Detailed Consolidated Financial Statements

Years ended March 31, 2021 and 2020

ASAHI KASEI CORPORATION

Contents

Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries

March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS:	2021	2020	2021
Current assets:			
Cash and deposits (Notes 9 and 11)	¥221,779	¥207,957	$2,003,243
Notes and accounts receivable–trade (Note 11)	338,640	330,999	3,058,802
Merchandise and finished goods	203,159	216,463	1,835,056
Work in process	166,494	160,064	1,503,875
Raw materials and supplies	111,798	101,313	1,009,827
Other	97,131	92,153	877,346
Allowance for doubtful accounts	(2,225)	(1,519)	(20,098)
Total current assets	1,136,776	1,107,430	10,268,052
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures (Note 5(d))	598,675	563,110	5,407,596
Accumulated depreciation	(319,144)	(305,259)	(2,882,703)
Buildings and structures, net	279,531	257,851	2,524,894
Machinery, equipment and vehicles (Note 5(d))	1,535,326	1,466,958	13,867,997
Accumulated depreciation	(1,286,057)	(1,243,780)	(11,616,448)
Machinery, equipment and vehicles, net	249,269	223,179	2,251,549
Land (Note 5(d))	70,577	67,024	637,494
Lease assets (Note 10)	8,615	9,645	77,816
Accumulated depreciation	(7,687)	(8,964)	(69,434)
Lease assets, net	928	681	8,382
Construction in progress	84,463	75,487	762,921
Other (Note 5(d))	182,414	172,674	1,647,674
Accumulated depreciation	(149,920)	(143,210)	(1,354,169)
Other, net	32,495	29,464	293,515
Subtotal	717,262	653,686	6,478,746
Intangible assets			
Goodwill	351,921	365,680	3,178,764
Other	342,454	349,566	3,093,253
Subtotal	694,374	715,246	6,272,008
Investments and other assets			
Investment securities (Notes 5(a), (b), 11 and 12)	286,517	244,581	2,587,996
Long-term loans receivable (Note 11)	1,241	7,951	11,209
Long-term advance payments-trade (Note 5(e))	29,390	20,467	265,468
Deferred tax assets (Note 15)	21,116	44,466	190,733
Other	32,709	28,883	295,448
Allowance for doubtful accounts	(445)	(435)	(4,020)
Subtotal	370,529	345,914	3,346,843
Total noncurrent assets	1,782,165	1,714,846	16,097,597
Total assets	¥2,918,941	¥2,822,277	$26,365,649

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2021	2020	Thousands of U.S. dollars (Note 1) 2021
Liabilities:			
Current liabilities:			
Notes and accounts payable–trade (Note 11)	¥142,087	¥131,207	$1,283,416
Short-term loans payable (Notes 11 and 21)	144,571	275,671	1,305,853
Commercial paper (Notes 11 and 21)	84,000	139,000	758,739
Lease obligations (Notes 10, 11 and 21)	880	1,006	7,949
Accrued expenses	126,705	121,520	1,144,477
Income taxes payable (Note 11)	21,268	18,145	192,106
Advances received	78,601	73,623	709,972
Provision for grant of shares	124	78	1,120
Provision for periodic repairs	7,222	4,043	65,233
Provision for product warranties	3,522	3,738	31,813
Provision for removal cost of property, plant and equipment	5,651	2,640	51,043
Other	88,533	71,863	799,684
Total current liabilities	703,163	842,531	6,351,396
Noncurrent liabilities:			
Bonds payable (Notes 11 and 21)	110,000	60,000	993,587
Long-term loans payable (Notes 11 and 21)	320,404	229,172	2,894,084
Lease obligations (Notes 10, 11 and 21)	3,921	3,506	35,417
Deferred tax liabilities (Note 15)	58,669	70,600	529,934
Provision for grant of shares	513	412	4,634
Provision for periodic repairs	3,415	4,560	30,846
Provision for removal cost of property, plant and equipment	12,652	5,771	114,281
Net defined benefit liability (Note 14)	158,832	174,365	1,434,667
Long-term guarantee deposits (Note 11)	21,939	21,613	198,166
Other	30,899	26,287	279,099
Total noncurrent liabilities	721,243	596,286	6,514,705
Total liabilities	1,424,406	1,438,817	12,866,101
Net assets:			
Shareholders' equity			
Capital stock			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,393,932,032 shares	103,389	103,389	933,872
Capital surplus	79,641	79,641	719,366
Retained earnings (Note 8(b) (ii))	1,158,792	1,125,738	10,466,914
Treasury stock	(5,932)	(5,990)	(53,581)
(2021—6,396,867 shares, 2020—6,440,327 shares)			
Total shareholders' equity	1,335,890	1,302,777	12,066,570
Accumulated other comprehensive income			
Net unrealized gain on other securities	91,887	67,027	829,979
Deferred gains or losses on hedges	(347)	(241)	(3,134)
Foreign currency translation adjustment	50,462	13,027	455,803
Remeasurements of defined benefit plans	(10,416)	(23,275)	(94,084)
Total accumulated other comprehensive income	131,586	56,538	1,188,565
Non-controlling interests	27,058	24,145	244,404
Total net assets	1,494,535	1,383,460	13,499,548
Commitments and contingent liabilities (Notes 5(c) and 10)			
Total liabilities and net assets	¥2,918,941	¥2,822,277	$26,365,649

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales (Note 17)	¥2,106,051	¥2,151,646	$19,023,133
Cost of sales (Note 6(b))	1,425,342	1,476,606	12,874,555
Gross profit	680,709	675,040	6,148,577
Selling, general and administrative expenses (Note 6(a))	508,901	497,776	4,596,703
Operating income (Note 17)	171,808	177,264	1,551,874
Non-operating income:			
Interest income	1,895	2,769	17,117
Dividends income	4,308	5,251	38,912
Equity in earnings of affiliates	3,451	7,138	31,172
Insurance income	2,618	1,724	23,647
Other	5,059	3,596	45,696
Total non-operating income	17,331	20,479	156,544
Non-operating expenses:			
Interest expense	3,209	4,016	28,986
Other	7,893	9,720	71,294
Total non-operating expenses	11,102	13,735	100,280
Ordinary income	178,036	184,008	1,608,129
Extraordinary income:			
Gain on sales of investment securities	17,312	13,679	156,373
Gain on sales of noncurrent assets (Note 6(c))	353	4,268	3,189
Total extraordinary income	17,665	17,948	159,561
Extraordinary loss:			
Loss on valuation of investment securities	66	1,953	596
Loss on disposal of noncurrent assets (Note 6(d))	10,637	9,668	96,080
Impairment loss (Note 6(e))	1,937	21,949	17,496
Loss on disaster (Note 6(f))	—	2,437	—
Loss on fire at plant facilities (Note 6(g))	22,287	—	201,310
Loss on product compensation (Note 6(h))	2,118	5,173	19,131
Business structure improvement expenses (Notes 6(i))	7,750	4,840	70,003
Total extraordinary loss	44,795	46,022	404,616
Income before income taxes	150,906	155,934	1,363,075
Income taxes (Note 15) — current	73,273	54,173	661,846
— deferred	(4,465)	(3,967)	(40,331)
Total income taxes	68,808	50,206	621,516
Net income	82,098	105,728	741,559
Net income attributable to non-controlling interests	2,330	1,797	21,046
Net income attributable to owners of the parent	¥79,768	¥103,931	$720,513

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net income	¥82,098	¥105,728	$741,559
Other comprehensive income			
Net (decrease) increase in unrealized gain on other securities	24,806	(34,895)	224,063
Deferred gains or losses on hedges	(106)	(201)	(957)
Foreign currency translation adjustment	35,491	(26,115)	320,576
Remeasurements of defined benefit plans	12,631	(3,867)	114,091
Share of other comprehensive income of affiliates accounted for using equity method	3,020	(3,482)	27,278
Total other comprehensive income (Note 7)	75,842	(68,561)	685,051
Comprehensive income	¥157,941	¥37,167	$1,426,619
Comprehensive income attributable to:			
Owners of the parent	¥154,817	¥35,730	$1,398,401
Non-controlling interests	3,124	1,437	28,218

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, 2021 and 2020

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings (Note 8(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
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
Changes during the fiscal year												
Dividends from surplus			(45,800)		(45,800)							(45,800)
Net income attributable to owners of the parent			79,768		79,768							79,768
Purchase of treasury stock				(10)	(10)							(10)
Disposal of treasury stock		(0)		69	69							69
Cancellation of treasury stock					–							–
Transfer from retained earnings to capital surplus		0	(0)		–							–
Change of scope of consolidation			(914)		(914)							(914)
Capital increase of consolidated subsidiaries		0			0							0
Net changes of items other than shareholders' equity						24,860	(106)	37,434	12,859	75,049	2,913	77,962
Total changes of items during the period	–	0	33,054	59	33,113	24,860	(106)	37,434	12,859	75,049	2,913	111,075
Balance at March 31, 2021	¥103,389	¥79,641	¥1,158,792	¥(5,932)	¥1,335,890	¥91,887	¥(347)	¥50,462	¥(10,416)	¥131,586	¥27,058	¥1,494,535

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings (Note 8(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasure-ments 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

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings (Note 8(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2020	$933,872	$719,366	$10,168,350	$(54,105)	$11,767,474	$605,429	$(2,177)	$117,668	$(210,234)	$510,686	$218,092	$12,496,251
Changes during the fiscal year												
Dividends from surplus			(413,693)		(413,693)							(413,693)
Net income attributable to owners of the parent			720,513		720,513							720,513
Purchase of treasury stock				(90)	(90)							(90)
Disposal of treasury stock		(0)		623	623							623
Cancellation of treasury stock					–							–
Transfer from retained earnings to capital surplus		0	(0)		–							–
Change of scope of consolidation			(8,256)		(8,256)							(8,256)
Capital increase of consolidated subsidiaries		0			0							0
Net changes of items other than shareholders' equity						224,551	(957)	338,127	116,150	677,888	26,312	704,200
Total changes of items during the period	–	0	298,564	533	299,097	224,551	(957)	338,127	116,150	677,888	26,312	1,003,297
Balance at March 31, 2021	$933,872	$719,366	$10,466,914	$(53,581)	$12,066,570	$829,979	$(3,134)	$455,803	$(94,084)	$1,188,565	$244,404	$13,499,548

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Income before income taxes	¥150,906	¥155,934	$1,363,075
Depreciation and amortization	108,369	96,016	978,855
Impairment loss	1,937	21,949	17,496
Amortization of goodwill	24,903	22,288	224,939
Amortization of negative goodwill	—	(79)	—
Increase in provision for grant of shares	148	119	1,337
Increase in provision for periodic repairs	2,033	332	18,363
(Decrease) increase in provision for product warranties	(221)	640	(1,996)
Increase in provision for removal cost of property, plant and equipment	9,891	3,141	89,342
Decrease in net defined benefit liability	(4,303)	(4,069)	(38,867)
Interest and dividend income	(6,202)	(8,021)	(56,020)
Interest expense	3,209	4,016	28,986
Equity in earnings of affiliates	(3,451)	(7,138)	(31,172)
Gain on sales of investment securities	(17,312)	(13,679)	(156,373)
Loss on valuation of investment securities	66	1,953	596
Gain on sale of property, plant and equipment	(353)	(4,268)	(3,189)
Loss on disposal of noncurrent assets	10,637	9,668	96,080
Decrease in notes and accounts receivable–trade	5,214	16,919	47,096
Decrease (increase) in inventories	6,110	(51,950)	55,189
Increase (decrease) in notes and accounts payable–trade	1,706	(45,562)	15,410
Increase in accrued expenses	1,371	2,624	12,384
Increase (decrease) in advances received	8,190	(1,925)	73,977
Other, net	15,896	(20,688)	143,582
Subtotal	318,744	178,218	2,879,090
Interest and dividend income, received	8,690	10,834	78,493
Interest expense paid	(3,086)	(4,203)	(27,875)
Income taxes paid	(70,672)	(60,388)	(638,352)
Net cash provided by operating activities	253,676	124,460	2,291,356
Cash flows from investing activities:			
Payments into time deposits	(6,262)	(4,195)	(56,562)
Proceeds from withdrawal of time deposits	4,333	13,343	39,138
Purchase of property, plant and equipment	(133,347)	(138,354)	(1,204,471)
Proceeds from sales of property, plant and equipment	656	5,693	5,925
Purchase of intangible assets	(16,945)	(16,096)	(153,058)
Purchase of investment securities	(8,061)	(10,820)	(72,812)
Proceeds from sales of investment securities	20,264	23,543	183,037
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(4,811)	(175,759)	(43,456)
Payments for transfer of business	(17,566)	(1,964)	(158,667)
Payments of loans receivable	(6,144)	(23,170)	(55,496)
Collection of loans receivable	10,428	9,253	94,192
Other, net	(297)	369	(2,683)
Net cash used in investing activities	¥(157,751)	¥(318,156)	$(1,424,903)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from financing activities:			
Net (decrease) increase in short-term loans payable	¥(168,641)	¥172,022	$(1,523,268)
(Decrease) increase in commercial paper	(55,000)	62,000	(496,793)
Proceeds from long-term loans payable	143,467	45,816	1,295,881
Repayment of long-term loans payable	(16,936)	(17,586)	(152,976)
Proceeds from issuance of bonds payable	50,000	40,000	451,630
Redemption of bonds	—	(20,000)	—
Repayments of lease obligations	(1,226)	(1,276)	(11,074)
Purchase of treasury stock	(10)	(10,016)	(90)
Proceeds from disposal of treasury stock	69	84	623
Proceeds from share issuance to non-controlling interests	—	849	—
Cash dividends paid	(45,800)	(48,723)	(413,693)
Cash dividends paid to non-controlling interests	(1,198)	(1,052)	(10,821)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(307)	—	(2,773)
Other, net	(287)	(194)	(2,592)
Net cash (used in) provided by financing activities	(95,869)	221,923	(865,947)
Effect of exchange rate change on cash and cash equivalents	9,639	(4,060)	87,065
Net increase in cash and cash equivalents	9,695	24,167	87,571
Cash and cash equivalents at beginning of year	204,771	180,520	1,849,616
Increase in cash and cash equivalents resulting from changes in scope of consolidation	1,769	85	15,979
Cash and cash equivalents at end of year (Note 9)	¥216,235	¥204,771	$1,953,166

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 ¥110.71=US$1 prevailing on March 31, 2021, has been used.

Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 228 subsidiaries (211 subsidiaries at March 31, 2020, hereinafter collectively referred to as the "Company") which, with minor exceptions due to immateriality, are all majority or wholly owned companies, including 7 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., ZOLL Medical Corporation, and Veloxis Pharmaceuticals, Inc.). 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 62 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2021 (56 at March 31, 2020), including Asahi Kasei Networks Corporation 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. Goodwill is amortized using the straight-line method over a reasonable period during which its 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 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.

iii) 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.

iv) Provision for product warranties

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

v) 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.

(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, 2021 and 2020, 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. Significant Accounting Estimates

(a) Assessment of whether impairment indicators exist for goodwill as it relates to the acquisition of Polypore International, LP

i) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Goodwill recognized from acquisition of Polypore International, LP	¥121,996	$1,101,942

ii) Information on the nature of significant accounting estimates for identified items

The Company assesses the impairment indicators, recognition and measurement of impairment loss on goodwill based on a larger unit that consists of an asset group related to the business together with goodwill. The Company assessed whether impairment indicators exist in the asset group of the Separator business under the Material segment (refer to Note 17) to which Polypore International, LP's goodwill belongs, based on the following facts and circumstances.

・Whether or not the asset group's performance falls into the category of "consistent negative operating results", specified in the accounting standards as an impairment indicator.

・Whether or not there are significant differences between assumptions for the size and timing of expansion of the market growth for eco-friendly cars on which the latest business plan is based, compared to that used at the time of the acquisition.

The Company supplies both wet-process and dry-process separators for lithium-ion batteries, including the product line of Polypore International, LP, and expects to create synergies especially in the area of lithium-ion battery applications for eco-friendly cars such as hybrid vehicles and electric vehicles, which continued demand growth is forecast. The business plan for the Separator business, to which the goodwill of Polypore International, LP belongs, assumes rapid expansion of the market for eco-friendly cars through 2025, and the sales and operating income of the Separator business will increase accordingly. In addition, the goodwill balance recognized from the acquisition of Polypore International, LP, which is recorded in the Separator business, is the most monetarily significant of the total goodwill balance of ¥351,921 million (US$3,178,764 thousand) recorded in the consolidated balance sheets for the current fiscal year.

The Company has concluded that no impairment indicators existed for the goodwill balance as it relates to the acquisition of Polypore International, LP, as the performance of the Separator business has not fallen into the category of "consistent negative operating results" during the current fiscal year, and also assumptions regarding the scale and timing of the expansion of the eco-friendly car market, which form the basis of the latest business plan, have not significantly diverged from those at the time of the acquisition.

Since the eco-friendly car market is a growing market with rapidly evolving technology and intensifying competition, sales and operating income may not achieve projects made in the business plan if management is not able to respond to unexpected changes in the business environment appropriately. If there is a change in the assumed situation, an impairment indicator may be identified.

(b) Valuation of intangible assets identified in connection with the acquisition of Veloxis Pharmaceuticals A/S as of the acquisition date

i) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Customer-related assets recognized from acquisition of Veloxis Pharmaceuticals A/S	¥35,855	$323,864
Technology-related assets recognized from acquisition of Veloxis Pharmaceuticals A/S	¥89,408	$807,587

ii) Information on the nature of significant accounting estimates for identified items

The Company estimates the fair value of intangible assets acquired as the result of a business combination as of the date of the business combination based on values reasonably calculated by the cost approach, market approach, income approach, etc. In the previous fiscal year, the Company completed the acquisition of 100% of the outstanding shares of Veloxis Pharmaceuticals A/S with cash consideration payment in

¥147,220 million. The fair value of Technology-related assets identified based on the facts and circumstances that existed at the date of the business combination was measured using the relief-from-royalty method, and the fair value of Customer-related assets was measured using the multi-period excess earning method. While provisional accounting treatment for these intangible assets was applied at the end of the previous fiscal year, accounting treatment was finalized in the current fiscal year, and the consolidated balance sheets for the previous fiscal year have been adjusted retrospectively.

The purpose of this acquisition is that Veloxis Pharmaceuticals A/S has knowledge of immunosuppressive drugs for renal transplant patients and expects growth in the renal transplant market mainly in the United States. In addition, the Company aims to obtain a business platform in the pharmaceutical market in the United States through synergies between the Company and Veloxis Pharmaceuticals A/S.

In estimating the fair value of the intangible assets as of the acquisition date, in addition to the expansion of future sales volumes assumed in the business plan, the royalty rate used in the relief-from-royalty method and the customer attrition rate used in the multi-period excess earning method are identified as significant assumptions used, and in addition to being a significant transaction in terms of value, there is a high degree of estimation uncertainty included in the assumptions.

4. Changes in significant accounting policies

(a) Accounting Standards issued but not yet applied

1 For the Company and domestic consolidated subsidiaries:

i) 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.

ii) 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.

2 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

i) Application of Accounting Standard for Disclosure of Accounting Estimates

The Company has applied “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31) issued by the Accounting Standards Board of Japan from the fiscal year ended March 31, 2021. Refer to Note 3 “Significant Accounting Estimates.” In the note, information for the fiscal year ended March 31, 2020, is omitted in accordance with the standard.

ii) Consolidated Statements of Income

In the fiscal year ended March 31, 2021, insurance income, which had previously been included in others under non-operating income, exceeded 10% of total non-operating income, and is reported separately. The consolidated statements of income for the fiscal year ended March 31, 2020, have been adjusted accordingly, resulting in others under non-operating income being ¥3,596 million, ¥1,724 million lower than the previously reported ¥5,320 million, reflecting the separation of the same amount as insurance income.

In the fiscal year ended March 31, 2021, foreign exchange loss and costs associated with idle portion of facilities, both of which had previously been reported separately, each became 10% or less of total non-operating expenses, and are included in others under non-operating expenses. The consolidated statements of income for the fiscal year ended March 31, 2020, have been reclassified accordingly, resulting in foreign exchange loss of ¥2,328 million and costs associated with idle portion of facilities of ¥1,642 million being included in others under non-operating expenses.

(c) Additional Information

Assumptions regarding effect of COVID-19 on accounting estimates

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, 2022, and has made accounting estimates accordingly regarding impairment of noncurrent assets, recoverability of deferred tax assets, etc.

There are many uncertainties regarding the impact of COVID-19, and if changes occur in the aforementioned assumptions, the financial position and operating results may be affected from the next consolidated fiscal year onwards.

5. Notes to Consolidated Balance Sheets

(a) Investment securities

Among investment securities, shares of unconsolidated subsidiaries and affiliates as of March 31, 2021 and 2020, amounted to ¥112,102 million (US$1,012,573 thousand) and ¥104,668 million, respectively. Included in those amounts are investments in joint ventures of ¥61,567 million (US$556,111 thousand) and ¥53,650 million, respectively.

(b) Pledged assets and secured debt

Cash and deposits pledged as collateral for bank guarantees at March 31, 2021 and 2020, were ¥353 million (US$3,189 thousand) and ¥314 million, respectively. Investment securities pledged to suppliers as transaction guarantees at March 31, 2021 and 2020, were ¥55 million (US$497 thousand) and ¥55 million, respectively.

(c) Contingent liabilities

Contingent liabilities at March 31, 2021 and 2020, arising in the ordinary course of business were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loans guaranteed	¥35,669	¥40,321	$322,184
Total	¥35,669	¥40,321	$322,184

(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, 2021 and 2020, were ¥12,494 million (US$112,853 thousand) and ¥9,966 million, respectively.

The breakdown of reduced-value entries as of March 31, 2021 and 2020, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Buildings and structures	¥3,916	¥3,439	$35,372
Machinery, equipment and vehicles	8,262	6,215	74,627
Land	167	167	1,508
Other	149	145	1,346
Total	¥12,494	¥9,966	$112,853

(e) Long-term advance payments–trade

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

6. 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, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Salaries and benefits	¥205,671	¥194,889	$1,857,745
Research and development*	61,527	62,244	555,749

* The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2021 and 2020, were ¥89,745 million (US$810,631 thousand) and ¥90,966 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, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
	¥(689)	¥2,499	$(6,223)

(c) Gain on sales of noncurrent assets

Major components of gain on sales of noncurrent assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Land	¥234	¥2,693	$2,114
Machinery	91	1,462	822
Other	28	113	253

(d) Loss on disposal of noncurrent assets

Loss on disposal of noncurrent assets for the years ended March 31, 2021 and 2020, 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, 2021 and 2020, were as follows:

Use	Asset class	Location	Millions of yen		Thousands of U.S. dollars	Item on the Consolidated Statements of Income
			2021	2020	2021	
Production facility for synthetic rubber	Machinery and equipment, etc.	Jurong Island, Singapore	¥—	¥17,363	$—	Impairment loss
Sales rights of pharmaceutical products	Other Intangible assets	—	—	1,721	—	Impairment loss
R&D equipment	Machinery and equipment, etc.	Fuji, Shizuoka, etc.	—	1,091	—	Impairment loss
System for sales and logistics	Other Intangible assets	—	—	1,062	—	Impairment loss
Production facility for synthetic resin	Machinery and equipment, etc.	Kawasaki Ward Kawasaki, Kanagawa	—	878	—	Business structure improvement expenses
Production facility for basic chemical products	Buildings, etc.	Nobeoka, Miyazaki	—	206	—	Impairment loss
Production facility for fiber products	Machinery and equipment, etc.	Amakusa, Kumamoto	—	173	—	Business structure improvement expenses
Production facility for synthetic fibers	Machinery and equipment, etc.	North Rhine-Westphalia, Germany	—	143	—	Impairment loss
Production facility for nonwoven fabrics	Machinery and equipment, etc.	Moriyama, Shiga	—	112	—	Impairment loss
Others	Machinery and equipment, etc.	Nobeoka, Miyazaki, etc.	—	627	—	Impairment loss and business structure improvement expenses
Production facility for battery materials	Machinery and equipment, etc.	Indiana, U.S.A.	2,128	—	19,221	Business structure improvement expenses
Production facility for synthetic resin coatings raw materials	Machinery and equipment, etc.	Gobo, Wakayama	1,008	—	9,105	Business structure improvement expenses
Production facility for plastic raw materials	Machinery and equipment, etc.	Jurong Island, Singapore	665	—	6,007	Impairment loss
Production facility for nonwoven fabrics	Buildings, etc.	Nobeoka, Miyazaki	477	—	4,309	Business structure improvement expenses
Goodwill related to lining processing business	Goodwill, etc.	—	406	—	3,667	Impairment loss
Production facility for nonwoven fabrics	Buildings, etc.	Nobeoka, Miyazaki	236	—	2,132	Impairment loss
Office assets	Buildings, etc.	Naka Ward Nagoya, Aichi, etc.	209	—	1,888	Impairment loss
Production facility for textile products	Machinery and equipment, etc.	San Luis Potosí, Mexico	178	—	1,608	Business structure improvement expenses
Production facility for pharmaceutical products	Machinery and equipment, etc.	Fuji, Shizuoka	130	—	1,174	Impairment loss
Others	Machinery and equipment, etc.	Kawasaki Ward Kawasaki, Kanagawa, etc.	377	—	3,405	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 resin coatings raw materials and goodwill related to lining processing business was reduced to the recoverable amount due to diminished profitability. The discount rate for calculation of the discounted cash flow is zero since the estimated future cash flows are negative.

The book value of production facility for battery materials was reduced to zero due to a decision to dispose of certain facilities as a result of reconsideration of the production system in order to streamline the supply chain. The book value of production facility for plastic raw materials, production facility for nonwoven fabrics, office assets, production facility for textile products and production facility for pharmaceutical products was reduced to zero due to the disappearance of prospects for future use.

Among the extraordinary losses under Others, ¥85 million (US$768 thousand) and ¥376 million were recorded under business structure improvement expenses for the years ended March 2021 and 2020, respectively.

(f) Loss on disaster

Major components of loss on disaster for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Repair expenses	¥—	¥1,381	$—
Fixed costs incurred during suspension of operations	—	684	—
Loss on disposal of inactive assets	—	372	—

(g) Loss on fire at plant facilities

Breakdown of the loss due to a fire that occurred on October 20, 2020, at the semiconductor manufacturing plant of Asahi Kasei Microdevices Corp., a consolidated subsidiary of the Company, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loss on destruction of noncurrent assets and inventories, etc.	¥12,634	¥—	$114,118
Expenses for removal of noncurrent assets, etc.	7,017	—	63,382
Other related expenses	4,569	—	41,270
Insurance income	(1,933)	—	(17,460)

(h) 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.

(i) Business structure improvement expenses

Major components of business structure improvement expenses for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Impairment of fixed assets	¥3,877	¥1,428	$35,019
Additional payment of retirement benefits due to application of early retirement, etc.	711	233	6,422
Loss on disposal and devaluation of inventory and others	3,162	3,179	28,561

7. Notes to Consolidated Statements of Comprehensive Income

Recycling adjustment and tax effects on other comprehensive income for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized gain on other securities			
Changes during the fiscal year	¥52,903	¥(37,687)	$477,852
Recycling adjustment	(17,230)	(12,418)	(155,632)
Pre-tax effect	35,674	(50,105)	322,229
Tax effect	(10,868)	15,210	(98,166)
Net unrealized gain on other securities	24,806	(34,895)	224,063
Deferred gains or losses on hedges			
Changes during the fiscal year	(220)	(781)	(1,987)
Recycling adjustment	29	11	262
Adjustment on the acquisition cost of assets	―	579	―
Pre-tax effect	(191)	(190)	(1,725)
Tax effect	85	(11)	768
Deferred gains or losses on hedges	(106)	(201)	(957)
Foreign currency translation adjustment			
Changes during the fiscal year	35,467	(25,807)	320,359
Recycling adjustment	24	(308)	217
Foreign currency translation adjustment	35,491	(26,115)	320,576
Remeasurements of defined benefit plans			
Changes during the fiscal year	11,058	(9,475)	99,883
Recycling adjustment	7,048	4,055	63,662
Pre-tax effect	18,106	(5,421)	163,544
Tax effect	(5,476)	1,553	(49,463)
Remeasurements of defined benefit plans	12,631	(3,867)	114,091
Share of other comprehensive income of affiliates accounted for using equity method			
Changes during the fiscal year	3,120	(3,478)	28,182
Recycling adjustment	(100)	(4)	(903)
Share of other comprehensive income of affiliates accounted for using equity method	3,020	(3,482)	27,278
Total other comprehensive income	¥75,842	¥(68,561)	$685,051

8. Notes to Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2021

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

	Thousands of shares			
	Number of shares as of March 31, 2020	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares as of March 31, 2021
Issued and outstanding shares				
Common stock	1,393,932	—	—	1,393,932
Total	1,393,932	—	—	1,393,932
Treasury stock				
Common stock (Notes 1,2,3)	6,440	10	53	6,397
Total	6,440	10	53	6,397

Notes: 1. The increase of 10 thousand shares in common stock of treasury stock was primarily attributable to the purchase of 10 thousand shares in quantities of less than one share unit.

2. The decrease of 53 thousand shares in common stock of treasury stock was primarily attributable to the disposal of 53 thousand shares by the trust for granting shares to Directors, etc., and the sale of 1 thousand shares in quantities of less than one share unit.

3. The number of shares of treasury stock as of March 31, 2021, includes 327 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 22, 2020.

Dividends for common stock

Total dividends	¥22,206 million (US$200,578 thousand)
Dividend per share	¥16.00 (US$0.14)
Date of record	March 31, 2020
Payment date	June 10, 2020

Note: Total dividends includes ¥6 million (US$54 thousand) for shares held by the trust for granting shares to Directors, etc.

2) The following was resolved by the Board of Directors on Nov 6, 2020.

Dividends for common stock

Total dividends	¥23,594 million (US$213,115 thousand)
Dividend per share	¥17.00 (US$0.15)
Date of record	September 30, 2020
Payment date	December 1, 2020

Note: Total dividends includes ¥6 million (US$54 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 13, 2021.

Dividends for common stock

Total dividends	¥23,594 million (US$213,115 thousand)
Source of dividends	Retained earnings

Dividend per share	¥17.00 (US$0.15)
Date of record	March 31, 2021
Payment date	June 3, 2021

Note: Total dividends includes ¥6 million (US$54 thousand) for shares held by the trust for granting shares to Directors, etc.

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 as of March 31, 2019	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares as 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:
1. 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.
2. 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.
3. 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.
4. 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
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.

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

Dividends for common stock

Total dividends	¥24,982 million
Dividend per share	¥18.00
Date of record	September 30, 2019
Payment date	December 3, 2019

Note: Total dividends includes ¥7 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 22, 2020.

Dividends for common stock

Total dividends	¥22,206 million
Source of dividends	Retained earnings
Dividend per share	¥16.00
Date of record	March 31, 2020
Payment date	June 10, 2020

Note: Total dividends includes ¥6 million for shares held by the trust for granting shares to Directors, etc.

9. 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, 2021 and 2020, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥221,779	¥207,957	$2,003,243
Time deposits with deposit term of over 3 months	(5,543)	(3,186)	(50,068)
Cash and cash equivalents	¥216,235	¥204,771	$1,953,166

(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
Current assets	¥2,870
Noncurrent assets	13,860
Goodwill	17,635
Current liabilities	(2,848)
Noncurrent liabilities	(2,455)
Acquisition cost of shares	29,063
Cash and cash equivalents	(119)
Net cash used for acquisition	28,944

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
Current assets	¥11,012
Noncurrent assets	133,785
Goodwill	45,245
Current liabilities	(20,100)
Noncurrent liabilities	(24,331)
Foreign currency translation adjustment	1,609
Acquisition cost of shares	147,220
Cash and cash equivalents	(5,749)
Net cash used for acquisition	141,471

In the fiscal year under review, provisional accounting treatment for the allocation related to a business combination was finalized. Accordingly, the figures for the previous year reflect the finalization of the provisional accounting treatment.

(c) Assets and liabilities of newly acquired business

For the year ended March 31, 2021

Assets and liabilities of acquired business (Adient plc’s automotive fabric business) and net cash outflow for such acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥6,012	$54,304
Noncurrent assets	11,956	107,994
Goodwill	4,799	43,347
Current liabilities	(4,291)	(38,759)
Noncurrent liabilities	(451)	(4,074)
Acquisition cost of business	18,025	162,813
Cash and cash equivalents	(460)	(4,155)
Net cash used for acquisition	17,566	158,667

10. Leases

(a) Financing lease transactions

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

(Lessee)

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

(Lessee)

Future lease payments for the non-cancelable portion of the Company's operating leases at March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within one year	¥9,294	¥9,593	$83,949
Due after one year	23,688	31,821	213,964
Total	¥32,982	¥41,414	$297,913

11. 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, 2021 and 2020, 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		
	2021		
	Carrying amount	Fair value	Difference
Cash and deposits	¥221,779	¥221,779	¥—
Notes and accounts receivable–trade	338,640	338,640	—
Investment securities:			
Investments in affiliates	16,816	13,490	(3,326)
Other securities	164,018	164,018	—
Long-term loans receivable	9,584	9,589	5
Total assets	750,836	747,515	(3,321)
Notes and accounts payable–trade	142,087	142,087	—
Short-term loans payable	89,278	89,278	—
Commercial paper	84,000	84,000	—
Income taxes payable	21,268	21,268	—
Bonds payable	110,000	109,743	257
Long-term loans payable	375,697	376,201	(504)
Lease obligations	4,801	5,103	(302)
Long-term guarantee deposits	10,230	10,274	(44)
Total liabilities	837,360	837,953	(593)
Derivative financial instruments (*)	¥(1,680)	¥(1,680)	¥—

	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	¥—

	Thousands of U.S. dollars		
	2021		
	Carrying amount	Fair value	Difference
Cash and deposits	$2,003,243	$2,003,243	$－
Notes and accounts receivable–trade	3,058,802	3,058,802	－
Investment securities:			
Investment in affiliates	151,892	121,850	(30,042)
Other securities	1,481,510	1,481,510	－
Long-term loans receivable	86,569	86,614	45
Total assets	6,782,007	6,752,010	(29,997)
Notes and accounts payable–trade	1,283,416	1,283,416	－
Short-term loans payable	806,413	806,413	－
Commercial paper	758,739	758,739	－
Income taxes payable	192,106	192,106	－
Bonds payable	993,587	991,265	2,321
Long-term loans payable	3,393,524	3,398,076	(4,552)
Lease obligations	43,366	46,093	(2,728)
Long-term guarantee deposits	92,404	92,801	(397)
Total liabilities	7,563,544	7,568,901	(5,356)
Derivative financial instruments (*)	$(15,175)	$(15,175)	$－

(*) 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 12 “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, 2021 and 2020, amounting ¥8,343 million (US$75,359 thousand) and ¥6,240 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, 2021 and 2020, amounting to ¥55,293 million (US$499,440 thousand) and ¥24,608 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 13 “Derivative financial instruments.”

Note 2) For equity investments in nonpublic companies, with a carrying amount as of March 31, 2021 and 2020, amounting to ¥105,225 million (US$950,456 thousand) and ¥97,238 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, 2021 and 2020, amounting to ¥458 million (US$4,137 thousand) and ¥709 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, 2021 and 2020, amounting to ¥11,710 million (US$105,772 thousand) and ¥11,819 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			
	2021			
	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	¥221,779	¥—	¥—	¥—
Notes and accounts receivable–trade	338,640	—	—	—
Long-term loans receivable	8,343	873	369	—
Total	¥568,761	¥873	¥369	¥—

	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	¥—

	Thousands of U.S. dollars			
	2021			
	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	$2,003,243	$—	$—	$—
Notes and accounts receivable–trade	3,058,802	—	—	—
Long-term loans receivable	75,359	7,885	3,333	—
Total	$5,137,395	$7,885	$3,333	$—

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					
	2021					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2022	¥89,278	¥84,000	¥—	¥55,293	¥880	¥229,451
2023	—	—	—	70,521	403	70,925
2024	—	—	40,000	51,294	260	91,554
2025	—	—	20,000	51,207	204	71,411
2026	—	—	10,000	62,278	208	72,486
2027 and thereafter	—	—	40,000	85,103	2,845	127,948

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	Thousands of U.S. dollars					
	2021					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2022	$806,413	$758,739	$―	$499,440	$7,949	$2,072,541
2023	―	―	―	636,989	3,640	640,638
2024	―	―	361,304	463,319	2,348	826,971
2025	―	―	180,652	462,533	1,843	645,028
2026	―	―	90,326	562,533	1,879	654,738
2027 and thereafter	―	―	361,304	768,702	25,698	1,155,704

12. 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, 2021 and 2020, were as follows:

	Millions of yen		
	2021		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥161,391	¥28,675	¥132,716
Subtotal	161,391	28,675	132,716
Securities with unrealized losses:			
Equity securities	2,627	3,444	(817)
Subtotal	2,627	3,444	(817)
Total	¥164,018	¥32,119	¥131,899

For equity investments in nonpublic companies and investment securities, with a carrying amount of ¥105,225 million and ¥458 million, respectively, as of March 31, 2021, 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		
	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 and ¥709 million, 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.

	Thousands of U.S. dollars		
	2021		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	$1,457,782	$259,010	$1,198,772
Subtotal	1,457,782	259,010	1,198,772
Securities with unrealized losses:			
Equity securities	23,729	31,108	(7,380)
Subtotal	23,729	31,108	(7,380)
Total	$1,481,510	$290,118	$1,191,392

For equity investments in nonpublic companies and investment securities, with a carrying amount of $950,456 thousand and $4,137 thousand, respectively, as of March 31, 2021, 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, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Selling amount	¥20,060	¥24,310	$181,194
Gain on sales of securities	17,312	13,679	156,373
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, 2021, was ¥66 million (US$596 thousand), which is for other securities, and for the year ended March 31, 2020, ¥1,953 million, which is the sum of ¥534 million for equity securities of unconsolidated subsidiaries and affiliates and ¥1,419 million for other securities.

13. Derivative financial instruments

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

i) Foreign exchange forward contracts

		Millions of yen			
		2021			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value(*)	Profit (loss) from valuation
Off-market transactions	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	¥30,420	¥—	¥(1,169)	¥(1,169)
	Euro	13,305	—	(316)	(316)
	Thai baht	1,564	—	(23)	(23)
	British pound	16	—	(0)	(0)
	Chinese yuan	2,508	—	(80)	(80)
	Australian dollar	11	—	0	0
	Buying				
	U.S. dollar	15,223	—	311	311
	Euro	132	—	1	1
	Total	¥63,179	¥—	¥(1,276)	¥(1,276)

		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 forward contracts				
	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
	Total	¥45,624	¥—	¥75	¥75

Classification	Items	Thousands of U.S. dollars 2021 Amount of contract	Amount of contract over 1 year	Fair value(*)	Profit (loss) from valuation
Off-market transactions	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	$274,772	$—	$(10,559)	**$(10,559)**
	Euro	120,179	—	(2,854)	**(2,854)**
	Thai baht	14,127	—	(208)	**(208)**
	British pound	145	—	(0)	**(0)**
	Chinese yuan	22,654	—	(723)	**(723)**
	Australian dollar	99	—	0	**0**
	Buying				
	U.S. dollar	137,503	—	2,809	**2,809**
	Euro	1,192	—	9	**9**
	Total	$570,671	$—	$(11,526)	$(11,526)

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

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

i) Foreign exchange forward contracts

Classification	Items	Hedged assets/liabilities	Millions of yen 2021 Amount of contract	Amount of contract over 1 year	Fair value(*)
Principle-based accounting	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	¥8,096	¥413	¥(398)
	Euro	Accounts receivable–trade	458	—	(15)
	British pound	Accounts receivable–trade	2	—	(0)
	Buying				
	U.S. dollar	Accounts payable–trade	192	—	10
	Euro	Accounts payable–trade	7	—	0
	Total		¥8,755	¥413	¥(404)

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

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars 2021 Amount of contract	Thousands of U.S. dollars 2021 Amount of contract over 1 year	Thousands of U.S. dollars 2021 Fair value(*)
Principle-based accounting	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	$73,128	$3,730	$(3,595)
	Euro	Accounts receivable–trade	4,137	—	(135)
	British pound	Accounts receivable–trade	18	—	(0)
	Buying				
	U.S. dollar	Accounts payable–trade	1,734	—	90
	Euro	Accounts payable–trade	63	—	0
	Total		$73,128	$3,730	$(3,649)

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

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

			Millions of yen		
			2021		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps Pay fixed/receive floating	Long-term loans payable	¥71,597	¥58,143	(*)
	Total		¥71,597	¥58,143	¥―

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

			Thousands of U.S. dollars		
			2021		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps Pay fixed/receive floating	Long-term loans payable	$646,708	$525,183	(*)
	Total		$646,708	$525,183	$―

(*) 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.

14. 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, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Beginning balance of the projected benefit obligations	¥401,975	¥402,461	$3,630,882
Service cost	14,657	14,844	132,391
Interest cost	685	705	6,187
Actuarial gains/losses	11,186	2,515	101,039
Payment of retirement benefits	(18,007)	(16,954)	(162,650)
Prior service cost	—	(1,599)	—
Other	451	2	4,074
Ending balance of the projected benefit obligations	¥410,947	¥401,975	$3,711,923

Reconciliations of beginning and ending balances of plan assets for the fiscal years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Beginning balance of plan assets	¥227,609	¥233,776	$2,055,903
Expected return	5,640	5,810	50,944
Actuarial gains/losses	22,270	(8,937)	201,156
Contributions	5,632	6,128	50,872
Payment of retirement benefits	(9,294)	(9,134)	(83,949)
Other	258	(35)	2,330
Ending balance of plan assets	¥252,115	¥227,609	$2,277,256

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, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Projected benefit obligations of funded plans	¥265,651	¥256,681	$2,399,521
Plan assets	(252,115)	(227,609)	(2,277,256)
Subtotal	13,536	29,072	122,265
Projected benefit obligations of unfunded plans	145,296	145,294	1,312,402
Net of liability and asset that have been recorded in the consolidated balance sheets	¥158,832	¥174,365	$1,434,667
Net defined benefit liability	¥158,832	¥174,365	$1,434,667
Net of liability and asset that have been recorded in the consolidated balance sheets	¥158,832	¥174,365	$1,434,667

Periodic retirement benefit expenses for employees and the breakdown of items for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost (net of employee contributions)	¥14,386	¥14,201	$129,943
Interest cost	685	705	6,187
Expected return on plan assets	(5,640)	(5,810)	(50,944)
Amortization of actuarial gains/losses	7,375	4,424	66,615
Amortization of prior service costs	(297)	8	(2,683)
Additional retirement benefits and other	1,444	769	13,043
Retirement benefit expenses of defined benefit plans	¥17,954	¥14,297	$162,171

The components of other comprehensive income on defined benefit plans for the fiscal years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Prior service costs	¥(297)	¥1,607	$(2,683)
Actuarial gains/losses	18,403	(7,028)	166,227
Total	¥18,106	¥(5,421)	$163,544

Accumulated other comprehensive income on defined benefit plans at March 31, 2021 and 2020, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized prior service costs	¥(1,314)	¥(1,611)	$(11,869)
Unrecognized actuarial gains/losses	16,248	34,651	146,762
Total	¥14,934	¥33,040	$134,893

Share by major classifications for plan assets at March 31, 2021 and 2020, was as follows:

	2021	2020
Bonds	37%	40%
Stock	29%	22%
Alternative investments	15%	21%
Life insurance	12%	13%
Cash and deposits	6%	2%
Other	1%	1%
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, 2021 and 2020, were as follows:

	2021	2020
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, 2021, amounted to ¥6,920 million (US$62,506 thousand), and at March 31, 2020, amounted to ¥5,236 million.

15. 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, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Net defined benefit liability	¥48,449	¥53,111	$437,621
Tax loss carry forwards	15,568	9,733	140,620
Accrued bonuses	7,426	7,788	67,076
Foreign tax credit carry forwards	7,202	6,729	65,053
Impairment losses	7,014	4,437	63,355
Loss on disposal of noncurrent assets	6,498	3,668	58,694
Unrealized gain on noncurrent assets and others	4,325	4,536	39,066
Other	33,553	25,524	303,071
Subtotal deferred tax assets	130,037	115,526	1,174,573
Less: Valuation allowance (Note 1)	(26,862)	(13,418)	(242,634)
Total deferred tax assets	103,175	102,108	931,939
Deferred tax liabilities:			
Identified intangible assets during business combination	(44,027)	(67,853)	(397,679)
Unrealized gain on other securities	(39,795)	(29,841)	(359,453)
Foreign subsidiary's unitary tax	(24,696)	—	(223,069)
Depreciation—overseas subsidiaries	(9,617)	(9,568)	(86,867)
Deferred gain on property, plant and equipment	(8,736)	(8,814)	(78,909)
Other	(13,857)	(12,166)	(125,165)
Total deferred tax liabilities	(140,728)	(128,241)	(1,271,141)
Net deferred tax assets (liabilities)	¥(37,553)	¥(26,134)	$(339,202)

Notes 1: Valuation allowance increased mainly due to business combinations.

2: In the fiscal year under review, provisional accounting treatment for the allocation related to a business combination was finalized. Accordingly, the figures for the previous year reflect the finalization of the provisional accounting treatment.

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2021 and 2020, was as follows:

	2021	2020
Statutory tax rate	30.6%	30.6%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses and non-taxable income	0.2	1.0
R&D expenses deductible from income taxes	(2.7)	(3.5)
Amortization of goodwill and negative goodwill	5.1	4.4
Equity in (losses) earnings of unconsolidated subsidiaries and affiliates	(0.7)	(1.4)
Undistributed earnings (losses) of foreign subsidiaries	0.5	0.5
Difference of tax rates for foreign subsidiaries	(4.5)	0.4
Foreign subsidiary's unitary tax	15.9	—
Other	1.2	0.3
Effective income tax rate	45.6%	32.2%

16. Business combinations

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

(a) Finalization of the provisional accounting treatment related to a business combination

The business combination of Veloxis Pharmaceuticals A/S, which took place on January 23, 2020, was provisionally accounted for in the previous fiscal year and finalized in the fiscal year under review.

Due to the use of this provisional accounting treatment, the allocation amount of acquisition cost within the comparative information contained in the consolidated financial statements for the fiscal year under review was significantly revised. The details of this revision are as follows.

i) Details of revision to allocation amount

Revised items	Millions of yen	Thousands of U.S. dollars
Goodwill (before revision)	¥149,100	$1,346,762
Technology-related assets	(95,862)	(865,884)
Customer-related assets	(37,757)	(341,044)
Deferred tax liabilities	29,764	268,847
Total revised amount	¥(103,854)	$(938,072)
Goodwill (after revision)	¥45,245	$408,680

ii) Amortization method and useful life of goodwill

Straight-line method over 20 years

iii) Major weighted average useful life

Technology-related assets	12 years
Customer-related assets	15 years
Total	13 years

(b) Business combination by purchase

Sage Automotive Interiors, Inc. ("Sage"), a subsidiary of the Company, concluded an agreement with Adient, plc ("Adient") on March 5, 2020, to acquire Adient's automotive fabrics business, and the acquisition was completed on September 30, 2020 (U.S. Eastern time). In connection with the acquisition, shares in 11 companies related to the said business were acquired from Adient, with 6 companies becoming consolidated subsidiaries and 5 companies becoming equity-method affiliates.

i) Outline of business combination

1) Name and nature of the businesses of counterparty

Name of counterparty: Adient, plc

Nature of the businesses: Development, manufacture, and sale of fabrics for automotive interiors

2) Main reasons for the acquisition

By combining the automotive fabrics business acquired from Adient, having marketing, manufacturing, and development centered in Europe, together with its own established business, Sage will be able to further expand in Europe, the largest market for automotive interior fabric and the source of innovative automotive trends. Sage plans to achieve the following synergies through this acquisition.

- Optimum global manufacturing
- Mutually complementary relationships with NA/EU OEMs
- Full product lineup (fabric, artificial suede, synthetic leather)

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 Company's overall expansion of business in the automotive field. Sage also expects that expansion in Europe will enable it to maintain its leading position in the global market for automotive interior materials.

3) The acquisition date

September 30, 2020

4) Statutory form of business combination

Asset and stock purchase for cash as consideration

5) Grounds for determining acquiring company

Asset and stock purchase for cash as consideration by a consolidated subsidiary

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

From October 1, 2020, to March 31, 2021

iii) Cost of acquisition and details

	Millions of yen	Thousands of U.S. dollars
Asset and stock purchase price	¥18,025	$162,813
Purchase price	¥18,025	$162,813

iv) Major acquisition related costs

Advisory fees and others: ¥1,732 million (US$15,644 thousand)

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

1) Amount of goodwill

¥4,799 million (US$43,347 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 20 years

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥6,012	$54,304
Noncurrent assets	11,956	107,994
Total assets	¥17,968	$162,298
Current liabilities	¥4,291	$38,759
Noncurrent liabilities	451	4,074
Total liabilities	¥4,741	$42,824

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	¥2,586	$23,358

2) Major weighted average useful life

Customer-related assets	19 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.

17. 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 products centered on cardiopulmonary resuscitation; notably defibrillators for medical professionals, automated external defibrillators (AEDs), and wearable defibrillators.

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					
	2021					
	Material	Homes	Health Care	Subtotal	Others (Note 1)	Total
Sales:						
External customers	¥991,227	¥692,639	¥407,904	¥2,091,770	¥14,281	¥2,106,051
Intersegment	5,515	22	24	5,561	41,010	46,572
Total	996,743	692,661	407,928	2,097,331	55,292	2,152,623
Operating income	66,461	63,548	67,603	197,612	3,800	201,413
Assets	1,567,831	568,563	734,658	2,871,052	92,878	2,963,930
Other items:						
Depreciation and amortization (Note 2)	59,019	11,180	31,106	101,305	1,538	102,843
Amortization of goodwill	11,934	91	12,878	24,903	—	24,903
Investments in affiliates accounted for using equity method	62,204	14,121	2,192	78,517	19,085	97,602
Increase in property, plant and equipment, and intangible assets	100,458	18,658	15,934	135,050	809	135,859

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					
	2020					
	Material	Homes	Health Care (Note 3)	Subtotal (Note 3)	Others (Note 1)	Total (Note 3)
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	92,365	72,711	43,506	208,582	3,177	211,758
Assets	1,481,133	551,515	703,773	2,736,421	84,093	2,820,515
Other items:						
Depreciation and amortization (Note 2)	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.
3. In the fiscal year under review, provisional accounting treatment for the allocation related to a business combination was finalized.

Accordingly, the figures for the previous year reflect the finalization of the provisional accounting treatment.

	Thousands of U.S. dollars					
	2021					
	Material	Homes	Health Care	Subtotal	Others (Note 1)	Total
Sales:						
External customers	$8,953,365	$6,256,336	$3,684,437	$18,894,138	$128,995	$19,023,133
Intersegment	49,815	199	217	50,230	370,427	420,667
Total	9,003,189	6,256,535	3,684,654	18,944,368	499,431	19,443,799
Operating income	600,316	574,004	610,631	1,784,952	34,324	1,819,285
Assets	14,161,602	5,135,607	6,635,878	25,933,086	838,931	26,772,017
Other items:						
Depreciation and amortization (Note 2)	533,095	100,985	280,968	915,048	13,892	928,940
Amortization of goodwill	107,795	822	116,322	224,939	—	224,939
Investments in affiliates accounted for using equity method	561,864	127,549	19,799	709,213	172,387	881,601
Increase in property, plant and equipment, and intangible assets	907,398	168,530	143,926	1,219,854	7,307	1,227,161

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
	2021	2020	2021
Total of reporting segments	¥2,097,331	¥2,140,595	$18,944,368
Net sales in “Others” category	55,292	52,935	499,431
Elimination of intersegment transactions	(46,572)	(41,884)	(420,667)
Net sales on consolidated statements of income	¥2,106,051	¥2,151,646	$19,023,133

Operating income	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total of reporting segments	¥197,612	¥208,582	$1,784,952
Operating income in “Others” category	3,800	3,177	34,324
Elimination of intersegment transactions	551	303	4,977
Corporate expenses, etc.*	(30,156)	(34,797)	(272,387)
Operating income on consolidated statements of income	¥171,808	¥177,264	$1,551,874

* 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
	2021	2020	2021
Total of reporting segments (Note 1)	¥2,871,052	¥2,736,421	$25,933,086
Assets in “Others” category	92,878	84,093	838,931
Elimination of intersegment transactions	(602,842)	(589,354)	(5,445,235)
Corporate assets*	557,853	591,115	5,038,867
Total assets on consolidated balance sheets	¥2,918,941	¥2,822,277	$26,365,649

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

Note:1. In the fiscal year under review, provisional accounting treatment for the allocation related to a business combination was finalized. Accordingly, the figures for the previous year reflect the finalization of the provisional accounting treatment.

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
	2021	2020	2021	2021	2020	2021	2021	2020	2021	2021	2020	2021
Depreciation and amortization (Note 2)	¥101,305	¥88,374	$915,048	¥1,538	¥1,472	$13,892	¥5,527	¥6,170	$49,923	¥108,369	¥96,016	**$978,855**
Amortization of goodwill	24,903	22,288	224,939	—	—	—	—	—	—	24,903	22,288	224,939
Investments in affiliates accounted for using equity method	78,517	67,945	709,213	19,085	18,388	172,387	—	—	—	97,602	86,333	881,601
Increase in property, plant and equipment, and intangible assets	**135,050**	**138,616**	**1,219,854**	**809**	**2,175**	**7,307**	**17,797**	**13,330**	**160,753**	**153,656**	**154,122**	**1,387,914**

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				
2021					2021				
Japan	United States	China	Other regions	Total	Japan	United States	China	Other regions	Total
¥1,204,218	¥309,723	¥198,903	¥393,206	¥2,106,051	$10,877,229	$2,797,606	$1,796,613	$3,551,676	$19,023,133

Millions of yen				
2020				
Japan	United States	China	Other regions	Total
¥1,290,077	¥269,481	¥188,553	¥403,535	¥2,151,646

2) Property, plant and equipment

Millions of yen								Thousands of U.S. dollars			
2021				2020				2021			
Japan	United States	Other regions	Total	Japan	United States	Other regions	Total	Japan	United States	Other regions	Total
¥518,408	¥107,365	¥91,489	¥717,262	¥477,359	¥105,925	¥70,403	¥653,686	$4,68,576	$969,786	$826,384	$6,478,746

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.

18. Information on related parties

For the year ended March 31, 2021: None

For the year ended March 31, 2020: None

19. Per share information

Basic and diluted net assets per share and net income per share for the years ended March 31, 2021 and 2020, were as follows:

	Yen		U.S. dollars
	2021	2020	2021
Basic net assets per share	¥1,057.61	¥979.69	$9.55
Basic net income per share	57.49	74.85	0.52

Note: As the Company had no dilutive securities at March 31, 2021 and 2020, the Company does not disclose diluted net income per share for the years ended March 31, 2021 and 2020.

(a) Basis for calculation of net assets per share

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total net assets	¥1,494,535	¥1,383,460	$13,499,548
Amount deducted from total net assets	27,058	24,145	244,404
of which, non-controlling interests	*(27,058)*	*(24,145)*	*(244,404)*
Net assets allocated to capital stock	¥1,467,476	¥1,359,314	$13,255,135
Number of shares of capital stock outstanding at fiscal year end used in calculation of net assets per share (thousand)	1,387,535	1,387,492	1,387,535

Note: Shares held by the trust for granting shares to Directors, etc., numbering 327 thousand at March 31, 2021, and 379 thousand at March 31, 2020, 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
	2021	2020	2021
Net income attributable to owners of the parent	¥79,768	¥103,931	$720,513
Amount not attributable to common stock shareholders	—	—	—
Net income attributable to common stock owners of the parent	¥79,768	¥103,931	$720,513
Weighted-average number of shares of capital stock (thousand)	1,387,526	1,388,564	1,387,526

Note: Shares held by the trust for granting shares to Directors, etc., numbering 342 thousand during the year ended March 31, 2021, and 398 thousand during the year ended March 31, 2020, are excluded from the weighted-average number of shares of capital stock used in calculation of net income per share.

20. Subsequent events

Business combination by purchase

(a) Acquisition of Respicardia, Inc.

ZOLL Medical Corporation ("ZOLL"), a consolidated subsidiary of the Company, has acquired Respicardia, Inc. ("Respicardia", Headquarters: Minnesota*, USA; CEO: Peter Sommerness), a U.S. medical equipment company which develops, manufactures, and sells the remedē® System, an implantable neurostimulator device for the treatment of central sleep apnea (CSA). The acquisition process was completed on April 9, 2021 (U.S. Eastern time).

* Registered in Delaware with head office functions in Minnesota.

i) Outline of business combination

1) Name and nature of the businesses of counterparty

Name of counterparty: Respicardia, Inc.

Nature of the businesses: Development, manufacture, and sale of implantable neurostimulator device

2) Main reason for the acquisition

With established businesses centered on cardiopulmonary resuscitation, notably defibrillators for medical professionals, automated external defibrillators (AEDs), and LifeVest® wearable defibrillators, ZOLL has sought to further expand in the field of acute critical care including peripheral areas such as heart failure and respiratory dysfunction. Respicardia develops innovative therapies for conditions with large unmet clinical needs. With this acquisition, ZOLL will combine its expertise in cardiac and respiratory care with Respicardia's novel remedē® System to make a meaningful difference in the health and quality of life for many patients.

3) The acquisition date

April 9, 2021

4) Statutory form of business combination

Stock purchase for mainly cash as consideration

5) Name of company after transaction

Respicardia, Inc.

6) Acquired voting right

Voting right before the acquisition: 0%

Voting right after the acquisition: 100%

7) Grounds for determining acquiring company

Stock purchase for mainly cash as consideration by a consolidated subsidiary

ii) Cost of acquisition and details

Purchase consideration*	cash	US$122 million
	loans and accrued interest	US$108 million
Purchase price		US$229 million

* Not including conditional consideration.

iii) Substance of conditional consideration specified in the stock purchase agreement and policy for accounting treatment

1) Substance of conditional consideration

The agreement provides for additional payment based on the acquired company's achievement of certain performance targets

2) Policy for accounting treatment

Variable portion of conditional consideration will be treated in accordance with Generally Accepted Accounting Principles of the United States

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

Not determined at present

(b) Acquisition of additional shares in McDonald Jones Homes Pty Ltd

Asahi Kasei Homes Australia Pty Ltd, a consolidated subsidiary of the Company, concluded an agreement on April 16, 2021, to purchase additional shares in McDonald Jones Homes Pty Ltd ("McDonald Jones"), an equity-method affiliate of the Company. The acquisition process was completed on June 11, 2021, and McDonald Jones became a consolidated subsidiary of the Company.

i) Outline of business combination

1) Name and nature of the businesses of counterparty

Name of counterparty: McDonald Jones Homes Pty Ltd

Nature of the businesses: Construction of custom-built homes and sale of pre-built homes

2) Main reason for the acquisition

In July 2017, the Company acquired a 40% interest in McDonald Jones, a detached housing company in Australia. Expertise of Asahi Kasei Homes Corp., a consolidated subsidiary of the Company, regarding industrialized housing provided valuable support for sales and marketing, and helped to reduce costs by shortening the construction period. The acquisition of additional shares will accelerate such measures and enable further market expansion and growth in the Australian housing market, contributing to sustainable growth in corporate value for the Company.

3) The acquisition date

June 11, 2021

4) Statutory form of business combination

Stock purchase for cash as consideration

5) Name of company after transaction

McDonald Jones Homes Pty Ltd

6) Acquired voting right

Voting right before the acquisition: 40%

Additional voting right acquired as of the acquisition date: 40%

Voting right after the acquisition: 80%

7) Grounds for determining acquiring company

Stock purchase for cash as consideration by a consolidated subsidiary

ii) Cost of acquisition and details

Market value of stock held before acquisition as of the acquisition date	AU$113 million
Cash	AU$113 million
	AU$225 million

iii) Difference between cost of acquisition and total of individual transactions leading to the acquisition

Not determined at present

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

Not determined at present

21. Borrowings

(a) Bonds payable at March 31, 2021 and 2020, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unsecured 0.10% yen bonds due in 2023	¥20,000	¥20,000	$180,652
Unsecured 0.07% yen bonds due in 2024	20,000	20,000	180,652
Unsecured 0.21% yen bonds due in 2029	20,000	20,000	180,652
Unsecured 0.12% yen bonds(Green Bond) due in 2025	10,000	―	90,326
Unsecured 0.01% yen bonds due in 2023	20,000	―	180,652
Unsecured 0.28% yen bonds due in 2030	20,000	―	180,652
Total	¥110,000	¥60,000	$993,587

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, 2021, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥―	$―
2023	―	―
2024	40,000	361,304
2025	20,000	180,652
2026	10,000	90,326
2027 and thereafter	40,000	361,304
Total	¥110,000	$993,587

(b) Loans payable at March 31, 2021 and 2020, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Short-term loans payable with an interest rate of 0.29%	¥89,278	¥251,063	$806,413
Current portion of long-term loans payable with an interest rate of 0.48%	55,293	24,608	499,440
Current portion of lease obligations with an interest rate of 3.27%	880	1,006	7,949
Long-term loans payable (except portion due within one year) with an interest rate of 0.27%	320,404	229,172	2,894,084
Lease obligations (except portion due within one year) with an interest rate of 4.62%	3,921	3,506	35,417
Commercial paper (portion due within one year) with an interest rate of (0.02)%	84,000	139,000	758,739
Total	¥553,776	¥648,354	$5,002,041

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding at March 31, 2021.
2. The aggregate annual maturities of long-term loans payable and lease obligations (except portion due within one year) after March 31, 2021, 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
2023	¥70,521	$636,989	¥403	$3,640
2024	51,294	463,319	260	2,348
2025	51,207	462,533	204	1,843
2026	62,278	562,533	208	1,879
2027 and thereafter	85,103	768,702	2,845	25,698

22. Supplementary schedule of asset retirement obligations

Because the amounts of asset retirement obligations on April 1, 2020, and March 31, 2021, 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.

23. 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.

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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, 2021, 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, 2021, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Assessment of whether impairment indicators exist for goodwill as it relates to the acquisition of Polypore International, LP</th></tr>
<tr><th>Key audit matter description</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>As described in Note 3 to the consolidated financial statements, the Company's consolidated goodwill balance was JPY 351,921 million (12.1% of total assets) as of March 31, 2021. Of this amount, JPY 121,996 million arose as a result of the acquisition of Polypore International, LP (hereinafter referred to as "Polypore") completed in the fiscal year ended March 31, 2016 and was the most monetarily significant of the total goodwill balance. The goodwill related to Polypore was recorded in the Separator business under the Material segment and the Company assessed the impairment indicators based on a larger unit that consists of an asset group related to the Separator business together with goodwill.

The Company supplies both wet-process and dry-process separators for lithium-ion batteries, including the product line of Polypore. In particular, the Company expects to create synergies in the area of lithium-ion battery applications for eco-friendly cars such as hybrid vehicles and electric vehicles.

The business plan for the Separator business, to which the goodwill of Polypore belongs, assumes rapid expansion of the market for eco-friendly cars through 2025, and the sales and operating income of the Separator business will increase accordingly. However, since the eco-friendly car market is a growing market with rapidly evolving the technology and intensifying competition, sales and operating income may not achieve projects made in the business plan if management is not able to respond to unexpected changes in the business environment appropriately.

Regarding the asset group of the Separator business to which Polypore's goodwill belongs, the Company concluded that no impairment indicators existed based on the following facts and circumstances.

• The performance of the Separator business did not fall into the category of "consistent negative operating results" specified in the accounting standards as an impairment indicator.</td><td>In order to assess whether impairment indicators existed for goodwill as it relates to the acquisition of Polypore, we performed the following procedures:

• We evaluated the design and operating effectiveness of the internal controls as they relate to the determination of asset groups and identification of impairment indicators of fixed assets, including goodwill.

• We obtained the understanding of the recent developments in the market for eco-friendly cars through inquiries to management and examining the relevant documents.

• We compared and considered if there were significant differences between assumptions for the size and timing of expansion of the market growth for eco-friendly cars on which the latest business plan was based, compared to that used at the time of the acquisition.

• We compared management's business plan to the production volume estimates published by external research organizations on the size and timing of expansion of the market growth for eco-friendly cars on which the business plan was based.

• We ensured the business performance of the asset group to which Polypore's goodwill belongs as to whether there were consistent negative operating results.</td></tr>
</table>

• There were no significant differences between assumptions for the size and timing of expansion of the market growth for eco-friendly cars on which the latest business plan was based, compared to that used at the time of the acquisition. As a result of the monetary significance of the goodwill balance at the Separator business and the achievability of the business plan due to unexpected changes in the business environment involved management's judgement, we determined that the assessment of whether impairment indicators existed for goodwill as it relates to the acquisition of Polypore was a key audit matter.	

Valuation of intangible assets identified in connection with the acquisition of Veloxis Pharmaceuticals A/S as of the acquisition date	
Key audit matter description	How our audit addressed the key audit matter
As described in Note 3 and Note 16 to the consolidated financial statements, the Company completed the acquisition of 100% of the outstanding shares of Veloxis Pharmaceuticals A/S (hereinafter referred to as "Veloxis") during the fiscal year ending March 31, 2020 with cash consideration payment in JPY 147,220 million. The products sold by Veloxis are immunosuppressive drugs for renal transplant patients. The Company expected growth in the renal transplant market mainly in the United States. In addition, obtaining a new business platform in the pharmaceutical market in the United States through synergies between the Company and Veloxis was the primary business purpose of the acquisition. As a result of the completion of the accounting for the purchase price allocation during the fiscal year ending March 31, 2021, based on the available information as of the acquisition date, the Company identified Technology-related assets (JPY 95,862 million) and Customer-related assets (JPY 37,757 million) and retroactively restated the consolidated balance sheet as of March 31, 2020, accordingly. Note that the Company used the relief-from-royalty method and multi-period excess earnings method for the fair value measurement of Technology-related assets and Customer-related assets, respectively.	In order to evaluate the valuation of intangible assets identified in connection with the acquisition of Veloxis as of the acquisition date, we performed the following procedures: • We evaluated the design and operating effectiveness of the internal controls as they relate to the management process of estimating the fair value of intangible assets including the determination of significant assumptions such as future sales volume forecasts, as well as the development of the royalty rate and customer attrition rate. • We obtained the understanding of the discounted cash flow model, the data used, assumptions made such as future sales volume forecasts as well as royalty rate and customer attrition rate and the work of a management's valuation expert. • With the involvement of the auditor's valuation specialists, we evaluated the model and assumptions made such as future sales volume forecasts, royalty rate and customer attrition rate, and tested the underlying data used in the model. • We examined of the stock purchase agreement, due diligence report, external valuation report for the equity value, and

In estimating the fair value of the intangible assets as of the acquisition date, the expansion of future sales volumes was assumed in the business plan. Further, the royalty rate used in the relief-from-royalty method and the customer attrition rate used in the multi-period excess earnings method were identified as significant assumptions used which contained a high degree of estimation uncertainty. Based on the facts and circumstances, the valuation of intangible assets identified in connection with the acquisition of Veloxis as of the acquisition date was a key audit matter.	minutes of the board of directors meeting as well as the results of inquiries to management related to the details of the business combination of Veloxis, and ensured that the information was internally consistent with the assumptions used for the future sales volume forecast applied to the fair value measurement of intangible assets.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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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August 6, 2021