Disclaimer: This document has been translated from the financial section of the Japanese Annual Securities Report for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Annual Securities Report
(Financial Section)

The 158th Fiscal Term (April 1, 2021 to March 31, 2022)

Tokuyama Corporation

1. Consolidated financial statements etc.

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	83,681	83,116
Notes and accounts receivable - trade	70,901	—
Notes receivable - trade	—	7,212
Accounts receivable - trade	—	70,989
Lease receivables	25	11
Merchandise and finished goods	14,674	19,194
Work in process	10,995	14,264
Raw materials and supplies	13,930	22,265
Other	5,666	6,968
Allowance for doubtful accounts	(115)	(72)
Total current assets	199,760	223,950
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2, *3 105,028	*2, *3 108,926
Accumulated depreciation	(76,427)	(78,815)
Buildings and structures, net	28,601	30,111
Machinery, equipment and vehicles	*2, *3 459,039	*2, *3 475,226
Accumulated depreciation	(413,493)	(424,410)
Machinery, equipment and vehicles, net	45,545	50,815
Tools, furniture and fixtures	*3 22,827	*3 23,356
Accumulated depreciation	(19,995)	(20,368)
Tools, furniture and fixtures, net	2,831	2,987
Land	*2 31,903	*2 32,112
Leased assets	6,900	8,682
Accumulated depreciation	(2,431)	(3,302)
Leased assets, net	4,469	5,379
Construction in progress	10,674	18,195
Total property, plant and equipment	124,025	139,602
Intangible assets		
Goodwill	86	68
Leased assets	43	25
Other	*3 1,751	*3 2,588
Total intangible assets	1,882	2,682
Investments and other assets		
Investment securities	*1, *2 27,171	*1, *2 28,255
Long-term loans receivable	2,094	2,094
Deferred tax assets	16,407	21,111
Retirement benefit asset	10,660	10,482
Other	*1 4,854	*1 5,077
Allowance for doubtful accounts	(61)	(46)
Total investments and other assets	61,126	66,974
Total non-current assets	187,034	209,259
Total assets	386,794	433,210

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	39,547	49,055
Short-term borrowings	*2 1,850	463
Current portion of long-term borrowings	*2 8,899	*2 20,823
Lease obligations	1,204	1,225
Income taxes payable	2,375	2,157
Provision for bonuses	3,057	3,462
Provision for share awards	33	—
Provision for repairs	4,884	5,409
Provision for decommissioning and removal	1,100	908
Provision for product warranties	95	73
Provision for loss on compensation for damage	122	108
Provision for environmental measures	40	14
Provision for loss on disaster	17	—
Provision for restructuring	—	47
Other	*2 20,079	18,587
Total current liabilities	83,308	102,337
Non-current liabilities		
Bonds payable	—	15,000
Long-term borrowings	*2 82,812	*2 67,951
Lease obligations	3,671	3,754
Deferred tax liabilities	247	248
Provision for retirement benefits for directors (and other officers)	201	194
Provision for share awards	—	33
Provision for repairs	1,340	1,181
Provision for decommissioning and removal	1,028	874
Allowance for loss on compensation for building materials	124	88
Provision for environmental measures	137	118
Retirement benefit liability	1,991	2,081
Asset retirement obligations	56	57
Other	6,613	6,370
Total non-current liabilities	98,224	97,954
Total liabilities	181,533	200,292
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	23,455	23,453
Retained earnings	157,332	180,534
Treasury shares	(349)	(414)
Total shareholders’ equity	190,438	213,573
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,274	3,587
Deferred gains or losses on hedges	(19)	(8)
Foreign currency translation adjustment	2,165	4,849
Remeasurements of defined benefit plans	2,702	2,505
Total accumulated other comprehensive income	8,122	10,932
Non-controlling interests	6,700	8,411
Total net assets	205,261	232,917
Total liabilities and net assets	386,794	433,210

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

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	302,407	*1 293,830
Cost of sales	*2, *5 207,254	*2, *5 198,417
Gross profit	95,152	95,412
Selling, general and administrative expenses		
Selling expenses	*3 40,510	*3 44,854
General and administrative expenses	*4, *5 23,719	*4, *5 26,017
Total selling, general and administrative expenses	64,230	70,872
Operating profit	30,921	24,539
Non-operating income		
Interest income	94	139
Dividend income	395	502
Share of profit of entities accounted for using equity method	949	1,043
Foreign exchange gains	320	1,000
Equipment sale income	575	—
Other	2,836	4,208
Total non-operating income	5,172	6,894
Non-operating expenses		
Interest expenses	1,524	1,382
Provision for decommissioning and removals	750	558
Equipment cost of sales	562	—
Other	2,459	3,637
Total non-operating expenses	5,297	5,578
Ordinary profit	30,796	25,855
Extraordinary income		
Gain on sale of non-current assets	*6 98	*6 474
Gain on sale of investment securities	77	161
Gain on sale of shares of subsidiaries and associates	746	—
Subsidy income	155	203
Gain on insurance claims	203	36
Compensation for damage income	—	2,218
Gain on sales of patent right and other	1,478	—
Gain on liquidation of subsidiaries and associates	197	—
Gain on step acquisitions	125	—
Other	96	35
Total extraordinary income	3,180	3,129
Extraordinary losses		
Loss on sale of non-current assets	*7 2	*7 14
Impairment losses	*8 825	*8 3
Loss on disaster	243	157
Loss on tax purpose reduction entry of non-current assets	3	115
Loss on disposal of non-current assets	830	820
Provision for decommissioning and removals	817	—
Other	293	224
Total extraordinary loss	3,017	1,334
Profit before income taxes	30,959	27,649
Income taxes - current	4,336	4,306
Income taxes - deferred	1,302	(4,831)
Total income taxes	5,639	(525)
Profit	25,320	28,175
Profit attributable to non-controlling interests	785	174
Profit attributable to owners of parent	24,534	28,000

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	25,320	28,175
Other comprehensive income		
Valuation difference on available-for-sale securities	2,968	317
Deferred gains or losses on hedges	16	10
Foreign currency translation adjustment	1,480	2,805
Remeasurements of defined benefit plans, net of tax	694	(199)
Share of other comprehensive income of entities accounted for using equity method	43	51
Total other comprehensive income	*1 5,203	*1 2,985
Comprehensive income	30,524	31,160
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	29,670	30,814
Comprehensive income attributable to non-controlling interests	853	346

(iii) Consolidated statements of changes in equity

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

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2021	10,000	23,455	157,332	(349)	190,438
Changes during period					
Profit attributable to owners of parent			28,000		28,000
Dividends of surplus			(5,045)		(5,045)
Purchase of treasury shares				(112)	(112)
Disposal of treasury shares		(0)		47	47
Change in ownership interest of parent due to transactions with non-controlling interests		(2)			(2)
Increase (decrease) due to changes in the accounting period of consolidated subsidiaries			247		247
Net changes in items other than shareholders' equity					
Total changes during period	—	(2)	23,202	(64)	23,135
Balance as of March 31, 2022	10,000	23,453	180,534	(414)	213,573

	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, 2021	3,274	(19)	2,165	2,702	8,122	6,700	205,261
Changes during period							
Profit attributable to owners of parent							28,000
Dividends of surplus							(5,045)
Purchase of treasury shares							(112)
Disposal of treasury shares							47
Change in ownership interest of parent due to transactions with non-controlling interests							(2)
Increase (decrease) due to changes in the accounting period of consolidated subsidiaries							247
Net changes in items other than shareholders' equity	313	10	2,683	(197)	2,810	1,711	4,521
Total changes during period	313	10	2,683	(197)	2,810	1,711	27,656
Balance as of March 31, 2022	3,587	(8)	4,849	2,505	10,932	8,411	232,917

(iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	30,959	27,649
Depreciation	17,003	19,716
Increase (decrease) in provisions	1,795	1,451
Increase (decrease) in retirement benefit liability	(129)	102
Decrease (increase) in retirement benefit asset	(69)	(121)
Interest and dividend income	(490)	(641)
Foreign exchange losses (gains)	10	(458)
Loss (gain) on sale of property, plant and equipment	(96)	(460)
Loss (gain) on sale of investment securities	(77)	(161)
Loss (gain) on sale of shares of subsidiaries and associates	(746)	—
Share of loss (profit) of entities accounted for using equity method	(949)	(1,043)
Subsidy income	(155)	(203)
Interest expenses	1,524	1,382
Loss on tax purpose reduction entry of non-current assets	3	115
Impairment losses	825	3
Loss (gain) on disposal of non-current assets	830	820
Gain on insurance claims	(203)	(36)
Gain on sales of patent right and other	(1,478)	—
Gain on liquidation of subsidiaries and associates	(197)	—
Loss (gain) on step acquisitions	(125)	—
Compensation for damage income	—	(2,218)
Decrease (increase) in trade receivables	(2,124)	(6,796)
Decrease (increase) in inventories	2,283	(15,704)
Decrease (increase) in other current assets	(914)	(1,207)
Increase (decrease) in trade payables	(533)	8,538
Increase (decrease) in other current liabilities	1,190	(1,928)
Other, net	319	(251)
Subtotal	48,454	28,547
Interest and dividends received	915	1,174
Interest paid	(1,530)	(1,386)
Proceeds from insurance income	257	36
Compensation for damage received	—	2,218
Compensation for damage paid	(31)	(117)
Income taxes refund (paid)	(4,750)	(4,486)
Net cash provided by (used in) operating activities	43,314	25,986

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Payments into time deposits	(106)	(259)
Proceeds from withdrawal of time deposits	240	275
Purchase of property, plant and equipment	(23,800)	(31,887)
Proceeds from sales of property, plant and equipment	1,108	713
Purchase of investment securities	(251)	(428)
Proceeds from sales of investment securities	133	547
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	3,356	—
Long-term loan advances	(29)	(201)
Collection of long-term loans receivable	180	187
Subsidies received	155	203
Gain on sales of patent right and other	1,489	—
Other, net	(1,752)	(2,948)
Net cash provided by (used in) investing activities	(19,276)	(33,797)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(1,490)	(1,787)
Proceeds from long-term borrowings	187	6,218
Repayments of long-term borrowings	(15,857)	(9,150)
Proceeds from issuance of bonds	—	14,926
Proceeds from issuance of shares	1,303	1,514
Dividends paid	(4,861)	(5,034)
Dividends paid to non-controlling interests	(239)	(158)
Decrease (increase) in treasury shares	(40)	(101)
Other, net	(1,531)	(1,307)
Net cash provided by (used in) financing activities	(22,530)	5,118
Effect of exchange rate change on cash and cash equivalents	623	1,267
Net increase (decrease) in cash and cash equivalents	2,131	(1,424)
Cash and cash equivalents at beginning of period	80,918	83,050
Increase (decrease) in cash and cash equivalents due to changes in the accounting period of consolidated subsidiaries	—	870
Cash and cash equivalents at end of period	*1 83,050	*1 82,496

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: 53

From the consolidated fiscal year under review, A&T SHANGHAI CO., LTD, a newly established subsidiary, has been included in the scope of consolidation.

(2) The names, etc., of major non-consolidated subsidiaries

The non-consolidated subsidiaries are Tokuyama You You Farm Co., Ltd. and Tokuyama Taiwan Marketing & Research Center Co., Ltd.

(Reason for excluding these subsidiaries from the scope of consolidation)

These non-consolidated subsidiaries are of small size, and none of their total assets, net sales, profit/loss (corresponding to equity interest), retained earnings (corresponding to equity interest), etc., have any material impact on the consolidated financial statements.

2. Application of equity method

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

(2) The non-consolidated subsidiaries that are not accounted for by the equity method (Tokuyama You You Farm Co., Ltd. and Tokuyama Taiwan Marketing & Research Center Co., Ltd.) and the affiliates that are not accounted for by the equity method (Oita Mining Co., Ltd. and others) have been excluded from the scope of consolidation 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

As the fiscal year-end of A&T Corporation, a consolidated subsidiary, was December 31, the Company used the subsidiary's financial statements as of December 31 in the preparation of consolidated financial statements and made adjustments necessary for consolidation purposes to material transactions arising between that date and the consolidated fiscal year-end. The subsidiary, however, has changed its fiscal year-end to March 31, and accordingly, for the consolidated fiscal year under review, its profit/loss for the three months from January 1, 2021 to March 31, 2021 was consolidated by adjusting retained earnings.

Of consolidated subsidiaries, Tokuyama Chemicals (Zhejiang) Co., Ltd. and other five 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 (straight line method).

ii) Available-for-sale securities

Securities other than shares, etc. that do not have a market price

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).

Shares, etc. that do not have a market price

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 repairs

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

(iv) Provision for decommissioning and removal

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

(v) 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).

(vi) 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.

(vii) 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.

(viii) Provision for restructuring

The Company records provisions based on estimated amounts to prepare for payments for restructuring.

(ix) 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.

(x) 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.

(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) Revenue and expense recognition standards

The Group's major businesses are the Chemicals business, the Cement business, the Electronic Materials business, the Life Science business, and the Eco Business.

For sale of these products in Japan, the Group recognizes revenue when the product is shipped with regard to transactions in which the period from when the product is shipped to when the control of the product is transferred to a customer is of normal length. With regard to other transactions, the Company recognizes revenue when the product is accepted by a customer, considering that it is when the product is accepted by a customer that the customer gains the control of the product and the performance obligation is fulfilled. For sale of these products outside Japan, the Group recognizes revenue when the product is delivered to a customer, considering that it is when the product is delivered to a customer that the customer gains the control of the product and the performance obligation is fulfilled.

With respect to transactions in which the Group considers it serves as an agent, the Group recognizes revenue on a net basis (in the amount of the fees or commissions that the Group expects it will be entitled to receive for the transactions).

The Group receives consideration under sales contracts for the products generally within one year after revenue for the products is recognized, and it does not contain a significant financing component.

(6) Application of the consolidated taxation system

The Company applies the consolidated taxation system.

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

The Company and some of its domestic consolidated subsidiaries will make the transition from the consolidated taxation system to the group tax sharing system from the fiscal year ending March 31, 2023. 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 those 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.

From the beginning of the fiscal year ending March 31, 2023, the Company and those domestic consolidated subsidiaries plan to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, issued on August 12, 2021), which stipulates practical solutions on the accounting and disclosure of corporation tax, local corporate tax, and tax effect accounting when applying the group tax sharing system.

(8) Accounting method for deferred assets

All deferred assets are charged to expenses when incurred.

(9) 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.

(10) 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.

(11) Amortization method and amortization period of goodwill

Goodwill is equally amortized over five years.

(12) 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.

(13) 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

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets	16,407	21,111

(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)

(Application of the Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Accounting Standard"), etc., from the beginning of the consolidated fiscal year under review, and recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

The main change due to the adoption of the Revenue Recognition Accounting Standard, etc. is the revenue recognition for agent transactions.

The application of the Revenue Recognition Accounting Standard, etc. is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the consolidated fiscal year under review was added to or subtracted from the beginning balance of retained earnings of the consolidated fiscal year under review, and thus the new accounting policy was applied from the beginning balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the beginning of the consolidated fiscal year under review were subject to the previous treatment, by applying the method provided for in Paragraph 86 of the Revenue Recognition Accounting Standard.

As a result, for the consolidated fiscal year under review, net sales decreased by ¥46,530 million and cost of sales decreased by ¥46,530 million. In addition, there was no impact on operating profit, ordinary profit, profit before income taxes, and retained earnings at the beginning of the consolidated fiscal year under review.

Due to the application of the Revenue Recognition Accounting Standard, etc., "Notes and accounts receivable – trade" which were included in "Current assets" in the consolidated balance sheets for the previous fiscal year, are divided into "Notes receivable – trade" and "accounts receivable – trade" from the consolidated fiscal year under review. In accordance with transitional treatment stipulated in Article 89-2 of the Revenue Recognition Accounting Standard, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Accounting Standard"), etc., from the beginning of the consolidated fiscal year under review, and the new accounting policies set forth by the Fair Value Measurement Accounting Standard will be applied in the future in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).There is no effect on the consolidated statements of income.

In addition, the Company will include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided for in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the previous consolidated fiscal year are not presented.

(New Accounting Standards Not Yet Applied)

The description is omitted due to the low level of importance.

(Changes in Presentation)

(Consolidated Statements of Income)

"Outsourcing service income" and "Rental income from non-current assets," which were separately presented under "Non-operating income" for the previous consolidated fiscal year, have been included in "Other" of "Non-operating income" from the consolidated fiscal year under review as the amount of each of these items has decreased to 10% or less of the total amount of non-operating income. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect these changes in presentation.

"Foreign exchange gains," which was included in "Other" of "Non-operating income" for the previous consolidated fiscal year, has been separately presented from the consolidated fiscal year under review as the amount of the item has exceeded 10% of the total amount of non-operating income. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

As a result, "Outsourcing service income" of ¥651 million, "Rental income from non-current assets" of ¥587 million and "Other" of ¥1,917 million, which were presented under "Non-operating income" in the consolidated statements of income for the previous consolidated fiscal year, have been reclassified as "Foreign exchange gains" of ¥320 million and "Other" of ¥2,836 million.

"Fiduciary obligation expenses" which was separately presented under "Non-operating expenses" for the previous consolidated fiscal year, has been included in "Other" of "Non-operating expenses" from the consolidated fiscal year under review as the amount of the item has decreased to 10% or less of the total amount of non-operating expenses. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

As a result, "Fiduciary obligation expenses" of ¥584 million and "Other" of ¥1,875 million, which were presented under "Non-operating expenses" in the consolidated statements of income for the previous consolidated fiscal year, have been reclassified as "Other" of ¥2,459 million.

(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 remain 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 ¥312 million and 92 thousand shares for the previous consolidated fiscal year and ¥370 million and 122 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, 2021		As of March 31, 2022	
Investment securities	11,837	million yen	12,378	million yen
Investments and other assets - other	553		611	

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

Assets pledged as collateral are as follows:

	As of March 31, 2021		As of March 31, 2022	
Buildings and structures	60	million yen	54	million yen
Machinery, equipment and vehicles	1,372		990	
Land	188		188	
Investment securities	1,128		1,100	
Total	2,749		2,333	

Liabilities for which collateral is pledged are as follows:

	As of March 31, 2021		As of March 31, 2022	
Short-term borrowings	161	million yen	–	million yen
Current portion of long-term borrowings	257		186	
Long-term borrowings	1,288		802	
Other	16		–	
Total	1,723		988	

*3 Reduction entry

In the consolidated fiscal year under review, reduction entries of ¥42 million for buildings and structures and ¥72 million for machinery, equipment and vehicles were made due to receipt of subsidies, etc.

In addition, as a result of the retirement of buildings and structures that were subject to reduction entry, cumulative reduction entries decreased by ¥10 million, as a result of the retirement of machinery, equipment and vehicles that were subject to reduction entry, cumulative reduction entries decreased by ¥18 million, and as a result of the retirement of tools, furniture and fixtures that were subject to reduction entry, cumulative reduction entries decreased by ¥97 million.

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

	As of March 31, 2021		As of March 31, 2022	
Buildings and structures	1,540	million yen	1,572	million yen
Machinery, equipment and vehicles	2,614		2,668	
Tools, furniture and fixtures	133		36	
Intangible assets - other	4		4	
Total	4,292		4,280	

4 Guarantee obligation

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

Loan guarantees

As of March 31, 2021			As of March 31, 2022		
Employees	103	million yen	Employees	81	million yen
Chuyo Ready-mixed Concrete Cooperative Association	35		Chuyo Ready-mixed Concrete Cooperative Association	37	
Kasuga Kawauchi Kyodo Ready Mixed Concrete Co., Ltd.	18		Kasuga Kawauchi Kyodo Ready Mixed Concrete Co., Ltd.	15	
Total	157			135	

5 Contingent liabilities pertaining to unsecured bond debt assumption agreements

As of the end of the previous consolidated fiscal year, with regard to the following unsecured bonds, the Company delegated 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 continued until the time of their redemption. As of the end of the consolidated fiscal year under review, there are no such bonds.

	As of March 31, 2021	As of March 31, 2022
24th unsecured straight bonds	9,400 million yen	－ million yen

6 Repurchase obligation due to liquidation of notes receivable

	As of March 31, 2021	As of March 31, 2022
Repurchase obligation due to liquidation of notes receivable	1,323 million yen	1,304 million yen

7 Notes receivable endorsed

	As of March 31, 2021	As of March 31, 2022
Notes receivable endorsed	453 million yen	349 million yen

(Consolidated Statements of Income)

*1 Revenue from contracts with customers

Net sales do not present revenue from contracts with customers and other revenue separately. The amount of revenue from contracts with customers are presented in “Notes (Revenue Recognition) 1. Disaggregation of revenue from contracts with customers.”

*2 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, 2021	Fiscal year ended March 31, 2022
(100) million yen	779 million yen

*3 Major items and amounts of selling expenses are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Freight-out expenses	22,763 million yen	26,008 million yen
Shipping charges	5,919	6,574
Payroll and allowances	5,152	5,098
Provision for bonuses	428	555
Retirement benefit expenses	169	165
Provision for repairs	50	64
Provision of allowance for doubtful accounts	0	7

*4 Major items and amounts of general and administrative expenses are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Technical research expenses	9,549 million yen	11,314 million yen
Payroll and allowances	4,612	4,799
Provision for bonuses	438	505
Retirement benefit expenses	176	185
Provision for share awards	(45)	44
Provision for retirement benefits for directors (and other officers)	56	38

(Note) Technical research expenses for the previous consolidated fiscal year include provision for bonuses of ¥417 million, retirement benefit expenses of ¥144 million and provision for repairs of ¥80 million.
Technical research expenses for the consolidated fiscal year under review include provision for bonuses of ¥484 million, retirement benefit expenses of ¥149 million and provision for repairs of ¥2 million.

*5 Total amount of research and development expenses included in general and administrative expenses and production cost

Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
10,853 million yen	12,641 million yen

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Buildings and structures	9 million yen	0 million yen
Machinery, equipment and vehicles	63	174
Tools, furniture and fixtures	1	1
Land	24	298
Intangible assets - other	—	0
Total	98	474

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Buildings and structures	0 million yen	1 million yen
Machinery, equipment and vehicles	0	4
Tools, furniture and fixtures	0	1
Land	1	6
Total	2	14

*8 Impairment losses

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 (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.

Fiscal year ended March 31, 2022

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, 2022. The description of content has been omitted due to the low level of importance.

(Consolidated Statements of Comprehensive Income)

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Valuation difference on available-for-sale securities:		
Gains arising during the year	4,080 million yen	756 million yen
Reclassification adjustment to profit or loss	(77)	(161)
Amount before income tax effect	4,003	595
Income tax effect	(1,034)	(278)
Total valuation difference on available-for-sale securities	2,968	317
Deferred gains or losses on hedges:		
Gains arising during the year	23	1
Reclassification adjustment to profit or loss	—	13
Amount before income tax effect	23	15
Income tax effect	(7)	(4)
Total deferred gains or losses on hedges	16	10
Foreign currency translation adjustment:		
Gains arising during the year	1,678	2,805
Reclassification adjustment to profit or loss	(197)	—
Total foreign currency translation adjustment	1,480	2,805
Remeasurements of defined benefit plans, net of tax:		
Gains arising during the year	943	(332)
Reclassification adjustment to profit or loss	48	46
Amount before income tax effect	992	(285)
Income tax effect	(298)	86
Total remeasurements of defined benefit plans, net of tax	694	(199)
Share of other comprehensive income of entities accounted for using equity method:		
Gains arising during the year	42	50
Reclassification adjustment to profit or loss	0	1
Total share of other comprehensive income of entities accounted for using equity method	43	51
Total other comprehensive income	5,203	2,985

(Consolidated Statements of Changes in Equity)

Fiscal year ended March 31, 2021

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

	Beginning of year (Thousands of shares)	Increase during the fiscal year (Thousands of shares)	Decrease during the fiscal year (Thousands of shares)	End of year (Thousands of shares)
Issued shares				
Common shares (Note 1)	69,934	2,153	—	72,088
Total	69,934	2,153	—	72,088
Treasury shares				
Common shares (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 shares constituting 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 (Millions of yen)	Dividend per share (yen)	Reference date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders (June 24, 2020)	Common shares	2,434	35.00	March 31, 2020	June 25, 2020	Retained earnings
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 (Millions of yen)	Dividend per share (yen)	Reference date	Effective date	Source of 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.

Fiscal year ended March 31, 2022

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

	Beginning of year (Thousands of shares)	Increase during the fiscal year (Thousands of shares)	Decrease during the fiscal year (Thousands of shares)	End of year (Thousands of shares)
Issued shares				
Common shares	72,088	—	—	72,088
Total	72,088	—	—	72,088
Treasury shares				
Common shares (Notes 1, 2, 3)	103	47	13	136
Total	103	47	13	136

(Note 1) The increase in the number of treasury shares of common shares is due to purchase of 3 thousand shares constituting less than a share-trading unit and purchase of 44 thousand shares of the Company's shares related to the BIP Trust account.

(Note 2) The decrease 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 13 thousand shares held by Director Remuneration BIP Trust.

(Note 3) Included in the number of treasury shares as of the beginning and as of the end of the fiscal year under review are 92 thousand shares and 122 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 (Millions of yen)	Dividend per share (yen)	Reference date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders (June 25, 2021)	Common shares	2,522	35.00	March 31, 2021	June 28, 2021	Retained earnings
Board of Directors Meeting (October 28, 2021)	Common shares	2,522	35.00	September 30, 2021	December 1, 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. Included in the total amount of dividends decided by the Board of Directors Meeting on October 28, 2021 is ¥4 million worth of dividends related to 122 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 (Millions of yen)	Dividend per share (yen)	Reference date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders (June 24, 2022)	Common shares	2,522	35.00	March 31, 2022	June 27, 2022	Retained earnings

(Note) Included in the total amount of dividends decided by the Ordinary General Meeting of Shareholders on June 24, 2022 is ¥4 million worth of dividends related to 122 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, 2021	Fiscal year ended March 31, 2022
Cash and deposits	83,681 million yen	83,116 million yen
Time deposit whose deposit period exceeds 3 months	(631)	(620)
Cash and cash equivalents	83,050	82,496

(Lease Transactions)

(Lessee)

(1) Operating lease transactions

Future lease payments related to noncancelable operating lease transactions

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Due within one year	741	833
Due beyond one year	3,425	3,730
Total	4,167	4,563

(Lessor)

(1) Operating lease transactions

Future lease income related to noncancelable operating lease transactions

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Due within one year	86	121
Due beyond one year	812	750
Total	899	871

(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 56 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).

Derivative transactions include forward exchange contracts for the purpose of curbing the foreign exchange fluctuation risks associated with foreign currency-denominated receivables and payables and forecast transactions, and interest rate swap transactions for the purpose of fixing the interest rate on borrowings or reducing the interest expenses. With regard to hedging instruments and hedged items related to hedge accounting, hedge policies and hedge effectiveness evaluation methods, please refer to “(Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements) 4. Significant accounting policies (10) Method of significant hedge accounting.”

(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.

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 the consolidated subsidiaries and by maintaining liquidity on hand at a certain level and by other means.

(4) Supplemental remarks on fair values of financial instruments

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.

As of March 31, 2021

	Book value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Securities and investment securities			
Available-for-sale securities	13,265	13,265	—
(2) Long-term loans receivable (Note 1)	2,279	2,279	—
Total assets	15,545	15,545	—
(1) Long-term borrowings (Note 2)	91,711	92,027	315
Total liabilities	91,711	92,027	315
Derivative financial instruments (Note 3)	(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 4) The descriptions of “Cash and deposits,” “Notes and accounts receivable - trade,” “Notes and accounts payable - trade” and “Short-term borrowings” are omitted because their fair value approximates their book value as they are settled in cash and in a short period of time.

(Note 5) The book value of financial instruments whose fair value is extremely difficult to determine

Class	As of March 31, 2021 (Millions of yen)
Unlisted shares	2,068
Shares of associates	10,757
Bonds of associates	1,080
Total	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 “(1) Securities and investment securities.”

As of March 31, 2022

	Book value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Securities and investment securities			
(i) Held-to-maturity debt securities	1,080	1,079	(0)
(ii) Available-for-sale securities	13,725	13,725	—
(2) Long-term loans receivable (Note 1)	2,280	2,280	—
Total assets	17,085	17,085	(0)
(1) Bonds payable	15,000	15,045	45
(2) Long-term borrowings (Note 2)	88,775	88,811	35
Total liabilities	103,775	103,856	80
Derivative financial instruments (Note 3)	(136)	(136)	(0)

(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 4) The descriptions of "Cash and deposits," "Notes receivable – trade," "Accounts receivable – trade," "Notes and accounts payable – trade" and "Short-term borrowings" are omitted because with regard to these accounts the fair value approximates to the book value as they are settled in cash and in a short period of time.

(Note 5) Shares, etc., that have no market price are not included in "(1) Securities and investment securities." The book values of these financial instruments are as follows:

Class	As of March 31, 2022 (Millions of yen)
Unlisted shares	2,127
Shares of associates	11,298
Total	13,426

(Note 6) Investments in partnerships and other equivalent entities for which equity interest are recorded on a net basis in the consolidated balance sheets are not included in (1) Securities and investment securities." The book value of the investments is ¥23 million.

Note 1: Redemption schedule for monetary receivables and securities with maturities after the consolidated balance sheet date

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

As of March 31, 2022

(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	83,116	—	—	—
Notes receivable - trade	7,212	—	—	—
Accounts receivable - trade	70,989	—	—	—
Securities and investment securities				
Held-to-maturity debt securities	—	—	1,080	—
Long-term loans receivable	185	798	954	341
Total	161,504	798	2,034	341

Note 2: 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, 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 1)	—	—	—	—	—	—
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 continued until the time of their redemption, this is noted as a contingent liability on the consolidated balance sheets.

As of March 31, 2022

(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	463	—	—	—	—	—
Bonds payable	—	—	—	—	10,000	5,000
Long-term borrowings	20,823	1,034	1,199	996	525	64,195
Total	21,287	1,034	1,199	996	10,525	69,195

3. Fair value information on financial instruments by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using (unadjusted) quoted prices in active markets for the same assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable material inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments recorded at fair value in the consolidated balance sheets

Fiscal year ended March 31, 2022

Class	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	13,725	—	—	13,725
Total assets	13,725	—	—	13,725
Derivative financial instruments				
Forward exchange contracts	—	123	—	123
Interest	—	12	—	12
Total liabilities	—	136	—	136

(2) Financial instruments other than the financial instruments recorded in fair value in the consolidated balance sheets

Fiscal year ended March 31, 2022

Class	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity debt securities				
Bonds of associates	—	1,079	—	1,079
Long-term loans receivable	—	2,280	—	2,280
Total assets	—	3,359	—	3,359
Bonds payable	—	15,045	—	15,045
Long-term borrowings	—	88,811	—	88,811
Derivative financial instruments				
Interest	—	0	—	0
Total liabilities	—	103,856	—	103,856

(Note) Description of the valuation techniques and inputs used in the fair value measurement

Securities and investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1 fair value. On the other hand, the fair value of the bonds payable held by the Company are classified as Level 2 fair value because as the bonds are private placement bonds and do not have a market, and the total amount of their principal and interest is, therefore, calculated by the discounted present value method using an interest rate that is determined by replacing the level of interest rates at the time of issuance of the bonds with the level of interest rates at a fiscal year end.

Derivative financial instruments

The fair values of the interest rate swaps and forward exchange are measured using prices offered by counterparty financial institutions, etc., and are classified as Level 2 fair value.

Long-term loans receivable

Because 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 and is classified as Level 2 fair value.

Bonds payable

The fair value of bonds issued by the Company is measured using quoted prices, but as the bonds are not traded frequently in markets and the quoted prices, therefore, cannot be considered quoted prices in active markets, the fair value of the bonds is classified as Level 2 fair value.

Long-term borrowings

Of the long-term borrowings, those with floating interest rates reflect market interest rates in a short period, and there has been no significant change in the Company's credit standing since the execution of the borrowing. Therefore, it is considered that the fair value of those long-term borrowings approximates the book value. Accordingly, the fair value of those long-term borrowings is measured using book value and is classified as Level 2 fair value. The fair value of the long-term borrowings with fixed interest rates is classified as Level 2 fair value as the total amount of their principal and interest is calculated by the discounted present value method using an interest rate that is expected to be applied when similar borrowing is newly executed.

(Securities)

1. Trading securities

Not applicable.

2. Held-to-maturity debt securities

Fiscal year ended March 31, 2021

Not applicable.

Fiscal year ended March 31, 2022

	Book value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Held-to maturity debt securities with fair values not exceeding book values			
Corporate bonds	1,080	1,079	(0)

3. Available-for-sale securities

As of March 31, 2021

	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (Millions of yen)
Securities with book values 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 not exceeding acquisition costs			
Equity securities	467	537	(69)
Debt securities	—	—	—
Other	—	—	—
Subtotal	467	537	(69)
Total	13,265	8,410	4,855

As of March 31, 2022

	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (Millions of yen)
Securities with book values exceeding acquisition costs			
Equity securities	13,209	7,679	5,530
Debt securities	—	—	—
Other	—	—	—
Subtotal	13,209	7,679	5,530
Securities with book values not exceeding acquisition costs			
Equity securities	516	635	(119)
Debt securities	—	—	—
Other	—	—	—
Subtotal	516	635	(119)
Total	13,725	8,314	5,411

4. Available-for-sale securities sold

Fiscal year ended March 31, 2021

	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (Millions of yen)
Equity securities	133	77	—
Debt securities			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	133	77	—

Fiscal year ended March 31, 2022

	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (Millions of yen)
Equity securities	247	161	—
Debt securities			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	247	161	—

5. Impairment of marketable securities

During the previous consolidated fiscal year, an impairment of ¥19 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, 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 Receiving JPY, Paying TWD	Long-term borrowings	220	—	(23)
Total			220	—	(23)

As of March 31, 2022

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	Forward exchange contracts Short position, TWD	Long-term borrowings	2,139	2,139	(123)
Total			2,139	2,139	(123)

(2) Interest

Not applicable

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related derivatives

As of March 31, 2021

Not applicable.

As of March 31, 2022

Not applicable.

(2) Interest

As of March 31, 2021

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	Interest rate swaps Pay fixed rate, receive floating rate	Long-term borrowings	2,200	1,000	(27)
	Subtotal		2,200	1,000	(27)
Special treatment for interest rate swaps	Interest rate swaps Pay fixed rate, receive floating rate	Long-term borrowings	270	90	(1)
	Subtotal		270	90	(1)
Total			2,470	1,090	(29)

As of March 31, 2022

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	Interest rate swaps Pay fixed rate, receive floating rate	Long-term borrowings	1,000	600	(12)
	Subtotal		1,000	600	(12)
Special treatment for interest rate swaps	Interest rate swaps Pay fixed rate, receive floating rate	Long-term borrowings	30	—	(0)
	Subtotal		30	—	(0)
Total			1,030	600	(12)

(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, 2021	Fiscal year ended March 31, 2022
Balance of defined benefit obligations at beginning of year	17,367 million yen	17,047 million yen
Service cost	866	877
Interest cost	123	124
Occurrence of actuarial gain and loss	151	191
Payments of retirement benefits	(896)	(1,045)
Other	(565)	8
Balance of defined benefit obligations at end of year	17,047	17,202

(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, 2021	Fiscal year ended March 31, 2022
Balance of pension assets at beginning of year	24,659 million yen	25,717 million yen
Expected return on pension assets	264	279
Occurrence of actuarial gain and loss	1,095	(141)
Corporation’s contributions	590	608
Payments of retirement benefits	(545)	(860)
Other	(346)	—
Balance of pension assets at end of year	25,717	25,603

(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, 2021	As of March 31, 2022
Funded defined benefit obligations	15,056 million yen	15,121 million yen
Pension assets	(25,717)	(25,603)
	(10,661)	(10,482)
Unfunded defined benefit obligations	1,991	2,081
Net amount shown on consolidated balance sheets	(8,669)	(8,400)
Retirement benefit liability	1,991	2,081
Retirement benefit asset	(10,660)	(10,482)
Net amount shown on consolidated balance sheets	(8,669)	(8,400)

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Service cost (Note)	866 million yen	877 million yen
Interest cost	123	124
Expected return on pension assets	(264)	(279)
Expensed actuarial gain and loss	48	46
Retirement benefit expenses regarding to vested benefits system	774	768

(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, 2021	Fiscal year ended March 31, 2022
Actuarial gain and loss	992 million yen	(285) million yen
Total	992	(285)

(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, 2021	Fiscal year ended March 31, 2022
Unrecognized actuarial gain and loss	3,907 million yen	3,622 million yen
Total	3,907	3,622

(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, 2021	As of March 31, 2022
Domestic stocks	8 %	7 %
Foreign stocks	8	8
Domestic bonds	43	43
Foreign bonds	16	15
Insurance product (General account)	16	17
Deposits	9	9
Other	0	0
Total	100	100

(Note) Total of pension assets as of March 31, 2021 and March 31, 2022 included a retirement benefit trust, established for the Company's pension plans that represented 9% 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, 2021	As of March 31, 2022
Discount rate	0.8 %	0.8 %
Expected long-term return on pension assets	1.2	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 ¥535 million for the previous consolidated fiscal year and ¥564 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, 2021	As of March 31, 2022
Deferred tax assets:	(Millions of yen)	(Millions of yen)
Deficits (Note 2)	47,315	44,084
Provision for repairs	2,422	2,449
Excess depreciation and amortization	2,134	1,977
Investment securities	1,381	1,347
Provision for bonuses	949	1,097
Retirement benefit liability	719	754
Inventories	629	681
Other	2,888	2,977
Subtotal of deferred tax assets	58,442	55,370
Valuation allowance (Deficits) (Note 2)	(32,026)	(23,862)
Valuation allowance (Temporary difference)	(3,452)	(3,368)
Less valuation allowance (Note 1)	(35,479)	(27,231)
Total deferred tax assets	22,963	28,139
Deferred tax liabilities:		
Prepaid pension costs	(3,059)	(3,005)
Valuation difference on available-for-sale securities	(1,298)	(1,571)
Retained earnings of subsidiaries and affiliates	(878)	(1,111)
Reserve for tax purpose reduction entry	(973)	(994)
Other	(592)	(592)
Total deferred tax liabilities	(6,803)	(7,275)
Net deferred tax assets	16,159	20,863

(Note 1) Valuation allowance decreased by ¥8,248 million. This decline is primarily due to a decrease of ¥8,164 million in valuation allowance (deficits) due to revision of the five-year plan.

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

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 1)	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	15,289

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

As of March 31, 2022

(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)	318	200	576	10,497	31,979	511	44,084
Valuation allowance	(303)	(191)	(513)	(223)	(22,178)	(452)	(23,862)
Deferred tax assets	15	9	62	10,273	9,801	59	(Note 3) 20,221

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

(Note 3) Regarding deficits of ¥44,084 million (amount after multiplying the statutory tax rate), the Company recorded deferred tax assets of ¥20,221 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, 2021	As of March 31, 2022
Statutory tax rate	30.5 %	30.5 %
Increase (decrease) in income taxes resulting from:		
Change in valuation allowance allocated to income tax expenses	(9.5)	(30.0)
Dividend and other items excluded permanently from taxable income	(2.5)	(3.2)
Effect of tax credits	(4.2)	(2.9)
Inter-company eliminations of dividends income	1.7	2.5
Equity in earnings of unconsolidated subsidiaries and affiliates	(0.9)	(1.1)
Other	3.2	2.3
Effective income tax rate	18.2	(1.9)

(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.

(Revenue Recognition)

1. Disaggregation of revenue from contracts with customers

For the disaggregation of revenue from contracts with customers, please refer to "Note (Segment Information)."

2. Useful information in understanding revenue from contracts with customers

For useful information in understanding revenue, please refer to "Note (Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements) 4. Significant accounting policies (5) Revenue and expense recognition standards."

3. Relations between the fulfillment of performance obligations under contracts with customers and cash flows generated from those contracts, and information on the amount of revenue from those contracts existing as of the end of the consolidated fiscal year under review that is expected to be recognized in and after the next consolidated fiscal year and on the timing of recognition

(1) Balances of contract assets and contract liabilities, etc.

The descriptions of the Group's contract assets and contract liabilities are omitted as the balances of these accounts are of minor importance and there has been no major change in the balances. The amount of revenue recognized in the consolidated fiscal year under review from the performance obligations that were fulfilled (or partially fulfilled) in previous periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The Group has applied a practical expedient and omits the description of the remaining performance obligations as the Group has no important transaction for which the contract term is expected to exceed one year. In addition, of the consideration generated from contracts with customers, there is no significant amount of consideration that is not included in the transaction price.

(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 five reportable segments, "Chemicals," "Cement," "Electronic Materials," "Life Science," and "Eco Business."

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, chlorinated solvents and hydrogen
Cement	Cement, ready-mixed concrete, cement-type stabilizer and resource recycling business
Electronic Materials	Polycrystalline silicon, fumed silica, tetrachlorosilane, aluminum nitride, high-purity chemicals for electronics manufacturing, photoresist developer and isopropyl alcohol
Life Science	Medical diagnosis systems, dental materials and equipment, pharmaceutical ingredients and intermediates, plastic lens-related materials for glasses and microporous film
Eco Business	Waste gypsum board recycling, ion exchange membranes and plastic window sashes

(Changes in reportable segments, etc.)

From the consolidated fiscal year under review, the Company has changed its business segments into the six segments of "Chemicals," "Cement," "Electronic Materials," "Life Science," "Eco Business," and "Others."

The segment information for the previous consolidated fiscal year is presented based on the reporting segments after this change.

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 Matters that Serve as the Basis for Preparing Consolidated Financial Statements)."

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

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

(Application of the Accounting Standard for Revenue Recognition)

As described in the changes in accounting policy, the Company has applied the Revenue Recognition Accounting Standard, etc., and changed its accounting method from the consolidated fiscal year under review. Accordingly, the method for the measurement of profit or loss for the business segments has been changed.

Due to this change, net sales decreased by ¥1,389 million for "Chemicals," by ¥43,642 million for "Cement," by ¥228 million for "Electronic Materials," by ¥10 million for "Life Science," by ¥742 million for "Eco Business," and by ¥24,229 million for "Others," respectively, as compared with those measured by the previous method. Net sales after adjustment for inter-segment eliminations and corporate expenses decreased by ¥46,530 million in total.

This change has no impact on segment profit (loss).

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

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Chemicals	Cement	Electronic Materials	Life Science	Eco Business				
Net sales									
Sales to customers	80,555	88,969	49,728	27,408	9,076	46,668	302,407	—	302,407
Inter-segment sales/transfer	829	623	12,125	1,254	504	15,714	31,053	(31,053)	—
Total sales	81,385	89,593	61,853	28,662	9,581	62,383	333,460	(31,053)	302,407
Segment profit (loss)	13,585	4,454	7,104	3,498	(368)	5,677	33,952	(3,030)	30,921
Segment assets	49,227	56,411	69,547	34,947	10,655	52,892	273,680	113,113	386,794
Other items									
Depreciation and amortization (Note 4)	2,651	3,461	3,706	1,312	481	4,222	15,836	1,167	17,003
Increase in property, plant and equipment and intangible assets (Note 5)	3,277	5,154	6,472	1,930	758	6,030	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 (loss) 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 (¥142,698 million).

(Note 3) Segment profit (loss) 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, 2022

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Chemicals	Cement	Electronic Materials	Life Science	Eco Business				
Net sales									
Sales to customers	101,093	49,679	74,332	33,439	9,935	25,349	293,830	—	293,830
Inter-segment sales/transfer	388	687	664	125	370	10,953	13,188	(13,188)	—
Total sales	101,482	50,366	74,996	33,564	10,305	36,302	307,018	(13,188)	293,830
Segment profit (loss)	14,225	(1,912)	7,232	6,036	(468)	3,851	28,964	(4,425)	24,539
Segment assets	59,472	58,670	91,008	39,294	12,364	60,593	321,403	111,807	433,210
Other items									
Depreciation and amortization (Note 4)	2,969	3,953	4,952	1,361	605	4,177	18,020	1,696	19,716
Increase in property, plant and equipment and intangible assets (Note 5)	4,891	4,806	14,348	1,657	924	5,238	31,865	3,190	35,056

(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 (loss) 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 (¥149,158 million).

(Note 3) Segment profit (loss) 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.

(Note 6) Regarding net sales, revenue from contracts with customers and other revenue are not presented separately as the amount of other revenue is immaterial.

Related information

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.

Fiscal year ended March 31, 2022

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
206,515	71,928	15,386	293,830

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

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	Others	Total
118,952	19,236	1,413	139,602

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, 2021

(Millions of yen)

	Chemicals	Cement	Electronic Materials	Life Science	Eco Business	Others	Adjustment	Total
Impairment losses	16	—	—	—	—	809	—	825

Fiscal year ended March 31, 2022

(Millions of yen)

	Chemicals	Cement	Electronic Materials	Life Science	Eco Business	Others	Adjustment	Total
Impairment losses	—	—	—	3	—	—	—	3

Information on amortization of goodwill and unamortized balance reportable segment

Fiscal year ended March 31, 2021

(Millions of yen)

	Chemicals	Cement	Electronic Materials	Life Science	Eco Business	Others	Adjustment	Total
Amortization of goodwill	—	6	3	—	—	—	—	9
Unamortized balance	—	86	—	—	—	—	—	86

Fiscal year ended March 31, 2022

(Millions of yen)

	Chemicals	Cement	Electronic Materials	Life Science	Eco Business	Others	Adjustment	Total
Amortization of goodwill	—	18	—	—	—	—	—	18
Unamortized balance	—	68	—	—	—	—	—	68

Information on gain on bargain purchase by reportable segment

Fiscal year ended March 31, 2021

Not applicable.

Fiscal year ended March 31, 2022

Not applicable.

Information on related parties

Fiscal years ended March 31, 2021 and 2022

Not applicable.

(Per Share Information)

Item	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net assets per share (yen)	2,758.37	3,120.25
Earnings per share (yen)	351.11	389.09
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, 2021	As of March 31, 2022
Total net assets on consolidated balance sheets (Millions of yen)	205,261	232,917
Net assets related to common shares (Millions of yen)	198,561	224,506
Major breakdown of difference (Millions of yen) Non-controlling interests	6,700	8,411
Number of shares outstanding of common shares (Thousands of shares)	72,088	72,088
Number of treasury shares of common shares (Thousands of shares)	103	136
Number of common shares used to calculate net assets per share (Thousands of shares)	71,984	71,951

2. Earnings per share

Item	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit attributable to owners of parent (Millions of yen)	24,534	28,000
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit related to common shares attributable to owners of parent (Millions of yen)	24,534	28,000
Average number of common shares during the period (Thousands of shares)	69,877	71,963

(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 122 thousand shares. (The number of Company shares at the end of the previous fiscal year was 92 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 111 thousand shares (the average number of Company shares for the previous consolidated fiscal year was 92 thousand shares.)

(Significant Subsequent Events)

(Issuance of bonds)

At the Board of Directors meeting held on May 24, 2022, the Company resolved to issue domestic unsecured straight bonds. The summary is as follows:

1. Type of bond	Domestic unsecured straight bonds
2. Total amount of bonds offered	Up to ¥35,000 million
	However, multiple issues within this range are not precluded
3. Coupon rate	Less than 1.0%
4. Redemption period	Less than 10 years
5. Redemption method	Redeemed in full upon maturity
	However, buy-back and early redemption provisions may be applied
6. Payment amount	¥100 per amount of ¥100 of each bond in each case
7. Collateral and guarantees	No collateral or guarantee will be provided
8. Issuance period	May 24, 2022 (date of the Board of Directors meeting) to March 31, 2023
9. Use of funds	Repayment of fiscal 2023 debt
10. Other	Decisions regarding matters listed above and all other matters necessary for the issuance of the offered bonds shall be made at the discretion of the Company's President within the scope specified above at the time of each issuance

(v) Annexed consolidated detailed schedules

Schedule of bonds payable

Company	Issue	Date of issuance	Balance as of April 1, 2021 (Millions of yen)	Balance as of March 31, 2022 (Millions of yen)	Interest rate (%)	Collateral	Term of redemption
Tokuyama	24th unsecured straight bonds	September 8, 2011	9,400 (9,400)	— (—)	1.371	No	September 8, 2021
Tokuyama	25th unsecured straight bonds	March 1, 2022	— (—)	10,000 (—)	0.370	No	March 1, 2027
Tokuyama	26th unsecured straight bonds	March 1, 2022	— (—)	5,000 (—)	0.600	No	March 1, 2032
Total		—	9,400 (9,400)	15,000 (—)	—	—	—

(Note 1) In the case 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 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)
—	—	—	—	10,000

Schedule of borrowings

	Balance as of April 1, 2021 (Millions of yen)	Balance as of March 31, 2022 (Millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	1,850	463	0.51	—
Current portion of long-term borrowings	8,899	20,823	1.12	—
Current portion of lease obligations	1,204	1,225	—	—
Long-term borrowings (excluding current portion of long-term borrowings)	82,812	67,951	1.49	2023 - 2078
Lease obligations (excluding current portion of lease obligations)	3,671	3,754	—	2023 - 2041
Total	98,437	94,219	—	—

(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	1,034	1,199	996	525
Lease obligations	1,029	809	582	394

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, 2022

Accumulated period	1Q	2Q	3Q	Current consolidated fiscal year
Net sales (Millions of yen)	67,497	132,660	211,609	293,830
Profit before income taxes (Millions of yen)	7,763	14,031	19,812	27,649
Profit attributable to owners of parent (Millions of yen)	4,941	9,257	13,376	28,000
Earnings per share (yen)	68.65	128.61	185.87	389.09

Accumulated period	1Q	2Q	3Q	Current consolidated fiscal year
Earnings per share (yen)	68.65	59.96	57.25	203.25

(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.