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# Annual Securities Report (Financial Section)

The 157th Fiscal Term (April 1, 2020 to March 31, 2021)

Tokuyama Corporation

1. Consolidated financial statements etc.

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

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

(Millions of yen)

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

## (ii) Consolidated statements of income and consolidated statements of comprehensive income

## Consolidated statements of income

(Millions of yen)

|   | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|---|-------------------------------------|-------------------------------------|
| Net sales   | 316,096                             | 302,407                             |
| Cost of sales   | *1, *4 217,446                      | *1, *4 207,254                      |
| Gross profit  | 98,650                              | 95,152                              |
| Selling, general and administrative expenses                  |                                     |                                     |
| Selling expenses  | *2 42,265                           | *2 40,510                           |
| General and administrative expenses                           | *3, *4 22,104                       | *3, *4 23,719                       |
| Total selling, general and administrative expenses            | 64,369                              | 64,230                              |
| Operating profit  | 34,281                              | 30,921                              |
| Non-operating income  |                                     |                                     |
| Interest income   | 145                                 | 94                                  |
| Dividend income   | 352                                 | 395                                 |
| Share of profit of entities accounted for using equity method | 756                                 | 949                                 |
| Outsourcing service income                                    | 650                                 | 651                                 |
| Rental income from non-current assets                         | 531                                 | 587                                 |
| Equipment sale income   | —                                   | 575                                 |
| Other   | 1,669                               | 1,917                               |
| Total non-operating income                                    | 4,105                               | 5,172                               |
| Non-operating expenses  |                                     |                                     |
| Interest expenses   | 1,689                               | 1,524                               |
| Provision for decommissioning and removals                    | 985                                 | 750                                 |
| Fiduciary obligation expenses                                 | 676                                 | 584                                 |
| Equipment cost of sales                                       | —                                   | 562                                 |
| Other   | 2,198                               | 1,875                               |
| Total non-operating expenses                                  | 5,549                               | 5,297                               |
| Ordinary profit   | 32,837                              | 30,796                              |
| Extraordinary income  |                                     |                                     |
| Gain on sale of non-current assets                            | *5 23                               | *5 98                               |
| Gain on bargain purchase                                      | 157                                 | —                                   |
| Gain on sale of investment securities                         | 8                                   | 77                                  |
| Gain on sale of shares of subsidiaries and associates         | —                                   | 746                                 |
| Subsidy income  | 144                                 | 155                                 |
| Gain on insurance claims                                      | 470                                 | 203                                 |
| Gain on sales of patent right and other                       | —                                   | 1,478                               |
| Gain on liquidation of subsidiaries and associates            | —                                   | 197                                 |
| Gain on step acquisitions                                     | 56                                  | 125                                 |
| Other   | —                                   | 96                                  |
| Total extraordinary income                                    | 861                                 | 3,180                               |
| Extraordinary losses  |                                     |                                     |
| Loss on sale of non-current assets                            | *6 19                               | *6 2                                |
| Impairment losses   | *7 34                               | *7 825                              |
| Loss on disaster  | 82                                  | 243                                 |
| Loss on tax purpose reduction entry of non-current assets     | 191                                 | 3                                   |
| Loss on disposal of non-current assets                        | 685                                 | 830                                 |
| Loss on sale of investment securities                         | 1                                   | —                                   |
| Provision for decommissioning and removals                    | —                                   | 817                                 |
| Loss on valuation of investment securities                    | 4,531                               | —                                   |
| Other   | 234                                 | 293                                 |
| Total extraordinary loss                                      | 5,781                               | 3,017                               |
| Profit before income taxes                                    | 27,917                              | 30,959                              |
| Income taxes - current  | 4,898                               | 4,336                               |
| Income taxes - deferred                                       | 2,026                               | 1,302                               |
| Total income taxes  | 6,924                               | 5,639                               |
| Profit  | 20,992                              | 25,320                              |
| Profit attributable to non-controlling interests              | 1,055                               | 785                                 |
| Profit attributable to owners of parent                       | 19,937                              | 24,534                              |

## Consolidated statements of comprehensive income

(Millions of yen)

|  | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|--|-------------------------------------|-------------------------------------|
| Profit   | 20,992                              | 25,320                              |
| Other comprehensive income   |                                     |                                     |
| Valuation difference on available-for-sale securities                                | 1,921                               | 2,968                               |
| Deferred gains or losses on hedges   | 25                                  | 16                                  |
| Foreign currency translation adjustment  | (891)                               | 1,480                               |
| Remeasurements of defined benefit plans, net of tax                                  | (654)                               | 694                                 |
| Share of other comprehensive income of entities<br>accounted for using equity method | (100)                               | 43                                  |
| Total other comprehensive income   | *1 300                              | *1 5,203                            |
| Comprehensive income   | 21,293                              | 30,524                              |
| Comprehensive income attributable to   |                                     |                                     |
| Comprehensive income attributable to owners of<br>parent                             | 20,237                              | 29,670                              |
| Comprehensive income attributable to non-controlling<br>interests                    | 1,055                               | 853                                 |

## (iii) Consolidated statements of changes in equity

Fiscal year ended March 31, 2020

(Millions of yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Share capital        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance as of April 1, 2019                          | 10,000               | 20,018          | 121,901           | (1,823)         | 150,095                    |
| Changes during period                                |                      |                 |                   |                 |                            |
| Profit attributable to owners of parent              |                      |                 | 19,937            |                 | 19,937                     |
| Dividends of surplus                                 |                      |                 | (4,173)           |                 | (4,173)                    |
| Purchase of treasury shares                          |                      |                 |                   | (5)             | (5)                        |
| Disposal of treasury shares                          |                      | (0)             |                   | 20              | 20                         |
| Net changes in items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes during period                          | —                    | (0)             | 15,764            | 14              | 15,779                     |
| Balance as of March 31, 2020                         | 10,000               | 20,018          | 137,665           | (1,809)         | 165,874                    |

|  | Accumulated other comprehensive income                |                                    |   |   |  | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance as of April 1, 2019                          | (1,566)   | (61)                               | 1,672                                   | 2,640                                   | 2,685  | 10,743                    | 163,525          |
| Changes during period                                |   |                                    |   |   |  |                           |                  |
| Profit attributable to owners of parent              |   |                                    |   |   |  |                           | 19,937           |
| Dividends of surplus                                 |   |                                    |   |   |  |                           | (4,173)          |
| Purchase of treasury shares                          |   |                                    |   |   |  |                           | (5)              |
| Disposal of treasury shares                          |   |                                    |   |   |  |                           | 20               |
| Net changes in items other than shareholders' equity | 1,898   | 25                                 | (969)                                   | (654)                                   | 300  | 825                       | 1,125            |
| Total changes during period                          | 1,898   | 25                                 | (969)                                   | (654)                                   | 300  | 825                       | 16,904           |
| Balance as of March 31, 2020                         | 332   | (35)                               | 703                                     | 1,986                                   | 2,986  | 11,568                    | 180,429          |

Fiscal year ended March 31, 2021

(Millions of yen)

|   | Shareholders' equity |                 |                   |                 |                            |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
|   | Share capital        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance as of April 1, 2020   | 10,000               | 20,018          | 137,665           | (1,809)         | 165,874                    |
| Changes during period   |                      |                 |                   |                 |                            |
| Profit attributable to owners of parent   |                      |                 | 24,534            |                 | 24,534                     |
| Dividends of surplus  |                      |                 | (4,868)           |                 | (4,868)                    |
| Purchase of treasury shares   |                      |                 |                   | (42)            | (42)                       |
| Disposal of treasury shares   |                      | (0)             |                   | 7               | 7                          |
| Change due to share exchanges   |                      | 4,399           |                   | 1,494           | 5,894                      |
| Change in ownership interest of parent due to transactions with non-controlling interests |                      | (961)           |                   |                 | (961)                      |
| Net changes in items other than shareholders' equity                                      |                      |                 |                   |                 |                            |
| Total changes during period   | —                    | 3,437           | 19,666            | 1,460           | 24,563                     |
| Balance as of March 31, 2021  | 10,000               | 23,455          | 157,332           | (349)           | 190,438                    |

|   | Accumulated other comprehensive income                |                                    |   |   |  | Non-controlling interests | Total net assets |
|---|---|------------------------------------|---|---|--|---------------------------|------------------|
|   | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance as of April 1, 2020   | 332   | (35)                               | 703                                     | 1,986                                   | 2,986  | 11,568                    | 180,429          |
| Changes during period   |   |                                    |   |   |  |                           |                  |
| Profit attributable to owners of parent   |   |                                    |   |   |  |                           | 24,534           |
| Dividends of surplus  |   |                                    |   |   |  |                           | (4,868)          |
| Purchase of treasury shares   |   |                                    |   |   |  |                           | (42)             |
| Disposal of treasury shares   |   |                                    |   |   |  |                           | 7                |
| Change due to share exchanges   |   |                                    |   |   |  |                           | 5,894            |
| Change in ownership interest of parent due to transactions with non-controlling interests |   |                                    |   |   |  |                           | (961)            |
| Net changes in items other than shareholders' equity                                      | 2,942   | 16                                 | 1,461                                   | 715                                     | 5,136  | (4,868)                   | 267              |
| Total changes during period   | 2,942   | 16                                 | 1,461                                   | 715                                     | 5,136  | (4,868)                   | 24,831           |
| Balance as of March 31, 2021  | 3,274   | (19)                               | 2,165                                   | 2,702                                   | 8,122  | 6,700                     | 205,261          |

## (iv) Consolidated statements of cash flows

(Millions of yen)

|  | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities                                 |                                     |                                     |
| Profit before income taxes   | 27,917                              | 30,959                              |
| Depreciation   | 16,122                              | 17,003                              |
| Increase (decrease) in provisions                                    | 2,118                               | 1,795                               |
| Increase (decrease) in retirement benefit liability                  | 129                                 | (129)                               |
| Decrease (increase) in retirement benefit asset                      | (709)                               | (69)                                |
| Interest and dividend income   | (497)                               | (490)                               |
| Foreign exchange losses (gains)                                      | 321                                 | 10                                  |
| Loss (gain) on sale of property, plant and equipment                 | (4)                                 | (96)                                |
| Loss (gain) on sale of investment securities                         | (6)                                 | (77)                                |
| Loss (gain) on sale of shares of subsidiaries and associates         | —                                   | (746)                               |
| Share of loss (profit) of entities accounted for using equity method | (756)                               | (949)                               |
| Gain on bargain purchase   | (157)                               | —                                   |
| Subsidy income   | (144)                               | (155)                               |
| Interest expenses  | 1,689                               | 1,524                               |
| Loss on tax purpose reduction entry of non-current assets            | 191                                 | 3                                   |
| Impairment losses  | 34                                  | 825                                 |
| Loss (gain) on disposal of non-current assets                        | 685                                 | 830                                 |
| Gain on insurance claims   | (470)                               | (203)                               |
| Gain on sales of patent right and other                              | —                                   | (1,478)                             |
| Gain on liquidation of subsidiaries and associates                   | —                                   | (197)                               |
| Loss (gain) on step acquisitions                                     | (56)                                | (125)                               |
| Loss (gain) on valuation of investment securities                    | 4,531                               | —                                   |
| Decrease (increase) in trade receivables                             | 7,343                               | (2,124)                             |
| Decrease (increase) in inventories                                   | (1,268)                             | 2,283                               |
| Decrease (increase) in other current assets                          | (323)                               | (914)                               |
| Increase (decrease) in trade payables                                | (4,385)                             | (533)                               |
| Increase (decrease) in other current liabilities                     | 752                                 | 1,190                               |
| Other, net   | (74)                                | 319                                 |
| Subtotal   | 52,981                              | 48,454                              |
| Interest and dividends received                                      | 1,041                               | 915                                 |
| Interest paid  | (1,709)                             | (1,530)                             |
| Proceeds from insurance income                                       | 470                                 | 257                                 |
| Compensation for damage received                                     | 5,865                               | —                                   |
| Compensation for damage paid   | (832)                               | (31)                                |
| Income taxes refund (paid)   | (5,451)                             | (4,750)                             |
| Net cash provided by (used in) operating activities                  | 52,364                              | 43,314                              |



(Millions of yen)

|   | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|---|-------------------------------------|-------------------------------------|
| <b>Cash flows from investing activities</b>   |                                     |                                     |
| Payments into time deposits   | (52)                                | (106)                               |
| Proceeds from withdrawal of time deposits   | 174                                 | 240                                 |
| Purchase of property, plant and equipment   | (19,706)                            | (23,800)                            |
| Proceeds from sales of property, plant and equipment  | 68                                  | 1,108                               |
| Purchase of investment securities   | (24)                                | (251)                               |
| Proceeds from sales of investment securities  | 21                                  | 133                                 |
| Proceeds from purchase of shares of subsidiaries<br>resulting in change in scope of consolidation | 137                                 | —                                   |
| Purchase of shares of subsidiaries resulting in change<br>in scope of consolidation               | (110)                               | —                                   |
| Proceeds from sales of shares of subsidiaries resulting<br>in change in scope of consolidation    | —                                   | 3,356                               |
| Long-term loan advances   | (5)                                 | (29)                                |
| Collection of long-term loans receivable  | 181                                 | 180                                 |
| Subsidies received  | 144                                 | 155                                 |
| Gain on sales of patent right and other   | —                                   | 1,489                               |
| Other, net  | (1,376)                             | (1,752)                             |
| Net cash provided by (used in) investing activities   | (20,548)                            | (19,276)                            |
| <b>Cash flows from financing activities</b>   |                                     |                                     |
| Increase (decrease) in short-term borrowings  | (1,403)                             | (1,490)                             |
| Proceeds from long-term borrowings  | 1,092                               | 187                                 |
| Repayments of long-term borrowings  | (12,739)                            | (15,857)                            |
| Proceeds from issuance of shares  | —                                   | 1,303                               |
| Dividends paid  | (4,164)                             | (4,861)                             |
| Dividends paid to non-controlling interests   | (276)                               | (239)                               |
| Decrease (increase) in treasury shares  | (0)                                 | (40)                                |
| Other, net  | (856)                               | (1,531)                             |
| Net cash provided by (used in) financing activities   | (18,348)                            | (22,530)                            |
| Effect of exchange rate change on cash and cash<br>equivalents                                    | (540)                               | 623                                 |
| Net increase (decrease) in cash and cash equivalents  | 12,926                              | 2,131                               |
| Cash and cash equivalents at beginning of period  | 67,991                              | 80,918                              |
| Cash and cash equivalents at end of period  | *1 80,918                           | *1 83,050                           |

## Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements)

### 1. Scope of consolidation

(1) The number of consolidated subsidiaries: 52

Formosa Tokuyama Advanced Chemicals Co., Ltd., which the Company newly established, has been included in the scope of consolidation from the consolidated fiscal year under review.

Tianjin Tokuyama Plastics Co., Ltd., which had been a consolidated subsidiary until the previous consolidated fiscal year, was liquidated, and has been excluded from the scope of consolidation from the consolidated fiscal year under review.

Tokuyama Logistics Co., Ltd., which had been a consolidated subsidiary until the previous consolidated fiscal year, was absorbed in an absorption-type merger in which the Company's consolidated subsidiary TOKUYAMA KAIRIKU UNSO K.K. was the surviving entity, and has been excluded from the scope of consolidation from the consolidated fiscal year under review.

Sun • Tox Co., Ltd., which had been a consolidated subsidiary until the previous consolidated fiscal year, has been excluded from the scope of consolidation from the consolidated fiscal year under review because the Company sold part of its stake in Sun • Tox.

### 2. Application of equity method

(1) The number of associates accounted for using the equity method: 11

Sun • Tox Co., Ltd., which had been a consolidated subsidiary until the previous consolidated fiscal year, has been excluded from the scope of consolidation from the consolidated fiscal year under review and included in the scope of application of the equity method.

(2) 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.

(3) 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.

### 3. Business year, etc. of consolidated subsidiaries

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.

#### 4. Significant accounting policies

##### (1) Valuation basis and valuation methods for significant assets

###### (i) Securities

###### i) Bonds held to maturity

Stated at cost by the amortized cost method.

###### ii) 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 trade receivables, 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 share awards

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.

(iv) Provision for repairs

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

(v) Provision for decommissioning and removal

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

(vi) Provision for product warranties

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

(vii) 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.

(viii) Provision for environmental measures

The Company records provisions based on estimated amounts at the end of the consolidated fiscal year under review to prepare for payments for environmental measures.

(ix) Provision for loss on disaster

The Company records provisions based on reasonably estimated monetary amounts at the end of the consolidated fiscal year under review to prepare for payments for restoration, etc. of assets damaged in disasters.

(x) 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.

(xi) 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).

(4) Accounting method of retirement benefits

(i) Method 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 and payable, and 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 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.

(Significant Accounting Estimates)

1. Recoverability of deferred tax assets

(1) Deferred tax assets recorded in the consolidated financial statements for the fiscal year under review

Deferred tax assets: 16,407 million yen

(2) Information on significant accounting estimates for identified items

The recoverability of deferred tax assets is determined by assessing if deductible temporary differences and tax loss carryforwards have an effect of reducing the amounts of future tax payments. In the assessment, the Company considers if sufficient taxable profit before adjustments of temporary differences will be available based on the Company's profitability, if sufficient taxable profit before adjustments of temporary differences will be available based on the Company's tax planning or if sufficient taxable temporary differences will be available in the future.

In assessing the availability of sufficient taxable profit before adjustments of temporary differences based on the Company's profitability, the Company estimates taxable profit for the fiscal year in which temporary differences are expected to reverse, as well as for carryback and carryforward periods. Taxable profit before adjustments of temporary differences is estimated based on the Company's future business plan, which includes material assumptions such as: revenue projections based on estimated demand for the Company's products and planned new product launches in the Company's growth businesses in the areas of electronics, health and the environment; market trends for coal, the Company's major raw material and fuel; and capital investment in the Company's growth businesses.

If it becomes necessary to revise these estimates and assumptions due to changes in the actual timings of events and realized values from estimates as a result of changes in the status of the Company's business and unforeseeable economic conditions, such as issuance of government policy measures for decarbonization, fluctuations in the price of coal, the Company's major raw material and fuel, etc., it can have a material effect on the amounts of deferred tax assets and deferred income taxes recognized in the Company's consolidated financial statements for subsequent fiscal years. In addition, if the effective tax rate is changed due to tax reforms, it can have a material effect on the amounts of deferred tax assets and deferred income taxes recognized in the Company's consolidated financial statements for subsequent fiscal years.

(Changes in Accounting Policy)

Not applicable.

(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 26, 2021)

(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 Standard 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 Standard 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 of implementing Accounting Standards for Fair Value Measurement, etc. is being evaluated at the time of preparation of the consolidated financial statements.

(Changes in Presentation)

(Application of the Accounting Standard for Disclosure of Accounting Estimates)

The Company has applied the Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) from its consolidated financial statements pertaining to the end of the consolidated fiscal year under review, providing notes on significant accounting estimates in the consolidated financial statements.

The notes, however, do not describe accounting estimates for the previous consolidated fiscal year, pursuant to transitional procedures stipulated in the proviso of Item 11 of the accounting standard.

(Changes in Accounting Estimates)

Not applicable.

(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 for the previous consolidated fiscal year and ¥312 million and 92 thousand shares for the consolidated fiscal year under review.



(Consolidated Balance Sheets)

\*1 Items corresponding to unconsolidated subsidiaries and affiliates are as follows:

|                                      | As of March 31, 2020 | As of March 31, 2021 |
|--------------------------------------|----------------------|----------------------|
| Investment securities                | 8,222 million yen    | 11,837 million yen   |
| Investments and other assets - other | —                    | 553                  |

\*2 Assets pledged as collateral and liabilities for which collateral is pledged

Assets pledged as collateral are as follows:

|                                   | As of March 31, 2020 | As of March 31, 2021 |
|-----------------------------------|----------------------|----------------------|
| Buildings and structures          | 64 million yen       | 60 million yen       |
| Machinery, equipment and vehicles | 1,684                | 1,372                |
| Land                              | 562                  | 188                  |
| Investment securities             | 1,124                | 1,128                |
| Total                             | 3,436                | 2,749                |

Liabilities for which collateral is pledged are as follows:

|   | As of March 31, 2020 | As of March 31, 2021 |
|---|----------------------|----------------------|
| Short-term borrowings                   | 133 million yen      | 161 million yen      |
| Current portion of long-term borrowings | 47                   | 257                  |
| Long-term borrowings                    | 1,754                | 1,288                |
| Other                                   | 18                   | 16                   |
| Total                                   | 1,954                | 1,723                |

\*3 Reduction entry

In the consolidated fiscal year under review, reduction entries of ¥1 million for buildings and structures and ¥2 million for tools, furniture and fixtures were made due to receipt of subsidies, etc.

In addition, as a result of the retirement of machinery, equipment and vehicles that were subject to reduction entry, cumulative reduction entries decreased by ¥96 million, and as a result of the retirement of tools, furniture and fixtures that were subject to reduction entry, cumulative reduction entries decreased by ¥31 million.

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

|                                   | As of March 31, 2020 | As of March 31, 2021 |
|-----------------------------------|----------------------|----------------------|
| Buildings and structures          | 1,538 million yen    | 1,540 million yen    |
| Machinery, equipment and vehicles | 2,710                | 2,614                |
| Tools, furniture and fixtures     | 163                  | 133                  |
| Intangible assets - other         | 4                    | 4                    |
| Total                             | 4,417                | 4,292                |

4 Guarantee obligation

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

Loan guarantees

| As of March 31, 2020                                 |                 | As of March 31, 2021                                 |                 |
|--|-----------------|--|-----------------|
| Employees  | 104 million yen | Employees  | 103 million yen |
| Chuyo Ready-mixed Concrete Cooperative Association   | 50              | Chuyo Ready-mixed Concrete Cooperative Association   | 35              |
| Kasuga Kawauchi Kyodo Ready Mixed Concrete Co., Ltd. | 11              | Kasuga Kawauchi Kyodo Ready Mixed Concrete Co., Ltd. | 18              |
| Total  | 166             | Total  | 157             |

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.

|   | As of March 31, 2020 | As of March 31, 2021 |
|---|----------------------|----------------------|
| 22nd unsecured bonds without collateral | 15,000 million yen   | — million yen        |
| 24th unsecured bonds without collateral | 9,400                | 9,400                |
| Total                                   | 24,400               | 9,400                |

6 Repurchase obligation due to liquidation of notes receivable

|  | As of March 31, 2020 | As of March 31, 2021 |
|--|----------------------|----------------------|
| Repurchase obligation due to liquidation of notes receivable | 1,481 million yen    | 1,323 million yen    |

7 Notes receivable endorsed

|                           | As of March 31, 2020 | As of March 31, 2021 |
|---------------------------|----------------------|----------------------|
| Notes receivable endorsed | 511 million yen      | 453 million yen      |

(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.

| Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|----------------------------------|----------------------------------|
| (176) million yen                | (100) million yen                |

- \*2 Major items and amounts of selling expenses are as follows:

|  | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|--|----------------------------------|----------------------------------|
| Freight-out expenses                         | 23,491 million yen               | 22,763 million yen               |
| Shipping charges                             | 5,973                            | 5,919                            |
| Payroll and allowances                       | 5,026                            | 5,152                            |
| Provision for bonuses                        | 451                              | 428                              |
| Retirement benefit expenses                  | 96                               | 169                              |
| Provision for repairs                        | 146                              | 50                               |
| Provision of allowance for doubtful accounts | (12)                             | 0                                |

- \*3 Major items and amounts of general and administrative expenses are as follows:

|  | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|--|----------------------------------|----------------------------------|
| Technical research expenses  | 8,013 million yen                | 9,549 million yen                |
| Payroll and allowances   | 4,629                            | 4,592                            |
| Provision for bonuses  | 408                              | 438                              |
| Retirement benefit expenses  | 79                               | 176                              |
| Provision for retirement benefits for directors (and other officers) | 49                               | 56                               |

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

Technical research expenses for the consolidated fiscal year under review include provision for bonuses of ¥417 million and retirement benefit expenses of ¥144 million.

- \*4 Total amount of research and development expenses included in general and administrative expenses and production cost

| Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|----------------------------------|----------------------------------|
| 9,193 million yen                | 10,853 million yen               |

\*5 The breakdown of gain on sale of non-current assets is as follows:

|                                   | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|-----------------------------------|----------------------------------|----------------------------------|
| Buildings and structures          | — million yen                    | 9 million yen                    |
| Machinery, equipment and vehicles | 16                               | 63                               |
| Tools, furniture and fixtures     | 1                                | 1                                |
| Land                              | 5                                | 24                               |
| Total                             | 23                               | 98                               |

\*6 The breakdown of loss on sale of non-current assets is as follows:

|                                   | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|-----------------------------------|----------------------------------|----------------------------------|
| Buildings and structures          | 0 million yen                    | 0 million yen                    |
| Machinery, equipment and vehicles | 4                                | 0                                |
| Tools, furniture and fixtures     | 0                                | 0                                |
| Land                              | 13                               | 1                                |
| Total                             | 19                               | 2                                |

\*7 Impairment losses

*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. Based on this grouping, impairment losses were recorded for the consolidated fiscal year ended March 31, 2020. The description of content has been omitted due to the low level of importance.

*Fiscal year ended March 31, 2021*

The Group groups its assets mainly according to the smallest units independently generating cash flows based on business categories. Based on this grouping, impairment losses were recorded for the consolidated fiscal year ended March 31, 2021. The description of the impairment losses, except for the following, is omitted due to the low level of importance.

| Use           | Location                         | Type | Impairment loss<br>(Millions of yen) |
|---------------|----------------------------------|------|--------------------------------------|
| Leased assets | Itako, Ibaraki Prefecture, Japan | Land | 745                                  |
| Total         |                                  |      | 745                                  |

As there was a significant difference between the recoverable amount and the carrying amount of the above leased assets as a result of comparing the two amounts following the Company's decision to sell the assets and conclusion of a sale and purchase agreement, the Company reduced the carrying amount of the assets to the recoverable amount and recorded the amount of reduction as impairment loss in extraordinary losses.

The recoverable amount is measured at net sales value of the assets based on the sale and purchase agreement.

## (Consolidated Statements of Comprehensive Income)

## \*1 Reclassification adjustments and tax effects relating to other comprehensive income

|   | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|---|----------------------------------|----------------------------------|
| Valuation difference on available-for-sale securities:                                  |                                  |                                  |
| Gains arising during the year   | (2,475) million yen              | 4,080 million yen                |
| Reclassification adjustment to profit or loss   | 4,525                            | (77)                             |
| Amount before income tax effect   | 2,049                            | 4,003                            |
| Income tax effect   | (127)                            | (1,034)                          |
| Total valuation difference on available-for-sale securities                             | 1,921                            | 2,968                            |
| Deferred gains or losses on hedges:   |                                  |                                  |
| Gains arising during the year   | 36                               | 23                               |
| Amount before income tax effect   | 36                               | 23                               |
| Income tax effect   | (11)                             | (7)                              |
| Total deferred gains or losses on hedges  | 25                               | 16                               |
| Foreign currency translation adjustment:  |                                  |                                  |
| Gains arising during the year   | (891)                            | 1,678                            |
| Reclassification adjustment to profit or loss   | —                                | (197)                            |
| Total foreign currency translation adjustment   | (891)                            | 1,480                            |
| Remeasurements of defined benefit plans, net of tax:                                    |                                  |                                  |
| Gains arising during the year   | (553)                            | 943                              |
| Reclassification adjustment to profit or loss   | (383)                            | 48                               |
| Amount before income tax effect   | (937)                            | 992                              |
| Income tax effect   | 282                              | (298)                            |
| Total remeasurements of defined benefit plans, net of tax                               | (654)                            | 694                              |
| Share of other comprehensive income of entities accounted for using equity method:      |                                  |                                  |
| Gains arising during the year   | (100)                            | 42                               |
| Reclassification adjustment to profit or loss   | —                                | 0                                |
| Total share of other comprehensive income of entities accounted for using equity method | (100)                            | 43                               |
| Total other comprehensive income  | 300                              | 5,203                            |

## (Consolidated Statements of Changes in Equity)

Fiscal year ended March 31, 2020

## 1. Class and total number of shares issued and class and number of treasury shares

|                                  | Beginning of year<br>(Thousands of shares) | Increase during the fiscal<br>year<br>(Thousands of shares) | Decrease during the<br>fiscal year<br>(Thousands of shares) | End of year<br>(Thousands of shares) |
|----------------------------------|--|---|---|--------------------------------------|
| Issued shares                    |  |   |   |                                      |
| Common shares                    | 69,934                                     | —   | —   | 69,934                               |
| Total                            | 69,934                                     | —   | —   | 69,934                               |
| Treasury shares                  |  |   |   |                                      |
| Common shares<br>(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; 76,292 accounts).

## 2. Dividends

## (1) Dividend amount paid

| Resolution   | Class of shares | Dividend<br>(Millions of yen) | Dividend per share<br>(yen) | Reference date     | Effective date   | Source of<br>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 Meeting (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 Meeting 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.

## (2) 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<br>(Millions of yen) | Dividend per share<br>(yen) | Reference date | Effective date | Source of<br>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, 2021

1. Class and total number of shares issued and class and number of treasury shares

|                                  | Beginning of year<br>(Thousands of shares) | Increase during the fiscal<br>year<br>(Thousands of shares) | Decrease during the<br>fiscal year<br>(Thousands of shares) | End of year<br>(Thousands of shares) |
|----------------------------------|--|---|---|--------------------------------------|
| Issued shares                    |  |   |   |                                      |
| Common shares<br>(Note 1)        | 69,934                                     | 2,153   | —   | 72,088                               |
| Total                            | 69,934                                     | 2,153   | —   | 72,088                               |
| Treasury shares                  |  |   |   |                                      |
| Common shares<br>(Notes 2, 3, 4) | 478  | 16  | 392   | 103                                  |
| Total                            | 478  | 16  | 392   | 103                                  |

(Note 1) The increase in the number of issued shares of common shares is due to an increase of 2,153 thousand shares due to the share exchange with A&T Corporation.

(Note 2) The increase in the number of treasury shares of common shares is due to an increase of 16 thousand shares due to purchase of less than a share-trading unit.

(Note 3) The decrease in the number of treasury shares of common shares is a decrease due to the share exchange with A&T Corporation of 390 thousand shares, 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 2 thousand shares held by Director Remuneration BIP (Board Incentive Plan) Trust.

(Note 4) Included in the number of treasury shares as of the beginning and as of the end of the fiscal year under review are 94 thousand shares and 92 thousand shares, respectively, held by The Master Trust Bank of Japan, Ltd. (executive compensation BIP trust account; 76,292 accounts).

2. Dividends

(1) Dividend amount paid

| Resolution   | Class of shares | Dividend<br>(Millions of yen) | Dividend per share<br>(yen) | Reference date     | Effective date   | Source of<br>dividends |
|--|-----------------|-------------------------------|-----------------------------|--------------------|------------------|------------------------|
| Ordinary General Meeting of Shareholders (June 24, 2020) | Common shares   | 2,434                         | 35.00                       | March 31, 2020     | June 25, 2020    | Retained earnings      |
| Board of Directors Meeting (October 28, 2020)            | Common shares   | 2,434                         | 35.00                       | September 30, 2020 | December 1, 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.

Included in the total amount of dividends decided by the Board of Directors Meeting on October 28, 2020 is ¥3 million worth of dividends related to 92 thousand Company shares (treasury shares) held in the executive compensation BIP trust account.

(2) 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<br>(Millions of yen) | Dividend per share<br>(yen) | Reference date | Effective date | Source of<br>dividends |
|--|-----------------|-------------------------------|-----------------------------|----------------|----------------|------------------------|
| Ordinary General Meeting of Shareholders (June 25, 2021) | Common shares   | 2,522                         | 35.00                       | March 31, 2021 | June 28, 2021  | Retained earnings      |

(Note) Included in the total amount of dividends decided by the Ordinary General Meeting of Shareholders on June 25, 2021 is ¥3 million worth of dividends related to 92 thousand Company shares (treasury shares) held in the executive compensation BIP trust account.

(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

|  | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|--|----------------------------------|----------------------------------|
| Cash and deposits                                  | 81,524 million yen               | 83,681 million yen               |
| Time deposit whose deposit period exceeds 3 months | (605)                            | (631)                            |
| Cash and cash equivalents                          | 80,918                           | 83,050                           |

(Lease Transactions)

*(Lessee)*

(1) Operating lease transactions

Future lease payments related to noncancelable operating lease transactions

(Millions of yen)

|                     | As of March 31, 2020 | As of March 31, 2021 |
|---------------------|----------------------|----------------------|
| Due within one year | 477                  | 741                  |
| Due beyond one year | 1,042                | 3,425                |
| Total               | 1,520                | 4,167                |

*(Lessor)*

(1) Operating lease transactions

Future lease income related to noncancelable operating lease transactions

(Millions of yen)

|                     | As of March 31, 2020 | As of March 31, 2021 |
|---------------------|----------------------|----------------------|
| Due within one year | 123                  | 86                   |
| Due beyond one year | 945                  | 812                  |
| Total               | 1,069                | 899                  |



## (Financial Instruments)

### 1. Matters Regarding Financial Instruments

#### (1) 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.

#### (2) 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 57 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.”

#### (3) Risk management system for financial instruments

##### (i) 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.

##### (ii) 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.

(iii) 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.

(4) 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*

|  | Book value<br>(Millions of yen) | Fair value<br>(Millions of yen) | Difference<br>(Millions of yen) |
|--|---------------------------------|---------------------------------|---------------------------------|
| (1) Cash and deposits                        | 81,524                          | 81,524                          | —                               |
| (2) Notes and accounts receivable - trade    | 72,929                          | 72,929                          | —                               |
| (3) Investment securities                    |                                 |                                 |                                 |
| Available-for-sale securities                | 9,280                           | 9,280                           | —                               |
| (4) Long-term loans receivable               | 2,302                           | 2,302                           | —                               |
| Total assets                                 | 166,036                         | 166,036                         | —                               |
| (1) Notes and accounts payable - trade       | 42,795                          | 42,795                          | —                               |
| (2) Short-term borrowings                    | 3,082                           | 3,082                           | —                               |
| (3) Long-term borrowings (Note 1)            | 110,361                         | 110,918                         | 556                             |
| Total liabilities                            | 156,240                         | 156,796                         | 556                             |
| Derivative financial instruments<br>(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, 2021

|   | Book value<br>(Millions of yen) | Fair value<br>(Millions of yen) | Difference<br>(Millions of yen) |
|---|---------------------------------|---------------------------------|---------------------------------|
| (1) Cash and deposits                     | 83,681                          | 83,681                          | —                               |
| (2) Notes and accounts receivable - trade | 70,901                          | 70,901                          | —                               |
| (3) Investment securities                 |                                 |                                 |                                 |
| Available-for-sale securities             | 13,265                          | 13,265                          | —                               |
| (4) Long-term loans receivable (Note 1)   | 2,279                           | 2,279                           | —                               |
| Total assets                              | 170,128                         | 170,128                         | —                               |
| (1) Notes and accounts payable – trade    | 39,547                          | 39,547                          | —                               |
| (2) Short-term borrowings                 | 1,850                           | 1,850                           | —                               |
| (3) Long-term borrowings (Note 2)         | 91,711                          | 92,027                          | 315                             |
| Total liabilities                         | 133,109                         | 133,425                         | 315                             |
| Derivative financial instruments (Note 3) |                                 |                                 |                                 |
| In which hedge accounting is not applied  | (23)                            | (23)                            | —                               |
| In which hedge accounting is applied      | (27)                            | (29)                            | (1)                             |
| Total derivative financial instruments    | (50)                            | (52)                            | (1)                             |

(Note 1) The book value and fair value of long-term loans receivable include the current portion of long-term loans receivable.

(Note 2) The book value and fair value of long-term borrowings include the current portion of long-term borrowings.

(Note 3) 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.

Note 1: Method for calculating the fair value of financial instruments, and matters regarding securities and derivative transactions  
Assets

(1) Cash and deposits and (2) 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.

(3) 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 “Securities.”

(4) 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

(1) Notes and accounts payable – trade and (2) 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.

(3) 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 “Derivatives.”

Note 2: Financial instruments whose fair value is extremely difficult to determine

(Millions of yen)

| Class                | As of March 31, 2020 | As of March 31, 2021 |
|----------------------|----------------------|----------------------|
| Unlisted shares      | 1,882                | 2,068                |
| Shares of associates | 7,142                | 10,757               |
| Bonds of associates  | 1,080                | 1,080                |
| Total                | 10,104               | 13,905               |

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 “Assets (3) Investment securities.”

Note 3: Redemption schedule for monetary receivables and securities with maturities after the consolidated balance sheet date

*As of March 31, 2020*

(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                     | 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, 2021*

(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                     | 83,681        | —                                | —                                  | —                  |
| Notes and accounts receivable - trade | 70,901        | —                                | —                                  | —                  |
| Long-term loans receivable            | 185           | 726                              | 857                                | 510                |
| Total                                 | 154,768       | 726                              | 857                                | 510                |

Note 4: 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*

(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)  | —             | —                                | —                                 | —                                 | —                                 | —                 |
| 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) 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, 2021*

(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 | 1,850         | —                                | —                                 | —                                 | —                                 | —                 |
| Bonds payable (Note)  | —             | —                                | —                                 | —                                 | —                                 | —                 |
| Long-term borrowings  | 8,899         | 20,965                           | 681                               | 452                               | 249                               | 60,463            |
| Total                 | 10,749        | 20,965                           | 681                               | 452                               | 249                               | 60,463            |

(Note) In the cases of the 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.

(Securities)

1. Trading securities

Not applicable.

2. Held-to-maturity debt securities

Not applicable.

3. Available-for-sale securities

*As of March 31, 2020*

|   | Book value<br>(Millions of yen) | Acquisition cost<br>(Millions of yen) | Unrealized gain<br>(Millions of yen) |
|---|---------------------------------|---------------------------------------|--------------------------------------|
| Securities with book values<br>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<br>not exceeding acquisition<br>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, 2021

|   | Book value<br>(Millions of yen) | Acquisition cost<br>(Millions of yen) | Unrealized gain<br>(Millions of yen) |
|---|---------------------------------|---------------------------------------|--------------------------------------|
| Securities with book values<br>exceeding acquisition costs        |                                 |                                       |                                      |
| Equity securities   | 12,798                          | 7,873                                 | 4,925                                |
| Debt securities   | —                               | —                                     | —                                    |
| Other   | —                               | —                                     | —                                    |
| Subtotal  | 12,798                          | 7,873                                 | 4,925                                |
| Securities with book values<br>not exceeding acquisition<br>costs |                                 |                                       |                                      |
| Equity securities   | 467                             | 537                                   | (69)                                 |
| Debt securities   | —                               | —                                     | —                                    |
| Other   | —                               | —                                     | —                                    |
| Subtotal  | 467                             | 537                                   | (69)                                 |
| Total   | 13,265                          | 8,410                                 | 4,855                                |



#### 4. Available-for-sale securities sold

*Fiscal year ended March 31, 2020*

|                                   | Book value<br>(Millions of yen) | Acquisition cost<br>(Millions of yen) | Unrealized gain<br>(Millions of yen) |
|-----------------------------------|---------------------------------|---------------------------------------|--------------------------------------|
| Equity securities                 | 14                              | 8                                     | 1                                    |
| Debt securities                   |                                 |                                       |                                      |
| Government and<br>municipal bonds | —                               | —                                     | —                                    |
| Corporate bonds                   | —                               | —                                     | —                                    |
| Other                             | —                               | —                                     | —                                    |
| Other                             | —                               | —                                     | —                                    |
| <b>Total</b>                      | <b>14</b>                       | <b>8</b>                              | <b>1</b>                             |

*Fiscal year ended March 31, 2021*

|                                   | Book value<br>(Millions of yen) | Acquisition cost<br>(Millions of yen) | Unrealized gain<br>(Millions of yen) |
|-----------------------------------|---------------------------------|---------------------------------------|--------------------------------------|
| Equity securities                 | 133                             | 77                                    | —                                    |
| Debt securities                   |                                 |                                       |                                      |
| Government and<br>municipal bonds | —                               | —                                     | —                                    |
| Corporate bonds                   | —                               | —                                     | —                                    |
| Other                             | —                               | —                                     | —                                    |
| Other                             | —                               | —                                     | —                                    |
| <b>Total</b>                      | <b>133</b>                      | <b>77</b>                             | <b>—</b>                             |

#### 5. Impairment of marketable securities

During the previous consolidated fiscal year, 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.

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related derivatives

*As of March 31, 2020*

| Not applied Hedge accounting method | Transaction type                           | Main hedged items    | Notional value (Millions of yen) | Maturing after one year (Millions of yen) | Fair value (Millions of yen) |
|-------------------------------------|--|----------------------|----------------------------------|---|------------------------------|
| Principle-based accounting          | Currency swap<br>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, 2021*

| Not applied Hedge accounting method | Transaction type                           | Main hedged items    | Notional value (Millions of yen) | Maturing after one year (Millions of yen) | Fair value (Millions of yen) |
|-------------------------------------|--|----------------------|----------------------------------|---|------------------------------|
| Principle-based accounting          | Currency swap<br>Receiving JPY, Paying TWD | Long-term borrowings | 220                              | —   | (23)                         |
| Total                               |  |                      | 220                              | —   | (23)                         |

(Note) Method for calculation of fair value

Fair values are calculated based on the price presented by counterparty financial institutions, etc.

(2) Interest

Not applicable

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related derivatives

*As of March 31, 2020*

Not applicable.

*As of March 31, 2021*

Not applicable.

## (2) Interest

*As of March 31, 2020*

| Hedge accounting method                         | Transaction type                         | Main hedged items       | Notional value<br>(Millions of yen) | Maturing after one<br>year<br>(Millions of yen) | Fair value<br>(Millions of yen) |
|---|--|-------------------------|-------------------------------------|---|---------------------------------|
| Principle-based<br>accounting                   | Interest rate swaps                      |                         |                                     |   |                                 |
|   | Pay fixed rate, receive<br>floating rate | Long-term<br>borrowings | 3,800                               | 2,200   | (51)                            |
|   | Subtotal                                 |                         | 3,800                               | 2,200   | (51)                            |
| Special treatment<br>for interest rate<br>swaps | Interest rate swaps                      |                         |                                     |   |                                 |
|   | Pay fixed rate, receive<br>floating rate | Long-term<br>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, 2021*

| Hedge accounting method                         | Transaction type                         | Main hedged items       | Notional value<br>(Millions of yen) | Maturing after one<br>year<br>(Millions of yen) | Fair value<br>(Millions of yen) |
|---|--|-------------------------|-------------------------------------|---|---------------------------------|
| Principle-based<br>accounting                   | Interest rate swaps                      |                         |                                     |   |                                 |
|   | Pay fixed rate, receive<br>floating rate | Long-term<br>borrowings | 2,200                               | 1,000   | (27)                            |
|   | Subtotal                                 |                         | 2,200                               | 1,000   | (27)                            |
| Special treatment<br>for interest rate<br>swaps | Interest rate swaps                      |                         |                                     |   |                                 |
|   | Pay fixed rate, receive<br>floating rate | Long-term<br>borrowings | 270                                 | 90  | (1)                             |
|   | Subtotal                                 |                         | 270                                 | 90  | (1)                             |
| Total   |  |                         | 2,470                               | 1,090   | (29)                            |

(Note) Method for calculation of fair value

Fair values are calculated based on the price presented by counterparty financial institutions, etc.

(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

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

|   | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|---|----------------------------------|----------------------------------|
| Balance of defined benefit obligations at beginning of year | 17,279 million yen               | 17,367 million yen               |
| Service cost  | 946                              | 866                              |
| Interest cost   | 124                              | 123                              |
| Occurrence of actuarial gain and loss                       | (54)                             | 151                              |
| Payments of retirement benefits                             | (905)                            | (896)                            |
| Other   | (23)                             | (565)                            |
| Balance of defined benefit obligations at end of year       | 17,367                           | 17,047                           |

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

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

|  | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|--|----------------------------------|----------------------------------|
| Balance of pension assets at beginning of year | 24,926 million yen               | 24,659 million yen               |
| Expected return on pension assets              | 470                              | 264                              |
| Occurrence of actuarial gain and loss          | (608)                            | 1,095                            |
| Corporation's contributions                    | 562                              | 590                              |
| Payments of retirement benefits                | (692)                            | (545)                            |
| Other  | —                                | (346)                            |
| Balance of pension assets at end of year       | 24,659                           | 25,717                           |

(3) 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

|   | As of March 31, 2020 | As of March 31, 2021 |
|---|----------------------|----------------------|
| Funded defined benefit obligations              | 15,343 million yen   | 15,056 million yen   |
| Pension assets                                  | (24,659)             | (25,717)             |
|   | (9,315)              | (10,661)             |
| Unfunded defined benefit obligations            | 2,023                | 1,991                |
| Net amount shown on consolidated balance sheets | (7,291)              | (8,669)              |
| Retirement benefit liability                    | 2,277                | 1,991                |
| Retirement benefit asset                        | (9,569)              | (10,660)             |
| Net amount shown on consolidated balance sheets | (7,291)              | (8,669)              |

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

|   | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|---|----------------------------------|----------------------------------|
| Service cost (Note)   | 946 million yen                  | 866 million yen                  |
| Interest cost   | 124                              | 123                              |
| Expected return on pension assets                               | (470)                            | (264)                            |
| Expensed actuarial gain and loss                                | (383)                            | 48                               |
| Retirement benefit expenses regarding to vested benefits system | 217                              | 774                              |

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

(5) Remeasurements of defined benefit plans

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

|                         | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|-------------------------|----------------------------------|----------------------------------|
| Actuarial gain and loss | (937) million yen                | 992 million yen                  |
| Total                   | (937)                            | 992                              |

(6) Accumulated adjustment of retirement benefit plans

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

|                                      | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|--------------------------------------|----------------------------------|----------------------------------|
| Unrecognized actuarial gain and loss | 2,850 million yen                | 3,907 million yen                |
| Total                                | 2,850                            | 3,907                            |

(7) Matters relating to pension assets

(i) Principal items of pension assets

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

|                                     | As of March 31, 2020 | As of March 31, 2021 |
|-------------------------------------|----------------------|----------------------|
| Domestic stocks                     | 9 %                  | 8 %                  |
| Foreign stocks                      | 6                    | 8                    |
| Domestic bonds                      | 25                   | 43                   |
| Foreign bonds                       | 9                    | 16                   |
| Insurance product (General account) | 17                   | 16                   |
| Deposits                            | 12                   | 9                    |
| Other                               | 22                   | 0                    |
| Total                               | 100                  | 100                  |

(Note) Total of pension assets as of March 31, 2020 and March 31, 2021 included a retirement benefit trust, established for the Company's pension plans that represented 10% and 9% of the total of pension assets, respectively.

(ii) 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.

(8) 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)

|   | As of March 31, 2020 | As of March 31, 2021 |
|---|----------------------|----------------------|
| Discount rate                               | 0.8 %                | 0.8 %                |
| Expected long-term return on pension assets | 2.1                  | 1.2                  |

3. Defined contribution plans

The amount which the Company and its consolidated subsidiaries were required to contribute to the defined contribution plans was ¥526 million for the previous consolidated fiscal year and ¥535 million for the consolidated fiscal year under review.

(Stock Options)

Not applicable.

## (Tax Effect Accounting)

## 1. Breakdown of deferred tax assets and liabilities by their main occurrence causes

|   | As of March 31, 2020 | As of March 31, 2021 |
|---|----------------------|----------------------|
| Deferred tax assets:                                  | (Millions of yen)    | (Millions of yen)    |
| Deficits (Note 2)                                     | 51,827               | 47,315               |
| Provision for repairs                                 | 2,051                | 2,422                |
| Excess depreciation and amortization                  | 2,388                | 2,134                |
| Investment securities                                 | 1,392                | 1,381                |
| Provision for bonuses                                 | 989                  | 949                  |
| Retirement benefit liability                          | 832                  | 719                  |
| Inventories   | 692                  | 629                  |
| Amount carried forward tax credit limit excess        | 1,125                | —                    |
| Other   | 2,872                | 2,888                |
| Subtotal of deferred tax assets                       | 64,173               | 58,442               |
| Valuation allowance (Deficits) (Note 2)               | (35,222)             | (32,026)             |
| Valuation allowance (Temporary difference)            | (4,514)              | (3,452)              |
| Less valuation allowance (Note 1)                     | (39,736)             | (35,479)             |
| Total deferred tax assets                             | 24,436               | 22,963               |
| Deferred tax liabilities:                             |                      |                      |
| Prepaid pension costs                                 | (2,729)              | (3,059)              |
| Valuation difference on available-for-sale securities | (263)                | (1,298)              |
| Reserve for tax purpose reduction entry               | (1,167)              | (973)                |
| Retained earnings of subsidiaries and affiliates      | (747)                | (878)                |
| Other   | (569)                | (592)                |
| Total deferred tax liabilities                        | (5,477)              | (6,803)              |
| Net deferred tax assets                               | 18,959               | 16,159               |

(Note 1) Valuation allowance decreased by ¥4,257 million. This decline is primarily due to a ¥3,196 million decrease in valuation allowance (deficits) due to a decline in loss carry-forwards.

(Note 2) Amounts of deficits and related deferred tax assets by tax loss carry-forwards were as follows.

*As of March 31, 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 | Total    |
|---------------------|---------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|----------|
| 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            | 16,605   |

(Note 1) Deficits are the amount after multiplying the statutory tax rate.

As of March 31, 2021

(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 | Total           |
|---------------------|---------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|-----------------|
| Deficits (Note 2)   | 90            | 494                              | 207                               | 596                               | 13,545                            | 32,380            | 47,315          |
| Valuation allowance | (3)           | (410)                            | (200)                             | (513)                             | (641)                             | (30,256)          | (32,026)        |
| Deferred tax assets | 86            | 83                               | 6                                 | 83                                | 12,904                            | 2,124             | (Note 3) 15,289 |

(Note 2) Deficits are the amount after multiplying the statutory tax rate.

(Note 3) Regarding deficits of ¥47,315 million (amount after multiplying the statutory tax rate), the Company recorded deferred tax assets of ¥15,289 million.

Regarding deficits, valuation allowance related to the portion deemed to be recoverable based on future taxable income forecasts is not recognized.

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

|   | As of March 31, 2020 | As of March 31, 2021 |
|---|----------------------|----------------------|
| 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)                | (9.5)                |
| Effect of tax credits   | (3.7)                | (4.2)                |
| Effect of exclusion from the scope of consolidation               | —                    | 3.3                  |
| Dividend and other items excluded permanently from taxable income | (3.7)                | (2.5)                |
| Inter-company eliminations of allowance for investment loss       | 0.4                  | (2.4)                |
| Inter-company eliminations of dividends income                    | 1.5                  | 1.7                  |
| Other   | 4.3                  | 1.4                  |
| Effective income tax rate   | 24.8                 | 18.2                 |

(Business Combination)

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



(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 under a building lease agreement for which the timing of performance and amount can be reasonably estimated at the present moment, 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.

(Investment and Rental Properties)

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

(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:

| Reportable segment | Major products and services   |
|--------------------|---|
| Chemicals          | Caustic soda, Soda ash, Calcium chloride, Sodium silicate, Vinyl chloride monomer, Polyvinyl chloride resin, Propylene oxide, Isopropyl alcohol, Chlorinated solvents and hydrogen  |
| Specialty Products | Polycrystalline silicon, Fumed silica, Tetrachlorosilane, Aluminum nitride, High-purity chemicals for electronics manufacturing and Photoresist developer   |
| Cement             | Cement, Ready-mixed concrete, Cement-type stabilizer and Resource recycling business  |
| Life & Amenity     | Polyolefin film, Plastic window sashes, Medical diagnostic systems, Dental materials and equipment, Ion exchange membranes, Pharmaceutical ingredients and intermediates, Plastic lens-related materials for glasses and Microporous film |

2. Calculation of net sales, profit (loss), assets and other items by reportable segment

The accounting methods applied to reportable segments are identical to those stated in “Significant accounting policies.”

Inter-segment sales or transfer are based on market prices.

Reportable segment’s profit (loss) is based on operating profit.

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

Fiscal year ended March 31, 2020

(Millions of yen)

|   | Reportable segment |                       |        |                   | Others<br>(Note 1) | Total   | Adjustment<br>(Note 2) | Consolidated<br>(Note 3) |
|---|--------------------|-----------------------|--------|-------------------|--------------------|---------|------------------------|--------------------------|
|   | Chemicals          | Specialty<br>Products | Cement | Life &<br>Amenity |                    |         |                        |                          |
| Net sales   |                    |                       |        |                   |                    |         |                        |                          |
| Sales to customers  | 92,755             | 43,726                | 86,616 | 54,347            | 38,651             | 316,096 | —                      | 316,096                  |
| Inter-segment<br>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<br>amortization (Note 4)   | 2,750              | 2,926                 | 3,422  | 2,460             | 3,679              | 15,239  | 882                    | 16,122                   |
| Increase in property,<br>plant and equipment<br>and intangible assets<br>(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, 2021

(Millions of yen)

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

(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 (¥144,519 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

(1) Net sales

(Millions of yen)

| Japan   | Asia   | Others | Total   |
|---------|--------|--------|---------|
| 256,493 | 47,290 | 12,312 | 316,096 |

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

(2) 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, 2021*

1. Information by product and service

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

2. Information by region

(1) Net sales

(Millions of yen)

| Japan   | Asia   | Others | Total   |
|---------|--------|--------|---------|
| 238,722 | 51,742 | 11,942 | 302,407 |

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

(2) 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 losses on non-current assets by reportable segment

*Fiscal year ended March 31, 2020*

(Millions of yen)

|                   | Chemicals | Specialty Products | Cement | Life & Amenity | Others | Adjustment | Total |
|-------------------|-----------|--------------------|--------|----------------|--------|------------|-------|
| Impairment losses | 34        | —                  | —      | —              | —      | —          | 34    |

*Fiscal year ended March 31, 2021*

(Millions of yen)

|                   | Chemicals | Specialty Products | Cement | Life & Amenity | Others | Adjustment | Total |
|-------------------|-----------|--------------------|--------|----------------|--------|------------|-------|
| Impairment losses | 16        | —                  | —      | 745            | 64     | —          | 825   |

Information on amortization of goodwill and unamortized balance reportable segment

*Fiscal year ended March 31, 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, 2021*

(Millions of yen)

|                          | Chemicals | Specialty Products | Cement | Life & Amenity | Others | Adjustment | Total |
|--------------------------|-----------|--------------------|--------|----------------|--------|------------|-------|
| Amortization of goodwill | —         | 3                  | 6      | —              | —      | —          | 9     |
| Unamortized balance      | —         | —                  | 86     | —              | —      | —          | 86    |

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, 2021*

Not applicable.

Information on related parties

*Fiscal years ended March 31, 2020 and 2021*

Not applicable.

(Per Share Information)

| Item                             | Fiscal year ended March 31, 2020                     | Fiscal year ended March 31, 2021                     |
|----------------------------------|--|--|
| Net assets per share (yen)       | 2,431.21   | 2,758.37   |
| Earnings per share (yen)         | 287.05   | 351.11   |
| Diluted earnings per share (yen) | Not applicable because there are no dilutive shares. | Not applicable because there are no dilutive shares. |

(Note 1) The basis for calculation

1. Net assets per share

| Item  | As of March 31, 2020 | As of March 31, 2021 |
|---|----------------------|----------------------|
| Total net assets on consolidated balance sheets (Millions of yen)                       | 180,429              | 205,261              |
| Net assets related to common shares (Millions of yen)                                   | 168,861              | 198,561              |
| Major breakdown of difference (Millions of yen)<br>Non-controlling interests            | 11,568               | 6,700                |
| Number of shares outstanding of common shares<br>(Thousands of shares)                  | 69,934               | 72,088               |
| Number of treasury shares of common shares<br>(Thousands of shares)                     | 478                  | 103                  |
| Number of common shares used to calculate net assets<br>per share (Thousands of shares) | 69,455               | 71,984               |

2. Earnings per share

| Item  | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|---|-------------------------------------|-------------------------------------|
| Profit attributable to owners of parent (Millions of yen)                             | 19,937                              | 24,534                              |
| Amount not attributable to common shareholders<br>(Millions of yen)                   | —                                   | —                                   |
| Profit related to common shares attributable to owners of<br>parent (Millions of yen) | 19,937                              | 24,534                              |
| Average number of common shares during the period<br>(Thousands of shares)            | 69,455                              | 69,877                              |

(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 trust at the end of the consolidated fiscal year under review was 92 thousand shares. (The number of Company shares at the end of the previous fiscal year was 94 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 92 thousand shares (the average number of Company shares for the previous consolidated fiscal year was 96 thousand shares.)

(Significant Subsequent Events)

Not applicable.

## (v) Annexed consolidated detailed schedules

## Schedule of bonds payable

| Company  | Issue                                   | Date of issuance  | Balance as of April 1, 2020 (Millions of yen) | Balance as of March 31, 2021 (Millions of yen) | Interest rate (%) | Collateral | Term of redemption |
|----------|---|-------------------|---|--|-------------------|------------|--------------------|
| Tokuyama | 22nd unsecured bonds without collateral | September 9, 2010 | 15,000<br>(15,000)                            | —<br>(—)                                       | 1.478             | No         | September 9, 2020  |
| Tokuyama | 24th unsecured bonds without collateral | September 8, 2011 | 9,400<br>(9,400)                              | 9,400<br>(9,400)                               | 1.371             | No         | September 8, 2021  |
| Total    |   | —                 | 24,400<br>(24,400)                            | 9,400<br>(9,400)                               | —                 | —          | —                  |

(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 continued until the time of their redemption, this is noted as a contingent liability on the consolidated balance sheets.

(Note 2) Amounts in parentheses represent amounts due within one year.

(Note 3) Amounts of redemption within five years after the consolidated balance sheet date are as follows:

| Within 1 year (Millions of yen) | More than 1 year, within 2 years (Millions of yen) | More than 2 years, within 3 years (Millions of yen) | More than 3 years, within 4 years (Millions of yen) | More than 4 years, within 5 years (Millions of yen) |
|---------------------------------|--|---|---|---|
| 9,400                           | —  | —   | —   | —   |

## Schedule of borrowings

|  | Balance as of April 1, 2020 (Millions of yen) | Balance as of March 31, 2021 (Millions of yen) | Average interest rate (%) | Repayment date |
|--|---|--|---------------------------|----------------|
| Short-term borrowings  | 3,082   | 1,850  | 0.41                      | —              |
| Current portion of long-term borrowings                                  | 16,106  | 8,899  | 0.83                      | —              |
| Current portion of lease obligations                                     | 870   | 1,204  | —                         | —              |
| Long-term borrowings (excluding current portion of long-term borrowings) | 94,255  | 82,812   | 1.44                      | 2021 - 2078    |
| Lease obligations (excluding current portion of lease obligations)       | 2,028   | 3,671  | —                         | 2021 - 2041    |
| Total  | 116,344                                       | 98,437   | —                         | —              |

(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:

|                      | More than 1 year, within 2 years (Millions of yen) | More than 2 years, within 3 years (Millions of yen) | More than 3 years, within 4 years (Millions of yen) | More than 4 years, within 5 years (Millions of yen) |
|----------------------|--|---|---|---|
| Long-term borrowings | 20,965   | 681   | 452   | 249   |
| Lease obligations    | 978  | 786   | 538   | 344   |

## 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.



(2) Others

Quarterly information for the consolidated fiscal year ended March 31, 2021

| Accumulated period  | 1Q     | 2Q      | 3Q      | Current consolidated fiscal year |
|---|--------|---------|---------|----------------------------------|
| Net sales (Millions of yen)                               | 70,624 | 143,289 | 220,923 | 302,407                          |
| Profit before income taxes (Millions of yen)              | 6,351  | 12,117  | 21,675  | 30,959                           |
| Profit attributable to owners of parent (Millions of yen) | 5,205  | 9,994   | 19,318  | 24,534                           |
| Earnings per share (yen)                                  | 74.94  | 143.90  | 278.14  | 351.11                           |

| Accumulated period       | 1Q    | 2Q    | 3Q     | Current consolidated fiscal year |
|--------------------------|-------|-------|--------|----------------------------------|
| Earnings per share (yen) | 74.94 | 68.95 | 134.25 | 73.32                            |

(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.