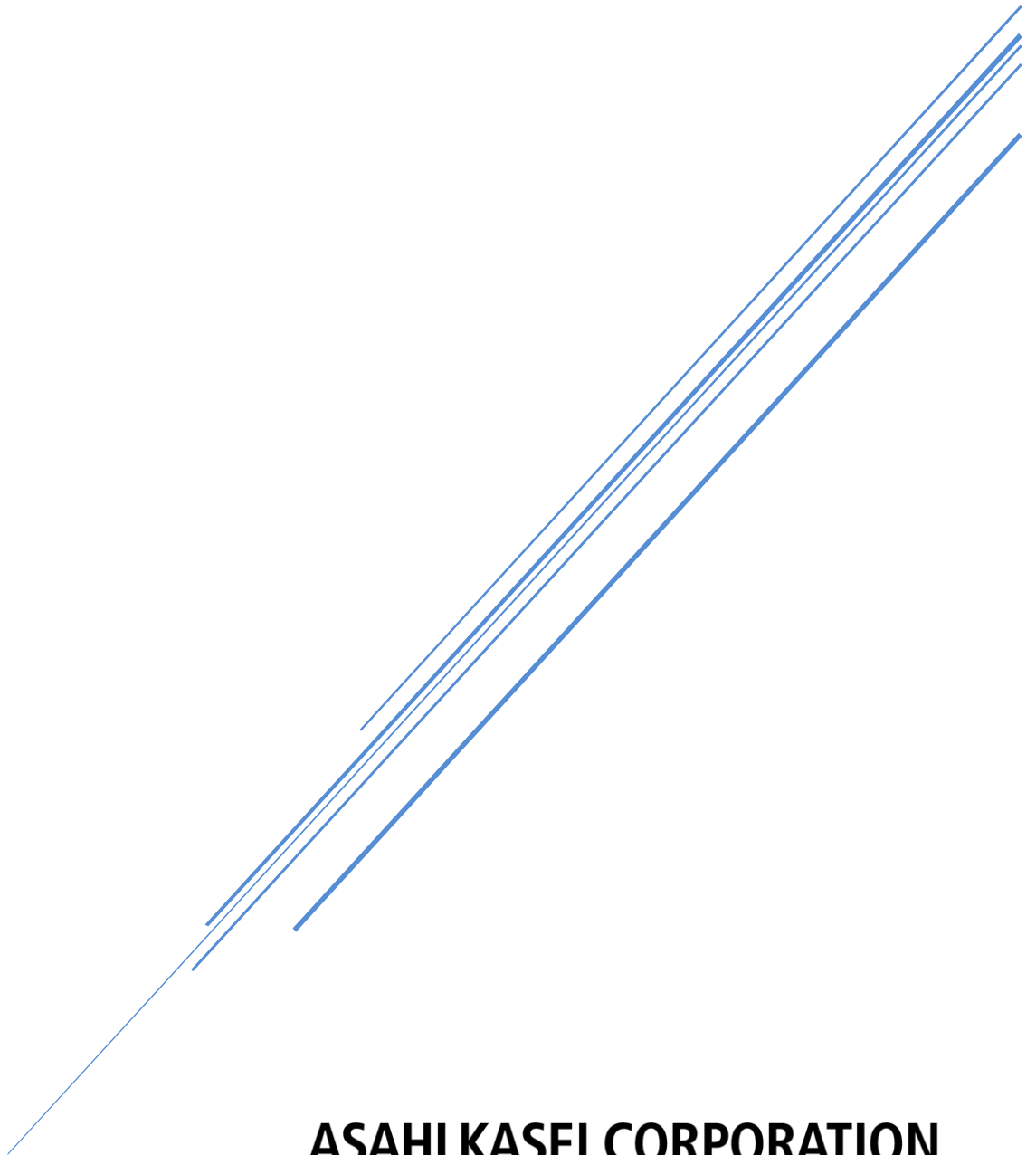


Detailed Consolidated Financial Statements

Years ended March 31, 2020 and 2019



ASAHI KASEI CORPORATION

Contents

Consolidated Balance Sheets	1
Consolidated Statements of Income	3
Consolidated Statements of Comprehensive Income	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	10
1. Major policies for preparing the consolidated financial statements	10
2. Significant accounting policies	11
3. Changes in significant accounting policies	14
4. Notes to Consolidated Balance Sheets	16
5. Notes to Consolidated Statements of Income	18
6. Notes to Consolidated Statements of Comprehensive Income	21
7. Notes to Consolidated Statements of Changes in Net Assets	22
8. Notes to Consolidated Statements of Cash Flows	25
9. Leases	27
10. Financial instruments	28
11. Marketable securities and investment securities	34
12. Derivative financial instruments	36
13. Provision for retirement benefits	39
14. Taxes	42
15. Business combinations	43
16. Business segment information	46
17. Information on related parties	52
18. Per share information	53
19. Subsequent events	54
20. Borrowings	55
21. Supplementary schedule of asset retirement obligations	57
22. Others	58
Independent Auditor's Report	

Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries

March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
ASSETS:			
Current assets:			
Cash and deposits (Notes 8 and 10)	¥207,957	¥193,893	\$1,911,194
Notes and accounts receivable—trade (Note 4(e) and 10)	330,999	350,716	3,041,991
Merchandise and finished goods	216,463	201,699	1,989,367
Work in process	160,064	131,686	1,471,041
Raw materials and supplies	101,313	93,961	931,100
Other	92,153	82,900	846,917
Allowance for doubtful accounts	(1,519)	(3,461)	(13,960)
Total current assets	1,107,430	1,051,393	10,177,649
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures (Note 4(d))	563,110	547,422	5,175,168
Accumulated depreciation	(305,259)	(294,536)	(2,805,431)
Buildings and structures, net	257,851	252,886	2,369,736
Machinery, equipment and vehicles (Note 4(d))	1,466,958	1,439,166	13,481,831
Accumulated depreciation	(1,243,780)	(1,222,201)	(11,430,751)
Machinery, equipment and vehicles, net	223,179	216,966	2,051,089
Land (Note 4(d))	67,024	63,889	615,973
Lease assets (Note 9)	9,645	10,159	88,641
Accumulated depreciation	(8,964)	(9,423)	(82,382)
Lease assets, net	681	736	6,259
Construction in progress	75,487	64,188	693,751
Other (Note 4(d))	172,674	160,631	1,586,931
Accumulated depreciation	(143,210)	(137,930)	(1,316,147)
Other, net	29,464	22,701	270,784
Subtotal	653,686	621,366	6,007,591
Intangible assets			
Goodwill	469,535	319,898	4,315,182
Other	215,947	210,080	1,984,625
Subtotal	685,482	529,978	6,299,807
Investments and other assets			
Investment securities (Notes 4(a), (b), 10 and 11)	244,581	296,330	2,247,781
Long-term loans receivable (Note 10)	7,951	19,993	73,072
Long-term advance payments-trade (Note 4(f))	20,467	—	188,099
Deferred tax assets (Note 14)	49,929	27,508	458,864
Other	28,883	29,052	265,444
Allowance for doubtful accounts	(435)	(418)	(3,998)
Subtotal	351,377	372,465	3,229,271
Total noncurrent assets	1,690,545	1,523,810	15,536,669
Total assets	¥2,797,975	¥2,575,203	\$25,714,319

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS:	2020	2019	2020
Liabilities:			
Current liabilities:			
Notes and accounts payable—trade (Notes 4(e) and 10)	¥131,207	¥180,429	\$1,205,836
Short-term loans payable (Notes 10 and 20)	275,671	97,579	2,533,508
Commercial paper (Notes 10 and 20)	139,000	77,000	1,277,456
Current portion of bonds payable (Notes 10 and 20)	—	20,000	—
Lease obligations (Notes 9, 10 and 20)	1,006	164	9,245
Accrued expenses	121,520	113,221	1,116,809
Income taxes payable (Note 10)	18,145	24,971	166,759
Advances received	73,623	75,836	676,620
Provision for grant of shares	78	82	717
Provision for periodic repairs	4,043	5,342	37,157
Provision for product warranties	3,738	3,102	34,353
Provision for removal cost of property, plant and equipment	2,640	2,251	24,262
Other	71,863	81,877	660,445
Total current liabilities	842,531	681,853	7,743,139
Noncurrent liabilities:			
Bonds payable (Notes 10 and 20)	60,000	20,000	551,420
Long-term loans payable (Notes 10 and 20)	229,172	209,878	2,106,167
Lease obligations (Notes 9, 10 and 20)	3,506	253	32,221
Deferred tax liabilities (Note 14)	46,298	48,299	425,494
Provision for grant of shares	412	289	3,786
Provision for periodic repairs	4,560	2,929	41,908
Provision for removal cost of property, plant and equipment	5,771	3,018	53,037
Net defined benefit liability (Note 13)	174,365	168,685	1,602,472
Long-term guarantee deposits (Note 10)	21,613	21,143	198,631
Other	26,287	16,145	241,586
Total noncurrent liabilities	571,985	490,639	5,256,732
Total liabilities	1,414,515	1,172,493	12,999,862
Net assets:			
Shareholders' equity			
Capital stock			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,393,932,032 shares	103,389	103,389	950,179
Capital surplus	79,641	79,708	731,927
Retained earnings (Note 7(b) (ii))	1,125,738	1,077,586	10,345,906
Treasury stock (2020—6,440,327 shares, 2019—6,491,383 shares)	(5,990)	(3,936)	(55,050)
Total shareholders' equity	1,302,777	1,256,747	11,972,953
Accumulated other comprehensive income			
Net unrealized gain on other securities	67,027	101,971	616,000
Deferred gains or losses on hedges	(241)	(40)	(2,215)
Foreign currency translation adjustment	13,027	42,020	119,722
Remeasurements of defined benefit plans	(23,275)	(19,213)	(213,905)
Total accumulated other comprehensive income	56,538	124,738	519,603
Non-controlling interests	24,145	21,225	221,901
Total net assets	1,383,460	1,402,710	12,714,456
Commitments and contingent liabilities (Notes 4(c) and 9)			
Total liabilities and net assets	¥2,797,975	¥2,575,203	\$25,714,319

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales (Note 16)	¥2,151,646	¥2,170,403	\$19,774,341
Cost of sales (Note 5(b))	1,476,606	1,481,855	13,570,499
Gross profit	675,040	688,548	6,203,842
Selling, general and administrative expenses (Note 5(a))	497,776	478,960	4,574,727
Operating income (Note 16)	177,264	209,587	1,629,115
Non-operating income:			
Interest income	2,769	3,094	25,448
Dividends income	5,251	6,060	48,258
Equity in earnings of affiliates	7,138	12,112	65,601
Other	5,320	4,238	48,893
Total non-operating income	20,479	25,504	188,209
Non-operating expenses:			
Interest expense	4,016	4,371	36,908
Foreign exchange loss	2,328	2,686	21,395
Costs associated with idle portion of facilities	1,642	989	15,091
Other	5,750	7,069	52,844
Total non-operating expenses	13,735	15,115	126,229
Ordinary income	184,008	219,976	1,691,095
Extraordinary income:			
Gain on sales of investment securities	13,679	11,580	125,715
Gain on sales of noncurrent assets (Note 5(c))	4,268	655	39,224
Total extraordinary income	17,948	12,235	164,948
Extraordinary loss:			
Loss on valuation of investment securities	1,953	173	17,949
Loss on disposal of noncurrent assets (Note 5(d))	9,668	6,630	88,852
Impairment loss (Note 5(e))	21,949	11,090	201,719
Loss on disaster (Note 5(f))	2,437	—	22,397
Loss on product compensation (Note 5(g))	5,173	—	47,542
Business structure improvement expenses (Notes 5 (h))	4,840	3,921	44,481
Total extraordinary loss	46,022	21,814	422,957
Income before income taxes	155,934	210,397	1,433,085
Income taxes (Note 14) — current	54,173	63,730	497,868
— deferred	(3,967)	(3,148)	(36,458)
Total income taxes	50,206	60,582	461,410
Net income	105,728	149,815	971,675
Net income attributable to non-controlling interests	1,797	2,303	16,515
Net income attributable to owners of the parent	¥103,931	¥147,512	\$955,160

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net income	¥105,728	¥149,815	\$971,675
Other comprehensive income			
Net (decrease) increase in unrealized gain on other securities	(34,895)	(19,058)	(320,697)
Deferred gains or losses on hedges	(201)	(132)	(1,847)
Foreign currency translation adjustment	(26,115)	12,464	(240,006)
Remeasurements of defined benefit plans	(3,867)	4,311	(35,539)
Share of other comprehensive income of affiliates accounted for using equity method	(3,482)	1,297	(32,001)
Total other comprehensive income (Note 6)	(68,561)	(1,119)	(630,098)
Comprehensive income	¥37,167	¥148,696	\$341,577
Comprehensive income attributable to:			
Owners of the parent	¥35,730	¥146,339	\$328,371
Non-controlling interests	1,437	2,357	13,207

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2020 and 2019

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings (Note 7(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2019	¥103,389	¥79,708	¥1,077,586	¥(3,936)	¥1,256,747	¥101,971	¥(40)	¥42,020	¥(19,213)	¥124,738	¥21,225	¥1,402,710
Changes during the fiscal year												
Dividends from surplus			(48,723)		(48,723)							(48,723)
Net income attributable to owners of the parent			103,931		103,931							103,931
Purchase of treasury stock				(10,016)	(10,016)							(10,016)
Disposal of treasury stock		0		83	84							84
Cancellation of treasury stock		(7,878)		7,878	—							—
Transfer from retained earnings to capital surplus		7,856	(7,856)		—							—
Change of scope of consolidation			801		801							801
Capital increase of consolidated subsidiaries		(46)			(46)							(46)
Net changes of items other than shareholders' equity						(34,945)	(201)	(28,993)	(4,062)	(68,200)	2,920	(65,280)
Total changes of items during the period	—	(67)	48,152	(2,055)	46,030	(34,945)	(201)	(28,993)	(4,062)	(68,200)	2,920	(19,250)
Balance at March 31, 2020	¥103,389	¥79,641	¥1,125,738	¥(5,990)	¥1,302,777	¥67,027	¥(241)	¥13,027	¥(23,275)	¥56,538	¥24,145	¥1,383,460

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						Total net assets
	Capital stock	Capital surplus	Retained earnings (Note 7(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at March 31, 2018	¥103,389	¥79,440	¥981,934	¥(3,930)	¥1,160,833	¥121,128	¥92	¥28,676	¥(23,343)	¥126,553	¥17,827	¥1,305,214
Changes during the fiscal year												
Dividends from surplus			(51,674)		(51,674)							(51,674)
Net income attributable to owners of the parent			147,512		147,512							147,512
Purchase of treasury stock				(40)	(40)							(40)
Disposal of treasury stock		6		34	40							40
Cancellation of treasury stock					—							—
Transfer from retained earnings to capital surplus					—							—
Change of scope of consolidation			(187)		(187)							(187)
Capital increase of consolidated subsidiaries		262			262							262
Net changes of items other than shareholders' equity						(19,157)	(132)	13,344	4,130	(1,815)	3,398	1,582
Total changes of items during the period	—	268	95,652	(6)	95,914	(19,157)	(132)	13,344	4,130	(1,815)	3,398	97,496
Balance at March 31, 2019	¥103,389	¥79,708	¥1,077,586	¥(3,936)	¥1,256,747	¥101,971	¥(40)	¥42,020	¥(19,213)	¥124,738	¥21,225	¥1,402,710

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income						Total net assets
	Capital stock	Capital surplus	Retained earnings (Note 7(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at March 31, 2019	\$950,179	\$732,543	\$9,903,373	\$(36,173)	\$11,549,922	\$937,147	\$(368)	\$386,178	\$(176,574)	\$1,146,384	\$195,065	\$12,891,370
Changes during the fiscal year												
Dividends from surplus			(447,781)		(447,781)							(447,781)
Net income attributable to owners of the parent			955,160		955,160							955,160
Purchase of treasury stock				(92,050)	(92,050)							(92,050)
Disposal of treasury stock		0		763	772							772
Cancellation of treasury stock		(72,401)		72,401	—							—
Transfer from retained earnings to capital surplus		72,199	(72,199)		—							—
Change of scope of consolidation			7,361		7,361							7,361
Capital increase of consolidated subsidiaries		(423)			(423)							(423)
Net changes of items other than shareholders' equity						(321,156)	(1,847)	(266,455)	(37,331)	(626,781)	26,836	(599,945)
Total changes of items during the period	—	(616)	442,533	(18,886)	423,031	(321,156)	(1,847)	(266,455)	(37,331)	(626,781)	26,836	(176,914)
Balance at March 31, 2020	\$950,179	\$731,927	\$10,345,906	\$(55,050)	\$11,972,953	\$616,000	\$(2,215)	\$119,722	\$(213,905)	\$519,603	\$221,901	\$12,714,456

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Income before income taxes	¥155,934	¥210,397	\$1,433,085
Depreciation and amortization	96,016	84,556	882,419
Impairment loss	21,949	11,090	201,719
Amortization of goodwill	22,288	19,490	204,834
Amortization of negative goodwill	(79)	(159)	(726)
Increase in provision for grant of shares	119	170	1,094
Increase in provision for periodic repairs	332	1,823	3,051
Increase in provision for product warranties	640	364	5,882
Increase in provision for removal cost of property, plant and equipment	3,141	145	28,867
Decrease in net defined benefit liability	(4,069)	(4,287)	(37,395)
Interest and dividend income	(8,021)	(9,154)	(73,716)
Interest expense	4,016	4,371	36,908
Equity in earnings of affiliates	(7,138)	(12,112)	(65,601)
Gain on sales of investment securities	(13,679)	(11,580)	(125,715)
Loss on valuation of investment securities	1,953	173	17,949
Gain on sale of property, plant and equipment	(4,268)	(655)	(39,224)
Loss on disposal of noncurrent assets	9,668	6,630	88,852
Decrease in notes and accounts receivable—trade	16,919	3,942	155,491
Increase in inventories	(51,950)	(57,968)	(477,438)
Decrease in notes and accounts payable—trade	(45,562)	(776)	(418,730)
Increase in accrued expenses	2,624	5,859	24,115
(Decrease) increase in advances received	(1,925)	5,266	(17,691)
Other, net	(20,688)	15,328	(190,130)
Subtotal	178,218	272,914	1,637,883
Interest and dividend income, received	10,834	11,247	99,568
Interest expense paid	(4,203)	(4,412)	(38,627)
Income taxes paid	(60,388)	(67,687)	(554,986)
Net cash provided by operating activities	124,460	212,062	1,143,829
Cash flows from investing activities:			
Payments into time deposits	(4,195)	(13,812)	(38,553)
Proceeds from withdrawal of time deposits	13,343	7,880	122,627
Purchase of property, plant and equipment	(138,354)	(114,718)	(1,271,519)
Proceeds from sales of property, plant and equipment	5,693	652	52,321
Purchase of intangible assets	(16,096)	(10,136)	(147,928)
Purchase of investment securities	(10,820)	(2,624)	(99,439)
Proceeds from sales of investment securities	23,543	17,030	216,368
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(175,759)	(93,487)	(1,615,284)
Payments for transfer of business	(1,964)	(2,764)	(18,050)
Payments of loans receivable	(23,170)	(5,092)	(212,940)
Collection of loans receivable	9,253	18,813	85,038
Other, net	369	(659)	3,391
Net cash used in investing activities	¥(318,156)	¥(198,917)	\$(2,923,959)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥172,022	¥(36,840)	\$1,580,939
Increase in commercial paper	62,000	57,000	569,801
Proceeds from long-term loans payable	45,816	85,492	421,064
Repayment of long-term loans payable	(17,586)	(53,833)	(161,621)
Proceeds from issuance of bonds payable	40,000	20,000	367,613
Redemption of bonds	(20,000)	—	(183,807)
Repayments of lease obligations	(1,276)	(237)	(11,727)
Purchase of treasury stock	(10,016)	(40)	(92,050)
Proceeds from disposal of treasury stock	84	40	772
Proceeds from share issuance to non-controlling interests	849	-	7,803
Cash dividends paid	(48,723)	(51,674)	(447,781)
Cash dividends paid to non-controlling interests	(1,052)	(1,155)	(9,668)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(1,148)	—
Other, net	(194)	(217)	(1,783)
Net cash provided by financing activities	221,923	17,388	2,039,546
Effect of exchange rate change on cash and cash equivalents	(4,060)	543	(37,313)
Net increase in cash and cash equivalents	24,167	31,077	222,103
Cash and cash equivalents at beginning of year	180,520	148,596	1,659,039
Increase in cash and cash equivalents resulting from changes in scope of consolidation	85	846	781
Cash and cash equivalents at end of year (Note 8)	¥204,771	¥180,520	\$1,881,913

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Asahi Kasei Corporation and Consolidated Subsidiaries

1. Major policies for preparing the consolidated financial statements

The consolidated financial statements, which are filed with the prime minister of Japan as required by the Financial Instruments and Exchange Act in Japan, are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements are a translation of those filed with the prime minister of Japan and incorporate certain modifications to enhance foreign readers' understanding of the consolidated financial statements. In addition, the notes to the consolidated financial statements include certain financial information which is not required under the disclosure regulations in Japan, but is presented herein as additional information.

The U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of readers. These translations should not be construed as representations that the Japanese yen amounts actually represent, have been, or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥108.81=US\$1 prevailing on March 31, 2020, has been used.

Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 211 subsidiaries (203 subsidiaries at March 31, 2019, hereinafter collectively referred to as the "Company") which, with minor exceptions due to immateriality, are all majority or wholly owned companies, including 6 core operating companies (Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Microdevices Corp., Asahi Kasei Pharma Corp., Asahi Kasei Medical Co., Ltd., and ZOLL Medical Corporation). Material inter-company transactions and accounts have been eliminated.

Investments in unconsolidated subsidiaries and 20% to 50% owned companies in which the Company exercises significant influence are accounted for, with minor exceptions due to immateriality, using the equity method of accounting. There were 56 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2020 (53 at March 31, 2019), including Asahi Kasei EIC Solutions Corp. and Asahi Yukizai Corporation.

Certain subsidiaries' results are reported in the consolidated financial statements using a fiscal year ending December 31. Material differences in inter-company transactions and accounts arising from the use of different fiscal year-ends are appropriately adjusted for through consolidation procedures.

All assets and liabilities of acquired companies are measured at their fair value and any difference between the net assets and the cost of investment is recognized as goodwill or negative goodwill. Goodwill, and negative goodwill incurred through business combinations which took place before April 1, 2010, are amortized using the straight-line method over a reasonable period during which their effects would last, with the exception of minor amounts which are charged to income as incurred.

2. Significant accounting policies

(a) Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, which are readily convertible to known amounts of cash, and therefore present an insignificant risk of changes in value due to changes in interest rates.

(b) Inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net realizable value. Residential lots and dwellings for sale are stated at specifically identified costs.

(c) Noncurrent assets and depreciation/amortization

Property, plant and equipment (except for lease assets) are stated at cost. Significant renewals and improvements are capitalized at cost, while maintenance and repairs are charged to income as incurred. Depreciation is provided for under the straight-line method, at rates based on estimated useful lives of the assets, principally ranging from 7 to 60 years for buildings and from 2 to 22 years for machinery and equipment and vehicles.

Intangible fixed assets (except for lease assets), including software for internal use, are mainly amortized using the straight-line method over the estimated useful lives of the assets. The estimated useful life of software for internal use is mainly 5 years.

Lease assets (financing lease transactions without title transfer) are depreciated/amortized on a straight-line basis over the period of the lease with no residual value.

(d) Significant allowances

i) Allowance for doubtful accounts

Estimates of the unrecoverable portion of receivables, generally based on historical rates and for specific receivables of particular concern based on individual estimates of recoverability, are recognized as allowance for doubtful accounts.

ii) Provision for periodic repairs

The portion of foreseeable periodic repair expenses deemed to correspond to normal wear and tear of plant and equipment as of the closing date of the fiscal year is recognized as provision for periodic repairs.

iii) Provision for product warranties

Estimates of product warranty expenses based on historical rates are recognized as provision for product warranties.

iv) Provision for removal cost of property, plant and equipment

Provision for removal cost of property, plant and equipment is recorded based on estimated future removal cost of property, plant and equipment at the end of each fiscal year.

v) Provision for grant of shares

To record the grant of shares to Directors, etc., in accordance with Share Grant Regulations, the provision for grant of shares is recorded based on an estimate of grant of shares liabilities as of the closing date of the fiscal year.

(e) Accounting for retirement benefits

i) Method of attributing expected retirement benefits to each period

In calculating retirement benefit obligations, the Company applies a method of attributing expected retirement benefits to each period based on a benefit formula basis.

ii) Accounting for actuarial gains/losses and prior service costs

Actuarial gains/losses are amortized using the straight-line method from the fiscal year following their accrual over a certain period (mainly 10 years) within the average remaining service period of employees at the time of accrual. Prior service costs are amortized using the straight-line method over a certain period (mainly 10 years) within the average remaining service period of employees at the time of accrual.

iii) Adoption of the simplified method

In calculating expected defined benefit liability and periodic retirement benefit expenses, certain consolidated subsidiaries have adopted the simplified method. Under this method, the expected defined benefit liability is recorded at the severance payment amount to be required should all employees retire voluntarily at fiscal year end.

(f) Significant revenue and expense recognition

i) Construction activities that are realizable as of fiscal year end

The percentage-of-completion method (progress of work is estimated using the percentage of costs incurred to the total projected costs) is applied.

ii) Other construction activities

The completed-contract method is used.

(g) Financial instruments

i) Securities

Securities are classified into four categories: trading securities, held-to-maturity debt securities, equity securities of unconsolidated subsidiaries and affiliates, and other securities. At March 31, 2020 and 2019, the Company did not have trading securities or held-to-maturity debt securities. Equity securities of unconsolidated subsidiaries and affiliates are accounted for, with minor exceptions due to immateriality, using the equity method of accounting.

Other securities whose fair values are readily determinable are carried at fair value with net unrealized gains or losses, net of income taxes, being included as a component of net assets. Other securities whose fair values are not readily determinable are stated at cost. In cases where any significant decline in the realizable value is assessed to be other than temporary, the cost of other securities is devalued by the impaired amount and is charged to income. Realized gains and losses are determined using the average cost method and are reflected in the consolidated income statements.

ii) Derivative financial instruments

All derivatives are stated at fair value. Gains or losses arising from changes in fair value are recognized in the period in which they arise, except for derivatives that are designated as hedging instruments. Gains or losses arising from changes in fair value of these qualifying hedges are deferred as "Deferred gains or losses on hedges" until being offset against gains or losses of the underlying hedged assets and liabilities.

(h) Taxes

Accrued income taxes are stated at the estimated amount of payables for corporation, enterprise, and inhabitant taxes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

The Company has elected to file its return under the consolidated tax filing system in Japan. Transactions subject to consumption taxes are recorded at amounts net of consumption taxes.

Application of Tax Effect Accounting for Transition from the Consolidated Taxation System to the Group Tax Sharing System

Concerning items which transitioned to the group tax sharing system and those for which the non-consolidated tax payment system were reviewed in line with the transition to the group tax sharing system, which has been established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020), the Company and certain domestic consolidated subsidiaries will not apply the provisions of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28), in accordance with Paragraph 3 of "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Issues Task Force No. 39). As a result, the amounts of deferred tax assets and deferred tax liabilities are reported based on the provisions of the tax act prior to the amendment.

(i) Translation of foreign currencies

Foreign currency receivables and payables are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are charged to income for the period.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at fiscal year-end exchange rates, and income and expenses of same are translated into Japanese yen at the average exchange rate for the fiscal year. Shareholders' equity of foreign subsidiaries is translated into Japanese yen at the historical exchange rates. The translation differences in Japanese yen amounts arising from the use of different rates are recognized as foreign currency translation adjustments in the consolidated balance sheets. A portion of the foreign currency translation adjustment is allocated to non-controlling interests and the Company's portion is presented as a separate component of net assets in the consolidated balance sheets.

3. Changes in significant accounting policies

(a) Accounting Standards issued but not yet applied

For the Company and domestic consolidated subsidiaries:

i) Accounting Standard for Disclosure of Accounting Estimates

The Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 31 "Accounting Standard for Disclosure of Accounting Estimates." The purpose of this standard is to disclose information that will help users of the consolidated financial statements understand the nature of accounting estimates for items for which the amounts recorded in the consolidated financial statements for the fiscal year under review are based on accounting estimates and for which there is a risk that they may have a material impact on the consolidated financial statements for the following fiscal year. The Company will apply the standard after the end of the fiscal year ending March 31, 2021.

ii) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

The ASBJ issued the revised ASBJ Statement No. 24 "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections." The purpose of this standard is to provide an overview of the accounting principles and procedures adopted in cases where the relevant accounting standards are not clear. The Company will apply the standard after the end of the fiscal year ending March 31, 2021.

iii) Accounting Standard for Revenue Recognition and Implementation Guidance on Accounting Standard for Revenue Recognition

The ASBJ issued ASBJ Statement No. 29 "Accounting Standard for Revenue Recognition" and ASBJ Guidance No. 30 "Implementation Guidance on Accounting Standard for Revenue Recognition." This is a comprehensive standard related to revenue recognition, with the following five steps to be applied for recognition of revenue:

Step 1: Identify the contract with customers

Step 2: Identify the separate performance obligations

Step 3: Determine the transaction price of the contract

Step 4: Allocate the transaction price to each of the separate performance obligations

Step 5: Recognize the revenue as each performance obligation is satisfied

The Company will apply the standard and guidance from the beginning of the fiscal year ending March 31, 2022. At the time of the preparation of the consolidated financial statements, the effects of adoption are being assessed.

iv) Accounting Standard for Fair Value Measurement and Implementation Guidance on Accounting Standard for Fair Value Measurement, etc.

The ASBJ issued ASBJ Statement No. 30 "Accounting Standard for Fair Value Measurement," ASBJ Guidance No. 31 "Implementation Guidance on Accounting Standard for Fair Value Measurement," revised ASBJ Statement No. 9 "Accounting Standard for Measurement of Inventories," revised ASJB Statement No. 10 "Accounting Standard for Financial Instruments," and revised ASJB Guidance No. 19 "Implementation Guidance on Disclosures about Fair Value of Financial Instruments." "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" were developed and guidance are established to improve comparability with international accounting standards. The standard and guidance are applied to the market value of the following items.

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

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised, and a note on the breakdown of financial instruments by level of fair value was established. The Company will apply the standards and guidance from the beginning of the fiscal year ending March 31, 2022. At the time of the preparation of the consolidated financial statements, the effects of adoption are being assessed.

For subsidiaries that apply US GAAP:

Leases (Topic 842, ASU No. 2016-02)

The Financial Accounting Standards Board (FASB) issued "Accounting Standards Update No. 2016-02, Leases (Topic 842)." This accounting standard requires a lessee to recognize all leases as assets and liabilities on the balance sheet. The Company will apply the standard and guidance from the beginning of the fiscal year ending March 31, 2023. At the time of the preparation of the consolidated financial statements, the effects of adoption are being assessed.

(b) Changes in presentation**Consolidated Statements of Income**

In the fiscal year ended March 31, 2020, costs associated with idle portion of facilities, which had previously been included in others under non-operating expenses, exceeded 10% of total non-operating expenses, and is reported separately. The consolidated statements of income for the fiscal year ended March 31, 2019, have been adjusted accordingly, resulting in others under non-operating expenses being ¥7,069 million, ¥989 million lower than the previously reported ¥8,058 million, reflecting the separation of the same amount as costs associated with idle portion of facilities.

(c) Additional Information**Assumptions regarding effect of COVID-19 on accounting estimates**

COVID-19 is causing a global economic downturn, and in particular the reduction or temporary suspension of production by automobile manufacturers is having an effect on the Company's operations. Although it is difficult to predict when the impact of COVID-19 will subside, based upon information gathered from a wide range of industrial fields the Company assumes that there will be incremental economic recovery toward the end of the fiscal year ending March 31, 2021, and has made accounting estimates accordingly regarding impairment of noncurrent assets, recoverability of deferred tax assets, etc.

4. Notes to Consolidated Balance Sheets

(a) Investment securities

Among investment securities, shares of unconsolidated subsidiaries and affiliates as of March 31, 2020 and 2019, amounted to ¥104,668 million (US\$961,934 thousand) and ¥98,357 million, respectively. Included in those amounts are investments in joint ventures of ¥53,650 million (US\$493,061 thousand) and ¥52,095 million, respectively.

(b) Pledged assets and secured debt

A summary of assets pledged as collateral as of March 31, 2020 and 2019, is shown below:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Cash and deposits	¥314	¥—	2020 \$2,886
Total	¥314	¥—	2020 \$2,886

Investment securities pledged to suppliers as transaction guarantees at March 31, 2020 and 2019, were ¥55 million (US\$505 thousand) and ¥65 million, respectively.

(c) Contingent liabilities

Contingent liabilities at March 31, 2020 and 2019, arising in the ordinary course of business were as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Loans guaranteed	¥40,321	¥38,736	2020 \$370,563
Total	¥40,321	¥38,736	2020 \$370,563

(d) Deferred gain on property, plant and equipment deducted for tax purposes

The accumulated reduced-value entries, which are directly deducted from property, plant and equipment, as of March 31, 2020 and 2019, were ¥9,966 million (US\$91,591 thousand) and ¥9,792 million, respectively.

The breakdown of reduced-value entries as of March 31, 2020 and 2019, was as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Buildings and structures	¥3,439	¥3,324	2020 \$31,606
Machinery, equipment and vehicles	6,215	6,156	57,118
Land	167	167	1,535
Other	145	145	1,333
Total	¥9,966	¥9,792	2020 \$91,591

(e) Notes maturing on March 31, 2020

Although financial institutions in Japan were closed on March 31, 2019, and notes maturing on that date were actually settled on the following business day, April 1, 2019, those were accounted for as if settled on March 31, 2019.

The breakdown of those notes at March 31, 2019 was as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Notes and accounts receivable-trade	¥—	¥2,799	\$—
Notes and accounts payable-trade	—	1,273	—

(f) Long-term advance payments—trade

The Company has concluded long-term purchase contracts with raw materials manufactures, to ensure the stable procurement of nylon raw materials. Advance payments have been made for a part of it in accordance with the contracts.

5. Notes to Consolidated Statements of Income

(a) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Salaries and benefits	¥194,889	¥186,552	\$1,791,095
Research and development*	62,244	62,924	572,043
Freight and storage	40,971	41,353	376,537

* The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2020 and 2019, were ¥90,966 million (US\$836,008 thousand) and ¥90,124 million, respectively.

(b) Gain or loss on valuation of inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net realizable value. (Gain) loss on valuation of inventories for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
	¥2,499	¥535	\$22,967

(c) Gain on sales of noncurrent assets

Major components of gain on sales of noncurrent assets for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Land	¥2,693	¥497	\$24,750
Machinery	1,462	8	13,436
Other	113	150	1,039

(d) Loss on disposal of noncurrent assets

Loss on disposal of noncurrent assets for the years ended March 31, 2020 and 2019, was primarily loss on abandonment and sale of buildings, machinery and equipment, etc. The abandonment and sale of buildings, machinery and equipment, etc. were performed under a single, all-inclusive contract for each facility.

(e) Impairment loss

Major components of impairment losses for the years ended March 31, 2020 and 2019, were as follows:

Use	Asset class	Location	Millions of yen		Thousands of U.S. dollars	Item on the Consolidated Statements of Income
			2020	2019	2020	
Production facility for pharmaceuticals business	Goodwill and Other Intangible assets	—	¥—	¥6,657	\$—	Impairment loss
Production facility for battery materials	Machinery and equipment, etc.	Cheongju, Korea	—	2,966	—	Impairment loss
Production facility for synthetic fibers	Machinery and equipment, etc.	North Rhine-Westphalia, Germany	143	947	1,314	Impairment loss
Production facility for synthetic resin	Buildings, etc.	Kawasaki Ward Kawasaki, Kanagawa	—	468	8,069	Business structure improvement expenses
Production facility for artificial kidneys and therapeutic apheresis devices	Machinery and equipment, etc.	Nobeoka, Miyazaki	—	170	—	Impairment loss
Others	Construction in progress, etc.	Fuji, Shizuoka, etc.	—	381	—	Impairment loss and business structure improvement expenses
Production facility for synthetic rubber	Machinery and equipment, etc.	Jurong Island, Singapore	17,363	—	159,572	Impairment loss
Sales rights of pharmaceutical products	Other Intangible assets	—	1,721	—	15,817	Impairment loss
R&D equipment	Machinery and equipment, etc.	Fuji, Shizuoka, etc.	1,091	—	10,027	Impairment loss
System for sales and logistics	Other Intangible assets	—	1,062	—	9,760	Impairment loss
Production facility for synthetic resin	Machinery and equipment, etc.	Kawasaki Ward Kawasaki, Kanagawa	878	—	8,069	Business structure improvement expenses
Production facility for basic chemical products	Buildings, etc.	Nobeoka, Miyazaki	206	—	1,893	Impairment loss
Production facility for fiber products	Machinery and equipment, etc.	Amakusa, Kumamoto	173	—	1,590	Business structure improvement expenses
Production facility for nonwoven fabrics	Machinery and equipment, etc.	Moriyama, Shiga	112	—	1,029	Impairment loss
Others	Machinery and equipment, etc.	Nobeoka, Miyazaki, etc.	627	—	5,762	Impairment loss and business structure improvement expenses

Grouping of operating assets is based on managerial accounting categories, with consideration given to production process, geographic location, and domain of authority for making investment decisions. Idle assets are recorded separately in each fixed assets class.

The book value of production facility for synthetic rubber, sales rights of pharmaceutical products, production facility for synthetic resin, production facility for fiber products, and production facility for synthetic fiber was reduced to the recoverable amount due to diminished profitability. The recoverable amount is stated as the value for future usage, which is calculated based on discounted future cash flows within the applicable discount rate of 6–10% as of March 31, 2020, and 6% as of March 31, 2019.

The book value of R&D equipment, system for sales and logistics, production facility for basic chemical products, and production facility for nonwoven fabrics was reduced to zero due to the disappearance of prospects for future use.

Among the extraordinary losses under Others, ¥376 million (US\$3,456 thousand) and ¥31 million were recorded under business structure improvement expenses for the years ended March 2020 and 2019, respectively.

(f) Loss on disaster

Major components of loss on disaster for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Repair expenses	¥1,381	¥—	\$12,692
Fixed costs incurred during suspension of operations	684	—	6,286
Loss on disposal of inactive assets	372	—	3,419

(g) Loss on product compensation

Loss on product compensation was recorded due to the occurrence of quality defects in some of the customers' final products which incorporated electronic components that were manufactured and sold by the Company in the past.

(h) Business structure improvement expenses

Major components of business structure improvement expenses for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Impairment of fixed assets	¥1,428	¥499	\$13,124
Additional payment of retirement benefits due to application of early retirement, etc.	233	692	2,141
Loss on disposal and devaluation of inventory and others	3,179	2,730	29,216,
Total	¥4,840	¥3,921	\$44,481

6. Notes to Consolidated Statements of Comprehensive Income

Recycling adjustment and tax effects on other comprehensive income for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net unrealized gain on other securities			
Changes during the fiscal year	¥(37,687)	¥(15,870)	\$(346,356)
Recycling adjustment	(12,418)	(11,554)	(114,126)
Pre-tax effect	(50,105)	(27,423)	(460,482)
Tax effect	15,210	8,365	139,785
Net unrealized gain on other securities	(34,895)	(19,058)	(320,697)
Deferred gains or losses on hedges			
Changes during the fiscal year	(781)	(343)	(7,178)
Recycling adjustment	11	218	101
Adjustment on the acquisition cost of assets	579	—	5,321
Pre-tax effect	(190)	(125)	(1,746)
Tax effect	(11)	(7)	(101)
Deferred gains or losses on hedges	(201)	(132)	(1,847)
Foreign currency translation adjustment			
Changes during the fiscal year	(25,807)	12,464	(237,175)
Recycling adjustment	(308)	—	(2,831)
Foreign currency translation adjustment	(26,115)	12,464	(240,006)
Remeasurements of defined benefit plans			
Changes during the fiscal year	(9,475)	(2,214)	(87,078)
Recycling adjustment	4,055	8,453	37,267
Pre-tax effect	(5,421)	6,238	(49,821)
Tax effect	1,553	(1,927)	14,273
Remeasurements of defined benefit plans	(3,867)	4,311	(35,539)
Share of other comprehensive income of affiliates accounted for using equity method			
Changes during the fiscal year	(3,478)	1,297	(31,964)
Recycling adjustment	(4)	0	(37)
Share of other comprehensive income of affiliates accounted for using equity method	(3,482)	1,297	(32,001)
Total other comprehensive income	¥(68,561)	¥(1,119)	\$(630,098)

7. Notes to Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2020

(a) Class and total number of issued and outstanding shares and treasury stock

	Thousands of shares			
	Number of shares	Increase in number	Decrease in number	Number of shares as
	as of March 31, 2019	of shares during the fiscal year	of shares during the fiscal year	of March 31, 2020
Issued and outstanding shares				
Common stock (Note 1)	1,402,616	—	8,684	1,393,932
Total	1,402,616	—	8,684	1,393,932
Treasury stock				
Common stock (Notes 2,3,4)	6,491	8,698	8,749	6,440
Total	6,491	8,698	8,749	6,440

- Notes:
- The decrease of 8,684 thousand shares in common stock issued was attributable to the cancellation of treasury stock based on a resolution of the Board of Directors.
 - The increase of 8,698 thousand shares in common stock of treasury stock was primarily attributable to the acquisition of 8,684 thousand shares based on a resolution of the Board of Directors, the purchase of 13 thousand shares in quantities of less than one share unit, and an increase of 1 thousand shares from the application of the equity method to a company which holds shares of the Company.
 - The decrease of 8,749 thousand shares in common stock of treasury stock was primarily attributable to the cancellation of 8,684 thousand shares based on a resolution of the Board of Directors, the disposal of 63 thousand shares by the trust for granting shares to Directors, etc., and the sale of 2 thousand shares in quantities of less than one share unit.
 - The number of shares of treasury stock as of March 31, 2020, includes 379 thousand shares held by the trust for granting shares to Directors, etc.

(b) Dividends

i) Cash dividends paid

1) The following was resolved by the Board of Directors on May 10, 2019.

Dividends for common stock

Total dividends	¥23,742 million (US\$218,197 thousand)
Dividend per share	¥17.00 (US\$0.16)
Date of record	March 31, 2019
Payment date	June 4, 2019

Note: Total dividends includes ¥8 million (US\$74 thousand) for shares held by the trust for granting shares to Directors, etc.

2) The following was resolved by the Board of Directors on November 6, 2019.

Dividends for common stock

Total dividends	¥24,982 million (US\$229,593 thousand)
Dividend per share	¥18.00 (US\$0.17)
Date of record	September 30, 2019
Payment date	December 3, 2019

Note: Total dividends includes ¥7 million (US\$64 thousand) for shares held by the trust for granting shares to Directors, etc.

ii) Dividends for which the date of record falls within the fiscal year under review but the payment date occurs in the following fiscal year

The following was resolved by the Board of Directors on May 22, 2020.

Dividends for common stock

Total dividends	¥22,206 million (US\$204,081 thousand)
Source of dividends	Retained earnings
Dividend per share	¥16.00 (US\$0.15)
Date of record	March 31, 2020
Payment date	June 10, 2020

Note: Total dividends includes ¥6 million (US\$55 thousand) for shares held by the trust for granting shares to Directors, etc.

For the year ended March 31, 2019

(a) Class and total number of issued and outstanding shares and treasury stock

	Thousands of shares			Number of shares as of March 31, 2019
	Number of shares as of March 31, 2018	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	
Issued and outstanding shares				
Common stock	1,402,616	—	—	1,402,616
Total	1,402,616	—	—	1,402,616
Treasury stock				
Common stock (Notes 1, 2, 3)	6,492	31	32	6,491
Total	6,492	31	32	6,491

- Notes: 1. The increase of 31 thousand shares in common stock of treasury stock was due to the purchase of shares in quantities of less than one share unit.
2. The decrease of 32 thousand shares in common stock of treasury stock was primarily attributable to the disposal of 22 thousand shares by the trust for granting shares to Directors, etc., and the sale of 10 thousand shares in quantities of less than one share unit.
3. The number of shares of treasury stock as of March 31, 2019, includes 442 thousand shares held by the trust for granting shares to Directors, etc.

(b) Dividends

i) Cash dividends paid

1) The following was resolved by the Board of Directors on May 11, 2018.

Dividends for common stock

Total dividends	¥27,932 million
Dividend per share	¥20.00
Date of record	March 31, 2018
Payment date	June 5, 2018

Note: Total dividends includes ¥9 million for shares held by the trust for granting shares to Directors, etc.

2) The following was resolved by the Board of Directors on November 2, 2018.

Dividends for common stock

Total dividends	¥23,742 million
Dividend per share	¥17.00
Date of record	September 30, 2018
Payment date	December 3, 2018

Note: Total dividends includes ¥8 million for shares held by the trust for granting shares to Directors, etc.

ii) Dividends for which the date of record falls within the fiscal year under review but the payment date occurs in the following fiscal year

The following was resolved by the Board of Directors on May 10, 2019.

Dividends for common stock

Total dividends	¥23,742 million
Source of dividends	Retained earnings
Dividend per share	¥17.00
Date of record	March 31, 2019
Payment date	June 4, 2019

Note: Total dividends includes ¥8 million for shares held by the trust for granting shares to Directors, etc.

8. Notes to Consolidated Statements of Cash Flows

(a) Cash and cash equivalents

Reconciliation of cash and cash equivalents on the consolidated statements of cash flows to the amounts disclosed on the consolidated balance sheets at March 31, 2020 and 2019, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and deposits	¥207,957	¥193,893	\$1,911,194
Time deposits with deposit term of over 3 months	(3,186)	(13,374)	(29,280)
Cash and cash equivalents	¥204,771	¥180,520	\$1,881,913

(b) Assets and liabilities of newly consolidated subsidiaries through acquisition of shares

For the year ended March 31, 2020

Assets and liabilities of acquired companies (Cardiac Science Corporation and 6 consolidated subsidiaries) and net cash outflow for such acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥2,870	\$26,376
Noncurrent assets	13,860	127,378
Goodwill	17,635	162,072
Current liabilities	(2,848)	(26,174)
Noncurrent liabilities	(2,455)	(22,562)
Acquisition cost of shares	29,063	267,099
Cash and cash equivalents	(119)	(1,094)
Net cash used for acquisition	28,944	266,005

Assets and liabilities of acquired companies (Veloxis Pharmaceuticals A/S and 1 consolidated subsidiary) and net cash outflow for such acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥11,012	\$101,204
Noncurrent assets	5,630	51,742
Goodwill	149,100	1,370,278
Current liabilities	(20,100)	(184,726)
Noncurrent liabilities	(30)	(276)
Foreign currency translation adjustment	1,609	14,787
Acquisition cost of shares	147,220	1,353,001
Cash and cash equivalents	(5,749)	(52,835)
Net cash used for acquisition	141,471	1,300,165

For the year ended March 31, 2019

Assets and liabilities of acquired companies (Senseair AB and 4 consolidated subsidiaries) and net cash outflow for such acquisition is as follows:

	Millions of yen
Current assets	¥1,296
Noncurrent assets	1,544
Goodwill	4,171
Current liabilities	(580)
Noncurrent liabilities	(352)
Acquisition cost of shares	6,079
Gain on step acquisitions	(173)
Carrying value of previously held equity interest	(322)
Cash and cash equivalents	(351)
Net cash used for acquisition	5,233

Assets and liabilities of acquired companies (Sage Automotive Interiors, Inc. and 13 consolidated subsidiaries) and net cash outflow for such acquisition is as follows:

	Millions of yen
Current assets	¥23,467
Noncurrent assets	59,076
Goodwill	68,171
Current liabilities	(55,254)
Noncurrent liabilities	(11,193)
Non-controlling interests	(4,363)
Acquisition cost of shares	79,904
Cash and cash equivalents	(6,916)
Net cash used for acquisition	72,988

Assets and liabilities of acquired companies (Erickson Framing Operations LLC and 4 consolidated subsidiaries) and net cash outflow for such acquisition is as follows:

	Millions of yen
Current assets	¥3,728
Noncurrent assets	9,137
Goodwill	1,230
Current liabilities	(4,240)
Noncurrent liabilities	(38)
Foreign currency translation adjustment	233
Acquisition cost of shares	10,050
Cash and cash equivalents	(90)
Net cash used for acquisition	9,959

9. Leases

(a) Financing lease transactions

Financing lease transactions without title transfer and right-of-use assets of overseas subsidiaries under IFRS 16

i) Components of lease assets are as follows:

1) Property, plant and equipment: Mainly the right to use land and production facilities.

The right-of-use assets are included in "Other" in the consolidated balance sheets for the fiscal year under review.

2) Intangible fixed assets: Software

ii) Depreciation of lease assets:

As stated in Note 2 "Significant accounting policies (c) Noncurrent assets and depreciation/amortization."

(b) Operating lease transactions

Future lease payments for the non-cancelable portion of the Company's operating leases at March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Due within one year	¥9,593	¥9,442	\$88,163
Due after one year	31,821	38,949	292,446
Total	¥41,414	¥48,391	\$380,608

10. Financial instruments

(a) Overview of financial instruments

i) Policy related to financial instruments

The Company raises long-term funds as required mainly for its planned capital expenditures by borrowing from banks, borrowing from life insurance companies, issuing bonds, etc. A portion of the surplus funds is invested only in highly stable financial assets. Short-term working funds are raised by bank borrowings, issuance of commercial paper, etc. Derivative transactions are mainly entered into for the purpose of reducing risks related to assets and liabilities which are exposed to risks of fluctuations of exchange rate and interest rate. Derivatives are not traded for speculative purposes.

ii) Components of financial instruments, their risks and risk management structure

As operating receivables, notes and accounts receivable—trade are exposed to credit risk of customers. As the business of the Company spans a wide range of fields, operating receivables are not excessively concentrated on specific customers, but the parent company and each consolidated subsidiary monitor and manage the credit condition of each customer.

Investment securities are exposed to the risk of fluctuations in market price, but they are mainly equity securities of companies with which the Company has business relationships. These securities are held for the purpose of maintaining the business relationships. Fair value is periodically evaluated, and the financial condition of the issuing company is monitored.

As operating liabilities, notes and accounts payable—trade generally have a payment term of 1 year or less.

Variable interest-rate borrowings are exposed to the risk of interest-rate fluctuations, but derivatives (interest-rate and currency swaps, interest-rate swaps) are used as hedges to fix interest expenses for a portion of long-term variable interest-rate borrowings.

Operating receivables and operating liabilities include those denominated in currencies other than Japanese yen, and are thus exposed to the risk of exchange-rate fluctuations. In order to minimize the effects of short-term exchange-rate fluctuations, the Company hedges with derivative transactions (forward exchange contracts), in principle, within the range of the underlying receivables and liabilities amount.

Derivative transactions are exposed to the credit risk of transacting financial institutions, but the credit condition of those financial institutions is reviewed through periodical monitoring. Such transactions are performed and managed in accordance with the Company's internal regulations which stipulate the related authority, procedures, limits, etc.

Borrowings are exposed to liquidity risk, but the parent company specifies standards for required on-hand funds based on the Company's funding plans, prepares and revises plans for cash receipts and disbursements as appropriate, and enters into commitment-line agreements with transacting financial institutions to manage such risk.

Loan securitization in the housing business is exposed to the risk of interest-rate fluctuations between the time of origination of housing loans and the time of execution of their securitization, but derivative transactions (interest-rate swaps) are entered into in order to reduce such risk.

iii) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. In the case where no quoted market price is available, a reasonably estimated fair value is used. As variable factors are incorporated in its estimation, fair value may change due to the adoption of different assumptions, conditions, etc. The stated amount of contracts regarding derivative transactions included in Note 12 "Derivative financial instruments" is not itself an indication of the market risk of the derivative transactions.

(b) Fair value of financial instruments

Amounts carried on the consolidated balance sheets, their fair values, and the differences between them as of March 31, 2020 and 2019, were as shown below.

Financial instruments whose fair values are deemed extremely difficult to determine are not included in this table (See Notes 2), 3) and 4) below).

	Millions of yen		
	2020		
	Carrying amount	Fair value	Difference
Cash and deposits	¥207,957	¥207,957	¥—
Notes and accounts receivable—trade	330,999	330,999	—
Investment securities:			
Investments in affiliates	15,863	11,758	(4,105)
Other securities	130,771	130,771	—
Long-term loans receivable	14,191	14,199	8
Total assets	699,782	695,685	(4,097)
Notes and accounts payable—trade	131,207	131,207	—
Short-term loans payable	251,063	251,063	—
Commercial paper	139,000	139,000	—
Income taxes payable	18,145	18,145	—
Bonds payable	60,000	59,412	588
Long-term loans payable	253,780	255,810	(2,031)
Lease obligations	4,511	4,819	(308)
Long-term guarantee deposits	9,795	9,841	(46)
Total liabilities	867,500	869,296	(1,797)
Derivative financial instruments (*)	¥120	¥120	¥—

	Millions of yen		
	2019		
	Carrying amount	Fair value	Difference
Cash and deposits	¥193,893	¥193,893	¥—
Notes and accounts receivable—trade	350,716	350,716	—
Investment securities:			
Investments in affiliates	15,373	14,015	(1,358)
Other securities	188,070	188,070	—
Long-term loans receivable	20,650	20,658	8
Total assets	768,702	767,353	(1,349)
Notes and accounts payable—trade	180,429	180,429	—
Short-term loans payable	75,484	75,484	—
Commercial paper	77,000	77,000	—
Income taxes payable	24,971	24,971	—
Bonds payable	40,000	40,198	(198)
Long-term loans payable	231,973	230,677	1,296
Lease obligations	417	417	1
Long-term guarantee deposits	9,246	9,300	(54)
Total liabilities	639,520	638,475	1,045
Derivative financial instruments (*)	¥162	¥162	¥—

	Thousands of U.S. dollars		
	2020		
	Carrying amount	Fair value	Difference
Cash and deposits	\$1,911,194	\$1,911,194	\$—
Notes and accounts receivable—trade	3,041,991	3,041,991	—
Investment securities:			
Investment in affiliates	145,786	108,060	(37,726)
Other securities	1,201,829	1,201,829	—
Long-term loans receivable	130,420	130,494	74
Total assets	6,431,229	6,393,576	(37,653)
Notes and accounts payable—trade	1,205,836	1,205,836	—
Short-term loans payable	2,307,352	2,307,352	—
Commercial paper	1,277,456	1,277,456	—
Income taxes payable	166,759	166,759	—
Bonds payable	551,420	546,016	5,404
Long-term loans payable	2,332,322	2,350,979	(18,666)
Lease obligations	41,458	44,288	(2,831)
Long-term guarantee deposits	90,019	90,442	(423)
Total liabilities	7,972,613	7,989,119	(16,515)
Derivative financial instruments (*)	\$1,103	\$1,103	\$—

(*) The amounts represent net amount of assets and liabilities resulting from derivative transactions. In the case of a net liability, the amount is shown in parentheses.

Note 1) Method to determine the estimated fair value of financial instruments; securities and derivative financial instruments

i) Assets

1) Cash and deposits, notes and accounts receivable—trade

As their fair value approximates book value due to their short maturity, the corresponding book value amount is used as fair value.

2) Investment securities

The stock exchange prices are used to determine fair value of traded stocks. Refer to Note 11 “Marketable securities and investment securities” for information on securities classified by holding purpose.

3) Long-term loans receivable

The carrying amounts shown include long-term loans receivable that are scheduled for repayment within one year of March 31, 2020 and 2019, amounting ¥6,240 million (US\$57,348 thousand) and ¥657 million, respectively. Their fair values are determined based on the present value of principal and interest, discounted using current assumed rates for similar long-term loans receivable. For long-term loans receivable bearing variable interest rates, as they are deemed to reflect market interest rates within a short term, book values are used as fair value.

ii) Liabilities

1) Notes and accounts payable—trade; short-term loans payable; commercial paper; income taxes payable

As their fair values approximate book value due to their short maturity, the corresponding book value amounts are used as fair value.

2) Bonds payable

Fair value of the bonds payable issued by the parent company is based on the quoted market price if available. For those without a quoted market price that are subject to special treatment for interest-rate swaps, fair value is based on the present value by totaling the amount of principal and interest, together with related interest-rate swaps, discounted by the interest rate that would apply if equivalent bonds were newly issued.

3) Long-term loans payable

The carrying amounts shown include long-term loans payable that are scheduled for repayment within one year of March 31, 2020 and 2019, amounting to ¥24,608 million (US\$226,156 thousand) and ¥22,095 million, respectively. Their fair values are based on present value of principal

and interest discounted using the current assumed rates for similar long-term loans payable. For long-term loans payable bearing variable interest rates, fair value of those subject to special treatment of interest rate-swaps is based on present value by totaling the amount of principal and interest, together with related interest-rate swaps, discounted by the interest rate that would apply if equivalent long-term loans were newly entered. For other long-term loans payable, book value is used as fair value as they are deemed to reflect market interest rates within a short term.

4) Lease obligations

The carrying amounts shown are the total amount of lease obligations under current liabilities and lease obligations under noncurrent liabilities. Present value, calculated by discounting the total amount of principal and interest using the presumed interest rate that would apply if lease transactions were newly made, is used as the fair value.

5) Long-term guarantee deposits

In cases where the deposit period can be estimated, the fair value of long-term guarantee deposits is determined using a discounted cash flow over that period.

iii) Derivative transactions

Refer to Note 12 "Derivative financial instruments."

Note 2) For equity investments in nonpublic companies, with a carrying amount as of March 31, 2020 and 2019, amounting to ¥97,238 million (US\$893,649 thousand) and ¥89,661 million, respectively, fair value is not included in investment securities and investment securities, as no quoted market price is available and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.

Note 3) For investment securities, with a carrying amount as of March 31, 2020 and 2019, amounting to ¥709 million (US\$6,516 thousand) and ¥3,226 million, respectively, fair value is not included in investment securities and investment securities, as no quoted market price is available and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.

Note 4) For long-term guarantee deposits, the fair value of a portion having a carrying amount as of March 31, 2020 and 2019, amounting to ¥11,819 million (US\$108,621 thousand) and ¥11,897 million, respectively, is not included as no quoted market price is available and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.

Note 5) For monetary credits and securities with maturity, the amounts scheduled for redemption subsequent to the closing date are as follows:

	Millions of yen			
	2020			
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Cash and deposits	¥207,957	¥—	¥—	¥—
Notes and accounts receivable—trade	330,999	—	—	—
Long-term loans receivable	6,240	7,657	295	—
Total	¥545,196	¥7,657	¥295	¥—

	Millions of yen			
	2019			
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Cash and deposits	¥193,893	¥—	¥—	¥—
Notes and accounts receivable—trade	350,716	—	—	—
Long-term loans receivable	4,542	15,848	260	—
Total	¥549,151	¥15,848	¥260	¥—

Thousands of U.S. dollars				
2020				
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Cash and deposits	\$1,911,194	\$—	\$—	\$—
Notes and accounts receivable—trade	3,041,991	—	—	—
Long-term loans receivable	57,348	70,370	2,711	—
Total	\$5,010,532	\$70,370	\$2,711	\$—

Note 6) For bonds payable, long-term loans payable, lease obligations, and other interest-bearing debt, the amounts scheduled for repayment subsequent to the closing date are as follows:

Year ending March 31	Millions of yen					
	2020					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2021	¥251,063	¥139,000	¥—	¥24,608	¥1,006	¥415,676
2022	—	—	—	54,876	717	55,593
2023	—	—	—	70,089	296	70,385
2024	—	—	20,000	51,026	129	71,155
2025	—	—	20,000	30,710	121	50,831
2026 and thereafter	—	—	20,000	22,471	2,243	44,713

Year ending March 31	Millions of yen					
	2019					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2020	¥75,484	¥77,000	¥20,000	¥22,095	¥164	¥194,743
2021	—	—	—	24,951	141	25,092
2022	—	—	—	55,334	71	55,405
2023	—	—	—	70,668	30	70,698
2024	—	—	20,000	25,785	10	45,795
2025 and thereafter	—	—	—	33,140	—	33,140

Year ending March 31	Thousands of U.S. dollars					
	2020					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2021	\$2,307,352	\$1,277,456	\$—	\$226,156	\$9,245	\$3,820,200
2022	—	—	—	504,329	6,589	510,918
2023	—	—	—	644,141	2,720	646,862
2024	—	—	183,807	468,946	1,186	653,938
2025	—	—	183,807	282,235	1,112	467,154
2026 and thereafter	—	—	183,807	206,516	20,614	410,927

11. Marketable securities and investment securities

(a) Other securities with available fair value

The aggregate cost, carrying amount which was identical to fair value, and gross unrealized gains and losses of debt and equity securities classified as other securities for which fair values were available at March 31, 2020 and 2019, were as follows:

	Millions of yen		
		2020	
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥123,394	¥25,195	¥98,199
Subtotal	123,394	25,195	98,199
Securities with unrealized losses:			
Equity securities	7,377	9,148	(1,771)
Subtotal	7,377	9,148	(1,771)
Total	¥130,771	¥34,343	¥96,428

For equity investments in nonpublic companies and investment securities, with a carrying amount of ¥97,238 million (US\$893,649 thousand), and ¥709 million (US\$6,516 thousand), respectively, as of March 31, 2020, fair value is not included in the above table as no quoted market price is available and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.

	Millions of yen		
		2019	
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥177,464	¥29,367	¥148,097
Subtotal	177,464	29,367	148,097
Securities with unrealized losses:			
Equity securities	10,607	12,563	(1,956)
Subtotal	10,607	12,563	(1,956)
Total	¥188,070	¥41,930	¥146,140

For equity investments in nonpublic companies and investment securities, with a carrying amount of ¥89,661 million and ¥3,226 million, respectively, as of March 31, 2019, fair value is not included in the above table as no quoted market price is available and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.

	Thousands of U.S. dollars		
	2020		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	\$1,134,032	\$231,550	\$902,481
Subtotal	1,134,032	231,550	902,481
Securities with unrealized losses:			
Equity securities	67,797	84,073	(16,276)
Subtotal	67,797	84,073	(16,276)
Total	\$1,201,829	\$315,624	\$886,205

For equity investments in nonpublic companies and investment securities, with a carrying amount of ¥97,238 million (US\$893,649 thousand), and ¥709 million (US\$6,516 thousand), respectively, as of March 31, 2020, fair value is not included in the above table as no quoted market price is available and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.

(b) Realized gains and losses on the sale of other securities

The realized gains and losses on the sale of other securities during the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Selling amount	¥24,310	¥16,176	\$223,417
Gain on sales of securities	13,679	11,580	125,715
Loss on sales of securities	—	—	—

(c) Loss on other devaluation of investment securities whose fair values are readily determinable

Loss on other devaluation of investment securities whose fair values are readily determinable for the year ended March 31, 2020, was ¥1,953 million (US\$17,949 thousand), which is the sum of ¥534 million (US\$4,908 thousand) for equity securities of unconsolidated subsidiaries and affiliates and ¥1,419 million (US\$13,041 thousand) for other securities, and for the year ended March 31, 2019, ¥173 million, which is for other securities.

12. Derivative financial instruments

(a) Derivative financial instruments for which hedge accounting is not applied

i) Foreign exchange forward contracts

		Millions of yen			
		2020			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value(*)	Profit (loss) from valuation
Off-market transactions	Foreign exchange				
	Selling				
	U.S. dollar	¥27,355	¥—	¥72	¥72
	Euro	11,005	—	48	48
	Thai baht	1,307	—	(50)	(50)
	British pound	47	—	(1)	(1)
	Chinese yuan	1,911	—	(7)	(7)
	Australian dollar	—	—	—	—
	Buying				
	U.S. dollar	3,957	—	12	12
	Euro	42	—	0	0
	Thai baht	—	—	—	—
	Total	¥45,624	¥—	¥75	¥75

		Millions of yen			
		2019			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value(*)	Profit (loss) from valuation
Off-market transactions	Foreign exchange				
	Selling				
	U.S. dollar	¥40,157	¥—	¥(9)	¥(9)
	Euro	11,379	—	88	88
	Thai baht	2,306	—	39	39
	British pound	45	—	0	0
	Chinese yuan	5	—	(0)	(0)
	Australian dollar	8	—	0	0
	Buying				
	U.S. dollar	4,373	—	(20)	(20)
	Euro	14	—	(0)	(0)
	Thai baht	4	—	0	0
	Total	¥58,291	¥—	¥98	¥98

		Thousands of U.S. dollars				
Classification	Items	2020			Profit (loss) from valuation	
		Amount of contract	Amount of contract over 1 year	Fair value(*)		
Off-market transactions	Foreign exchange					
	Selling					
		U.S. dollar	\$251,402	\$—	\$662	\$662
		Euro	101,140	—	441	441
		Thai baht	12,012	—	(460)	(460)
		British pound	432	—	(9)	(9)
		Chinese yuan	17,563	—	(64)	(64)
		Australian dollar	—	—	—	—
	Buying					
		U.S. dollar	36,366	—	110	110
		Euro	386	—	0	0
	Thai baht	—	—	—	—	
	Total	\$419,300	\$—	\$689	\$689	

(*) The fair value is provided by counterparty financial institutions.

(b) Derivative financial instruments for which hedge accounting is applied

i) Foreign exchange forward contracts

		Millions of yen				
Classification	Items	Hedged assets/liabilities	2020		Fair value(*)	
			Amount of contract	Amount of contract over 1 year		
Principle-based accounting	Foreign exchange					
	Selling					
		U.S. dollar	Accounts receivable–trade	¥2,688	¥393	¥37
		Euro	Accounts receivable–trade	1,047	—	8
	Buying					
		U.S. dollar	Accounts payable–trade	372	—	0
		Euro	Accounts payable–trade	1	—	0
	Total		¥4,108	¥393	¥45	

		Millions of yen				
Classification	Items	Hedged assets/liabilities	2019		Fair value(*)	
			Amount of contract	Amount of contract over 1 year		
Principle-based accounting	Foreign exchange					
	Selling					
		U.S. dollar	Accounts receivable–trade	¥4,601	¥44	¥56
		Euro	Accounts receivable–trade	687	—	10
	Buying					
		U.S. dollar	Accounts payable–trade	382	—	(1)
		Euro	Accounts payable–trade	23	—	(1)
	Total		¥5,694	¥44	¥64	

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars		
			2020		
			Amount of contract	Amount of contract over 1 year	Fair value(*)
	Foreign exchange				
	Selling				
	U.S. dollar	Accounts receivable–trade	\$24,704	\$3,612	\$340
Principle-based accounting	Euro	Accounts receivable–trade	9,622	–	74
	Buying				
	U.S. dollar	Accounts payable–trade	3,419	–	0
	Euro	Accounts payable–trade	9	–	0
	Total		\$37,754	\$3,612	\$414

(*) The fair value is provided by counterparty financial institutions.

ii) Interest-rate swaps, and interest-rate and currency swaps

Classification	Items	Hedged assets/liabilities	Millions of yen		
			2020		
			Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps				
	Pay fixed/receive	Long-term loans payable	¥88,114	¥71,647	(*)
	Total		¥88,114	¥71,647	¥–

Classification	Items	Hedged assets/liabilities	Millions of yen		
			2019		
			Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps				
	Pay fixed/receive	Long-term loans payable	¥98,712	¥78,605	(*)
	Total		¥98,712	¥78,605	¥–

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars		
			2020		
			Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps				
	Pay fixed/receive	Long-term loans payable	\$809,797	\$658,460	(*)
	Total		\$809,797	\$658,460	\$–

(*) Fair value of interest-rate swaps and interest-rate and currency swaps, for which special treatment is applied, is included in fair value of the corresponding long-term loans payable for which hedge accounting is applied.

13. Provision for retirement benefits

Upon terminating employment, employees of the parent company and its subsidiaries are entitled, under most circumstances, to lump-sum severance indemnities and/or pension payments determined by reference mainly to their current basic rate of pay and length of service and/or defined contribution plans. Additional benefits may be granted to employees depending on the conditions under which termination of employment occurs. Certain consolidated subsidiaries adopt the simplified method in calculating expected defined benefit liability.

Reconciliations of beginning and ending balances of projected benefit obligations for the fiscal years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Beginning balance of the projected benefit obligations	¥402,461	¥400,855	\$3,698,750
Service cost	14,844	15,466	136,421
Interest cost	705	728	6,479
Actuarial gains/losses	2,515	2,061	23,114
Payment of retirement benefits	(16,954)	(16,451)	(155,813)
Prior service cost	(1,599)	—	(14,695)
Other	2	(198)	18
Ending balance of the projected benefit obligations	¥401,975	¥402,461	\$3,694,284

Reconciliations of beginning and ending balances of plan assets for the fiscal years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Beginning balance of plan assets	¥233,776	¥230,220	\$2,148,479
Expected return	5,810	5,737	53,396
Actuarial gains/losses	(8,937)	(387)	(82,134)
Contributions	6,128	7,408	56,318
Payment of retirement benefits	(9,134)	(9,206)	(83,944)
Other	(35)	4	(322)
Ending balance of plan assets	¥227,609	¥233,776	\$2,091,802

Reconciliations of ending balance of projected benefit obligations and the plan assets, and of net defined benefit liability and net defined benefit asset, as recorded in the consolidated balance sheet at March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Projected benefit obligations of funded plans	¥256,681	¥258,381	\$2,358,984
Plan assets	(227,609)	(233,776)	(2,091,802)
Subtotal	29,072	24,605	267,181
Projected benefit obligations of unfunded plans	145,294	144,080	1,335,300
Net of liability and asset that have been recorded in the consolidated balance sheets	¥174,365	¥168,685	\$1,602,472
Net defined benefit liability	¥174,365	¥168,685	\$1,602,472
Net of liability and asset that have been recorded in the consolidated balance sheets	¥174,365	¥168,685	\$1,602,472

Periodic retirement benefit expenses for employees and the breakdown of items for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost (net of employee contributions)	¥14,201	¥13,829	\$130,512
Interest cost	705	728	6,479
Expected return on plan assets	(5,810)	(5,737)	(53,396)
Amortization of actuarial gains/losses	4,424	8,407	40,658
Amortization of prior service costs	8	82	74
Additional retirement benefits and other	769	1,327	7,067
Retirement benefit expenses of defined benefit plans	¥14,297	¥18,636	\$131,394

The components of other comprehensive income on defined benefit plans for the fiscal years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Prior service costs	¥1,607	¥82	\$14,769
Actuarial gains/losses	(7,028)	6,156	(64,590)
Total	¥(5,421)	¥6,238	\$(49,821)

Accumulated other comprehensive income on defined benefit plans at March 31, 2020 and 2019, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized prior service costs	¥(1,611)	¥(4)	\$(14,806)
Unrecognized actuarial gains/losses	34,651	27,623	318,454
Total	¥33,040	¥27,619	\$303,649

Share by major classifications for plan assets at March 31, 2020 and 2019, was as follows:

	2020	2019
Bonds	40%	38%
Stock	22%	25%
Alternative investments	21%	17%
Life insurance	13%	13%
Cash and deposits	2%	5%
Other	1%	2%
Total	100%	100%

Note: Alternative investments include mainly investments in real estate, private equity and hedge funds.

The current and future allocation of plan assets, and the current and future long-term rate of expected return from the variety of assets that make up the plan assets, are considered in determining the long-term rate of expected return on plan assets.

Major actuarial assumptions at March 31, 2020 and 2019, were as follows:

	2020	2019
Discount rate	Mainly 0.1%	Mainly 0.1%
The long-term rate of expected return on plan assets	Mainly 2.5%	Mainly 2.5%
Expected rate of increase in salary	2.0–6.5%	2.0–6.5%

Required payments to defined contribution plans at March 31, 2020, amounted to ¥5,236 million (US\$48,121 thousand), and at March 31, 2019, amounted to ¥2,738 million.

14. Taxes

Income taxes applicable to the parent company and subsidiaries in Japan include (1) corporation tax, (2) enterprise tax, and (3) inhabitants tax.

Significant components of deferred tax assets and liabilities at March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Net defined benefit liability	¥53,111	¥51,489	\$488,108
Tax loss carry forwards	9,733	3,701	89,449
Accrued bonuses	7,788	7,857	71,574
Foreign tax credit carry forwards	6,729	6,990	61,842
Unrealized gain on noncurrent assets and others	4,536	4,368	41,687
Impairment losses	4,437	3,171	40,778
Loss on disposal of noncurrent assets	3,668	3,143	33,710
Other	25,524	21,670	234,574
Subtotal deferred tax assets	115,526	102,390	1,061,722
Less: Valuation allowance	(13,418)	(13,218)	(123,316)
Total deferred tax assets	102,108	89,172	938,406
Deferred tax liabilities:			
Identified intangible assets during business combination	(38,089)	(37,071)	(350,051)
Unrealized gain on other securities	(29,841)	(44,241)	(274,249)
Depreciation—overseas subsidiaries	(9,568)	(8,958)	(87,933)
Deferred gain on property, plant and equipment	(8,814)	(8,305)	(81,004)
Other	(12,166)	(11,387)	(111,810)
Total deferred tax liabilities	(98,477)	(109,963)	(905,036)
Net deferred tax assets (liabilities)	¥3,631	¥(20,791)	\$33,370

In the fiscal year ended March 31, 2020, tax loss carry forwards, which had previously been included in Other under deferred tax assets, is reported separately due to increased materiality. The figure for the fiscal year ended March 31, 2019, has been adjusted accordingly, resulting in Other under deferred tax assets being ¥21,670 million, ¥3,701 million lower than the ¥25,371 million previously reported, reflecting the separation of the same amount as tax loss carry forwards.

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2020 and 2019, was as follows:

	2020	2019
Statutory tax rate	30.6%	30.6%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses and non-taxable income	1.0	1.0
R&D expenses deductible from income taxes	(3.5)	(2.8)
Amortization of goodwill and negative goodwill	4.4	2.8
Equity in (losses) earnings of unconsolidated subsidiaries and affiliates	(1.4)	(1.8)
Undistributed earnings (losses) of foreign subsidiaries	0.5	0.6
Difference of tax rates for foreign subsidiaries	0.4	(1.7)
Other	0.3	(0.0)
Effective income tax rate	32.2%	28.8%

15. Business combinations

Business combinations accounted for by the purchase method were as follows:

(a) Acquisition of Cardiac Science Corporation

i) Outline of business combination

1) Name and nature of the businesses of counterparty

Name of counterparty: Cardiac Science Corporation

Nature of the businesses: Development, manufacture, and sale of automated external defibrillators (AEDs)

2) Main reasons for the acquisition

To expand the AED product lineup and to obtain the sales network of Cardiac Science Corporation with strength in commercial facilities, etc.

3) The acquisition date

August 26, 2019

4) Statutory form of business combination

Stock purchase for cash as consideration

5) Name of company after transaction

Cardiac Science Corporation

6) Acquired voting right

Voting right before the acquisition: 0%

Voting right after the acquisition: 100%

7) Basic means of materializing the acquisition

Stock purchase for cash as consideration by a consolidated subsidiary of the Company

ii) The period of acquiree's results included in the consolidated financial statements

From August 26, 2019, to March 31, 2020

iii) Cost of acquisition and details

	Millions of yen	Thousands of U.S. dollars
Stock purchase price	¥29,063	\$267,099
Purchase price	¥29,063	\$267,099

iv) Major acquisition related costs

Advisory fees and others: ¥253 million (US\$2,325 thousand)

v) Amount of goodwill, measurement principle, amortization method, and useful life

1) Amount of goodwill

¥17,635 million (US\$162,072 thousand)

2) Measurement principle

Goodwill is measured as the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed.

3) Amortization method and useful life

Straight-line method over 10 years

vi) Details of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥2,870	\$26,376
Noncurrent assets	13,860	127,378
Total assets	¥16,730	\$153,754
Current liabilities	¥2,848	\$26,174
Noncurrent liabilities	2,455	22,562
Total liabilities	¥5,302	\$48,727

vii) Amount of identifiable intangible assets other than goodwill, its details and major weighted average useful life

1) Purchase price allocated to intangible assets and its major items

	Millions of yen	Thousands of U.S. dollars
Customer-related assets	¥10,636	\$97,748
Trademark rights	2,028	18,638
Technology-related assets	494	4,540

2) Major weighted average useful life

Customer-related assets	14 years
Trademark rights	10 years
Technology-related assets	10 years
Total	13 years

viii) Pro forma effects on the consolidated statements of income assuming the business combination had occurred at the beginning of the fiscal year, and its measurement

Information is omitted due to immateriality. This note is not audited.

(b) Acquisition of Veloxis Pharmaceuticals A/S**i) Outline of business combination**

1) Name and nature of the businesses of counterparty

Name of counterparty: Veloxis Pharmaceuticals A/S

Nature of the businesses: R&D, manufacture, and sale of pharmaceuticals and medical care related products, and ancillary operations

2) Main reasons for the acquisition

The acquisition provides the Company with a U.S. pharmaceutical business platform. By maximizing the value of both the existing and acquired pharmaceutical businesses, the Company advances the globalization of both pharmaceutical and medical device businesses, which will contribute to further growth in healthcare and to a sustainable increase in corporate value. The Company aims to achieve the following synergies through the acquisition.

- Increasing opportunities to obtain pharmaceuticals as new growth drivers, by enhancing licensing and other activities leveraging the business platforms of both companies (the Company in Japan and Asia, Veloxis Pharmaceuticals, Inc. in the USA).
- Creating new drugs that meet high unmet needs by combining the Company's drug discovery research capabilities with the ability of Veloxis Pharmaceuticals, Inc. to understand the medical needs of the USA market.
- Creating new healthcare-related businesses in the USA by leveraging access to innovation and clinical sites.

3) The acquisition date

January 23, 2020

4) Statutory form of business combination

Stock purchase for cash as consideration

5) Name of company after transaction

Veloxis Pharmaceuticals A/S

6) Acquired voting right

Voting right before the acquisition: 2.2%

Voting right after the acquisition: 100%

7) Basic means of materializing the acquisition

Stock purchase for cash as consideration by a special purpose subsidiary of the Company

ii) The period of acquiree's results included in the consolidated financial statements

Earnings not included as the deemed acquisition date is set to the end of the fiscal year under review.

iii) Cost of acquisition and details

	Millions of yen	Thousands of U.S. dollars
Stock purchase price	¥147,220	\$1,353,001
Purchase price	¥147,220	\$1,353,001

iv) Major acquisition related costs

Advisory fees and others: ¥2,105 million (US\$19,346 thousand)

v) Amount of goodwill, measurement principle, amortization method, and useful life

1) Amount of goodwill

¥149,100 million (US\$1,370,278 thousand)*

* Based on provisional calculation

2) Measurement principle

Goodwill is measured as the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed.

3) Amortization method and useful life

Not determined at present

vi) Details of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥11,012	\$101,204
Noncurrent assets	5,630	51,742
Total assets	¥16,641	\$152,936
Current liabilities	¥20,100	\$184,726
Noncurrent liabilities	30	276
Total liabilities	¥20,130	\$185,001

vii) Pro forma effects on the consolidated statements of income assuming the business combination had occurred at the beginning of the fiscal year, and its measurement

Information is omitted due to immateriality. This note is not audited.

16. Business segment information

(a) Overview of reportable segments

The Company's business segments are based on organizational units for which separate financial information is available, and the Board of Directors carries out periodic review to allocate management resources and evaluate business performance.

The Company is organized under an operating holding company configuration with the operating holding company and core operating companies performing operations in three business sectors. The operating holding company and each core operating company lays out strategy and develops business activities in Japan and abroad.

Main businesses and main products of the three reportable segments are as follows:

Material segment

Basic Materials business

The Company manufactures, processes, and sells petrochemical products such as styrene, acrylonitrile, polyethylene, and polystyrene.

Performance Products business

The Company manufactures, processes, and sells fiber products such as cupro fiber, elastic polyurethane filament, nonwoven fabrics, and nylon 66 filament, performance polymer products such as synthetic rubber and engineering plastics, and consumable products such as food wrapping film, and plastic films and sheets.

Specialty Solutions business

The Company manufactures, processes, and sells performance material products such as coating materials, microcrystalline cellulose, explosives, explosion-bonded metal clad, hollow-fiber filtration membranes, ion-exchange membranes, and electronic materials, battery separator products such as lithium-ion battery separator and lead-acid battery separator, and electronic devices such as mixed-signal LSIs and Hall elements.

Homes segment

Homes business

The Company constructs unit homes and apartment buildings, and operates real estate businesses, remodeling businesses, and financial and other services.

Construction Materials business

The Company manufactures and sells autoclaved aerated concrete (AAC) panels, insulation panels, foundation systems, and structural components.

Health Care segment

Pharmaceuticals business

The Company manufactures and sells pharmaceuticals and diagnostic reagents.

Medical Care business

The Company manufactures and sells artificial kidneys, therapeutic apheresis devices, and virus removal filters.

Critical Care business

The Company manufactures and sells defibrillators and temperature management systems.

Others

The Company performs plant and environmental engineering, research and analysis, employment agency/staffing operations, etc.

(b) Methods to determine net sales, income or loss, assets, and other items by reportable business segment

Profit by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

(c) Information concerning net sales, income or loss, assets, and other items for each reportable segment

Millions of yen						
2020						
	Material	Homes	Health Care	Subtotal	Others (Note 1)	Total
Sales:						
External customers	¥1,093,145	¥704,423	¥337,788	¥2,135,356	¥16,290	¥2,151,646
Intersegment	5,105	123	11	5,240	36,645	41,884
Total	1,098,249	704,546	337,799	2,140,595	52,935	2,193,530
Operating income (Note 2)	92,365	72,711	43,506	208,582	3,177	211,758
Assets	1,481,133	551,515	679,472	2,712,120	84,093	2,796,213
Other items:						
Depreciation and amortization	58,561	10,545	19,268	88,374	1,472	89,845
Amortization of goodwill	12,072	60	10,156	22,288	—	22,288
Investments in affiliates accounted for using equity method	56,902	9,543	1,500	67,945	18,388	86,333
Increase in property, plant and equipment, and intangible assets	104,466	18,208	15,943	138,616	2,175	140,792

Notes: 1. The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

2. Amortization of goodwill is not included.

Millions of yen						
2019						
	Material	Homes	Health Care	Subtotal	Others (Note 1)	Total
Sales:						
External customers	¥1,176,217	¥659,754	¥316,166	¥2,152,138	¥18,265	¥2,170,403
Intersegment	5,066	207	34	5,307	31,359	36,666
Total	1,181,283	659,961	316,201	2,157,445	49,624	2,207,069
Operating income (Note 2)	129,565	68,161	41,825	239,551	2,411	241,962
Assets	1,492,277	523,692	472,846	2,488,815	84,873	2,573,688
Other items:						
Depreciation and amortization	50,471	9,069	18,042	77,582	1,375	78,957
Amortization of goodwill	10,700	15	8,774	19,490	—	19,490
Investments in affiliates accounted for using equity method	55,424	11,671	226	67,321	19,424	86,745
Increase in property, plant and equipment, and intangible assets	86,640	17,613	17,306	121,558	1,624	123,182

Notes: 1. The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

2. Amortization of goodwill is not included.

Thousands of U.S. dollars						
2020						
	Material	Homes	Health Care	Subtotal	Others (Note 1)	Total
Sales:						
External customers	\$10,046,365	\$6,473,881	\$3,104,384	\$19,624,630	\$149,711	\$19,774,341
Intersegment	46,917	1,130	101	48,157	336,780	384,928
Total	10,093,273	6,475,011	3,104,485	19,672,778	486,490	20,159,268
Operating income (Note 2)	848,865	668,238	399,835	1,916,938	29,198	1,946,126
Assets	13,612,104	5,068,606	6,244,573	24,925,283	772,843	25,698,125
Other items:						
Depreciation and amortization	538,195	96,912	177,079	812,186	13,528	825,705
Amortization of goodwill	110,946	551	93,337	204,834	—	204,834
Investments in affiliates accounted for using equity method	522,948	87,703	13,785	624,437	168,992	793,429
Increase in property, plant and equipment, and intangible assets	960,077	167,338	146,521	1,273,927	19,989	1,293,925

Notes: 1. The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

2. Amortization of goodwill is not included.

(d) Reconciliation of differences between total amounts of reportable segments and amounts appearing in the consolidated financial statements (adjustment of difference)

Sales	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total of reporting segments	¥2,140,595	¥2,157,445	\$19,672,778
Net sales in "Others" category	52,935	49,624	486,490
Elimination of intersegment transactions	(41,884)	(36,666)	(384,928)
Net sales on consolidated statements of income	¥2,151,646	¥2,170,403	\$19,774,341

Operating income	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total of reporting segments	¥208,582	¥239,551	\$1,916,938
Operating income in "Others" category	3,177	2,411	29,198
Elimination of intersegment transactions	303	(133)	2,785
Corporate expenses, etc.*	(34,797)	(32,241)	(319,796)
Operating income on consolidated statements of income	¥177,264	¥209,587	\$1,629,115

* Corporate expenses, etc. include corporate revenue, basic research expense, and group management expense, etc. which are not allocated to reporting segments.

Assets	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total of reporting segments	¥2,712,120	¥2,488,815	\$24,925,283
Assets in "Others" category	84,093	84,873	772,843
Elimination of intersegment transactions	(589,354)	(425,141)	(5,416,359)
Corporate assets*	591,115	426,656	5,432,543
Total assets on consolidated balance sheets	¥2,797,975	¥2,575,203	\$25,714,319

* Corporate assets include assets of the parent company—surplus operating funds (cash and deposits), long-term investment capital (investment securities, etc.), and land, etc.

Other items	Total of reportable segments			Others			Adjustments (Note 1)			Amounts from consolidated financial statements		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020	2020	2019	2020	2020	2019	2020	2020	2019	2020
Depreciation and amortization (Note 2)	¥88,374	¥77,582	\$812,186	¥1,472	¥1,375	\$13,528	¥6,170	¥5,599	\$56,704	¥96,016	¥84,556	\$882,419
Amortization of goodwill	22,288	19,490	204,834	—	—	—	—	—	—	22,288	19,490	204,834
Investments in affiliates accounted for using equity method	67,945	67,321	624,437	18,388	19,424	168,992	—	—	—	86,333	86,745	793,429
Increase in property, plant and equipment, and intangible assets	138,616	121,558	1,273,927	2,175	1,624	19,989	13,330	13,024	122,507	154,122	136,206	1,416,432

Notes: 1. Adjustments include elimination of intersegment transactions and corporate expenses, etc.

2. Amortization of goodwill is not included.

(e) Related Information

i) Information on products and services

Please refer to (c) Information concerning net sales, income or loss, assets, and other items for each reportable segment.

ii) Geographic information

1) Net sales

Millions of yen					Thousands of U.S. dollars				
2020					2020				
Japan	United States	China	Other regions	Total	Japan	United States	China	Other regions	Total
¥1,290,077	¥269,481	¥188,553	¥403,535	¥2,151,646	\$11,856,236	\$2,476,620	\$1,732,865	\$3,708,621	\$19,774,341

Millions of yen				
2019				
Japan	United States	China	Other regions	Total
¥1,311,136	¥227,993	¥211,504	¥419,770	¥2,170,403

2) Property, plant and equipment

Millions of yen								Thousands of U.S. dollars			
2020				2019				2020			
Japan	United States	Other regions	Total	Japan	United States	Other regions	Total	Japan	United States	Other regions	Total
¥477,359	¥105,925	¥70,403	¥653,686	¥428,900	¥104,413	¥88,053	¥621,366	\$4,387,088	\$973,486	\$647,027	\$6,007,591

3) Information by major customer

Information by major customer is not shown because no customer accounts for 10% or more of net sales on the consolidated statements of income.

17. Information on related parties

For the year ended March 31, 2020: None

For the year ended March 31, 2019: None

18. Per share information

Basic and diluted net assets per share and net income per share for the years ended March 31, 2020 and 2019, were as follows:

	Yen		U.S. dollars
	2020	2019	2020
Basic net assets per share	¥979.69	¥989.51	\$9.00
Basic net income per share	74.85	105.66	0.69

Note: As the Company had no dilutive securities at March 31, 2020 and 2019, the Company does not disclose diluted net income per share for the years ended March 31, 2020 and 2019.

(a) Basis for calculation of net assets per share

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total net assets	¥1,383,460	¥1,402,710	\$12,714,456
Amount deducted from total net assets	24,145	21,225	221,901
<i>of which, non-controlling interests</i>	<i>(24,145)</i>	<i>(21,225)</i>	<i>(221,901)</i>
Net assets allocated to capital stock	¥1,359,314	¥1,381,485	\$12,492,547
Number of shares of capital stock outstanding at fiscal year end used in calculation of net assets per share (thousand)	1,387,492	1,396,125	1,387,492

Note: Shares held by the trust for granting shares to Directors, etc., numbering 379 thousand at March 31, 2020, and 442 thousand at March 31, 2019, are excluded from the number of shares of capital stock outstanding at fiscal year end used in calculation of net assets per share.

(b) Basis for calculation of net income per share

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net income attributable to owners of the parent	¥103,931	¥147,512	\$955,160
Amount not attributable to common stock shareholders	—	—	—
Net income attributable to common stock owners of the parent	¥103,931	¥147,512	\$955,160
Weighted-average number of shares of capital stock (thousand)	1,388,564	1,396,130	1,388,564

Note: Shares held by the trust for granting shares to Directors, etc., numbering 398 thousand during the year ended March 31, 2020, and 450 thousand during the year ended March 31, 2019, are excluded from the weighted-average number of shares of capital stock used in calculation of net income per share.

19. Subsequent events

For the year ended March 31, 2020: None

Additional Information

Acquisition of shares and assets in the automotive interior fabrics business of Adient plc

Sage Automotive Interiors, Inc. (Sage), a subsidiary of the Company, concluded an agreement with Adient plc ("Adient", Headquarters: Plymouth, Michigan, USA; President and CEO: Douglas G. Del Grosso, a New York Stock Exchange-listed company) on March 5, 2020, to acquire Adient's automotive fabrics business, for US\$175 million. Completion of the acquisition is subject to obtaining regulatory clearance and other customary closing conditions.

(Although Adient's registered headquarters is in Dublin, Ireland, Adient US LLC in Plymouth, Michigan, USA, has the actual headquarters function.)

1) Main reasons for the acquisition of stocks and assets

Centered in the US, Sage develops, manufactures, and sells various fabric materials for automotive interiors, and is one of the world's leading suppliers of vehicle seat fabric with a firm established presence among automotive OEMs and Tier-1 suppliers. To facilitate further growth, Sage had sought to expand its footprint in Europe, the largest market for automotive interior fabric and the source of innovative automotive trends.

By acquiring Adient's automotive fabrics business, Sage will gain several operating sites around the world centered in Europe. The business to be acquired has a strong reputation for design and quality among Europe's major vehicle manufacturers, and is one of the leading suppliers in the European market for automotive seat fabric.

The agreement for the acquisition was reached based on a recognition that Adient's automotive fabrics business with its strengths in marketing, manufacturing, and development centered in Europe would complement Sage's strengths and enable the combined business to create positive synergies while further expanding in Europe.

By advancing its regional strategy and product strategy around the world to reinforce its position as one of the leading suppliers of vehicle seat fabric and strengthen its relationships with automotive OEMs in each region, Sage is expected to make a growing contribution to the Asahi Kasei Group's overall expansion of business in the automotive field.

2) Name of counterparty to acquisition of stocks and assets

Adient plc

3) Nature of businesses of counterparty

With this acquisition, assets related to the automotive fabric business and stocks comprising the business will be purchased.

4) Purchase price

US\$175 million

(The actual purchase price is subject to change due to the balance of cash and cash equivalents, borrowings, etc., as well as increase/decrease of working capital at the time of closing.)

5) Method of raising funds

Cash on hand, borrowing

20. Borrowings

(a) Bonds payable at March 31, 2020 and 2019, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unsecured 1.46% yen bonds due in 2019	¥—	¥20,000	\$—
Unsecured 0.10% yen bonds due in 2023	20,000	20,000	183,807
Unsecured 0.07% yen bonds due in 2024	20,000	—	183,807
Unsecured 0.21% yen bonds due in 2029	20,000	—	183,807
Total	¥60,000	¥40,000	\$551,420

Notes: 1. The current portion of bonds payable is recorded under current liabilities on the consolidated balance sheets.

2. The aggregate annual maturities of long-term debt after March 31, 2020, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥—	\$—
2022	—	—
2023	—	—
2024	20,000	183,807
2025	20,000	183,807
2026 and thereafter	20,000	183,807
Total	¥60,000	\$551,420

(b) Loans payable at March 31, 2020 and 2019, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2019
Short-term loans payable with an interest rate of 0.19%	¥251,063	¥75,484	\$2,307,352
Current portion of long-term loans payable with an interest rate of 1.28%	24,608	22,095	226,156
Current portion of lease obligations with an interest rate of 3.21%	1,006	164	9,245
Long-term loans payable (except portion due within one year) with an interest rate of 0.58%	229,172	209,878	2,106,167
Lease obligations (except portion due within one year) with an interest rate of 4.47%	3,506	253	32,221
Commercial paper (portion due within one year) with an interest rate of 0.00%	139,000	77,000	1,277,456
Total	¥648,354	¥384,874	\$5,958,588

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding at March 31, 2020.

2. The aggregate annual maturities of long-term loans payable and lease obligations (except portion due within one year) after March 31, 2020, are as follows:

Year ending March 31	Long-term loans payable		Lease obligations	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2022	¥54,876	\$504,329	¥717	\$6,589
2023	70,089	644,141	296	2,720
2024	51,026	468,946	129	1,186
2025	30,710	282,235	121	1,112
2026 and thereafter	22,471	206,516	2,243	20,614

21. Supplementary schedule of asset retirement obligations

Because the amounts of asset retirement obligations on April 1, 2019, and March 31, 2020, were not more than 1% of the combined totals of liabilities and net assets on the respective dates, preparation of a supplementary schedule of asset retirement obligations is omitted in accordance with Article 92-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

22. Others

Litigation

Litigation related to pile installation

On November 28, 2017, Mitsui Fudosan Residential Co., Ltd. filed suit (hereinafter "First Lawsuit") in the Tokyo District Court against the three companies of Sumitomo Mitsui Construction Co., Ltd., Hitachi High-Tech Corporation (company name changed from Hitachi High-Technologies Corporation on February 12, 2020), and Asahi Kasei Construction Materials Corporation, a subsidiary of the Company, seeking compensation for damages of approximately ¥45.9 billion (subsequently changed to approximately ¥51.0 billion) related to the cost of rebuilding a condominium complex in Yokohama City due to concerns of unsound installation of a portion of foundation piles; Sumitomo Mitsui Construction being the prime contractor for construction of said condominium complex, Hitachi High-Tech the primary subcontractor for pile installation, and Asahi Kasei Construction Materials the secondary subcontractor for pile installation. Asahi Kasei Construction Materials holds that there is no basis for Mitsui Fudosan Residential's claim, and will make this argument during the proceedings of the First Lawsuit.

Related to the First Lawsuit, on April 27, 2018, Sumitomo Mitsui Construction filed suit (hereinafter "Second Lawsuit") against Hitachi High-Tech and Asahi Kasei Construction Materials seeking compensation for any damages it may incur in the First Lawsuit. Regarding this Second Lawsuit, the date of service of complaint to Asahi Kasei Construction Materials was May 14, 2018. Asahi Kasei Construction Materials holds that there is no basis for Sumitomo Mitsui Construction's claim, and will make this argument during the proceedings of the Second Lawsuit.

Related to the First Lawsuit and Second Lawsuit, on May 25, 2018, Hitachi High-Tech filed suit (hereinafter "Third Lawsuit") against Asahi Kasei Construction Materials seeking compensation for any damages it may incur in the First Lawsuit or Second Lawsuit. Asahi Kasei Construction Materials holds that there is no basis for Hitachi High-Tech's claim, and will make this argument during the proceedings of the Third Lawsuit.



Independent Auditor's Report

To the Board of Directors of Asahi Kasei Corporation

Opinion

We have audited the consolidated financial statements of Asahi Kasei Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



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

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

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Koichiro Kimura

Designated Engagement Partner
Certified Public Accountant



天野 祐一郎

Yuichiro Amano

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Hideki Godai

Designated Engagement Partner
Certified Public Accountant



PricewaterhouseCoopers Amata LLC.

August 13, 2020