Financial Section

Chemistry with a heart
TOKUYAMA

Financial Review

Operating Environment

Against the backdrop of trade friction between the United States and China, which put the brakes on trade and investment activities, the pace of global economic growth declined in fiscal 2019 (April 1, 2019 to March 31, 2020) due to increased uncertainty over the future. From the beginning of 2020, the Japanese economy was affected by the spread of COVID-19 and subsequently experienced a major downturn due to a decline in exports and drop in consumer spending.

Net Sales and Operating Profit

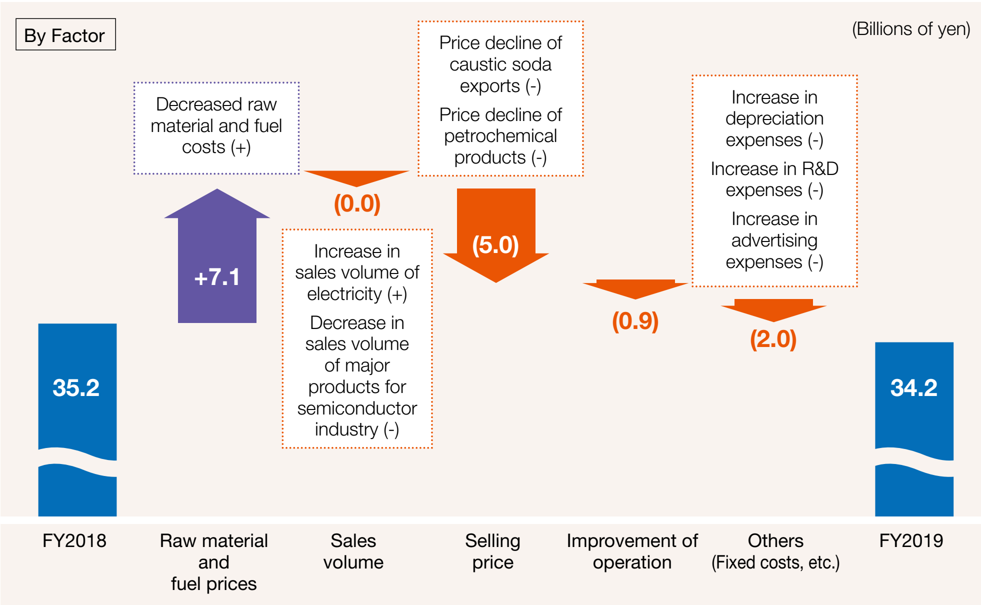
Even though the impact of the spread of COVID-19 on the Group was minimal, consolidated net sales decreased 2.6%, or ¥8,564 million compared with the previous fiscal year, to ¥316,096 million due mainly to weak sales of major products.

Cost of sales decreased 4.1%, or ¥9,218 million compared the previous fiscal year, to ¥217,446 million. This decrease largely reflected the downswing in raw material and fuel costs as a result of the decrease in domestic naphtha and coal prices. SG&A expenses increased 2.6%, or ¥1,636 million compared with the previous fiscal year, to ¥64,369 million. In addition to the increase in advertising expenses associated with the release of new products to the market, this increase largely reflected R&D expenses of thermal management materials.

As a result of the above, operating profit decreased 2.8%, or ¥981 million compared with the previous fiscal year, to ¥34,281 million.

Net sales	Operating profit
¥324.6 billion	¥35.2 billion
▼	▼
¥316.0 billion	¥34.2 billion
(Year-on-year change minus ¥8.5 billion)	(Year-on-year change minus ¥0.9 billion)

Changes in Operating Profit (Year-on-year change)



(+)/(-) Denote the factors of increase/decrease in profit

Financial Position

Net assets at the end of fiscal 2019 totaled ¥180,429 million, an increase of ¥16,904 million compared with those as of March 31, 2019. The shareholders' equity ratio was 44.0% (40.2% at the end of the previous fiscal year), and the D/E ratio improved by 0.16 from the end of the previous fiscal year to 0.69.

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, the Group acquired a "single A-" rating from relevant agencies on July 19, 2019. The Group will continue to improve its financial position.

D/E ratio	Rating
0.84 ▶ 0.69 (-0.16)	BBB+ ▶ A-

Cash Flows

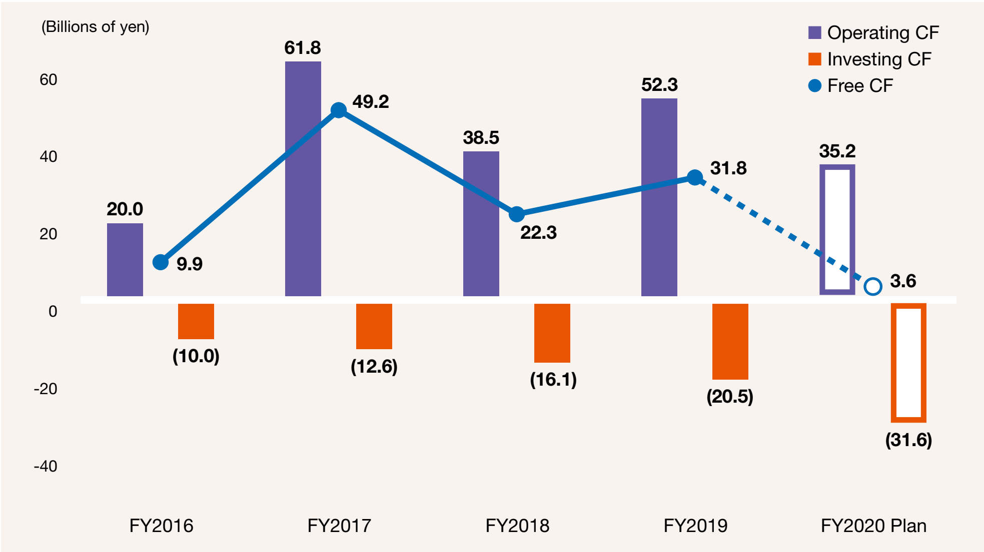
Net cash provided by operating activities totaled ¥52,364 million, an increase ¥13,833 million compared with the previous fiscal year. Principal items included profit before income taxes of ¥27,917 million and depreciation and amortization of ¥16,122 million.

Net cash used in investing activities totaled ¥20,548 million, an increase of ¥4,374 million compared with the previous fiscal year. Major contributory factors were payments for purchases of property, plant and equipment of ¥19,706 million.

Net cash used in financing activities amounted to ¥18,348 million, a decrease of ¥2,756 million compared with the previous fiscal year. This was primarily attributed to an outflow due to repayments of long-term borrowings of ¥12,739 million.

In fiscal 2020, the Company expects that net cash used in investing activities will increase as a result of an increase in investments in growth.

Cash Flow Plan

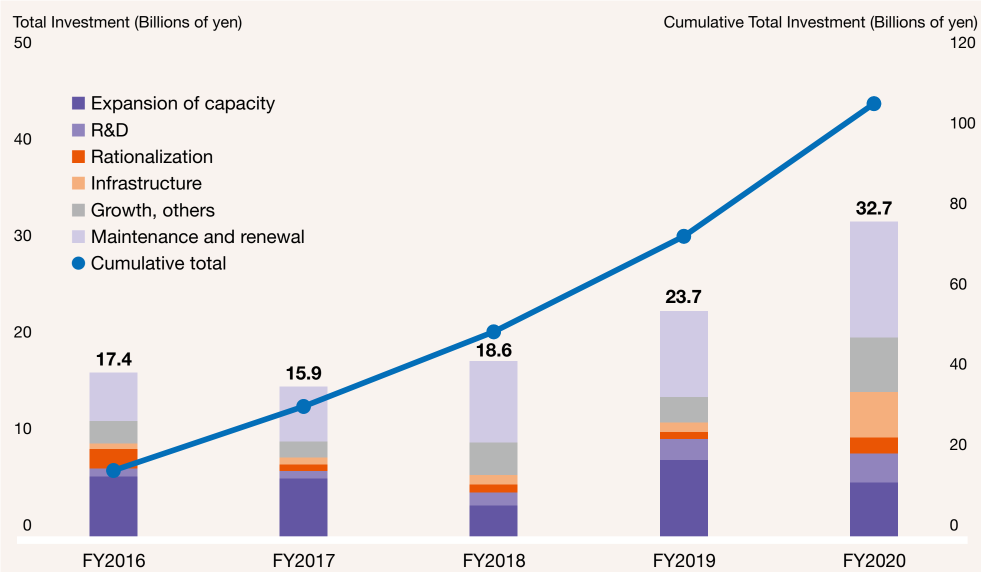


Capital Expenditures, Depreciation and Amortization and R&D Expenses

In fiscal 2020, we plan capital expenditures of ¥32.7 billion. Depreciation and amortization is planned at ¥18.4 billion, which reflects increased investment over the past several years.

Although R&D expenses decreased briefly when we streamlined our development themes, we plan R&D expenses of ¥11.3 billion because we will accelerate R&D that meets customer needs such as in the Specialty Products and Life & Amenity segments.

Progress in Investment Plan



FY2016	FY2017	FY2018	FY2019	FY2020
• Introduction of the latest polyolefin film facilities (Sun•Tox)	• Increase in production of aluminum nitride powder • Expansion of A&T Corporation's Esashi Factory • Expansion of the yard (Shunan Bulk Terminal)	• Increase in production of aluminum nitride powder and granules • Investments to improve the quality of semiconductor related materials • Building a second plant in Taiwan	• Increase in production of aluminum nitride powder • Expansion of capacity of TMAH • Building supply base for IC chemicals in China	• Development of new thermal management materials • Increase in production of healthcare- related products

Major Growth Investments

Consolidated Balance Sheets

Tokuyama Corporation and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen	
Assets:	2020	2019
Current assets:		
Cash and deposits	81,524	68,613
Notes and accounts receivable - trade (Note 8)	72,929	80,358
Lease receivables	34	30
Merchandise and finished goods	18,506	16,458
Work in process	10,051	9,554
Raw materials and supplies	16,088	17,462
Other	4,823	10,554
Allowance for doubtful accounts	(108)	(94)
Total current assets	203,849	202,936
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (Notes 2, 3)	108,636	106,214
Accumulated depreciation	(78,109)	(76,233)
Buildings and structures, net	30,526	29,981
Machinery, equipment and vehicles (Notes 2, 3)	465,761	459,535
Accumulated depreciation	(420,631)	(414,813)
Machinery, equipment and vehicles, net	45,129	44,721
Tools, furniture and fixtures (Note 3)	22,488	22,106
Accumulated depreciation	(20,024)	(19,905)
Tools, furniture and fixtures, net	2,463	2,201
Land (Note 2)	33,363	32,296
Leased assets	5,011	4,548
Accumulated depreciation	(2,370)	(2,237)
Leased assets, net	2,641	2,311
Construction in progress	9,067	4,592
Total property, plant and equipment	123,192	116,104
Intangible assets:		
Goodwill	3	208
Leased assets	59	71
Other (Note 3)	1,594	1,693
Total intangible assets	1,657	1,973
Investments and other assets:		
Investment securities (Notes 1, 2)	19,385	21,718
Long-term loans receivable	2,302	2,444
Deferred tax assets	19,164	21,091
Retirement benefit asset	9,569	9,796
Other	4,382	3,621
Allowance for doubtful accounts	(56)	(57)
Total investments and other assets	54,747	58,614
Total non-current assets	179,597	176,693
Total assets	383,447	379,630

See notes to consolidated financial statements.

Consolidated Balance Sheets

Tokuyama Corporation and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen	
Liabilities:	2020	2019
Current liabilities:		
Notes and accounts payable - trade	42,795	47,268
Short-term borrowings (Note 2)	3,082	4,361
Current portion of long-term borrowings (Note 2)	16,106	12,667
Lease obligations	870	758
Income taxes payable	2,896	3,816
Provision for bonuses	3,175	2,664
Provision for repairs	5,159	3,569
Provision for decommissioning and removal	439	—
Provision for product warranties	84	137
Provision for loss on compensation for damage	84	91
Provision for restructuring	—	233
Other (Note 2)	20,545	17,680
Total current liabilities	95,241	93,248
Non-current liabilities:		
Long-term borrowings (Note 2)	94,255	109,411
Lease obligations	2,028	1,767
Deferred tax liabilities	204	220
Provision for retirement benefits for directors (and other officers)	239	224
Provision for share-based remuneration	86	48
Provision for repairs	944	1,546
Provision for decommissioning and removal	529	—
Allowance for loss on compensation for building materials	158	260
Provision for environmental measures	196	222
Retirement benefit liability	2,277	2,149
Asset retirement obligations	6	6
Other	6,848	6,999
Total non-current liabilities	107,775	122,856
Total liabilities	203,017	216,104
Net assets:		
Shareholders' equity:		
Share capital		
Authorized: 200,000,000 shares		
Issued: 69,934,375 shares	10,000	10,000
Capital surplus	20,018	20,018
Retained earnings	137,665	121,901
Treasury shares		
2019: 482,765 shares		
2020: 478,862 shares	(1,809)	(1,823)
Total shareholders' equity	165,874	150,095
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	332	(1,566)
Deferred gains or losses on hedges	(35)	(61)
Foreign currency translation adjustment	703	1,672
Remeasurements of defined benefit plans	1,986	2,640
Total accumulated other comprehensive income	2,986	2,685
Non-controlling interests	11,568	10,743
Total net assets	180,429	163,525
Total liabilities and net assets	383,447	379,630

See notes to consolidated financial statements.

Consolidated Statements of Income

Tokuyama Corporation and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen	
	2020	2019
Net sales	316,096	324,661
Cost of sales (Notes 1, 4)	217,446	226,664
Gross profit	98,650	97,996
Selling, general and administrative expenses:		
Selling expenses (Note 2)	42,265	41,524
General and administrative expenses (Notes 3, 4)	22,104	21,208
Total selling, general and administrative expenses	64,369	62,733
Operating profit	34,281	35,262
Non-operating income:		
Interest income	145	123
Dividend income	352	390
Share of profit of entities accounted for using equity method	756	921
Outsourcing service income	650	716
Rental income from non-current assets	531	649
Other	1,669	2,000
Total non-operating income	4,105	4,802
Non-operating expenses:		
Interest expenses	1,689	2,453
Provision for decommissioning and removals	985	—
Fiduciary obligation expenses	676	685
Cost of loans payable	—	884
Other	2,198	2,640
Total non-operating expenses	5,549	6,664
Ordinary profit	32,837	33,400
Extraordinary income:		
Gain on sales of non-current assets (Note 5)	23	47
Gain on bargain purchase	157	964
Gain on sales of investment securities	8	1
Subsidy income	144	133
Gain on insurance claims	470	169
Gain on step acquisitions	56	—
Compensation for damage income	—	6,006
Other	—	27
Total extraordinary income	861	7,351
Extraordinary losses:		
Loss on sales of non-current assets (Note 6)	19	10
Impairment loss (Note 7)	34	363
Loss on disaster	82	30
Loss on tax purpose reduction entry of non-current assets	191	100
Loss on disposal of non-current assets	685	807
Loss on sales of investment securities	1	—
Loss on valuation of investment securities	4,531	—
Compensation for damage	—	851
Other	234	569
Total extraordinary losses	5,781	2,733
Profit before income taxes	27,917	38,017
Income taxes		
Current	4,898	5,074
Deferred	2,026	(2,085)
Total income taxes	6,924	2,988
Profit	20,992	35,029
Profit attributable to non-controlling interests	1,055	750
Profit attributable to owners of parent	19,937	34,279

	Yen	
Per share amounts:	2020	2019
Net profit	287.05	493.26
Cash dividends	70.00	50.00

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Tokuyama Corporation and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen	
	2020	2019
Profit	20,992	35,029
Other comprehensive income:		
Valuation difference on available-for-sale securities	1,921	(2,919)
Deferred gains or losses on hedges	25	90
Foreign currency translation adjustment	(891)	(304)
Remeasurements of defined benefit plans, net of tax	(654)	(434)
Share of other comprehensive income of entities accounted for using equity method	(100)	(139)
Total other comprehensive income (Note 1)	300	(3,707)
Total comprehensive income	21,293	31,321
Attributable to:		
Owners of parent	20,237	30,596
Non-controlling interests	1,055	725

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Tokuyama Corporation and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

[2020]

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance at beginning of year	10,000	20,018	121,901	(1,823)	150,095	(1,566)	(61)	1,672	2,640	2,685	10,743	163,525
Changes during the fiscal year												
Profit attributable to owners of parent			19,937		19,937							19,937
Dividends of surplus			(4,173)		(4,173)							(4,173)
Purchase of treasury shares				(5)	(5)							(5)
Disposal of treasury shares		(0)		20	20							20
Net changes of items other than shareholders' equity						1,898	25	(969)	(654)	300	825	1,125
Total changes of items during the period	—	(0)	15,764	14	15,779	1,898	25	(969)	(654)	300	825	16,904
Balance at end of year	10,000	20,018	137,665	(1,809)	165,874	332	(35)	703	1,986	2,986	11,568	180,429

[2019]

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance at beginning of year	10,000	20,008	90,752	(1,472)	119,288	1,352	(151)	2,093	3,074	6,368	10,935	136,591
Changes during the fiscal year												
Profit attributable to owners of parent			34,279		34,279							34,279
Dividends of surplus			(3,129)		(3,129)							(3,129)
Purchase of treasury shares				(351)	(351)							(351)
Disposal of treasury shares		9		0	9							9
Change in scope of consolidation			0		0							0
Purchase of shares of consolidated subsidiaries		(0)			(0)							(0)
Net changes of items other than shareholders' equity						(2,918)	90	(420)	(434)	(3,682)	(191)	(3,874)
Total changes of items during the period	—	9	31,149	(351)	30,807	(2,918)	90	(420)	(434)	(3,682)	(191)	26,933
Balance at end of year	10,000	20,018	121,901	(1,823)	150,095	(1,566)	(61)	1,672	2,640	2,685	10,743	163,525

Consolidated Statements of Cash Flows

Tokuyama Corporation and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen	
	2020	2019
Cash flows from operating activities		
Profit before income taxes	27,917	38,017
Depreciation and amortization	16,122	15,093
Increase (decrease) in provisions	2,118	(693)
Increase (decrease) in retirement benefit liability	129	58
Decrease (increase) in retirement benefit asset	(709)	(761)
Interest and dividend income	(497)	(514)
Foreign exchange losses (gains)	321	8
Loss (gain) on sales of property, plant and equipment	(4)	(36)
Loss (gain) on sales of investment securities	(6)	(1)
Share of loss (profit) of entities accounted for using equity method	(756)	(921)
Gain on bargain purchase	(157)	(964)
Loss (gain) on step acquisitions	(56)	—
Subsidy income	(144)	(133)
Interest expenses	1,689	2,453
Cost of loans payable	—	884
Loss on tax purpose reduction entry of non-current assets	191	100
Impairment loss	34	363
Loss (gain) on disposal of non-current assets	685	807
Gain on insurance claims	(470)	(169)
Loss (gain) on valuation of investment securities	4,531	—
Compensation for damage income	—	(6,006)
Compensation for damage	—	851
Decrease (increase) in trade receivables	7,343	928
Decrease (increase) in inventories	(1,268)	(4,071)
Decrease (increase) in other current assets	(323)	335
Increase (decrease) in trade payables	(4,385)	(1,090)
Increase (decrease) in other current liabilities	752	(403)
Other, net	(74)	943
Subtotal	52,981	45,077
Interest and dividends received	1,041	938
Interest paid	(1,709)	(2,529)
Proceeds from insurance income	470	169
Compensation for damage received	5,865	—
Compensation for damage paid	(832)	—
Income taxes (paid) refund	(5,451)	(5,123)
Net cash provided by (used in) operating activities	52,364	38,531
Cash flows from investing activities		
Payments into time deposits	(52)	(269)
Proceeds from withdrawal of time deposits	174	498
Purchase of property, plant and equipment	(19,706)	(16,765)
Proceeds from sales of property, plant and equipment	68	219
Purchase of investment securities	(24)	(22)
Proceeds from sales of investment securities	21	3
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	137	583
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(110)	—
Long-term loan advances	(5)	(3)
Collection of long-term loans receivable	181	214
Subsidies received	144	133
Other, net	(1,376)	(765)
Net cash provided by (used in) investing activities	(20,548)	(16,174)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(1,403)	247
Proceeds from long-term borrowings	1,092	59,713
Repayments of long-term borrowings	(12,739)	(76,512)
Dividends paid	(4,164)	(3,122)
Dividends paid to non-controlling interests	(276)	(357)
Decrease (increase) in treasury shares	(0)	(308)
Other, net	(856)	(764)
Net cash provided by (used in) financing activities	(18,348)	(21,104)
Effect of exchange rate change on cash and cash equivalents	(540)	(49)
Net increase (decrease) in cash and cash equivalents	12,926	1,202
Cash and cash equivalents at beginning of period	67,991	66,807
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(18)
Cash and cash equivalents at end of period (Note 1)	80,918	67,991

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tokuyama Corporation and Consolidated Subsidiaries

1. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Tokuyama Corporation (the “Company”) and its subsidiaries. The Company and its consolidated domestic subsidiaries have maintained their accounts and records in accordance with the provisions set forth in the Companies Act (the “Act”) and the Financial Instruments and Exchange Act and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Financial Reporting Standards.

The accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. GOING CONCERN ASSUMPTION

Not applicable.

3. SCOPE OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its 54 significant subsidiaries (52 in 2019). Significant intercompany transactions and accounts have been eliminated in consolidation.

Major consolidated subsidiaries are as follows: Sun•Tox Co., Ltd.
Shin Dai-ichi Vinyl Corporation
A&T Corporation
Tokuyama Dental Corporation
Excel Shanon Corporation
Hiroshima Tokuyama Ready Mixed Concrete Co., Ltd.
Tokuyama Mtech Corporation
Sun Arrow Kasei Co., Ltd.
Taiwan Tokuyama Corporation
Tokuyama Chemicals (Zhejiang) Co., Ltd.

Shirokawa Co., Ltd., for which the Company has acquired shares, has been included into the scope of consolidation from the consolidated fiscal year under review.
TS Fine Chemical Inc., which the Company newly established, has been included into the scope of consolidation from the consolidated fiscal year under review.
Of consolidated subsidiaries, A&T Corporation closes its accounts on December 31. Its financial statements as of December 31 are used in the preparation of consolidated financial statements, and adjustments necessary for consolidation purposes are made to material transactions arising between that date and the consolidated fiscal year-end. Of consolidated subsidiaries, Tokuyama Chemicals (Zhejiang) Co., Ltd. and other four companies whose original fiscal year-end is December 31, are consolidated by performing provisional settlement of accounts on March 31, the consolidated fiscal year-end, in compliance with the regular settlement of accounts.
Investments in 10 affiliates (9 in 2019) are accounted for by the equity method. Major equity method affiliate is Hantok Chemicals Co., Ltd.
Of equity method affiliates, with regard to the company of which the last date of its fiscal year is different from the consolidated fiscal year-end, the financial statements of its fiscal year are used in the preparation of consolidated financial statements.
During the consolidated fiscal year under review, the Company acquired the shares of Shirokawa Co., Ltd. and made this

company into a subsidiary. Accordingly, Kasuga Kawauchi Kyodo Ready Mixed Concrete Co., Ltd, an investee of Shirokawa Co., Ltd., is included in the scope of application of the equity method.
Major affiliates that are not accounted for by the equity method are Oita Mining Co., Ltd. and others because they have little impact on the consolidated financial statements in terms of profit/loss (corresponding to equity interest), retained earnings (corresponding to equity interest), etc. when they are excluded from the scope of application of the equity method, nor have any material impact on an aggregate basis.

4. SIGNIFICANT ACCOUNTING POLICIES

(1) Valuation basis and valuation methods for significant assets

(i) Securities

Available-for-sale securities

Securities with fair value

Stated at the fair value based on the quoted market price as of the fiscal year-end (Valuation differences are recognized in net assets; the cost of securities sold is calculated by the moving-average method).

Securities without fair value

Stated at cost by the moving-average method.

(ii) Derivatives

Derivatives are stated at fair value.

(iii) Inventories

Inventories held for sale in the ordinary course of business

Stated at cost mainly by the moving-average method. (The balance sheet value of the inventories is calculated by write-down based on the decreased profitability.)

(2) Depreciation and amortization methods of significant depreciable and amortizable assets

(i) Property, plant and equipment (excluding leased assets)

Buildings and structures acquired on or after April 1, 2016:	Depreciated mainly by the straight-line method.
Other than the above:	Depreciated mainly by the declining-balance method.

The estimated useful lives of major items are as follows:

Buildings and structures: 2 to 75 years

Machinery, equipment and vehicles: 2 to 20 years

(ii) Intangible assets (excluding leased assets)

Amortized mainly by the straight-line method.

Internal use software is amortized by the straight-line method over the internally expected useful life (5 years).

(iii) Leased assets

Leased assets in finance lease transactions that transfer ownership

The Company uses the same depreciation method that is applied to owned fixed assets.

Leased assets in finance lease transactions that do not transfer ownership

Depreciated by the straight-line method based on the assumption that the useful life is equal to the lease term and the residual value is equal to zero.

(3) Significant allowances and provisions

(i) Allowance for doubtful accounts

To cover possible bad debt expenses on notes and accounts receivable – trade, loans receivable and others, the allowance for doubtful accounts is provided at the estimated uncollectable amounts based on the historical default rate for normal receivables, or taking into account collectability on a case-by-case basis for certain receivables such as doubtful receivables with higher possibility of default.

(ii) Provision for bonuses

To prepare for the payment of next bonuses to employees, provision for bonuses is recorded based on the portion of the estimated amount of bonus payments attributable to the consolidated fiscal year under review.

(iii) Provision for repairs

Repair expenses are calculated individually and recorded to prepare for periodic repairs of manufacturing facilities.

(iv) Provision for product warranties

For required expenses incurred during the warranty period with free servicing (warranty expenses for free servicing) for clinical test information systems and laboratory test automation systems, the estimated amount of expenses is recorded based on the historical rate of incurrence (proportion of expenses paid to net sales).

(v) Provision for loss on compensation for damage

The Company records provisions based on reasonably estimated monetary amounts at the end of the consolidated fiscal year under review for loss on compensation for damages caused by customer delivery delays.

(vi) Provision for retirement benefits for directors (and other officers)

At certain consolidated subsidiaries, the amount to be required at the end of the consolidated fiscal year under review in accordance with internal rules is recorded to prepare for payment of directors' retirement benefits.

(vii) Provision for share-based remuneration

The Company records estimated amounts for share benefit obligations at the end of the consolidated fiscal year under review in order to prepare for the Company share benefits provided to directors and other executives based on the Company's share issuance rules.

(viii) Allowance for loss on compensation for building materials

The estimated amount of losses incurred in replacement, renovation, etc. is recorded to prepare for repairs and maintenance of plastic sashes for houses and buildings (fire protection and resistance grade).

(ix) Provision for decommissioning and removal

Decommissioning and removal expenses are calculated individually and recorded to prepare for decommissioning and removal of manufacturing facilities.

(x) Provision for environmental measures

Pursuant to the "Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes," the estimated amount at the end of the consolidated fiscal year under review is recorded to prepare for payments for disposal of PCB waste.

(4) Accounting method of retirement benefits

(i) Methods of attributing estimated retirement benefits to accounting periods

When calculating retirement benefit obligations, the benefit formula basis is used to attribute estimated retirement benefits to the period through the end of the consolidated fiscal year under review.

(ii) Amortization of actuarial differences

Actuarial differences are amortized by using the straight-line method over a period of time within the average remaining service period of employees (14 years) from the subsequent consolidated fiscal year when they are incurred.

(iii) Application of simplified accounting method used by small companies

In calculating retirement benefit liability and retirement benefit expenses, some of the consolidated subsidiaries apply a simplified accounting method in which an assumed amount of benefits to be paid for voluntary base retirement at the consolidated fiscal year-end is deemed as retirement benefit obligations.

(5) Application of the consolidated taxation system

The Company applies the consolidated taxation system.

(6) Application of tax effect accounting associated with the transition from the consolidated taxation system to the group tax sharing system

With regard to the transition to the group tax sharing system established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the items for which the nonconsolidated taxation system was revised in line with the transition to the group tax sharing system, pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, issued on March 31, 2020), the Company and certain domestic consolidated subsidiaries did not apply the provision of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, issued on February 16, 2018), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws before the revision.

(7) Accounting method for deferred assets

All deferred assets are charged to expenses when incurred.

(8) Translation of significant assets or liabilities denominated in foreign currencies into Japanese yen

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rate in effect at the consolidated balance sheet date and the resulting exchange gains or losses are credited or charged to income as incurred.

Assets and liabilities of overseas subsidiaries and the like are translated into yen at the exchange rate in effect at the consolidated balance sheet date, while their revenues and expenses are translated into yen at the average rates of exchange prevailing during the year. The resulting translation adjustments are included in "Foreign currency translation adjustment" and "Non-controlling interests" in net assets.

(9) Method of significant hedge accounting

(i) Method of hedge accounting

For the method of hedge accounting, in general, the deferral hedge accounting is applied. Among hedging instruments, forward exchange contracts that fulfill the requirement for allocation method are subjected to the allocation method. Interest rate swaps that fulfill the requirement for special treatment are subjected to the special treatment.

(ii) Hedging instruments and hedged items

Hedging instruments and hedged items to which hedge accounting has been applied in the fiscal year under review are as follows:

Hedging instruments:	Forward exchange contracts, interest rate swaps
Hedged items:	Forecast transactions in foreign currencies, accounts receivable borrowings denominated in foreign currencies

(iii) Hedging policy

Foreign exchange risk and interest rate risk of hedged items are hedged within a certain range.

(iv) Method of assessing hedge effectiveness

Hedge effectiveness is assessed by comparing cumulative changes in cash flows or market fluctuations of hedged items and cumulative changes in cash flows or market fluctuations of hedging instruments on a quarterly basis and based on changes in the both, etc. For interest rate swaps to which the special treatment is applied, assessment of hedge effectiveness is omitted.

(10) Amortization method and amortization period of goodwill

Goodwill is equally amortized over five years.

(11) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, at-call deposits with banks and short-term investments that have maturities within three months from acquisition, are readily convertible to cash and are subject to an insignificant risk of changes in value.

(12) Other significant matters forming the basis of preparing the consolidated financial statements

Accounting for consumption taxes

Consumption tax and local consumption tax are accounted for using the tax-excluded method. Non-deductible consumption tax and local consumption tax are accounted for as expenses for the consolidated fiscal year under review.

5. CHANGES IN ACCOUNTING POLICY

Not applicable.

6. NEW ACCOUNTING STANDARDS NOT YET APPLIED

- **"Accounting Standard for Revenue Recognition," (ASBJ Corporate Accounting Standard No. 29, March 31, 2020)**
- **"Implementation Guidance on Accounting Standard for Revenue Recognition," (ASBJ Corporate Accounting Standard Implementation Guidance No. 30, March 31, 2020)**

1. Summary

This is a comprehensive accounting standard for revenue recognition. Revenue is recognized applying the following five steps.

1. Identify the contracts with customers.
2. Identify the performance obligations in the contracts.
3. Determine the transaction prices.
4. Allocate the transaction prices to the performance obligations in the contracts.
5. Recognize revenue when or as performance obligations are satisfied.

2. Planned date for implementation

The Company will implement these accounting standards from the beginning of the fiscal year ending March 2022.

3. Impact of implementing said accounting standards

The impact of implementing the "Accounting Standard for Revenue Recognition" to the consolidated financial statements is being evaluated at this time.

- **Accounting Standards for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)**
- **Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)**
- **Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)**
- **Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)**
- **Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020).**

1. Summary

To improve comparability with international accounting standards, Accounting Standards for Fair Value Measurement and Implementation Guidance on Accounting Standard for Fair Value Measurement (hereinafter referred to as Accounting Standards for Fair Value Measurement) were developed and guidance on how to calculate fair value was prescribed. Accounting Standards for Fair Value Measurement is applied to the fair value of the following items.

- Financial instruments in Accounting Standard for Financial Instruments
- Inventories held for trading purposes in Accounting Standard for Measurement of Inventories

Additionally, Implementation Guidance on Disclosures about Fair Value of Financial Instruments was also revised and explanatory notes have been established such as the breakdown of the fair value of financial instruments at each level.

2. **Planned date for implementation**
   The Company will implement this accounting standard from the beginning of the consolidated fiscal year ending March 31, 2022.

3. **Impact of implementing said accounting standard**
   The amount of the impact is being evaluated at the time of preparation of the consolidated financial statements.

- **Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 31, 2020)**

1. **Summary**
   This standard aims to show a summary of the accounting principles and procedures adopted in the event that the establishment of relevant accounting standards is not clear.

2. **Planned date for implementation**
   The Company will implement this accounting standard from the end of the fiscal year ending March 31, 2021.

- **Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)**

1. **Summary**
   This standard aims to disclose information that will help users of the financial statements understand details of the basis for accounting estimates for risk items with a material impact on the financial statements of the following fiscal year among the estimated amounts recorded on the financial statements in the current consolidated fiscal year.

2. **Planned date for implementation**
   The Company will implement this accounting standard from the end of the fiscal year ending March 31, 2021.

7. CHANGES IN PRESENTATION

(Consolidated Statements of Income)
In the consolidated fiscal year under review, “Trial products income,” which was in stated as a separate item in “Non-operating income” in the previous consolidated fiscal year, is now included in “Other” under in “Non-operating income” since “Trial products income” is 10% or less of the total amount of “Non-operating income”. Therefore, items in the consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in the presentation. Consequently, ¥666 million and ¥1,333 million that were presented in “Trial products income” and “Other” under “Non-operating income” in the previous fiscal year have been reclassified to “Other” of ¥2,000 million in “Non-operating income.”

8. CHANGES IN ACCOUNTING ESTIMATES

Not applicable.

9. ADDITIONAL INFORMATION

(Performance-based stock remuneration program)
On September 3, 2018, the Company introduced a performance-based stock remuneration program geared for its directors (excluding directors who are Audit and Supervisory Committee members, non-executive directors, external directors and persons not resident in Japan) and executive officers (excluding persons not resident in Japan).

1. **Transaction summary**
   For this program, the Company adopted a Director Remuneration BIP (Board Incentive Plan) Trust (hereinafter referred to as "the BIP Trust"). As with performance-linked stock (performance share) remuneration and transfer-limited stock (restricted stock) remuneration in the United States and Europe, the BIP Trust is a program that grants the Company's shares and benefits as well as the equivalent amount of convertible bonds of the Company's shares in accordance with business performance and the director's position.

2. **Company's own shares that remains in trust**
   The Company's shares that remains in trust is recorded as treasury shares in the net assets section based on the carrying amount (excluding the amount of incidental expenses) of the trust. The book value and number of shares of treasury shares are ¥320 million and 94 thousand shares.

10. CONSOLIDATED BALANCE SHEETS

(1) Items corresponding to unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen	
	2020	2019
Investment securities	8,222	8,086

(2) Assets pledged as collateral and liabilities for which collateral is pledged
Assets pledged as collateral are as follows:

	Millions of yen	
	2020	2019
Pledged assets		
Buildings and structures	64	69
Machinery, equipment and vehicles	1,684	1,094
Land	562	562
Investment securities	1,124	25
Total	3,436	1,750

Liabilities for which collateral is pledged are as follows:

	Millions of yen	
	2020	2019
Pledged liabilities		
Short-term borrowings	133	135
Current portion of long-term borrowings	47	34
Long-term borrowings	1,754	1,185
Other	18	19
Total	1,954	1,375

(3) Reduction entry

In the consolidated fiscal year under review, reduction entries of ¥87 million for buildings and structures, ¥101 million for machinery, equipment and vehicles and ¥1 million for tools, furniture and fixtures were made due to receipt of subsidies, etc.

In addition, as a result of the retirement of buildings and structures that were subject to the reduction entry, cumulative reduction entries decreased by ¥4 million, as a result of the retirement of machinery, equipment and vehicles that were subject to the reduction entry, cumulative reduction entries decreased by ¥149 million, and as a result of the retirement of tools, furniture and fixtures that were subject to the reduction entry, cumulative reduction entries decreased by ¥1 million.

The cumulative reduction entries due to the receipt of subsidies, etc. in association with fixed assets are as follows:

	Millions of yen	
	2020	2019
Buildings and structures	1,538	1,455
Machinery, equipment and vehicles	2,710	2,759
Tools, furniture and fixtures	163	164
Intangible assets Other	4	4
Total	4,417	4,382

(4) Guarantee obligation

The Company provides guarantee of obligations concerning loans from financial institutions by the employee.

	Millions of yen	
	2020	2019
Employee	104	99
Chuyo Ready-mixed Concrete Cooperative Association	50	—
Kasuga Kawauchi Kyodo Ready Mixed Concrete Co., Ltd.	11	—
Total	166	99

(5) Contingent liabilities pertaining to unsecured bond debt assumption agreements

With regard to the following unsecured bonds, the Company will be delegating the performance of the obligation based on an unsecured bond trust-type debt assumption agreement that has been executed with a bank. Accordingly, although the liabilities pertaining to those unsecured bonds and the amount paid under that same contract offset each other, the obligation to redeem the Company's unsecured bonds to bondholders continue until the time of their redemption.

	Millions of yen	
	2020	2019
20th unsecured bonds without collateral	—	10,000
22nd unsecured bonds without collateral	15,000	15,000
24th unsecured bonds without collateral	9,400	9,400
Total	24,400	34,400

(6) Repurchase obligation due to liquidation of notes receivable

	Millions of yen	
	2020	2019
Repurchase obligation due to liquidation of notes Receivable	1,481	1,867

(7) Notes receivable endorsed

	Millions of yen	
	2020	2019
Notes receivable endorsed	511	822

(8) Trade notes that mature on last day of consolidated fiscal year

Settlement processing for trade notes that mature at the end of the consolidated fiscal year is carried out on their clearing days.

As the last day of the consolidated fiscal year under review fell on a weekend and financial institutions were closed, trade notes maturing at the end of the current consolidated fiscal year are included in the consolidated fiscal year-end balance.

	Millions of yen	
	2020	2019
Notes receivable – trade	—	1,540

11. CONSOLIDATED STATEMENTS OF INCOME

(1) Inventories at the consolidated fiscal year-end represent the amount after the book value was reduced in connection with a decline in the profitability, and the following losses on valuation of inventories (the amount in parentheses represents gains on reversal) are included in cost of sales.

	Millions of yen	
	2020	2019
Loss on valuation of inventories	(176)	269

(2) Major items and amounts of selling expenses are as follows:

	Millions of yen	
	2020	2019
Selling expenses:		
Freight-out expenses	23,491	23,111
Shipping charges	5,973	5,889
Salaries and bonuses	5,026	5,230
Provision for bonuses	451	399
Provision for repairs	146	39
Retirement benefit expenses	96	50
Provision of allowance for doubtful accounts	(12)	(49)

(3) Major items and amounts of general and administrative expenses are as follows:

	Millions of yen	
	2020	2019
General and administrative expenses:		
Technical research expenses	8,013	7,077
Salaries and bonuses	4,629	4,282
Provision for bonuses	408	333
Retirement benefit expenses	79	48
Provision for retirement benefits for directors (and other officers)	49	50

(Note) Technical research expenses for the previous consolidated fiscal year include provision for bonuses of ¥268 million and retirement benefit expenses of ¥23 million.
Technical research expenses for the consolidated fiscal year under review include provision for bonuses of ¥363 million and retirement benefit expenses of ¥30 million.

(4) Total amount of research and development expenses included in general and administrative expenses and production cost

	Millions of yen	
	2020	2019
Research and development expenses	9,193	8,052

(5) The breakdown of gain on sales of non-current assets is as follows:

	Millions of yen	
	2020	2019
Buildings and structures	—	6
Machinery, equipment and vehicles	16	22
Tools, furniture and fixtures	1	3
Land	5	13
Other	—	2
Total	23	47

(6) The breakdown of loss on sales of non-current assets is as follows:

	Millions of yen	
	2020	2019
Buildings and structures	0	0
Machinery, equipment and vehicles	4	8
Tools, furniture and fixtures	0	1
Land	13	0
Total	19	10

(7) Impairment loss

Fiscal year ended March 31, 2020

The Group groups its assets mainly according to the smallest units independently generating cash flows based on business categories. During the consolidated fiscal year ended March 31, 2020, the Group recorded impairment losses. Of note, description of content has been omitted due to the low level of importance.

Fiscal year ended March 31, 2019

The Group groups its assets mainly according to the smallest units independently generating cash flows based on business categories. During the consolidated fiscal year ended March 31, 2019, the Group recorded impairment losses. Of note, description of content has been omitted due to the low level of importance.

12. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(1) Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of yen	
	2020	2019
Valuation difference on available-for-sale securities:		
Gains arising during the year	(2,475)	(3,487)
Reclassification adjustment to profit or loss	4,525	(1)
Amount before income tax effect	2,049	(3,488)
Income tax effect	(127)	569
Total valuation difference on available-for-sale securities	1,921	(2,919)
Deferred gains or losses on hedges:		
Gains arising during the year	36	130
Amount before income tax effect	36	130
Income tax effect	(11)	(39)
Total deferred gains or losses on hedges	25	90
Foreign currency translation adjustment:		
Gains arising during the year	(891)	(304)
Total foreign currency translation adjustment	(891)	(304)
Remeasurements of defined benefit plans, net of tax:		
Gains arising during the year	(553)	(201)
Reclassification adjustment to profit or loss	(383)	(422)
Amount before income tax effect	(937)	(624)
Income tax effect	282	190
Total remeasurements of defined benefit plans, net of tax	(654)	(434)
Share of other comprehensive income of entities accounted for using equity method:		
Gains arising during the year	(100)	(139)
Total share of other comprehensive income of entities accounted for using equity method	(100)	(139)
Total other comprehensive income	300	(3,707)

13. CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal year ended March 31, 2020

(1) Class and total number of shares issued and class and number of treasury shares

	Thousand shares			
[2020]	Beginning of year	Increase during the fiscal year	Decrease during the fiscal year	End of year
Issued shares				
Common shares	69,934	—	—	69,934
Total	69,934	—	—	69,934
Treasury shares				
Common shares (Notes 1, 2, 3)	482	2	6	478
Total	482	2	6	478

(Note 1) The increase in the number of treasury shares of common shares is due to an increase of 2 thousand shares due to purchase of less than a share-trading unit.

(Note 2) The decrease of 6 thousand shares in the number of treasury shares of common shares is a decrease due to the request for additional purchase of 0 thousand shares constituting less than one share unit and the sale of a portion of the Company's shares totaling 6 thousand shares held by Director Remuneration BIP (Board Incentive Plan) Trust.

(Note 3) Included in the aforementioned treasury shares of common shares is 94 thousand shares held by The Master Trust Bank of Japan, Ltd. (executive compensation BIP trust account; 76292 account).

(2) Dividends

(i) Dividend amount paid

Resolution	Class of shares	Dividend (Millions of yen)	Dividend per shares (yen)	Reference date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders (June 21, 2019)	Common shares	1,738	25.00	March 31, 2019	June 24, 2019	Retained earnings
Board of Directors (October 31, 2019)	Common shares	2,434	35.00	September 30, 2019	December 2, 2019	Retained earnings

(Note) Included in the total amount of dividends decided by the Ordinary General Meeting of Shareholders on June 21, 2019 is ¥2 million worth of dividends related to 100 thousand Company shares (treasury shares) held in the executive compensation BIP trust account.
Included in the total amount of dividends decided by the Board of Directors on October 31, 2019 is ¥3 million worth of dividends related to 94 thousand Company shares (treasury shares) held in the executive compensation BIP trust account.

(ii) Dividends whose record date is within the consolidated fiscal year and whose effective date is in the following consolidated fiscal year

Resolution	Class of shares	Dividend (Millions of yen)	Dividend per shares (yen)	Reference date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders (June 24, 2020)	Common shares	2,434	35.00	March 31, 2020	June 25, 2020	Retained earnings

(Note) Included in the total amount of dividends decided by the Ordinary General Meeting of Shareholders on June 24, 2020 is ¥3 million worth of dividends related to 94 thousand Company shares (treasury shares) held in the executive compensation BIP trust account.

Fiscal year ended March 31, 2019

(1) Class and total number of shares issued and class and number of treasury shares

	Thousand shares			
[2019]	Beginning of year	Increase during the fiscal year	Decrease during the fiscal year	End of year
Issued shares				
Common shares	69,934	—	—	69,934
Total	69,934	—	—	69,934
Treasury shares				
Common shares (Notes 1, 2, 3)	378	104	0	482
Total	378	104	0	482

(Note 1) The increase in the number of treasury shares of common shares is due to an increase of 3 thousand shares due to purchase of less than a share-trading unit and due to an increase of 100 thousand shares due to the adoption of a Director Remuneration BIP Trust.
(Note 2) The decrease of 0 thousand shares in the number of treasury shares of common shares is a decrease due to the request for additional purchase of shares constituting less than one share unit.
(Note 3) Included in the aforementioned treasury shares of common shares is 100 thousand shares held by The Master Trust Bank of Japan, Ltd. (executive compensation BIP trust account; 76292 account).

(2) Dividends

(i) Dividend amount paid

Resolution	Class of shares	Dividend (Millions of yen)	Dividend per shares (yen)	Reference date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders (June 22, 2018)	Common shares	1,391	20.00	March 31, 2018	June 25, 2018	Retained earnings
Board of Directors (October 31, 2018)	Common shares	1,738	25.00	September 30, 2018	December 3, 2018	Retained earnings

(Note) Included in the total amount of dividends decided by the Board of Directors on October 31, 2018 is ¥2 million worth of dividends related to 100 thousand Company shares (treasury shares) held in the executive compensation BIP trust account.

(ii) Dividends whose record date is within the consolidated fiscal year and whose effective date is in the following consolidated fiscal year

Resolution	Class of shares	Dividend (Millions of yen)	Dividend per shares (yen)	Reference date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders (June 21, 2019)	Common shares	1,738	25.00	March 31, 2019	June 24, 2019	Retained earnings

(Note) Included in the total amount of dividends decided by the Ordinary General Meeting of Shareholders on June 21, 2019 is ¥2 million worth of dividends related to 100 thousand Company shares (treasury shares) held in the executive compensation BIP trust account.

14. CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Reconciliation between the balance of cash and cash equivalents at end of period and relevant amount on the consolidated balance sheets

	Millions of yen	
	2020	2019
Cash and deposits	81,524	68,613
Time deposit whose deposit period exceeds 3 months	(605)	(621)
Cash and cash equivalents	80,918	67,991

15. LEASE TRANSACTIONS

(Lessee)

(1) Operating Lease transactions

Future lease payments related to noncancelable operating lease transactions

	Millions of yen	
	2020	2019
Due within one year	477	529
Due beyond one year	1,042	972
Total	1,520	1,502

(Lessor)

(1) Operating Lease transactions

Future lease income related to noncancelable operating lease transactions

	Millions of yen	
	2020	2019
Due within one year	123	129
Due beyond one year	945	1,008
Total	1,069	1,137

16. FINANCIAL INSTRUMENTS

(1) Matters Regarding Financial Instruments

(i) Management policy on financial instruments

The Group raises funds as required (mainly through bank loans and the issuance of corporate bonds) in line with its business investment program aimed at implementing a customer-oriented approach toward "strengthening the profitability of its businesses." The Group invests temporary surplus funds in highly secure financial assets and raises short-term operating capital with bank loans and CP (commercial paper). We use derivatives only to hedge risks described below and have a policy of not implementing derivative transactions for speculative purposes.

(ii) Type and risk of financial instruments

Notes and accounts receivable – trade, which are operating receivables, are exposed to credit risks of customers.
In addition, although foreign currency-denominated receivables are exposed to foreign exchange fluctuation risk, the Company takes measures to reduce that risk by managing its foreign currency exposure by letting them be equal to foreign currency-denominated debts and implementing forward exchange contracts on an as needed basis.
Investment securities are mainly shares related to business or capital tie-ups with counterparties, etc., and available-for-sale securities are exposed to the risk of market price fluctuations. In addition, the Group provides long-term loans to counterparties and others.
Notes and accounts payable – trade, which are operating payables, become due within one year.
In addition, although foreign currency-denominated debts are exposed to foreign exchange fluctuation risk, the Company takes measures to reduce that risk by managing its foreign currency exposure by letting them be equal to foreign currency-denominated receivables and implementing forward exchange contracts on an as needed basis.
Borrowings and bonds payable are principally for raising funds necessary for capital investments, and the repayment date comes up to 58 years after the balance sheet date. Floating rate borrowings are exposed to interest rate risk, some of which are hedged using derivative transactions (interest rate swaps).
There are three types of derivative transaction: forward exchange contracts for the purpose of curbing the foreign exchange fluctuation risks associated with foreign currency-denominated receivables and payables and forecast transactions; interest rate swap transactions for the purpose of fixing the interest rate on borrowings or reducing the interest expenses; and currency swap transactions aimed at reducing exchange rate risk in transactions between the Company and its overseas subsidiaries. With regard to hedging instruments and hedged items related to hedge accounting, hedge policies and hedge effectiveness evaluation methods, please refer to "(9) Method of significant hedge accounting" described in "4. SIGNIFICANT ACCOUNTING POLICIES."

(iii) Risk management system for financial instruments

(a) Management of credit risk (risk related to default of counterparties, etc.)

With regard to operating receivables and loans receivable, the Company has a division in charge in each business department monitoring the status of major counterparties regularly and managing maturities and balances for each counterparty in accordance with the credit management rules and others, while making efforts to identify early and mitigate any concerns about collection arising from deterioration in the economic environment, their financial position, etc. Consolidated subsidiaries also conduct similar management as necessary in conformity with the Company's credit management rules and others.
In the use of derivative transactions, the Company conducts transactions only with financial institutions with high credit ratings to mitigate counterparty risk.

(b) Management of market risk (fluctuation risk of foreign exchange, interest rate, etc.)

On an as needed basis, the Company and some of its consolidated subsidiaries use forward exchange contracts with respect to the identified currency fluctuation risks of foreign currency-denominated receivables and debts. Some overseas subsidiaries also use currency swap transactions to reduce their exposure to exchange rate risk in their transactions with the parent company.
In addition, the Company and some of its consolidated subsidiaries use interest rate swaps to reduce the risk of fluctuations in interest payments on borrowings.
The Company periodically assesses the fair value of securities and investment securities as well as financial conditions of issuers (counterparty companies), etc., and continuously reviews the holding status in view of relationships with counterparty companies.
With regard to derivative transactions, the Finance & Investment Management Dept. conducts transactions based on the interest rate risk management policy and foreign exchange risk management policy approved by the Board of Directors, makes entries and collates the balances with contract partners, etc. For consolidated subsidiaries, the Finance & Investment Management Dept. also manages derivative transactions by having them report the content of derivative transactions to the center when they conduct such transactions or by other means.

(c) *Management of liquidity risk associated with financing (risk of inability to make a payment on due date)*

The Company manages liquidity risk through timely preparation and updating of the cash flow management plan by the Finance & Investment Management Dept. based on reports from each division and by maintaining liquidity on hand at a certain level and by other means.

(iv) Supplemental remarks on fair values of financial instruments

Fair values of financial instruments comprise values based on market prices and reasonably determined values where market prices are unavailable. Since variable factors are incorporated in calculation of the fair value, the value may vary depending on different preconditions adopted. In addition, the contract amounts of derivative transactions described in “(2) Fair values of financial instruments” should not be, in themselves, considered indicative of the market risk associated with derivative transactions.

(2) Fair values of financial instruments

The book value of financial instruments, their fair value, and the differences between the two were as follows. The financial instruments whose fair value is extremely difficult to determine are not given in the table below.

As of March 31, 2020

	Millions of yen		
[2020]	Book value	Fair value	Difference
Cash and deposits	81,524	81,524	—
Notes and accounts receivable – trade	72,929	72,929	—
Investment securities			
Available-for-sale securities	9,280	9,280	—
Long-term loans receivable	2,302	2,302	—
Total assets	166,036	166,036	—
Notes and accounts payable – trade	42,795	42,795	—
Short-term borrowings	3,082	3,082	—
Long-term borrowings (Note 1)	110,361	110,918	556
Total liabilities	156,240	156,796	556
Derivative financial instruments (Note 2)			
In which hedge accounting is not applied	(10)	(10)	—
In which hedge accounting is applied	(51)	(54)	(2)
Total derivative financial instruments	(61)	(64)	(2)

(Note 1) The book value and fair value of long-term borrowings include the current portion of long-term borrowings.
(Note 2) Receivables and payables arising from derivative transactions are presented on a net basis, and a value of a net payable after totaling receivables and payables is shown in parentheses.

As of March 31, 2019

[2019]	Book value	Fair value	Difference
	Millions of yen		
Cash and deposits	68,613	68,613	—
Notes and accounts receivable – trade	80,358	80,358	—
Investment securities			
Available-for-sale securities	11,748	11,748	—
Long-term loans receivable	2,444	2,444	—
Total assets	163,164	163,164	—
Notes and accounts payable – trade	47,268	47,268	—
Short-term borrowings	4,361	4,361	—
Long-term borrowings (Note 1)	122,078	122,956	878
Total liabilities	173,709	174,587	878
Derivative financial instruments (Note 2)			
In which hedge accounting is not applied	(8)	(8)	—
In which hedge accounting is applied	(88)	(92)	(4)
Total derivative financial instruments	(96)	(101)	(4)

(Note 1) The book value and fair value of long-term borrowings include the current portion of long-term borrowings.
(Note 2) Receivables and payables arising from derivative transactions are presented on a net basis, and a value of a net payable after totaling receivables and payables is shown in parentheses.

*Note1: Method for calculating the fair value of financial instruments, and matters regarding securities and derivative transactions

Assets

(i) Cash and deposits, (ii) Notes and accounts receivable – trade
Because these assets are mostly settled in a short period, their fair value is nearly equal to their book value. Therefore, their fair value is based on the book value.

(iii) Investment securities
The fair value of available-for-sale securities is based on the price on the relevant exchange.
For matters to be noted on securities for each holding purpose, refer to the note "17. SECURITIES."

(iv) Long-term loans receivable
Because all long-term loans receivable bear floating interest rates and reflect market interest rates in a short period, and credit standing of borrowers has not changed significantly since the loans were executed, their fair value is based on the book value.

Liabilities

(i) Notes and accounts payable – trade, (ii) Short-term borrowings
Because these liabilities are settled in a short period, their fair value is nearly equal to their book value. Therefore, their fair value is based on the book value.

(iii) Long-term borrowings
The fair value of these liabilities is determined as the present value, which is calculated by discounting the total of principal and interest using the interest rate that would be charged for a new similar loan.

Derivatives

Refer to the note "18. DERIVATIVES."

*Note2: Financial instruments whose fair value is extremely difficult to determine

	2020	2019
	Millions of yen	
Unlisted shares	**1,882**	1,882
Shares of associates	**7,142**	7,006
Bonds of associates	**1,080**	1,080
Total	**10,104**	9,969

These financial instruments have no market price, and estimation of their future cash flows is expected to require excessive cost. Therefore, since it is considered extremely difficult to determine the fair value, they are not included in "Investment securities."

*Note3: Redemption schedule for monetary receivables and securities with maturities after the consolidated balance sheet date

As of March 31, 2020

[2020]	Within 1 year	More than 1 year, within 5 years	More than 5 years, within 10 years	More than 10 years
	Millions of yen			
Cash and deposits	81,524	—	—	—
Notes and accounts receivable – trade	72,929	—	—	—
Long-term loans receivable	—	944	847	510
Total	154,453	944	847	510

As of March 31, 2019

[2019]	Millions of yen Within 1 year	More than 1 year, within 5 years	More than 5 years, within 10 years	More than 10 years
Cash and deposits	68,613	—	—	—
Notes and accounts receivable – trade	80,358	—	—	—
Long-term loans receivable	—	695	848	899
Total	148,971	695	848	899

*Note4: Repayment schedule by term for bonds payable, long-term borrowings and other interest-bearing debt after the consolidated balance sheet date

As of March 31, 2020

[2020]	Millions of yen Within 1 year	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years
Short-term borrowings	3,082	—	—	—	—	—
Bonds payable (Note 1)	—	—	—	—	—	—
Long-term borrowings	16,106	9,918	21,966	1,122	536	60,711
Total	19,189	9,918	21,966	1,122	536	60,711

(Note 1) In the cases of the 22nd and 24th series of unsecured bonds, we delegated the performance of the obligation based on an unsecured bond trust-type debt assumption agreement that had been executed with a bank. Accordingly, although the liabilities pertaining to those unsecured bonds and the amount paid under that same contract offset each other, since the obligation to redeem the Company's unsecured bonds to bondholders continues until the time of their redemption, this is noted as a contingent liability on the consolidated balance sheets.

As of March 31, 2019

[2019]	Millions of yen Within 1 year	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years
Short-term borrowings	4,361	—	—	—	—	—
Bonds payable (Note 1)	—	—	—	—	—	—
Long-term loans payable	12,667	15,994	9,770	21,837	1,000	60,807
Total	17,029	15,994	9,770	21,837	1,000	60,807

(Note 1) In the cases of the 20th, 22nd and 24th series of unsecured bonds, we delegated the performance of the obligation based on an unsecured bond trust-type debt assumption agreement that had been executed with a bank. Accordingly, although the liabilities pertaining to those unsecured bonds and the amount paid under that same contract offset each other, since the obligation to redeem the Company's unsecured bonds to bondholders continues until the time of their redemption, this is noted as a contingent liability on the consolidated balance sheets.

17. SECURITIES

(1) Trading securities

Not applicable

(2) Held-to-maturity debt securities

Not applicable

(3) Available-for-sale securities

As of March 31, 2020

[2020]	Millions of yen Book value	Acquisition cost	Unrealized gain
Available-for-sale securities:			
Securities with book values exceeding acquisition costs			
Equity securities	3,944	2,532	1,412
Debt securities	—	—	—
Other	—	—	—
Subtotal	3,944	2,532	1,412
Securities with book values not exceeding acquisition costs			
Equity securities	5,335	5,898	(562)
Debt securities	—	—	—
Other	—	—	—
Subtotal	5,335	5,898	(562)
Total	9,280	8,430	850

As of March 31, 2019

[2019]	Millions of yen		
	Book value	Acquisition cost	Unrealized gain
Available-for-sale securities:			
Securities with book values exceeding acquisition costs			
Equity securities	4,654	2,796	1,858
Debt securities	—	—	—
Other	—	—	—
Subtotal	4,654	2,796	1,858
Securities with book values not exceeding acquisition costs			
Equity securities	7,094	10,155	(3,060)
Debt securities	—	—	—
Other	—	—	—
Subtotal	7,094	10,155	(3,060)
Total	11,748	12,951	(1,202)

(4) Available-for-sale securities sold

As of March 31, 2020

[2020]	Millions of yen		
	Book value	Acquisition cost	Unrealized gain
Available-for-sale securities sold during 2020 :			
Equity securities	14	8	1
Debt securities			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	14	8	1

As of March 31, 2019

[2019]	Millions of yen		
	Book value	Acquisition cost	Unrealized gain
Available-for-sale securities sold during 2019 :			
Equity securities	46	1	—
Debt securities			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	46	1	—

(5) Impairment of marketable securities

During the consolidated fiscal year under review, an impairment of ¥4,531 million was made for securities (equity securities of available-for-sale securities). In making impairments of stocks that decline 30% to 50%, the Company makes a comprehensive assessment for each individual issue by considering the stock price movements over the past two years and quantitatively evaluating credit risk by examining various figures based on the published financial statements.

18 DERIVATIVES

(1) Derivative transactions to which hedge accounting is not applied

(i) Currency-related derivatives

As of March 31, 2020

[2020]	Main hedged items	Millions of yen Notional value	Millions of yen Maturing after one year	Millions of yen Fair value
Not applied Hedge accounting method				
Principle-based accounting				
Currency Swap				
Receiving JPY, Paying TWD	Long-term borrowings	400	220	(10)
Total		400	220	(10)

(Note) Method for calculation of fair value
Fair values are calculated based on the price presented by counterparty financial institutions, etc.

As of March 31, 2019

[2019]	Main hedged items	Millions of yen Notional value	Millions of yen Maturing after one year	Millions of yen Fair value
Not applied Hedge accounting method				
Principle-based accounting				
Currency Swap				
Receiving JPY, Paying TWD	Long-term borrowings	400	400	(8)
Total		400	400	(8)

(Note) Method for calculation of fair value
Fair values are calculated based on the price presented by counterparty financial institutions, etc.

(ii) Interest

Not applicable

(2) Derivative transactions to which hedge accounting is applied

(i) Currency-related derivatives

As of March 31, 2020

Not applicable

As of March 31, 2019

[2019]	Main hedged items	Millions of yen Notional value	Millions of yen Maturing after one year	Millions of yen Fair value
Hedge accounting method				
Principle-based accounting				
Forward exchange contracts				
Call				
Korean Won	Forecast transaction in foreign currencies	42	—	(0)
Total		42	—	(0)

(Note) Method for calculation of fair value
Fair values are calculated based on the price presented by counterparty financial institutions, etc.

(ii) Interest

As of March 31, 2020

[2020]	Main hedged items	Millions of yen Notional value	 Maturing after one year	 Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term borrowings	3,800	2,200	(51)
Subtotal		3,800	2,200	(51)
Special treatment for interest rate swaps				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term borrowings	450	270	(2)
Subtotal		450	270	(2)
Total		4,250	2,470	(54)

(Note) Method for calculation of fair value
Fair values are calculated based on the price presented by counterparty financial institutions, etc.

As of March 31, 2019

[2019]	Main hedged items	Millions of yen Notional value	 Maturing after one year	 Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term borrowings	5,400	3,800	(87)
Subtotal		5,400	3,800	(87)
Special treatment for interest rate swaps				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term borrowings	630	450	(4)
Subtotal		630	450	(4)
Total		6,030	4,250	(92)

(Note) Method for calculation of fair value
Fair values are calculated based on the price presented by counterparty financial institutions, etc.

19. RETIREMENT BENEFITS

(1) Outline of adopted retirement benefit plans

The Company and its consolidated domestic subsidiaries have lump-sum severance benefits plans and defined benefit pension plans as a vested benefits system (DB scheme). They also have defined contribution pension plans as DC scheme. The Company and its consolidated domestic subsidiaries may pay, under certain circumstances, extra retirement allowances when their employees leave the companies. The Company has a retirement benefit trust.

(2) Defined benefit plans

(i) Reconciliation of beginning and ending balances of retirement benefit obligations

	Millions of yen	
	2020	2019
Balance of defined benefit obligations at beginning of year	17,279	16,952
Service cost	946	843
Interest cost	124	125
Occurrence of actuarial gain and loss	(54)	95
Payments of retirement benefits	(905)	(1,292)
Other	(23)	553
Balance of defined benefit obligations at end of year	17,367	17,279

(Note) The consolidated domestic subsidiaries, except for two companies, have adopted the simplified accounting method in calculating retirement benefit obligations.

(ii) Reconciliation of beginning and ending balances of pension assets

	Millions of yen	
	2020	2019
Balance of pension assets at beginning of year	24,926	25,082
Expected return on pension assets	470	473
Occurrence of actuarial gain and loss	(608)	(105)
Corporation's contributions	562	575
Payments of retirement benefits	(692)	(1,098)
Balance of pension assets at end of year	24,659	24,926

(iii) Reconciliation of ending balances of retirement benefit obligations and pension assets to retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

	Millions of yen	
	2020	2019
Funded defined benefit obligations	15,343	15,289
Pension assets	(24,659)	(24,926)
	(9,315)	(9,636)
Unfunded defined benefit obligations	2,023	1,989
Net amount shown on consolidated balance sheets	(7,291)	(7,647)
Retirement benefit liability	2,277	2,149
Retirement benefit asset	(9,569)	(9,796)
Net amount shown on consolidated balance sheets	(7,291)	(7,647)

(iv) Retirement benefit expenses and a breakdown of the retirement benefit expenses

	Millions of yen	
	2020	2019
Service cost (Note)	946	843
Interest cost	124	125
Expected return on pension assets	(470)	(473)
Expensed actuarial gain and loss	(383)	(422)
Retirement benefit expenses regarding to vested benefits system	217	72

(Note) Retirement benefit expenses of the consolidated domestic subsidiaries that have adopted the simplified accounting method are included in "Service cost."

(v) Remeasurements of defined benefit plans

A breakdown of items recorded in adjustment of retirement benefit (before deduction of tax effects) is as follows:

	Millions of yen	
	2020	2019
Actuarial gain and loss	(937)	(624)
Total	(937)	(624)

(vi) Accumulated adjustment of retirement benefits

A breakdown of items recorded in accumulated adjustment of retirement benefit plans (before deduction of tax effects) is as follows:

	Millions of yen	
	2020	2019
Unrecognized actuarial gain and loss	2,850	3,787
Total	2,850	3,787

(vii) Matters relating to pension assets

(a) Principal items of pension assets

The proportion of each principal category to the total of pension assets is as follows:

	2020	2019
Domestic stocks	9%	10%
Foreign stocks	6	7
Domestic bonds	25	28
Foreign bonds	9	13
Insurance product (General account)	17	16
Deposits	12	11
Other	22	15
Total	100%	100%

(Note 1) Total of pension assets as of March 31, 2019 and March 31, 2020 included a retirement benefit trust, established for the Company's pension plans that represented 10% and 10% of the total of pension assets, respectively.

(b) Method for setting the expected long-term rate of return

The expected long-term rate of return on pension assets has been set based on the allocation of the pension assets as well as the current and expected rate of return from each category of the pension assets.

(viii) Matters relating to the basis for calculation used in the actuarial calculation

Main basis for calculation used in the actuarial calculation (principally represented by the rate used)

	2020	2019
Discount rate	0.8%	0.8%
Expected long-term return on pension assets	2.1%	2.1%

(3) Defined contribution plans

The amount which the Company and its consolidated subsidiaries were required to contribute to the defined contribution plans was ¥507 million for the previous consolidated fiscal year and ¥526 million for the consolidated fiscal year under review.

20. STOCK OPTIONS

Not applicable

21. TAX EFFECT ACCOUNTING

(1) Breakdown of deferred tax assets and liabilities by their main occurrence causes

	Millions of yen	
	2020	2019
Deferred tax assets:		
Deficits (Note 2)	51,827	56,371
Excess depreciation and amortization	2,388	2,698
Provision for repairs	2,051	1,447
Investment securities	1,392	16
Amount carried forward tax credit limit excess	1,125	1,186
Provision for bonuses	989	832
Retirement benefit liability	832	785
Inventories	692	532
Other	2,872	2,867
Subtotal	64,173	66,738
Valuation allowance (Deficits) (Note 2)	(35,222)	(37,464)
Valuation allowance (Temporary difference)	(4,514)	(3,075)
Less valuation allowance (Note 1)	(39,736)	(40,540)
Total deferred tax assets	24,436	26,198
Deferred tax liabilities:		
Prepaid benefit cost	(2,729)	(2,795)
Reserve for reduction entry	(1,167)	(1,235)
Retained earnings of subsidiaries and affiliates	(747)	(646)
Other	(833)	(650)
Subtotal	(5,478)	(5,328)
Valuation allowance	0	0
Total deferred tax liabilities	(5,477)	(5,327)
Net deferred tax assets	18,959	20,871

(Note 1) Valuation allowance decreased by ¥804 million. This decline is primarily due to a ¥2,242 million decrease in valuation allowance (deficits) due to a decline in loss carry-forwards and a ¥1,378 million increase in valuation allowance due to the impairment of investment securities.
(Note 2) Amounts of deficits and related differed tax assets by tax loss carry-forwards were as follows.

As of March 31,2020

[2020]	Within 1 year	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years	Total
	Millions of yen						
Deficits (Note 1)	50	340	531	281	587	50,036	51,827
Valuation allowance	(41)	(202)	(530)	(245)	(587)	(33,615)	(35,222)
Deferred tax assets	9	137	1	35	—	16,421	(Note2) 16,605

(Note 1) Deficits are the amount after multiplying the statutory tax rate.
(Note 2) Regarding deficits of ¥51,827 million (amount after multiplying the statutory tax rate), the Company recorded deferred tax assets of ¥16,605 million. Regarding deficits, valuation allowance related to the portion deemed to be recoverable based on future taxable income forecasts is not recognized.

As of March 31,2019

[2019]	Within 1 year	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years	Total
	Millions of yen						
Deficits (Note 3)	548	60	383	567	330	54,481	56,371
Valuation allowance	(417)	(56)	(367)	(546)	(327)	(35,748)	(37,464)
Deferred tax assets	131	4	16	21	2	18,732	18,907

(Note 3) Deficits are the amount after multiplying the statutory tax rate.

(2) Reconciliation of significant difference between the statutory tax rate and the effective tax rate after applying tax effect accounting

	2020	2019
Statutory tax rate	30.5%	30.5%
Increase (decrease) in income taxes resulting from:		
Change in valuation allowance allocated to income tax expenses	(4.4)	(19.3)
Effect of tax credits	(3.7)	(3.4)
Dividend and other items excluded permanently from taxable income	(3.7)	(1.9)
Entertainment expenses and other items excluded permanently from deductible expenses	2.1	0.3
Inter-company eliminations of dividends income	1.5	1.4
Inter-company eliminations of allowance for doubtful accounts	1.4	—
Elimination of tax loss carried forwards	1.1	0.5
Tax rate differential of overseas subsidiaries	(1.0)	0.1
Other	1.1	(0.2)
Effective income tax rate	24.8%	7.9%

22. BUSINESS COMBINATION

Description of content has been omitted due to a lack of importance.

23. ASSET RETIREMENT OBLIGATIONS

(1) Asset retirement obligations included in the consolidated balance sheets

The Group has obligations to restore a site to its original state at the time of leaving or termination of the business and after termination of mining for branches, etc., that use an office under a real estate lease agreement or certain business offices that use a plant or site for sales facilities, as well as mines. Of these obligations, for certain obligations to restore a site to its original state at the time of leaving a rental building under a building lease agreement for which the timing of performance and amount can be reasonably estimated at the present moment based on past records, asset retirement obligations have been recorded. The note on the content of asset retirement obligations is omitted because of immateriality.

(2) Asset retirement obligations not included in the consolidated balance sheets

Because past records other than those stated in (1) above are poor, the period of use of the leased asset related to the obligations is uncertain, and there is no plan for relocation, etc., or mine closure at the present moment, it is difficult to reasonably estimate the timing, scope and probability of execution for the obligations. Therefore, asset retirement obligations corresponding to the obligations have not been recorded.

24. INVESTMENT AND RENTAL PROPERTIES

Information is omitted because of immateriality of the total amount of investment and rental properties.

25. SEGMENT INFORMATION

BUSINESS SEGMENT INFORMATION

(1) Summary of reportable segments

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

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

The Company is, therefore, composed of reportable 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:

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 Resource 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) Changes in reportable segments

In accordance with the change in management categorizations, a certain subsidiary previously included in the Others segment has been included in the Life & Amenity segment from this consolidated fiscal year.
Segment information for the corresponding period of the previous consolidated fiscal year has been prepared in accordance with this change.

(3) Calculation of sales, income (loss), assets and other items by reportable segment

The accounting methods applied to reportable segments are identical to those stated in “4. SIGNIFICANT ACCOUNTING POLICIES.”
Inter-segment sales or transfer are based on market prices.
Reportable segment’s profit (loss) is based on operating profit.

(4) Information on net sales, profit (loss), assets and other items by reportable segment

Fiscal year ended March 31, 2020

Millions of yen

[2020]	Chemicals	Specialty Products	Cement	Life & Amenity	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
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 sales	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 and amortization (Note 4)	2,750	2,926	3,422	2,460	3,679	15,239	882	16,122
Increase in property, plant and equipment and intangible assets (Note 5)	3,106	8,059	4,219	2,602	3,478	21,467	3,182	24,649

(Note 1) The “Others” segment comprises businesses other than those of the reportable segments and includes overseas sales business, a distribution business, a real estate business, etc.
(Note 2) Adjustments are as follows:
(i) The segment profit adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment and the amount of inter-segment eliminations.
(ii) The segment assets adjustment amount includes corporate assets that are not allocated to a specific reportable segment (¥137,395 million).
(Note 3) Segment profit is adjusted for operating profit in the consolidated financial statements.
(Note 4) Depreciation and amortization includes amortization of long-term prepaid expenses.
(Note 5) Increase in property, plant and equipment and intangible assets includes the amount of increase in long-term prepaid expenses.

Fiscal year ended March 31, 2019

Millions of yen

[2019]	Chemicals	Specialty Products	Cement	Life & Amenity	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Sales								
Sales to customers	97,471	47,193	91,491	53,260	35,243	324,661	—	324,661
Inter-segment sales/ transfer	908	12,474	874	2,018	26,127	42,404	(42,404)	—
Total sales	98,380	59,668	92,366	55,279	61,370	367,065	(42,404)	324,661
Segment profit	16,850	9,934	3,204	3,236	4,337	37,564	(2,301)	35,262
Segment assets	53,995	62,916	55,427	59,190	51,408	282,938	96,691	379,630
Other items								
Depreciation and amortization (Note 4)	2,582	2,533	3,359	2,399	3,441	14,315	777	15,093
Increase in property, plant and equipment and intangible assets (Note 5)	3,375	5,404	3,507	2,059	2,750	17,098	1,970	19,069

(Note 1) The “Others” segment comprises businesses other than those of the reportable segments and includes overseas sales business, a distribution business, a real estate business, etc.
(Note 2) Adjustments are as follows:
(i) The segment profit adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment and the amount of inter-segment eliminations.
(ii) The segment assets adjustment amount includes corporate assets that are not allocated to a specific reportable segment (¥123,060 million).
(Note 3) Segment profit is adjusted for operating profit in the consolidated financial statements.
(Note 4) Depreciation and amortization includes amortization of long-term prepaid expenses.
(Note 5) Increase in property, plant and equipment and intangible assets includes the amount of increase in long-term prepaid expenses.

RELATED INFORMATION

Fiscal year ended March 31, 2020

(1) Information by product and service

Information is omitted as identical information is disclosed in segment information.

(2) Information by region

(i) Net sales

	Millions of yen
	2020
Japan	256,493
Asia	47,290
Others	12,312
Total	316,096

(Note) Net sales are categorized into countries or regions based on the location of customers.

(ii) Property, plant and equipment

The listed amount of property, plant and equipment has been omitted because over 90% of property, plant and equipment listed on consolidated balance sheets is located in Japan.

(3) Information by major customer

Information is omitted because no external customer accounts for 10% or more of net sales in the consolidated statements of income.

Fiscal year ended March 31, 2019

(1) Information by product and service

Information is omitted as identical information is disclosed in segment information.

(2) Information by region

(i) Net sales

	Millions of yen
	2019
Japan	263,449
Asia	49,292
Others	11,919
Total	324,661

(Note) Net sales are categorized into countries or regions based on the location of customers.

(ii) Property, plant and equipment

The listed amount of property, plant and equipment has been omitted because over 90% of property, plant and equipment listed on consolidated balance sheets is located in Japan.

(3) Information by major customer

Information is omitted because no external customer accounts for 10% or more of net sales in the consolidated statements of income.

INFORMATION ON IMPAIRMENT LOSS OF NON-CURRENT ASSETS BY REPORTABLE SEGMENT

Fiscal year ended March 31, 2020

	Millions of yen						
[2020]	Chemicals	Specialty Products	Cement	Life & Amenity	Others	Adjustment	Total
Impairment loss	34	—	—	—	—	—	34

Fiscal year ended March 31, 2019

[2019]	Millions of yen Chemicals	Specialty Products	Cement	Life & Amenity	Others	Adjustment	Total
Impairment loss	—	—	—	363	—	—	363

INFORMATION ON AMORTIZATION OF GOODWILL AND UNAMORTIZED BALANCE BY REPORTABLE SEGMENT

Fiscal year ended March 31, 2020

[2020]	Millions of yen Chemicals	Specialty Products	Cement	Life & Amenity	Others	Adjustment	Total
Amortization of goodwill	—	7	197	—	—	—	204
Unamortized balance	—	3	—	—	—	—	3

There is neither amortization of negative goodwill nor unamortized balance arising from business combinations conducted on and before April 1, 2010.

Fiscal year ended March 31, 2019

[2019]	Millions of yen Chemicals	Specialty Products	Cement	Life & Amenity	Others	Adjustment	Total
Amortization of goodwill	—	7	937	—	—	—	944
Unamortized balance	—	10	197	—	—	—	208

There is neither amortization of negative goodwill nor unamortized balance arising from business combinations conducted on and before April 1, 2010.

INFORMATION ON GAIN ON BARGAIN PURCHASE BY REPORTABLE SEGMENT

Fiscal year ended March 31, 2020

In the fiscal year under review, the Company records gain on bargain purchase of ¥157 million under “Cement” segment.

Fiscal year ended March 31, 2019

In the fiscal year under review, the Company records gain on bargain purchase of ¥964 million under “Others” segment.

INFORMATION ON RELATED PARTIES

Fiscal years ended March 31, 2020 and 2019

Not applicable.

26. PER SHARE INFORMATION

	yen	
	2020	2019
Net assets per share	2,431.21	2,199.83
Earnings per share	287.05	493.26
Diluted earnings per share	—	—

(Note 1) The basis for calculation

1. Net assets per share

	Millions of yen	
	2020	2019
Total net assets on Balance Sheets	180,429	163,525
Net assets related to common shares	168,861	152,781
Major breakdown of difference		
Non-controlling interests	11,568	10,743

	Thousand shares	
	2020	2019
Number of shares outstanding of common shares	69,934	69,934
Number of treasury shares of common shares	478	482
Number of common shares used to calculate net assets per share	69,455	69,451

2. Earnings per share

	Millions of yen	
	2020	2019
Profit attributable to owners of parent	19,937	34,279
Amount not attributable to common shareholders	—	—
Profit related to common shares attributable to owners of parent	19,937	34,279

	Thousand shares	
	2020	2019
Average number of common shares during the period	69,455	69,495

(Note 2) Company shares held in the executive compensation BIP (Board Incentive Plan) trust are included in treasury shares deducted from the total number of shares issued at the end of the consolidated fiscal year in calculating “net assets per share.” The number of Company shares held in the executive compensation BIP (Board Incentive Plan) trust at the end of the consolidated fiscal year under review was 94 thousand shares. (The number of Company shares at the end of the previous fiscal year was 100 thousand shares)
Company shares held in the executive compensation BIP trust are included in treasury shares deducted when calculating the average number of common shares for the consolidated fiscal year. Of note, the average number of Company shares for the consolidated fiscal year under review held in the executive compensation BIP trust is 96 thousand shares (the average number of Company shares for the previous consolidated fiscal year was 58 thousand shares.)
(Note 3) Diluted earnings per share is not listed due to the absence of diluted shares.

27. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

28. ANNEXED CONSOLIDATED DETAILED SCHEDULES

(1) Schedule of bonds payable

Company	Issue	Date of Issuance	Interest rate	collateral	the term of redemption	2020 (Millions of yen)	2019 (Millions of yen)
Tokuyama	20th unsecured bonds without collateral	March 10, 2010	1.760%	No	March 10, 2020	—	10,000
					The amounts to be redeemed within 1 year	—	10,000
Tokuyama	22nd unsecured bonds without collateral	September 9, 2010	1.478%	No	September 9, 2020	15,000	15,000
					The amounts to be redeemed within 1 year	15,000	—
Tokuyama	24th unsecured bonds without collateral	September 8, 2011	1.371%	No	September 8, 2021	9,400	9,400
					The amounts to be redeemed within 1 year	—	—
Total						24,400	34,400
The amounts to be redeemed within 1 year						15,000	10,000

(Note 1) In the cases of the 20th, 22nd and 24th series of unsecured bonds, we delegated the performance of the obligation based on an unsecured bond trust-type debt assumption agreement that had been executed with a bank. Accordingly, although the liabilities pertaining to those unsecured bonds and the amount paid under that same contract offset each other, since the obligation to redeem the Company's unsecured bonds to bondholders continued until the time of their redemption, this is noted as a contingent liability on the consolidated balance sheets.
(Note 2) Amounts of redemption within five years after the consolidated balance sheet date are as follows:

	Millions of yen
Year ending March 31	
2021	15,000
2022	9,400
2023	—
2024	—
2025	—

(2) Schedule of borrowings

	2020 (Millions of yen)	2019 (Millions of yen)
Short-term borrowings (0.51%)	3,082	4,361
Current portion of long-term borrowings (0.91%)	16,106	12,667
Current portion of lease obligations	870	758
Long-term borrowings due in 2021-2078 (1.36%)	94,255	109,411
Lease obligations due in 2021-2028	2,028	1,767
Total	116,344	128,966

(Note 1) "Average interest rate" shows the weighted average interest rate on the ending balance of borrowings, etc.
(Note 2) The average interest rate on lease obligations is not presented because lease obligations are recorded at the amount before deduction of the amount equivalent to interest included in total lease payments, in the consolidated balance sheets.
(Note 3) The amounts of long-term borrowings, and lease obligations (excluding current portion of them) to be repaid within five years after the consolidated balance sheet date are as follows:

Long-term borrowings	Millions of yen
Year ending March 31	
2022	9,918
2023	21,966
2024	1,122
2025	536

Lease obligations	Millions of yen
Year ending March 31	
2022	763
2023	591
2024	347
2025	200

(3) Schedule of asset retirement obligations

Information is omitted since the amounts of asset retirement obligations at the beginning and end of the consolidated fiscal year under review are 1% or less of the total of liabilities and net assets at the beginning and end of the consolidated fiscal year under review.

(4) Others

Quarterly information for the consolidated fiscal year ended March 31, 2020

Accumulated period	1Q	2Q	3Q	Current consolidated fiscal year
Net sales (Millions of yen)	76,465	152,749	236,543	316,096
Profit before income taxes (Millions of yen)	6,158	13,410	23,390	27,917
Profit attributable to owners of parent (Millions of yen)	4,859	10,400	18,011	19,937
Earnings per share (yen)	69.97	149.75	259.32	287.05

Accumulated period	1Q	2Q	3Q	Current consolidated fiscal year
Earnings per share (yen)	69.97	79.67	109.57	27.73

(Note) The Company records shares held in the executive compensation BIP (Board Incentive Plan) trust as treasury shares. In addition, said shares are included in treasury shares deducted when calculating the average number of shares for the fiscal year based on calculations of earnings per share.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of Tokuyama Corporation

Opinion

We have audited the accompanying consolidated financial statements of Tokuyama Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets, and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

Audit & Supervisory Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation, as well as if the presentation and disclosures of financial statements, including related notes is prepared in accordance with generally accepted accounting standards in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Interest required to be disclosed by the Certified Public Accountants Act of Japan

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

Tomohiro Ohki

Tomohiro Ohki
Designated Engagement Partner
Certified Public Accountant
Grant Thornton Taiyo LLC
Osaka, Japan
September 11, 2020

Hideyasu Kodama

Hideyasu Kodama
Designated Engagement Partner
Certified Public Accountant