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# Annual Securities Report (Financial Section)

The 160th Fiscal Term (April 1, 2023 to March 31, 2024)

Tokuyama Corporation

1. Consolidated financial statements etc.

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	68,080	48,684
Notes receivable - trade	8,672	*7 9,850
Accounts receivable - trade	83,388	77,279
Lease receivables	11	11
Merchandise and finished goods	24,111	28,522
Work in process	19,902	18,428
Raw materials and supplies	37,310	24,938
Other	12,282	10,159
Allowance for doubtful accounts	(71)	(99)
Total current assets	253,689	217,776
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	*3 116,841	*3 119,122
Accumulated depreciation	(80,555)	(80,870)
Buildings and structures, net	36,285	38,252
Machinery, equipment and vehicles	*2,*3 487,746	*2,*3 496,906
Accumulated depreciation	(430,082)	(434,655)
Machinery, equipment and vehicles, net	57,663	62,251
Tools, furniture and fixtures	*3 24,395	*3 24,729
Accumulated depreciation	(21,125)	(20,673)
Tools, furniture and fixtures, net	3,269	4,056
Land	33,033	33,117
Leased assets	9,788	11,038
Accumulated depreciation	(4,124)	(4,463)
Leased assets, net	5,664	6,575
Construction in progress	19,419	24,503
Total property, plant and equipment	155,336	168,755
<b>Intangible assets</b>		
Goodwill	349	252
Leased assets	17	20
Other	*3 3,098	3,190
Total intangible assets	3,465	3,463
<b>Investments and other assets</b>		
Investment securities	*1,*2 29,499	*1,*2 36,196
Long-term loans receivable	2,185	2,046
Deferred tax assets	19,416	14,834
Retirement benefit asset	10,023	9,816
Other	*1 4,777	*1 4,522
Allowance for investment loss	(7)	(7)
Allowance for doubtful accounts	(44)	(44)
Total investments and other assets	65,850	67,365
Total non-current assets	224,653	239,583
Total assets	478,342	457,360

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	49,822	48,093
Short-term borrowings	2,491	4,234
Commercial papers	-	15,000
Current portion of long-term borrowings	*2 1,407	*2 2,225
Lease obligations	1,196	1,247
Income taxes payable	1,231	3,195
Provision for bonuses	2,768	3,241
Provision for repairs	3,922	4,656
Provision for decommissioning and removal	519	186
Provision for product warranties	72	77
Provision for loss on compensation for damage	129	202
Provision for environmental measures	5	14
Provision for loss on disaster	15	-
Provision for contract loss	469	499
Asset retirement obligations	63	-
Other	24,129	21,061
<b>Total current liabilities</b>	<b>88,244</b>	<b>103,935</b>
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term borrowings	*2 118,333	*2 63,262
Lease obligations	4,019	4,814
Deferred tax liabilities:	228	251
Provision for retirement benefits for directors (and other officers)	197	135
Provision for share awards	37	53
Provision for repairs	1,513	1,671
Provision for decommissioning and removal	631	224
Allowance for loss on compensation for building materials	48	13
Provision for environmental measures	90	67
Retirement benefit liability	2,113	1,741
Asset retirement obligations	11	19
Other	6,269	6,220
<b>Total non-current liabilities</b>	<b>148,495</b>	<b>93,475</b>
<b>Total liabilities</b>	<b>236,739</b>	<b>197,411</b>
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	23,443	22,947
Retained earnings	184,852	197,418
Treasury shares	(414)	(422)
<b>Total shareholders' equity</b>	<b>217,880</b>	<b>229,944</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,053	9,221
Deferred gains or losses on hedges	(3)	(0)
Foreign currency translation adjustment	5,630	8,446
Remeasurements of defined benefit plans	1,889	1,645
<b>Total accumulated other comprehensive income</b>	<b>11,569</b>	<b>19,312</b>
Non-controlling interests	12,151	10,691
<b>Total net assets</b>	<b>241,602</b>	<b>259,948</b>
<b>Total liabilities and net assets</b>	<b>478,342</b>	<b>457,360</b>

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

## Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	*1 351,790	*1 341,990
Cost of sales	*2,*5 261,009	*2,*5 242,470
Gross profit	90,781	99,519
Selling, general and administrative expenses		
Selling expenses	*3 47,440	*3 43,286
General and administrative expenses	*4,*5 29,004	*4,*5 30,595
Total selling, general and administrative expenses	76,444	73,882
Operating profit	14,336	25,637
Non-operating income		
Interest income	184	234
Dividend income	574	564
Share of profit of entities accounted for using equity method	1,592	905
Foreign exchange gains	-	679
Rental income from non-current assets	591	616
Outsourcing service income	938	548
Other	2,332	1,852
Total non-operating income	6,214	5,401
Non-operating expenses		
Interest expenses	1,592	1,333
Foreign exchange losses	565	-
Other	3,610	3,413
Total non-operating expenses	5,768	4,746
Ordinary profit	14,783	26,292
Extraordinary income		
Gain on sale of non-current assets	*6 80	*6 69
Gain on sale of investment securities	145	609
Subsidy income	110	106
Gain on sales of know-how	85	-
Gain on insurance claims	22	108
Gain on step acquisitions	5	-
Other	20	-
Total extraordinary income	469	894
Extraordinary losses		
Loss on sale of non-current assets	*7 11	*7 50
Impairment losses	*8 12	*8 83
Loss on disaster	70	20
Loss on tax purpose reduction entry of non-current assets	63	41
Loss on disposal of non-current assets	607	762
Loss on sale of shares of subsidiaries and associates	-	25
Provision for loss on compensation for damage	-	197
Compensation for damage	-	148
Other	62	-
Total extraordinary loss	827	1,330
Profit before income taxes	14,424	25,856
Income taxes - current	2,703	4,741
Income taxes - deferred	2,358	3,703
Total income taxes	5,061	8,445
Profit	9,362	17,411
Loss attributable to non-controlling interests	(1)	(340)
Profit attributable to owners of parent	9,364	17,751

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	9,362	17,411
Other comprehensive income		
Valuation difference on available-for-sale securities	466	5,213
Deferred gains or losses on hedges	5	2
Foreign currency translation adjustment	584	3,170
Remeasurements of defined benefit plans, net of tax	(637)	(245)
Share of other comprehensive income of entities accounted for using equity method	239	201
Total other comprehensive income	*1 658	*1 8,342
Comprehensive income	10,021	25,753
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,001	25,553
Comprehensive income attributable to non-controlling interests	20	200

## (iii) Consolidated statements of changes in equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2022	10,000	23,453	180,534	(414)	213,573
Changes during period					
Profit attributable to owners of parent			9,364		9,364
Dividends of surplus			(5,045)		(5,045)
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares				3	3
Change in ownership interest of parent due to transactions with non-controlling interests		(9)			(9)
Change in scope of consolidation			(1)		(1)
Net changes in items other than shareholders' equity					
Total changes during period	-	(9)	4,317	(0)	4,307
Balance as of March 31, 2023	10,000	23,443	184,852	(414)	217,880

	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, 2022	3,587	(8)	4,849	2,505	10,932	8,411	232,917
Changes during period							
Profit attributable to owners of parent							9,364
Dividends of surplus							(5,045)
Purchase of treasury shares							(3)
Disposal of treasury shares							3
Change in ownership interest of parent due to transactions with non-controlling interests							(9)
Change in scope of consolidation							(1)
Net changes in items other than shareholders' equity	466	5	780	(615)	637	3,740	4,377
Total changes during period	466	5	780	(615)	637	3,740	8,684
Balance as of March 31, 2023	4,053	(3)	5,630	1,889	11,569	12,151	241,602

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2023	10,000	23,443	184,852	(414)	217,880
Changes during period					
Profit attributable to owners of parent			17,751		17,751
Dividends of surplus			(5,045)		(5,045)
Purchase of treasury shares				(14)	(14)
Disposal of treasury shares		(0)		6	6
Change in ownership interest of parent due to transactions with non-controlling interests		(495)			(495)
Increase (decrease) due to changes in the accounting period of consolidated subsidiaries			(38)		(38)
Change in scope of consolidation			(101)		(101)
Net changes in items other than shareholders' equity					
Total changes during period	-	(495)	12,566	(7)	12,063
Balance as of March 31, 2024	10,000	22,947	197,418	(422)	229,944

	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, 2023	4,053	(3)	5,630	1,889	11,569	12,151	241,602
Changes during period							
Profit attributable to owners of parent							17,751
Dividends of surplus							(5,045)
Purchase of treasury shares							(14)
Disposal of treasury shares							6
Change in ownership interest of parent due to transactions with non-controlling interests							(495)
Increase (decrease) due to changes in the accounting period of consolidated subsidiaries							(38)
Change in scope of consolidation							(101)
Net changes in items other than shareholders' equity	5,168	2	2,816	(243)	7,743	(1,460)	6,282
Total changes during period	5,168	2	2,816	(243)	7,743	(1,460)	18,346
Balance as of March 31, 2024	9,221	(0)	8,446	1,645	19,312	10,691	259,948

## (iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
<b>Cash flows from operating activities</b>		
Profit before income taxes	14,424	25,856
Depreciation	20,773	17,690
Increase (decrease) in provisions	(1,293)	1,387
Increase (decrease) in retirement benefit liability	30	31
Decrease (increase) in retirement benefit asset	(458)	(190)
Interest and dividend income	(759)	(799)
Foreign exchange losses (gains)	(317)	(527)
Loss (gain) on sale of property, plant and equipment	(68)	(19)
Loss (gain) on sale of investment securities	(145)	(609)
Loss (gain) on sale of shares of subsidiaries and associates	-	25
Share of loss (profit) of entities accounted for using equity method	(1,592)	(905)
Subsidy income	(110)	(106)
Interest expenses	1,592	1,333
Loss on tax purpose reduction entry of non-current assets	63	41
Impairment losses	12	83
Loss (gain) on disposal of non-current assets	607	762
Gain on insurance claims	(22)	(108)
Loss (gain) on step acquisitions	(5)	-
Compensation for damage	-	148
Decrease (increase) in trade receivables	(13,527)	3,705
Decrease (increase) in inventories	(25,407)	8,834
Decrease (increase) in other current assets	(4,703)	1,220
Increase (decrease) in trade payables	561	(1,475)
Increase (decrease) in other current liabilities	3,074	1,307
Other, net	155	474
<b>Subtotal</b>	<b>(7,115)</b>	<b>58,160</b>
Interest and dividends received	1,441	1,301
Interest paid	(1,541)	(1,362)
Proceeds from insurance income	22	108
Compensation for damage paid	(1)	(124)
Income taxes refund (paid)	(4,606)	(2,254)
<b>Net cash provided by (used in) operating activities</b>	<b>(11,800)</b>	<b>55,828</b>



(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
<b>Cash flows from investing activities</b>		
Payments into time deposits	(1,301)	(480)
Proceeds from withdrawal of time deposits	1,400	250
Purchase of property, plant and equipment	(31,916)	(31,591)
Proceeds from sales of property, plant and equipment	135	962
Purchase of investment securities	(146)	(583)
Proceeds from sales of investment securities	718	1,368
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(370)	-
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	1,604
Long-term loan advances	(316)	(128)
Collection of long-term loans receivable	190	563
Subsidies received	110	106
Other, net	(2,261)	(2,478)
Net cash provided by (used in) investing activities	(33,757)	(30,405)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	2,116	1,726
Increase (decrease) in commercial papers	-	15,000
Proceeds from long-term borrowings	51,504	6,582
Repayments of long-term borrowings	(20,827)	(61,396)
Proceeds from issuance of shares	4,103	-
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(312)	(1,908)
Dividends paid	(5,036)	(5,038)
Dividends paid to non-controlling interests	(144)	(145)
Decrease (increase) in treasury shares	(3)	(12)
Other, net	(1,249)	(1,313)
Net cash provided by (used in) financing activities	30,151	(46,508)
Effect of exchange rate change on cash and cash equivalents	445	1,461
Net increase (decrease) in cash and cash equivalents	(14,961)	(19,623)
Cash and cash equivalents at beginning of period	82,496	67,556
Increase (decrease) in cash and cash equivalents due to changes in the accounting period of consolidated subsidiaries	-	(27)
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	21	0
Cash and cash equivalents at end of period	*1 67,556	*1 47,905

## 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

The number of consolidated subsidiaries: 50

Kansai Tokuyama Trading Co., Ltd., Tokushou Co., Ltd., and Tokushin Co., Ltd., which had been consolidated subsidiaries until the previous consolidated fiscal year, have been excluded from the scope of consolidation because they were absorbed in an absorption-type merger in which Tokuyama Tsusho Trading Co., Ltd., a consolidated subsidiary, is the surviving company. Tohoku Shanon Co., Ltd., which had been a consolidated subsidiary until the previous consolidated fiscal year, has been excluded from the scope of consolidation because it was absorbed in an absorption-type merger in which Excel Shanon Corporation, a consolidated subsidiary, is the surviving company.

Excel Shanon Corporation, which had been a consolidated subsidiary until the previous consolidated fiscal year, has been excluded from the scope of consolidation but included in the scope of application of the equity method because the Company sold part of its holdings therein.

Shunan Kairiku Unso Limited, which had been a consolidated subsidiary until the previous consolidated fiscal year, has been excluded from the scope of consolidation because it was absorbed in an absorption-type merger in which Tokuyama Kairiku Unso K.K., a consolidated subsidiary, is the surviving company.

Tokuyama METEL Corporation, which had been a consolidated subsidiary until the previous consolidated fiscal year, has been excluded from the scope of consolidation because the Company sold part of its holdings therein.

Tokuyama You You Farm Co., Ltd., which had been a non-consolidated subsidiary until the previous consolidated fiscal year, has been included in the scope of consolidation due to its increased materiality.

### 2. Application of equity method

#### (1) The number of associates accounted for using the equity method: 13

Advanced Photochromics, LLC, which had been an associate not accounted for using the equity method until the previous consolidated fiscal year, has been included in the scope of application of the equity method due to its increased materiality.

Excel Shanon Corporation, which had been a consolidated subsidiary until the previous consolidated fiscal year, has been excluded from the scope of consolidation but included in the scope of application of the equity method because the Company sold part of its holdings therein.

#### (2) 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

Of consolidated subsidiaries, the fiscal year-end of ASM Inc. was previously December 31. The Company used the subsidiary's financial statements as of December 31 and made adjustments necessary for consolidation purposes to material transactions arising between that date and the consolidated fiscal year-end. However, following the change of the subsidiary's fiscal year-end to March 31, for the consolidated fiscal year under review, it has been consolidated by making adjustments to retained earnings reflecting the profit/loss for the three months between January 1, 2023 and March 31, 2023.

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)

Depreciated mainly by the straight-line 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) Allowance for investment loss

The allowance for investment loss is recorded after considering asset condition and other factors of investees.

(iii) Provision for bonuses

To prepare for the payment of next bonuses to executive officers and 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.

(iv) Provision for repairs

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

(v) Provision for decommissioning and removal

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

(vi) Provision for product warranties

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

(vii) Provision for loss on compensation for damage

The Company records provisions based on reasonably estimated monetary amounts at the end of the consolidated fiscal year under review for loss on compensation for damages caused by defective products of ion exchange membranes and quality defects of chemicals sold to customers.

(viii) Provision for environmental measures

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

(ix) Provision for loss on disaster

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

(x) Provision for contract loss

The Company records provisions based on estimated amounts of losses to prepare for possible losses that may be incurred in future contract performance.

(xi) 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.

(xii) 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.

(xiii) 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 (principally 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 manufacture and sale of products in the Chemicals business, the Cement business, the Electronic & Advanced Materials business, the Life Science business, and the Eco Business, and its performance obligation is primarily to supply products to customers.

For sale of products, considering that it is when the product is delivered to or accepted by a customer that the customer gains the control of the product and the performance obligation is fulfilled, the Group recognizes revenue when such performance obligation is fulfilled. However, for sale of products in Japan, the Group applies the alternative treatment regarding materiality, etc. and recognizes revenue when the product is shipped with regard to transactions in which the period from when the product is shipped to when the product is delivered to a customer is of normal length.

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) Accounting method for deferred assets

All deferred assets are charged to expenses when incurred.

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

Monetary receivables and payables 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.

(8) 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.

(9) Amortization method and amortization period of goodwill

Goodwill is equally amortized over five years.

(10) 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.

(Significant Accounting Estimates)

1. Recoverability of deferred tax assets

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

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets	19,416	14,834

(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 forecasts 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 Policies That Are Difficult to Distinguish From Changes in Accounting Estimates)

(Changes in the Depreciation Method for Property, Plant and Equipment)

Tokuyama and the vast majority of its consolidated subsidiaries in Japan have to date largely adopted the declining balance method when depreciating property, plant and equipment. Effective from the first quarter of the fiscal year under review, the Company has changed its accounting policy for depreciation, adopting the straight-line method. In light of the increased monetary significance of depreciation expenses attributable to the capital investment undertaken under Medium-Term Management Plan 2025, Tokuyama reexamined the method it had previously adopted when depreciating property, plant and equipment. As far as the capital investment undertaken to minimize the environmental impact of its operations while ensuring the long-term, stable use of existing equipment and facilities, including investments in improving processes, promoting efficient energy consumption, and renewing facilities, and to build the supply system necessary to expand vigorously into domestic and overseas markets in growing businesses are concerned, the Company has determined that the equal allocation of acquisition costs over the useful life of each asset using the straight-line method will more accurately reflect the actual status of operations.

As far as the consolidated fiscal year under review is concerned, operating profit increased ¥3,311 million, and both ordinary profit and profit before income taxes climbed ¥3,360 million compared with the corresponding amounts based on the previous depreciation method.

(New Accounting Standards Not Yet Applied)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Summary

These accounting standards and guidance define the accounting classification of income taxes, etc. in the case of taxation on other comprehensive income and the treatment of tax effects on sales of shares of subsidiaries, etc. in the case of application of the group taxation regime.

(2) Scheduled date of application

These accounting standards and guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of application of such accounting standards, etc.

The impact of the application of the “Accounting Standard for Current Income Taxes,” etc. on the consolidated financial statements is under evaluation at this time.

(Changes in Presentation)

(Consolidated Statements of Income)

“Trial products income,” which was separately presented under “Non-operating income” for the previous consolidated fiscal year, has been included in “Other” of “Non-operating income” 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 income. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

“Rental income from non-current assets,” which was included in “Other” of “Non-operating income” for the previous consolidated fiscal year, have been separately presented from the consolidated fiscal year under review as the amount of each of these items 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, “Trial products income” of ¥668 million and “Other” of ¥2,256 million, which were presented under “Non-operating income” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified as “Rental income from non-current assets” of ¥591 million and “Other” of ¥2,332 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 ¥684 million and “Other” of ¥2,926 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 ¥3,610 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 cash equivalent to the conversion value of the Company’s shares in accordance with business performance and the director’s position.

2. The 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 the treasury shares are ¥366 million and 121 thousand shares for the previous consolidated fiscal year and ¥359 million and 119 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, 2023	As of March 31, 2024
Investment securities	13,761 million yen	14,984 million yen
Investments and other assets - other	667	579

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

Assets pledged as collateral are as follows:

	As of March 31, 2023	As of March 31, 2024
Machinery, equipment and vehicles	826 million yen	651 million yen
Investment securities	1,170	1,170
Total	1,996	1,821

Liabilities for which collateral is pledged are as follows:

	As of March 31, 2023	As of March 31, 2024
Current portion of long-term borrowings	156 million yen	169 million yen
Long-term borrowings	645	489
Total	802	658

\*3 Reduction entry

In the consolidated fiscal year under review, reduction entries of ¥28 million for machinery, equipment and vehicles and ¥13 million for tools, furniture and fixtures were made due to receipt of subsidies, etc.

In addition, as a result of the retirement of buildings and structures that were subject to reduction entry, cumulative reduction entries decreased by ¥68 million, as a result of the retirement of machinery, equipment and vehicles that were subject to reduction entry, cumulative reduction entries decreased by ¥230 million, and as a result of the retirement of intangible assets - other that were subject to reduction entry, cumulative reduction entries decreased by ¥4 million.

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

	As of March 31, 2023	As of March 31, 2024
Buildings and structures	1,574 million yen	1,505 million yen
Machinery, equipment and vehicles	2,708	2,506
Tools, furniture and fixtures	35	49
Intangible assets - other	4	—
Total	4,322	4,060

#### 4 Guarantee obligation

The Company provides guarantee of obligations concerning loans from financial institutions by the employee and the companies other than the consolidated ones.

Loan guarantees

As of March 31, 2023		As of March 31, 2024	
Employees	69 million yen	Employees	50million yen
Chuyo Ready-mixed Concrete Cooperative Association	34	Chuyo Ready-mixed Concrete Cooperative Association	31
Kasuga Kawauchi Kyodo Ready Mixed Concrete Co., Ltd.	12	Kasuga Kawauchi Kyodo Ready Mixed Concrete Co., Ltd.	10
Total	116		92

#### 5 Repurchase obligation due to liquidation of notes receivable

	As of March 31, 2023	As of March 31, 2024
Repurchase obligation due to liquidation of notes receivable	1,183 million yen	1,215 million yen

#### 6 Notes receivable endorsed

	As of March 31, 2023	As of March 31, 2024
Notes receivable endorsed	625 million yen	705 million yen

#### \*7 Notes matured at consolidated fiscal year-end

Notes matured at consolidated fiscal year-end are settled on the date of clearing.

Since the last day of the consolidated fiscal year under review fell on a bank holiday, the following notes matured at the consolidated fiscal year-end are included in the balance as at the consolidated fiscal year-end.

	As of March 31, 2023	As of March 31, 2024
Notes receivable - trade	— million yen	1,070 million yen

#### 8 Long-term power purchase contracts

*As of March 31, 2023*

The Company has entered into a long-term purchase contract with a power generation company for the receipt of electricity. Such contract is noncancelable before maturity, and losses may be incurred depending on future market conditions and other factors.

*As of March 31, 2024*

The Company has entered into a long-term purchase contract with a power generation company for the receipt of electricity. Such contract is noncancelable before maturity, and losses may be incurred depending on future market conditions and other factors.

(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, 2023	Fiscal year ended March 31, 2024
447 million yen	3,062 million yen

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Freight-out expenses	26,811 million yen	24,074 million yen
Shipping charges	6,406	6,210
Payroll and allowances	5,449	5,217
Provision for bonuses	513	607
Retirement benefit expenses	142	130
Provision for repairs	33	71
Provision of allowance for doubtful accounts	(1)	23

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Technical research expenses	12,318 million yen	13,121 million yen
Payroll and allowances	4,912	5,175
Provision for bonuses	486	642
Retirement benefit expenses	139	107
Provision for retirement benefits for directors (and other officers)	40	37
Provision for share awards	7	23

(Note) Technical research expenses for the previous consolidated fiscal year include provision for bonuses of ¥365 million, retirement benefit expenses of ¥101 million and provision for repairs of ¥6 million.

Technical research expenses for the consolidated fiscal year under review include provision for bonuses of ¥439 million, retirement benefit expenses of ¥43 million and provision for repairs of ¥(8) million.

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

Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
13,631 million yen	14,454 million yen

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Buildings and structures	1 million yen	0 million yen
Machinery, equipment and vehicles	49	68
Tools, furniture and fixtures	13	1
Land	15	—
Leased assets	0	—
Intangible assets - other	0	—
Total	80	69

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Buildings and structures	0 million yen	44 million yen
Machinery, equipment and vehicles	9	4
Tools, furniture and fixtures	2	0
Land	—	1
Total	11	50

\*8 Impairment losses

*Fiscal year ended March 31, 2023*

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, 2023. The description of content has been omitted due to the low level of importance.

*Fiscal year ended March 31, 2024*

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, 2024. 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, 2023	Fiscal year ended March 31, 2024
Valuation difference on available-for-sale securities:		
Gains arising during the year	500 million yen	6,630 million yen
Reclassification adjustment to profit or loss	(138)	(610)
Amount before income tax effect	361	6,020
Income tax effect	105	(807)
Total valuation difference on available-for-sale securities	466	5,213
Deferred gains or losses on hedges:		
Gains arising during the year	(0)	(0)
Reclassification adjustment to profit or loss	8	4
Amount before income tax effect	7	3
Income tax effect	(2)	(1)
Total deferred gains or losses on hedges	5	2
Foreign currency translation adjustment:		
Gains arising during the year	584	3,345
Reclassification adjustment to profit or loss	—	—
Amount before income tax effect	584	3,345
Income tax effect	—	(175)
Total foreign currency translation adjustment	584	3,170
Remeasurements of defined benefit plans, net of tax:		
Gains arising during the year	(588)	329
Reclassification adjustment to profit or loss	(329)	(682)
Amount before income tax effect	(917)	(352)
Income tax effect	279	106
Total remeasurements of defined benefit plans, net of tax	(637)	(245)
Share of other comprehensive income of entities accounted for using equity method:		
Gains arising during the year	237	201
Reclassification adjustment to profit or loss	1	0
Total share of other comprehensive income of entities accounted for using equity method	239	201
Total other comprehensive income	658	8,342

## (Consolidated Statements of Changes in Equity)

Fiscal year ended March 31, 2023

## 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)	136	1	1	137
Total	136	1	1	137

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

(Note 2) The decrease in the number of treasury shares of common shares is the sale of a portion of the Company's shares totaling 1 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 122 thousand shares and 121 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, 2022)	Common shares	2,522	35.00	March 31, 2022	June 27, 2022	Retained earnings
Board of Directors Meeting (October 28, 2022)	Common shares	2,522	35.00	September 30, 2022	December 1, 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. Included in the total amount of dividends decided by the Board of Directors Meeting on October 28, 2022 is ¥4 million worth of dividends related to 121 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 23, 2023)	Common shares	2,522	35.00	March 31, 2023	June 26, 2023	Retained earnings

(Note) Included in the total amount of dividends decided by the Ordinary General Meeting of Shareholders on June 23, 2023 is ¥4 million worth of dividends related to 121 thousand Company shares (treasury shares) held in the executive compensation BIP trust account.

Fiscal year ended March 31, 2024

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)	137	6	2	141
Total	137	6	2	141

(Note 1) The increase in the number of treasury shares of common shares is due to purchase of 6 thousand shares constituting less than a share-trading unit.

(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 2 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 121 thousand shares and 119 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 23, 2023)	Common shares	2,522	35.00	March 31, 2023	June 26, 2023	Retained earnings
Board of Directors Meeting (October 27, 2023)	Common shares	2,522	35.00	September 30, 2023	December 1, 2023	Retained earnings

(Note) Included in the total amount of dividends decided by the Ordinary General Meeting of Shareholders on June 23, 2023 is ¥4 million worth of dividends related to 121 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 27, 2023 is ¥4 million worth of dividends related to 119 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, 2024)	Common shares	3,242	45.00	March 31, 2024	June 26, 2024	Retained earnings

(Note) Included in the total amount of dividends decided by the Ordinary General Meeting of Shareholders on June 25, 2024 is ¥5 million worth of dividends related to 119 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, 2023	Fiscal year ended March 31, 2024
Cash and deposits	68,080 million yen	48,684 million yen
Time deposit whose deposit period exceeds 3 months	(523)	(778)
Cash and cash equivalents	67,556	47,905

(Lease Transactions)

(Lessee)

(1) Operating lease transactions

Future lease payments related to noncancelable operating lease transactions

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Due within one year	578	587
Due beyond one year	3,012	2,501
Total	3,590	3,088

(Lessor)

(1) Operating lease transactions

Future lease income related to noncancelable operating lease transactions

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Due within one year	112	124
Due beyond one year	605	737
Total	718	862

(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 8 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 (8) 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, its 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 uses 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 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, 2023*

	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	1,150	1,126	(23)
(ii) Available-for-sale securities	13,549	13,549	—
(2) Long-term loans receivable (Note 1)	2,401	2,400	(0)
Total assets	17,100	17,075	(24)
(1) Bonds payable	15,000	14,819	(181)
(2) Long-term borrowings (Note 2)	119,740	117,993	(1,747)
Total liabilities	134,740	132,812	(1,928)
Derivative financial instruments (Note 3)	(235)	(235)	—

(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, 2023 (Millions of yen)
Unlisted shares	2,117
Shares of associates	12,611
Total	14,729

(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 ¥70 million.

As of March 31, 2024

	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	1,150	1,114	(35)
(ii) Available-for-sale securities	18,830	18,830	—
(2) Long-term loans receivable (Note 1)	2,267	2,267	—
Total assets	22,248	22,213	(35)
(1) Bonds payable	15,000	14,737	(262)
(2) Long-term borrowings (Note 2)	65,488	64,043	(1,444)
Total liabilities	80,488	78,780	(1,707)
Derivative financial instruments (Note 3)	(351)	(351)	—

(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,” “Short-term borrowings,” and “Commercial papers” 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, 2024 (Millions of yen)
Unlisted shares	2,291
Shares of associates	13,834
Total	16,125

(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 ¥89 million.

Note 1: Redemption schedule for monetary receivables and securities with maturities after the consolidated balance sheet date  
As of March 31, 2023

(Millions of yen)

	Within 1 year	More than 1 year, within 5 years	More than 5 years, within 10 years	More than 10 years
Cash and deposits	68,080	—	—	—
Notes receivable - trade	8,672	—	—	—
Accounts receivable - trade	83,388	—	—	—
Securities and investment securities				
Held-to-maturity debt securities	—	—	1,150	—
Long-term loans receivable	215	930	1,083	172
Total	160,357	930	2,233	172

As of March 31, 2024

(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	48,684	—	—	—
Notes receivable - trade	9,850	—	—	—
Accounts receivable - trade	77,279	—	—	—
Securities and investment securities				
Held-to-maturity debt securities	—	—	1,150	—
Long-term loans receivable	221	879	1,010	157
Total	136,035	879	2,160	157

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, 2023

(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	2,491	—	—	—	—	—
Bonds payable	—	—	—	10,000	—	5,000
Long-term borrowings	1,407	2,078	2,889	2,397	3,562	107,404
Total	3,898	2,078	2,889	12,397	3,562	112,404

As of March 31, 2024

(Millions of yen)

	Within 1 year	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years
Short-term borrowings	4,234	—	—	—	—	—
Bonds payable	—	—	10,000	—	—	5,000
Long-term borrowings	2,225	3,035	3,510	4,917	4,892	46,905
Total	6,459	3,035	13,510	4,917	4,892	51,905

### 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, 2023*

Class	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	13,549	—	—	13,549
Total assets	13,549	—	—	13,549
Derivative financial instruments				
Forward exchange contracts	—	230	—	230
Interest	—	4	—	4
Total liabilities	—	235	—	235

*Fiscal year ended March 31, 2024*

Class	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	18,830	—	—	18,830
Total assets	18,830	—	—	18,830
Derivative financial instruments				
Forward exchange contracts	—	350	—	350
Interest	—	0	—	0
Total liabilities	—	351	—	351

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

*Fiscal year ended March 31, 2023*

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	—	1,126	—	1,126
Long-term loans receivable	—	2,400	—	2,400
Total assets	—	3,526	—	3,526
Bonds payable	—	14,819	—	14,819
Long-term borrowings	—	117,993	—	117,993
Total liabilities	—	132,812	—	132,812

*Fiscal year ended March 31, 2024*

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	—	1,114	—	1,114
Long-term loans receivable	—	2,267	—	2,267
Total assets	—	3,382	—	3,382
Bonds payable	—	14,737	—	14,737
Long-term borrowings	—	64,043	—	64,043
Total liabilities	—	78,780	—	78,780



(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 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 with floating interest rates 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, 2023*

	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	1,150	1,126	(23)

*Fiscal year ended March 31, 2024*

	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	1,150	1,114	(35)

3. Available-for-sale securities

*As of March 31, 2023*

	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (Millions of yen)
Securities with book values exceeding acquisition costs			
Equity securities	13,146	7,348	5,797
Debt securities	—	—	—
Other	—	—	—
Subtotal	13,146	7,348	5,797
Securities with book values not exceeding acquisition costs			
Equity securities	403	436	(33)
Debt securities	—	—	—
Other	—	—	—
Subtotal	403	436	(33)
Total	13,549	7,784	5,764

As of March 31, 2024

	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (Millions of yen)
Securities with book values exceeding acquisition costs			
Equity securities	18,830	7,223	11,607
Debt securities	—	—	—
Other	—	—	—
Subtotal	18,830	7,223	11,607
Securities with book values not exceeding acquisition costs			
Equity securities	—	—	—
Debt securities	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	18,830	7,223	11,607

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

*Fiscal year ended March 31, 2023*

	Sales amount (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sale (Millions of yen)
Equity securities	719	145	0
Debt securities			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
<b>Total</b>	<b>719</b>	<b>145</b>	<b>0</b>

*Fiscal year ended March 31, 2024*

	Sales amount (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sale (Millions of yen)
Equity securities	1,368	609	—
Debt securities			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
<b>Total</b>	<b>1,368</b>	<b>609</b>	<b>—</b>

#### 5. Impairment of marketable securities

In the consolidated fiscal year under review, an impairment was made for securities, for which, however, note is omitted due to the low level of importance.

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, 2023*

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 loans receivable	2,139	1,772	(230)
Total			2,139	1,772	(230)

*As of March 31, 2024*

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 loans receivable	1,772	1,048	(350)
Total			1,772	1,048	(350)

(2) Interest

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related derivatives

*As of March 31, 2023*

Not applicable.

*As of March 31, 2024*

Not applicable.

(2) Interest

*As of March 31, 2023*

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	600	200	(4)
	Subtotal		600	200	(4)
Total			600	200	(4)

*As of March 31, 2024*

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	200	—	(0)
	Subtotal		200	—	(0)
Total			200	—	(0)

(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, 2023		Fiscal year ended March 31, 2024	
Balance of defined benefit obligations at beginning of year	17,202	million yen	17,193	million yen
Service cost	922		908	
Interest cost	125		124	
Occurrence of actuarial gain and loss	7		199	
Payments of retirement benefits	(1,063)		(1,153)	
Other	(0)		(356)	
Balance of defined benefit obligations at end of year	17,193		16,916	

(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, 2023		Fiscal year ended March 31, 2024	
Balance of pension assets at beginning of year	25,603	million yen	25,102	million yen
Expected return on pension assets	278		272	
Occurrence of actuarial gain and loss	(580)		529	
Corporation's contributions	612		—	
Payments of retirement benefits	(810)		(913)	
Balance of pension assets at end of year	25,102		24,990	

(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, 2023		As of March 31, 2024	
Funded defined benefit obligations	15,079	million yen	15,174	million yen
Pension assets	(25,102)		(24,990)	
	(10,023)		(9,816)	
Unfunded defined benefit obligations	2,113		1,741	
Net amount shown on consolidated balance sheets	(7,909)		(8,074)	
Retirement benefit liability	2,113		1,741	
Retirement benefit asset	(10,023)		(9,816)	
Net amount shown on consolidated balance sheets	(7,909)		(8,074)	

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Service cost (Note)	922 million yen	908 million yen
Interest cost	125	124
Expected return on pension assets	(278)	(272)
Expensed actuarial gain and loss	(329)	(682)
Retirement benefit expenses regarding to vested benefits system	440	79

(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, 2023	Fiscal year ended March 31, 2024
Actuarial gain and loss	(917) million yen	(352) million yen
Total	(917)	(352)

(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, 2023	Fiscal year ended March 31, 2024
Unrecognized actuarial gain and loss	2,704 million yen	2,352 million yen
Total	2,704	2,352

(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, 2023	As of March 31, 2024
Domestic stocks	5 %	6 %
Foreign stocks	4	5
Domestic bonds	44	44
Foreign bonds	13	13
Insurance product (General account)	21	24
Deposits	12	7
Other	1	0
Total	100	100

(Note) Total of pension assets as of March 31, 2023 and March 31, 2024 included a retirement benefit trust, established for the Company's pension plans that represented 10% and 7% 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, 2023	As of March 31, 2024
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 ¥557 million for the previous consolidated fiscal year and ¥569 million for the consolidated fiscal year under review.

(Stock Options)

Although some consolidated subsidiaries have stock option plans, the description is omitted due to the low level of importance.

## (Tax Effect Accounting)

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

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets:	(Millions of yen)	(Millions of yen)
Deficits (Note)	44,505	39,681
Provision for repairs	1,893	1,947
Excess depreciation and amortization	1,792	1,469
Investment securities	1,347	1,381
Provision for bonuses	858	996
Inventories	705	874
Retirement benefit liability	765	608
Other	3,223	4,062
Subtotal of deferred tax assets	55,091	51,021
Valuation allowance (Deficits) (Note)	(25,514)	(24,900)
Valuation allowance (Temporary difference)	(3,139)	(2,959)
Less valuation allowance	(28,654)	(27,859)
Total deferred tax assets	26,436	23,162
Deferred tax liabilities:		
Prepaid pension costs	(2,865)	(2,811)
Valuation difference on available-for-sale securities	(1,465)	(2,219)
Retained earnings of subsidiaries and affiliates	(1,311)	(1,888)
Reserve for tax purpose reduction entry	(974)	(941)
Other	(631)	(717)
Total deferred tax liabilities	(7,248)	(8,579)
Net deferred tax assets	19,188	14,583

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

*As of March 31, 2023*

	(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)	280	593	10,001	32,000	59	1,570	44,505
Valuation allowance	(181)	(200)	(706)	(23,275)	(59)	(1,090)	(25,514)
Deferred tax assets	99	392	9,295	8,724	—	480	(Note 2) 18,991

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

(Note 2) Regarding deficits of ¥44,505 million (amount after multiplying the statutory tax rate), the Company recorded deferred tax assets of ¥18,991 million.

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

As of March 31, 2024

(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 3)	77	6,726	31,906	0	161	808	39,681
Valuation allowance	(64)	(638)	(23,678)	—	(103)	(414)	(24,900)
Deferred tax assets	12	6,088	8,227	0	58	394	(Note 4) 14,781

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

(Note 4) Regarding deficits of ¥39,681 million (amount after multiplying the statutory tax rate), the Company recorded deferred tax assets of ¥14,781 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, 2023	As of March 31, 2024
Statutory tax rate	30.5 %	30.5 %
Increase (decrease) in income taxes resulting from:		
Dividend and other items excluded permanently from taxable income	(9.4)	(7.0)
Inter-company eliminations of dividends income	7.2	5.9
Effect of tax credits	(1.4)	(3.8)
Change in valuation allowance allocated to income tax expenses	8.4	3.5
Tax rate difference at subsidiaries	0.6	1.9
Inter-company eliminations of allowance for investment loss	(2.4)	(1.7)
Retained earnings of subsidiaries and affiliates	1.4	1.6
Loss on valuation of shares of subsidiaries and associates	—	1.2
Equity in earnings of unconsolidated subsidiaries and affiliates	(3.3)	(1.1)
Other	3.6	1.7
Effective income tax rate	35.1	32.7

3. Revision to the amount of deferred tax assets and deferred tax liabilities in line with the change in the income tax rate, etc.

As a result of the legislation on March 28, 2024 in the National Diet of the “Act to Amend the Local Tax Act (Act No. 4 as of 2024),” requirements for the application of pro forma standard taxation in corporate enterprise tax will expand for the consolidated fiscal year beginning on or after April 1, 2026. In line with this change, the statutory tax rate based on the revised tax rate is used to calculate deferred tax assets and deferred tax liabilities at some of the consolidated subsidiaries for temporary differences, etc., expected to be eliminated in the consolidated fiscal year beginning on or after April 1, 2026. As a result of this change in the tax rate, the amount of deferred tax assets (after deducting the amount of deferred tax liabilities) decreased by ¥31 million, while income taxes - deferred and remeasurements of retirement benefit plans increased by ¥32 million and ¥1 million, respectively.

4. Accounting treatment of corporation tax, local corporate tax, or tax effect accounting related to these taxes

The Company and some of its domestic consolidated subsidiaries have applied the group tax sharing system. In addition, the Company and those domestic consolidated subsidiaries have adopted the accounting treatment and disclosure of corporation tax, local corporate tax, or tax effect accounting related to these taxes in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, issued on August 12, 2021).

(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 due to a lack of importance.

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 & Advanced 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 bicarbonate, sodium silicate, hydrogen, vinyl chloride monomer, polyvinyl chloride resin, propylene oxide and chlorinated solvents
Cement	Cement, ready-mixed concrete, cement-type stabilizer and resource recycling business
Electronic & Advanced Materials	Polycrystalline silicon, fumed silica, tetrachlorosilane, aluminum nitride, high-purity isopropyl alcohol for electronics manufacturing, photoresist developer and isopropyl alcohol for manufacturing
Life Science	Medical diagnosis systems, dental materials and equipment, pharmaceutical ingredients and intermediates, plastic lens-related materials for glasses and microporous film
Eco Business	Ion exchange membranes, plastic window sashes and waste gypsum board recycling

(Change in the Name of Reportable Segment)

Following the review of the names of reportable segments in the consolidated fiscal year under review, “Electronic Materials” was changed to “Electronic & Advanced Materials.” This is solely to change the name of the segment without affecting the segment information. The segment is referred to retroactive by the new name in the segment information for the previous consolidated fiscal year.

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.

(Changes in the Depreciation Method for Property, Plant and Equipment)

As described in (Changes in Accounting Policies that are Difficult to Distinguishable from Changes in Accounting Estimates), Tokuyama and the vast majority of its consolidated subsidiaries in Japan have to date largely adopted the declining balance method when depreciating property, plant and equipment. Effective from the first quarter of the consolidated fiscal year under review, the Company has changed its accounting policy for depreciation, adopting the straight-line method.

As a result, operating profit in the fiscal year under review increased ¥ 821 million in the Chemicals segment, ¥ 979 million in the Cement segment, ¥ 530 million in the Electronic & Advanced Materials segment, ¥ 191 million in the Life Science segment, ¥ 105 million in the Eco Business segment, and ¥ 218 million in the Others segment compared with the amounts calculated using the previous method. The total increase in operating profit after taking into account Company-wide expenses was ¥ 3,311 million.

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, 2023

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Consoli- dated (Note 3)
	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business				
Net sales									
Sales to customers	115,866	57,785	90,876	37,543	13,597	36,121	351,790	—	351,790
Inter-segment sales/transfer	397	725	713	23	245	11,209	13,314	(13,314)	—
Total sales	116,263	58,511	91,589	37,567	13,842	47,331	365,105	(13,314)	351,790
Segment profit (loss)	6,887	(3,718)	7,011	7,377	46	2,036	19,640	(5,303)	14,336
Segment assets	66,147	66,382	115,317	43,987	14,515	70,990	377,340	101,001	478,342
Other items									
Depreciation and amortization (Note 4)	3,317	3,848	5,634	1,399	640	3,847	18,686	2,087	20,773
Increase in property, plant and equipment and intangible assets (Note 5)	4,571	6,374	14,113	1,359	2,125	4,092	32,636	4,054	36,690

(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 ¥139,726 million of corporate assets that are not allocated to a specific reportable segment.

(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.

Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Consoli- dated (Note 3)
	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business				
Net sales									
Sales to customers	115,401	66,308	77,316	41,404	7,024	34,534	341,990	—	341,990
Inter-segment sales/transfer	193	878	652	20	368	9,119	11,231	(11,231)	—
Total sales	115,594	67,187	77,969	41,424	7,392	43,653	353,222	(11,231)	341,990
Segment profit (loss)	11,530	6,710	3,341	8,476	(102)	1,476	31,432	(5,795)	25,637
Segment assets	71,590	71,993	123,902	47,203	11,264	60,316	386,270	71,089	457,360
Other items									
Depreciation and amortization (Note 4)	2,350	3,319	4,862	1,171	576	3,071	15,350	2,339	17,690
Increase in property, plant and equipment and intangible assets (Note 5)	2,986	4,524	9,500	3,827	547	2,927	24,312	6,481	30,794

(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 ¥115,136 million of corporate assets that are not allocated to a specific reportable segment.

(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, 2023*

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
250,026	79,204	22,559	351,790

(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
125,292	28,558	1,485	155,336

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, 2024*

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
254,578	65,978	21,434	341,990

(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
131,313	35,843	1,598	168,755

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, 2023*

(Millions of yen)

	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business	Others	Adjustment	Total
Impairment losses	—	—	—	12	—	—	—	12

*Fiscal year ended March 31, 2024*

(Millions of yen)

	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business	Others	Adjustment	Total
Impairment losses	—	—	—	83	—	—	—	83

Information on amortization of goodwill and unamortized balance reportable segment

*Fiscal year ended March 31, 2023*

(Millions of yen)

	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business	Others (Note)	Adjustment	Total
Amortization of goodwill	—	18	—	15	—	249	—	284
Unamortized balance	—	49	—	300	—	—	—	349

(Note) The amount of “Other” is related to other related businesses.

*Fiscal year ended March 31, 2024*

(Millions of yen)

	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business	Others	Adjustment	Total
Amortization of goodwill	—	18	—	63	—	—	—	81
Unamortized balance	—	30	—	221	—	—	—	252

Information on gain on bargain purchase by reportable segment

*Fiscal year ended March 31, 2023*

Not applicable.

*Fiscal year ended March 31, 2024*

Not applicable.

Information on related parties

*Fiscal years ended March 31, 2023 and 2024*

Not applicable.

## (Per Share Information)

Item	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net assets per share (yen)	3,189.01	3,464.47
Earnings per share (yen)	130.15	246.72
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, 2023	As of March 31, 2024
Total net assets on consolidated balance sheets (Millions of yen)	241,602	259,948
Net assets related to common shares (Millions of yen)	229,450	249,256
Major breakdown of difference (Millions of yen) Non-controlling interests	12,151	10,691
Number of shares outstanding of common shares (Thousands of shares)	72,088	72,088
Number of treasury shares of common shares (Thousands of shares)	137	141
Number of common shares used to calculate net assets per share (Thousands of shares)	71,950	71,946

## 2. Earnings per share

Item	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit attributable to owners of parent (Millions of yen)	9,364	17,751
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit related to common shares attributable to owners of parent (Millions of yen)	9,364	17,751
Average number of common shares during the period (Thousands of shares)	71,951	71,950

(Note 2) The 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 the Company shares held in the executive compensation BIP trust at the end of the consolidated fiscal year under review was 119 thousand shares (The number of the Company shares at the end of the previous fiscal year was 121 thousand shares.)

The 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 the Company shares for the consolidated fiscal year under review held in the executive compensation BIP trust is 119 thousand shares (the average number of the Company shares for the previous consolidated fiscal year was 121 thousand shares.)

(Significant Subsequent Events)

1. Posting of extraordinary income

On June 29, 2023, the Company had executed an integration agreement with Rengo Co., Ltd. (hereinafter referred to as “Rengo”) and Mitsui Chemicals, Inc. (hereinafter referred to as “Mitsui Chemicals”) to merge Sun-Tox Co., Ltd., (hereinafter referred to as “Sun-Tox”), a joint venture of Rengo and the Company and an equity method affiliate of the Company, with Mitsui Chemicals Tocello, Inc. (hereinafter referred to as “Mitsui Chemicals Tocello”). Under the terms of the agreement, an absorption-type merger has taken effect on April 1, 2024, with Mitsui Chemicals Tocello as the surviving company and Sun-Tox as the company being merged. As a result, in the first quarter of the fiscal year ending March 31, 2025, the Company will post around ¥2,313 million of extraordinary income for the difference between the book value of Sun-Tox shares on a consolidated basis and the consideration received which is the shares of Mitsui Chemicals Tocello. As a result, Sun-Tox will be removed from the scope of the Company’s equity method affiliates as of April 1, 2024.

In addition, Mitsui Chemicals Tocello changed its name to RM Tocello Corporation as of April 1, 2024.

2. Issuance of bonds

At a meeting of its Board of Directors held on May 21, 2024, Tokuyama passed a comprehensive resolution regarding the issuance of domestic unsecured straight bonds. Brief details are presented as follows.

(1) Type of bond	Domestic unsecured straight bonds
(2) Total amount of bonds offered	Up to ¥50,000 million However, multiple issues within this range are not precluded
(3) Coupon rate	Distribution yield of government bonds + less than 0.70%
(4) Term of redemption	Less than 10 years
(5) Method of redemption	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 21, 2024 (date of the Board of Directors meeting) to March 31, 2025
(9) Use of funds	Funds for capital investment and investment and loan
(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

The Company issued domestic unsecured bonds as follows based on the aforementioned comprehensive resolution.

27th unsecured bonds (subject to a limited inter-bond pari passu clause) of Tokuyama Corporation

(1) Total amount of issue	¥20,000 million
(2) Issue price	¥100 per amount of ¥100 of each bond in each case
(3) Coupon rate	0.868%
(4) Term of redemption	June 11, 2029 (five-year bond)
(5) Date of payment	June 11, 2024
(6) Method of redemption	Redeemed in full upon maturity
(7) Use of funds	Funds for capital investment

## (v) Annexed consolidated detailed schedules

## Schedule of bonds payable

Company	Issue	Date of issuance	Balance as of April 1, 2023 (Millions of yen)	Balance as of March 31, 2024 (Millions of yen)	Interest rate (%)	Collateral	Term of redemption
Tokuyama	25th unsecured straight bonds	March 1, 2022	10,000 (-)	10,000 (-)	0.370	No	March 1, 2027
Tokuyama	26th unsecured straight bonds	March 1, 2022	5,000 (-)	5,000 (-)	0.600	No	March 1, 2032
Total		—	15,000 (-)	15,000 (-)	—	—	—

(Note 1) Amounts in parentheses represent amounts due within one year.

(Note 2) 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, 2023 (Millions of yen)	Balance as of March 31, 2024 (Millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	2,491	4,234	1.57	—
Current portion of long-term borrowings	1,407	2,225	1.30	—
Current portion of lease obligations	1,196	1,247	—	—
Long-term borrowings (excluding current portion of long-term borrowings)	118,333	63,262	1.27	2025 - 2032
Lease obligations (excluding current portion of lease obligations)	4,019	4,814	—	2025 - 2062
Other interest-bearing debt Commercial papers (current portion of commercial papers)	—	15,000	—	—
Total	127,447	90,784	—	—

(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	3,035	3,510	4,917	4,892
Lease obligations	977	776	588	485

## 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, 2024

Accumulated period	1Q	2Q	3Q	Current consolidated fiscal year
Net sales (Millions of yen)	84,886	166,105	250,255	341,990
Profit before income taxes (Millions of yen)	6,263	9,438	17,283	25,856
Profit attributable to owners of parent (Millions of yen)	4,304	6,228	11,907	17,751
Earnings per share (yen)	59.82	86.56	165.49	246.72

Accumulated period	1Q	2Q	3Q	Current consolidated fiscal year
Earnings per share (yen)	59.82	26.74	78.93	81.24

(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.