operating costs as travel expenses due to the COVID-19 pandemic and decrease in logistics costs by weak sales volumes.

Operating profit

Operating profit decreased 9.8%, or ¥3,359 million compared with the previous fiscal year, to ¥30,921 million. Despite lower raw material and fuel costs, this decrease in operating profit was mainly due to the impact of COVID-19, which triggered a drop in sales volumes of such products as caustic soda.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses improved ¥1,318 million compared with the previous fiscal year.

As a result of the above, ordinary profit decreased 6.2%, or ¥2,041 million compared with the previous fiscal year, to ¥30,796 million.

Extraordinary income/losses, Profit before income taxes, Profit, Profit attributable to owners of parent

Extraordinary income/losses improved ¥5,083 million compared with the previous fiscal year.

As a result of the above, profit before income taxes increased 10.9%, or ¥3,042 million compared with the previous fiscal year, to ¥30,959 million.

Profit after deducting income taxes calculated in an appropriate way increased 20.6%, or ¥4,327 million compared with the previous fiscal year, to ¥25,320 million.

Profit attributable to owners of parent increased 23.1%, or ¥4,597 million compared with the previous fiscal year, to ¥24,534 million.

[2] Operating performance by business segment

(Operating results by segment)

Sales (Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Fiscal 2020	**85,459**	**57,779**	**90,864**	**45,936**	**53,637**	**333,677**	**(31,270)**	**302,407**
Fiscal 2019	93,730	54,466	87,289	56,307	65,232	357,026	(40,929)	316,096
Rate of change (%)	(8.8)	6.1	4.1	(18.4)	(17.8)	(6.5)	-	(4.3)

Operating profit (Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Fiscal 2020	**14,118**	**6,572**	**4,580**	**3,107**	**5,623**	**34,002**	**(3,080)**	**30,921**
Fiscal 2019	15,366	7,058	3,835	2,885	6,935	36,082	(1,801)	34,281
Rate of change (%)	(8.1)	(6.9)	19.4	7.7	(18.9)	(5.8)	-	(9.8)

(Note) Sales and operating profit in each segment include inter-segment transactions.

Chemicals

Caustic soda earnings declined. This downturn in earnings was largely due to the drop in sales volumes in Japan owing to the spread of COVID-19 and a deterioration in overseas market conditions.

Earnings from vinyl chloride monomer and vinyl chloride resin increased due to the upturn in export prices.

The sales volume of calcium chloride increased due to the effects of heavy snowfall, resulting in an increase in profit.

As a result of the above, segment net sales decreased 8.8% compared with the previous fiscal year, to ¥85,459 million and operating profit decreased 8.1% to ¥14,118 million. The segment reported lower earnings on lower sales.

Specialty Products

Sales of for semiconductor-grade polycrystalline silicon were firm against the backdrop of the introduction of 5G and the increase in remote work, but profits declined slightly due to fluctuations in the sales composition.

Earnings from high-purity chemicals for electronic manufacturing increased. This was due to an increase in the volume mainly overseas.

Earnings of fumed silica decreased largely due to the drop in sales volumes owing to the spread of COVID-19.

As a result of the above, segment net sales increased 6.1% compared with the previous fiscal year, to ¥57,779 million and operating profit decreased 6.9% to ¥6,572 million. The segment reported lower earnings on higher sales.

Cement

Cement earnings increased. This upswing in earnings reflected the limited impact of COVID-19 on domestic shipments and successful steps to reduce manufacturing costs on the back of a decline in raw material prices.

As a result of the above, segment net sales increased 4.1% compared with the previous fiscal year, to ¥90,864 million and operating profit increased 19.4% to ¥4,580 million. The segment reported higher earnings on higher sales.

Life & Amenity

Pharmaceutical ingredients and intermediates earnings increased, owing mainly to a robust sales volume of generic pharmaceuticals.

In dental materials, export volumes to Europe and the United States, which had been declining due to the spread of COVID-19 infections, were on a recovery trend, and profit increased due to a decrease in advertising expenses.

Sales of medical diagnosis systems decreased. This largely reflected a decline in sales volumes of laboratory information systems and laboratory automation systems.

In polyolefin film, Sun・Tox Co., Ltd. was removed from the Company's scope of consolidation effective from the third quarter of the fiscal year under review. This reflected the transfer of a portion of the company's shares.

As a result of the above, segment net sales decreased 18.4% compared with the previous fiscal year, to ¥45,936 million and operating profit increased 7.7% to ¥3,107 million. The segment reported higher earnings on lower sales.

<2> Outlook for fiscal 2021

[1] Outlook for operating forcasts for fiscal 2021

The economy is expected to pick up in the current fiscal year due to the effects of the variety of policies and improvements in overseas economies, but there are concerns about the impact of any resurgence of COVID-19 infections. The Group will strongly promote the fields of electronics, health, and the environment, which are defined as growth businesses in the Medium-Term Management Plan 2025 announced on February 25, 2021, while aiming for growth. Our Chemicals and Cement businesses will promote increased efficiency while generating sustainable cash flows.

Based on current information, we forecast net sales of ¥271 billion, a decrease of 10.4% (¥31.4 billion) compared with the fiscal year under review, operating profit of ¥26 billion, a decrease of 15.9% (¥4.9 billion), ordinary profit of ¥26 billion, a decrease of 15.6% (¥4.7 billion) and profit attributable to owners of parent of ¥22 billion, a decrease of 10.3% (¥2.5 billion).

The Company plans to apply the Accounting Standards for Revenue Recognition (Corporate Accounting Standard No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ending March 2022, and sales will decrease ¥42.8 billion due to the application of these standards. There will be little impact on operating income, ordinary income, and profit attributable to owners of parent from the application of these standards.

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parerent
Fiscal 2021	**271,000**	**26,000**	**26,000**	**22,000**
Fiscal 2020	302,407	30,921	30,796	24,534
Rate of change (%)	(10.4)	(15.9)	(15.6)	(10.3)

These forecasts are calculated based on an exchange rate of ¥105/$ and a domestic naphtha price of ¥45,000/kl.

[2] Outlook for segment forcasts for fiscal 2021

In accordance with having defined electronics, health, and the environment as growth businesses, we reviewed our business segment from the current fiscal year and changed them to six segments: Chemicals, Cement, Electronics Materials, Life Science, Eco Business and Others. In the results forecast for the current fiscal year, the status of each segment after the change is assumed as follows.

Chemicals

Sales volumes, which had been declining due to the spread of COVID-19 infections, are expected to gradually recover. In contrast, we anticipate that the risk of fluctuations will remain high with regard to raw material and fuel costs as well as overseas market conditions for major products. Under such circumstances, the Company will secure sales volume of its major products and promote the strengthening of its cost competitiveness by, for example, reducing unit consumption and fixed costs.

Cement

Domestic and overseas sales volumes, which had been declining due to the spread of COVID-19 infections, are expected to recover to a certain extent. We are anticipating, however, that the environment surrounding the business, such as future demand and trends in raw material prices, will continue to be uncertain. In such an environment, we will strive to secure profits by thoroughly reducing manufacturing costs and implementing measures at each sales base.

Electronic Materials

The semiconductor market is expected to remain firm against the backdrop of the introduction of 5G and the increase in remote work. In accordance with the progress being made in miniaturization, customer demands for higher quality and stable supply are increasing. In such an environment, while seeking even higher quality from our semiconductor-grade polycrystalline silicon, we will aim to expand sales of high value-added products that set Tokuyama apart from other companies. In the case of high-purity chemicals for the manufacture of electronics, we will strengthen our manufacturing and sales bases, which are centered in Japan and Taiwan, and focus on establishing a supply system that will respond to burgeoning demand. We will also focus on developing thermal-management materials to expand sales of existing products and broaden our product lineup.

Life Science

The shipment volumes of plastic lens-related materials and dental materials, which had been decreasing due to the spread of COVID-19 infections, are on a recovery trend. We will continue to focus on new product development and sales activities in response to changes in customer needs and the market, while aiming to increase profits. In contrast, with regard to medical diagnosis systems, we proceeded with the selection and concentration of the business and converted A&T Corporation into a wholly owned subsidiary in February 2021. We will promote the utilization and collaboration of resources throughout the Group, further strengthen the development of diagnostic reagents, and expand our business.

Eco Business

To make the environment segment one of our business pillars of the future, we consolidated the environment-related businesses scattered within the Group and newly established them as a segment that aims for new business development. In addition to existing businesses, such as ion exchange membranes, plastic window sashes, and the recycling of waste gypsum boards, in the years to come we will expand profits through the development and commercialization of technologies designed to reduce CO2 emissions. As a symbol of our business portfolio transformation, we will contribute to a sustainable society and realize business growth.

Others

The "Others" segment includes businesses which are responsible for the Group's sales, logistics, utilities and other functions. The segment will work to increase Group-wide earnings by continuing to reduce costs.

(2) Analysis of Financial Position

<1> Analysis of assets, liabilities and net assets

Summery of Consolidated Balance Sheets (Unit: Millions of yen)

	Mar 31, 2020	Mar 31, 2021	Ammount of change	Rate of change (%)
Assets	383,447	386,794	3,347	0.9
Liabilities	203,017	181,533	(21,483)	(10.6)
(Interest-bearing debt)	116,344	98,437	(17,906)	(15.4)
Net assets	180,429	205,261	24,831	13.8
(Shareholders' equity)	168,861	198,561	29,700	17.6

Financial indicators

	Mar 31, 2020	Mar 31, 2021	Ammount of change
D/E ratio	0.69	0.50	(0.19)
Net D/E ratio	0.21	0.07	(0.14)
Shareholders' equity ratio (%)	44.0	51.3	7.3points
Shareholders' equity ratio based on market price (%)	37.9	52.0	14.1points

(Note)

*D/E ratio : interest-bearing debt / shareholders' equity
Net D/E ratio : (interest-bearing debt - Cash and cash equivalents) / shareholders' equity
Shareholders' equity ratio (%) : interest-bearing debt / total assets
Shareholders' equity ratio based on market price (%) : market capitalization / total assets

(Assets)

Merchandise and finished goods decreased ¥3,831 million and raw materials and supplies decreased ¥2,157 million, despite the increase of investment securities due to mark-to-market valuation of investment securities and cash and deposits ¥7,786 million and ¥2,157 million, respectively. As a result, total assets amounted to ¥386,794 million, an increase of ¥3,347 million compared with those as of March 31, 2020. Due to the deconsolidation of Sun・Tox Co., Ltd., asset decreased by ¥13,051 million.

(Liabilities)

Long-term lease obligations increased ¥1,642 million, while long-term loans payable and the current portion of long-term loans payable decreased ¥18,650 million and notes and accounts payable – trade decreased ¥3,248 million ,and short-term loans payable decreased ¥1,232 million.

As a result, total liabilities amounted to ¥181,533 million, down ¥21,483 million compared with those as of March 31, 2020. Due to the deconsolidation of Sun・Tox Co., Ltd., liabilities decreased by ¥8,844 million.

(Net assets)

Retained earnings increased ¥19,666 million as a result of posting profit attributable to owners of parent mainly. Capital surplus increased ¥3,437 million due to issuance of new shares accompanying the acquisition of A&T Corporation as a wholly owned subsidiary through a share exchange. Valuation difference on available-for-sale securities increased ¥2,942 million.

As a result, net assets totaled ¥205,261 million, an increase of ¥24,831 million compared with those as of March 31, 2020.

(Financial indicators)

Under its Medium-Term Management Planwith the current consolidated fiscal year as the final year, the Company included a D/E ratio of 1.0 or less as a management numerical target for fiscal 2020. With regard to the consolidated fiscal year under review, the D/E ratio improved 0.19 compared with the previous fiscal year to 0.50 times, due to a ¥17,906 million decrease in interest-bearing debt and a ¥29,700 increase in shareholders' equity.

<2> Analysis of cash flows

Summery of Consolidated Statements of Cash Flows (Unit: Millions of yen)

	Fiscal 2019	Fiscal 2020
Cash flows from operating activities	52,364	43,314
Cash flows from investing activities	(20,548)	(19,276)
Cash flows from financing activities	(18,348)	(22,530)
Effect of exchange rate changes on cash and cash equivalents	(540)	623
Net increase (decrease) in cash and cash equivalents	12,926	2,131
Cash and cash equivalents at end of year	80,918	83,050

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥43,314 million, a decrease ¥9,049 million compared with the previous fiscal year. Principal items included profit before income tax of ¥30,959 million and depreciation of ¥17,003 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥19,276 million, a decrease of ¥1,272 million compared with the previous fiscal year.

Major contributory factors were payments for purchases of property, plant and equipment of ¥23,800 million and proceeds from sales of shares of subsidiaries resulting in change in scope of consideration of ¥3,356 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥22,530 million, am increase of ¥4,181 million compared with the previous fiscal year.

This was primarily attributed to outflow due to repayments of long-term loans of ¥15,857 million and cash dividends paid of ¥4,861 million.

<3> Procurement of Funds and Liquidity

(Procurement of Funds)

The Tokuyama Group had identified efforts to improve its financial structure as one component of the financial policy outlined under its Medium-Term Management Plan with the current consolidated fiscal year as the final year. Against this backdrop, the Group is working to build up its shareholders' equity while reducing its interest-bearing debt. Turning to other policy targets, the Group is endeavoring to acquire a "single A" rating from relevant agencies by the end of the Medium-Term Management Plan. Under this policy, we have acquired and maintained "A" and "A-" ratings from two domestic rating agencies at the end of the current fiscal year.

Meanwhile, the Tokuyama Group recognizes the need to retain a certain level of funds in order to secure the working capital required to finance its business activities, expand its growth businesses, undertake capital expenditures geared toward strengthening the competitiveness of traditional business, and promote strategic investments. While the principal method of procuring these funds is to accumulate cash on hand through the continuous posting of business earnings, the Group will also pursue other avenues. This includes borrowing from financial institutions and issuing unsecured bonds. In addition, energies are being directed toward building a financial structure that is capable of engaging in business activities with less working capital. To this end, the Group was working to improve its cash conversion cycle (CCC), reduce inventories, and improve trading terms and conditions with business partners, issues raised under the Medium-Term Management Plan with the current consolidated fiscal year as the final year.. Furthermore, the Tokuyama Group's intended investment amount for the next fiscal year is ¥44.8 billion. Plans are in place to utilize cash on hand and borrowings from financial institutions.

(Liquidity)

Cash and cash equivalents stood at ¥83,050 million as of the end of the fiscal year under review. On this basis, the Tokuyama Group is confident that it maintains more than ample liquidity to promote its business activities. In addition, Tokuyama has executed revolving credit facility, overdraft, and credit liquidation agreements with a financial institution. Accounting for these factors, the Company is more than capable of maintain a certain level of liquidity should any impediment arise.

(3) Achievement of Medium-Term Management Plan: Cornerstone of the Group's Revitalization

Compared with the previous fiscal year ROA deteriorated by 0.9 of a percentage point to 8.0% due to the decrease in operating profit brought about by weak sales of major products and the increase in total assets due to capital investment. . Cash conversion cycle (CCC) deteriorated by one day compared with the previous fiscal year to 65 days. The D/E ratio was 0.5 times, an improvement of 0.19 compared with the previous fiscal year, due to the accumulation of profit, the reduction of interest-bearing debt and other factors. The Company has achieved the Medium-Term Management Plan target value of 1.0 times or less already in fiscal 2018.

(4) Basic Policy for Profit Distribution and Dividends for Fiscal 2020 and 2021

As far as the distribution of profits is concerned, Tokuyama's basic policy is the ensure the continuous and stable payment of dividends to its shareholders. Our basic policy remains the taking into consideration of business performance, dividend payout ratio, our medium- to long-term business plans and other factors. Meanwhile, the Company will apply internal reserves to investment and lending as well as capital expenditures with the aim of further enhancing its corporate value.

In fiscal 2020, the Company expects to pay out a year-end dividend of ¥35 per share in line with the basic policy mentioned above.

As far as dividends for the next period are concerned, Tokuyama plans to undertake the payment of an interim and year-end dividend of ¥35 per share respectively based on the assumptions outlined in "<2> Outlook for fiscal 2021 of (1) Analysis of Operating Results."

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	3/31/2020	3/31/2021
Assets		
Current assets		
Cash and deposits	81,524	83,681
Notes and accounts receivable - trade	72,929	70,901
Lease receivables	34	25
Merchandise and finished goods	18,506	14,674
Work in process	10,051	10,995
Raw materials and supplies	16,088	13,930
Other	4,823	5,666
Allowance for doubtful accounts	(108)	(115)
Total current assets	203,849	199,760
Non-current assets		
Property, plant and equipment		
Buildings and structures	108,636	105,028
Accumulated depreciation	(78,109)	(76,427)
Buildings and structures, net	30,526	28,601
Machinery, equipment and vehicles	465,761	459,039
Accumulated depreciation	(420,631)	(413,493)
Machinery, equipment and vehicles, net	45,129	45,545
Tools, furniture and fixtures	22,488	22,827
Accumulated depreciation	(20,024)	(19,995)
Tools, furniture and fixtures, net	2,463	2,831
Land	33,363	31,903
Leased assets	5,011	6,900
Accumulated depreciation	(2,370)	(2,431)
Leased assets, net	2,641	4,469
Construction in progress	9,067	10,674
Total property, plant and equipment	123,192	124,025
Intangible assets		
Goodwill	3	86
Leased assets	59	43
Other	1,594	1,751
Total intangible assets	1,657	1,882
Investments and other assets		
Investment securities	19,385	27,171
Long-term loans receivable	2,302	2,094
Deferred tax assets	19,164	16,407
Retirement benefit asset	9,569	10,660
Other	4,382	4,854
Allowance for doubtful accounts	(56)	(61)
Total investments and other assets	54,747	61,126
Total non-current assets	179,597	187,034
Total assets	383,447	386,794

(Millions of yen)

	3/31/2020	3/31/2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,795	39,547
Short-term borrowings	3,082	1,850
Current portion of long-term borrowings	16,106	8,899
Lease obligations	870	1,204
Income taxes payable	2,896	2,375
Provision for bonuses	3,175	3,057
Provision for share awards	—	33
Provision for repairs	5,159	4,884
Provision for decommissioning and removal	439	1,100
Provision for product warranties	84	95
Provision for loss on compensation for damage	84	122
Provision for environmental measures	—	40
Provision for loss on disaster	—	17
Other	20,545	20,079
Total current liabilities	95,241	83,308
Non-current liabilities		
Long-term borrowings	94,255	82,812
Lease obligations	2,028	3,671
Deferred tax liabilities	204	247
Provision for retirement benefits for directors (and other officers)	239	201
Provision for share awards	86	—
Provision for repairs	944	1,340
Provision for decommissioning and removal	529	1,028
Allowance for loss on compensation for building materials	158	124
Provision for environmental measures	196	137
Retirement benefit liability	2,277	1,991
Asset retirement obligations	6	56
Other	6,848	6,613
Total non-current liabilities	107,775	98,224
Total liabilities	203,017	181,533
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	20,018	23,455
Retained earnings	137,665	157,332
Treasury shares	(1,809)	(349)
Total shareholders' equity	165,874	190,438
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	332	3,274
Deferred gains or losses on hedges	(35)	(19)
Foreign currency translation adjustment	703	2,165
Remeasurements of defined benefit plans	1,986	2,702
Total accumulated other comprehensive income	2,986	8,122
Non-controlling interests	11,568	6,700
Total net assets	180,429	205,261
Total liabilities and net assets	383,447	386,794

(2) Consolidated Statements of Income

(Millions of yen)

	FY2019	FY2020
Net sales	316,096	302,407
Cost of sales	217,446	207,254
Gross profit	98,650	95,152
Selling, general and administrative expenses		
Selling expenses	42,265	40,510
General and administrative expenses	22,104	23,719
Total selling, general and administrative expenses	64,369	64,230
Operating profit	34,281	30,921
Non-operating income		
Interest income	145	94
Dividend income	352	395
Share of profit of entities accounted for using equity method	756	949
Outsourcing service income	650	651
Rental income from non-current assets	531	587
Equipment sale income	—	575
Other	1,669	1,917
Total non-operating income	4,105	5,172
Non-operating expenses		
Interest expenses	1,689	1,524
Provision for decommissioning and removals	985	750
Fiduciary obligation expenses	676	584
Equipment cost of sales	—	562
Other	2,198	1,875
Total non-operating expenses	5,549	5,297
Ordinary profit	32,837	30,796
Extraordinary income		
Gain on sale of non-current assets	23	98
Gain on bargain purchase	157	—
Gain on sale of investment securities	8	77
Gain on sale of shares of subsidiaries and associates	—	746
Subsidy income	144	155
Gain on insurance claims	470	203
Gain on sales of patent right and other	—	1,478
Gain on liquidation of subsidiaries and associates	—	197
Gain on step acquisitions	56	125
Other	—	96
Total extraordinary income	861	3,180
Extraordinary losses		
Loss on sale of non-current assets	19	2
Impairment losses	34	825
Loss on disaster	84	243
Loss on tax purpose reduction entry of non-current assets	191	3
Loss on disposal of non-current assets	685	830
Loss on sale of investment securities	1	—
Provision for decommissioning and removals	—	817
Loss on valuation of investment securities	4,531	—
Other	233	293
Total extraordinary losses	5,781	3,017
Profit before income taxes	27,917	30,959
Income taxes - current	4,898	4,336
Income taxes - deferred	2,026	1,302
Total income taxes	6,924	5,639
Profit	20,992	25,320
Profit attributable to non-controlling interests	1,055	785
Profit attributable to owners of parent	19,937	24,534

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2019	FY2020
Profit	20,992	25,320
Other comprehensive income		
Valuation difference on available-for-sale securities	1,921	2,968
Deferred gains or losses on hedges	25	16
Foreign currency translation adjustment	(891)	1,480
Remeasurements of defined benefit plans, net of tax	(654)	694
Share of other comprehensive income of entities accounted for using equity method	(100)	43
Total other comprehensive income	300	5,203
Comprehensive income	21,293	30,524
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,237	29,670
Comprehensive income attributable to non-controlling interests	1,055	853

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2019	FY2020
Cash flows from operating activities		
Profit before income taxes	27,917	30,959
Depreciation	16,122	17,003
Increase (decrease) in provisions	2,118	1,795
Increase (decrease) in retirement benefit liability	129	(129)
Decrease (increase) in retirement benefit asset	(709)	(69)
Interest and dividend income	(497)	(490)
Foreign exchange losses (gains)	321	10
Loss (gain) on sale of property, plant and equipment	(4)	(96)
Loss (gain) on sale of investment securities	(6)	(77)
Loss (gain) on sale of shares of subsidiaries and associates	—	(746)
Share of loss (profit) of entities accounted for using equity method	(756)	(949)
Gain on bargain purchase	(157)	—
Subsidy income	(144)	(155)
Interest expenses	1,689	1,524
Loss on tax purpose reduction entry of non-current assets	191	3
Impairment losses	34	825
Loss (gain) on disposal of non-current assets	685	830
Gain on insurance claims	(470)	(203)
Gain on sales of patent right and other	—	(1,478)
Gain on liquidation of subsidiaries and associates	—	(197)
Loss (gain) on step acquisitions	(56)	(125)
Loss (gain) on valuation of investment securities	4,531	—
Decrease (increase) in trade receivables	7,343	(2,124)
Decrease (increase) in inventories	(1,268)	2,283
Decrease (increase) in other current assets	(323)	(914)
Increase (decrease) in trade payables	(4,385)	(533)
Increase (decrease) in other current liabilities	752	1,190
Other, net	(74)	319
Subtotal	52,981	48,454
Interest and dividends received	1,041	915
Interest paid	(1,709)	(1,530)
Proceeds from insurance income	470	257
Compensation for damage received	5,865	—
Compensation for damage paid	(832)	(31)
Income taxes refund (paid)	(5,451)	(4,750)
Net cash provided by (used in) operating activities	52,364	43,314

(Millions of yen)

	FY2019	FY2020
Cash flows from investing activities		
Payments into time deposits	(52)	(106)
Proceeds from withdrawal of time deposits	174	240
Purchase of property, plant and equipment	(19,706)	(23,800)
Proceeds from sale of property, plant and equipment	68	1,108
Purchase of investment securities	(24)	(251)
Proceeds from sale of investment securities	21	133
Proceeds from purchase of shares of subsidiaries resulting in change n scope of consolidation	137	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(110)	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	3,356
Long-term loan advances	(5)	(29)
Proceeds from collection of long-term loans receivable	181	180
Subsidies received	144	155
Gain on sales of patent right and other	—	1,489
Other, net	(1,376)	(1,752)
Net cash provided by (used in) investing activities	(20,548)	(19,276)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(1,403)	(1,490)
Proceeds from long-term borrowings	1,092	187
Repayments of long-term borrowings	(12,739)	(15,857)
Proceeds from issuance of shares	—	1,303
Dividends paid	(4,164)	(4,861)
Dividends paid to non-controlling interests	(276)	(239)
Decrease (increase) in treasury shares	0	(40)
Other, net	(856)	(1,531)
Net cash provided by (used in) financing activities	(18,348)	(22,530)
Effect of exchange rate change on cash and cash equivalents	(540)	623
Net increase (decrease) in cash and cash equivalents	12,926	2,131
Cash and cash equivalents at beginning of period	67,991	80,918
Cash and cash equivalents at end of period	80,918	83,050

(5) Segment information

1. Summary of reportable segments

The reportable segments of the Tokuyama Group are defined as individual units, where separate financial information is available and which are subject to regular review by the Board of Directors of the Company to evaluate their results and decide the allocation of management resources.

The Company has business divisions by product group, and the Tokuyama Group conducts business operations through each business division devising its comprehensive product strategy for domestic and overseas markets.

The Tokuyama Group is, therefore, composed of segments by product group based on business divisions, and has four reportable segments, "Chemicals," "Specialty Products," "Cement," and "Life & Amenity."

Main products and services of each reportable segment are as follows:

Reportable segment	Main products and services
Chemicals	Caustic soda, soda ash, calcium chloride, sodium silicate, vinyl chloride monomer, polyvinyl chloride resin, propylene oxide, isopropyl alcohol, chlorinated solvents, and hydrogen
Specialty Products	Polycrystalline silicon, fumed silica, tetrachlorosilane, aluminum nitride, high-purity chemicals for electronics manufacturing, and photoresist developer
Cement	Cement, ready-mixed concrete, cement-type stabilizer, and resourece recycling business
Life & Amenity	Polyolefin film, plastic window sashes, medical diagnosis systems, dental materials and equipment, ion exchange membranes, pharmaceutical ingredients and intermediates, plastic lens-related materials for glasses, and microporous film

2. Information on sales, income, assets and other items by reportable segment

Fiscal 2019 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in consolidated financial statements*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	92,755	43,726	86,616	54,347	38,651	316,096	—	316,096
Inter-segment sales/transfer	975	10,739	673	1,960	26,581	40,929	(40,929)	—
Total	93,730	54,466	87,289	56,307	65,232	357,026	(40,929)	316,096
Segment profit	15,366	7,058	3,835	2,885	6,935	36,082	(1,801)	34,281
Segment assets	48,277	61,039	55,277	57,955	50,001	272,551	110,895	383,447
Other items								
Depreciation expenses*4	2,750	2,926	3,422	2,460	3,679	15,239	882	16,122
Increase in tangible and intangible fixed assets*5	3,106	8,059	4,219	2,602	3,478	21,467	3,182	24,649

*1 "Others" segment comprises businesses other than those of the reportable segments. Concretely, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 Adjustment is as follows:

(1) The segment profit adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

(2) Included in the segment assets adjustment amount are corporate assets that are not allocated to specific reportable segments (¥137,395million).

*3 With regard to segment profit, operating income in the consolidated financial statements has been calculated by adjusting the sum total of the reportable segments' income and the "Others" segment's profit.

*4 Included in depreciation expenses is the long-term prepaid expense depreciation amount.

*5 Included in increase in tangible and intangible fixed assets is the long-term prepaid expense increase amount.

Fiscal 2020 (April 1, 2020 – March 31, 2021)

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in consolidated financial statements*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	84,590	45,693	90,236	44,206	37,679	302,407	—	302,407
Inter-segment sales/transfer	868	12,086	627	1,730	15,957	31,270	(31,270)	—
Total	85,459	57,779	90,864	45,936	53,637	333,677	(31,270)	302,401
Segment profit	14,118	6,572	4,580	3,107	5,623	34,002	(3,080)	30,921
Segment assets	51,464	67,310	57,858	46,374	48,841	271,850	114,944	386,794
Other items								
Depreciation expenses*4	2,776	3,580	3,750	2,097	3,630	15,836	1,167	17,003
Increase in tangible and intangible fixed assets*5	3,711	6,037	5,221	2,783	5,869	23,624	3,456	27,080

*1 "Others" segment comprises businesses other than those of the reportable segments. Concretely, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 Adjustment is as follows:

(1) The segment profit adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

(2) Included in the segment assets adjustment amount are corporate assets that are not allocated to specific reportable segments (¥144,519million).

*3 With regard to segment profit, operating profit in the consolidated financial statements has been calculated by adjusting the sum total of the reportable segments' profit and the "Others" segment's profit.

*4 Included in depreciation expenses is the long-term prepaid expense depreciation amount.

*5 Included in increase in tangible and intangible fixed assets is the long-term prepaid expense increase amount.