TOSOH

FINANCIAL STATEMENTS

Tosoh Corporation and consolidated subsidiaries
Fiscal year ended March 31, 2022

TOSOH CORPORATION

TOSOH CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS	As of March 31, 2022 and 2021		
	2022	2021	2022
	Millions of Yen		Thousands of US Dollars (Note 1)
Current assets:			
Cash and cash equivalents (Notes 7 and 13)	¥ 160,813	¥ 148,398	$ 1,313,939
Trade receivables (Notes 7 and 13)	—	225,459	—
Notes receivable – trade (Notes 7 and 13)	16,413	—	134,105
Accounts receivable – trade (Notes 7 and 13)	217,073	—	1,773,617
Contract assets (Note 15)	26,145	—	213,620
Lease investment assets (Note 13)	11,293	9,773	92,271
Inventories (Note 3)	191,665	155,565	1,566,018
Other current assets	19,535	13,971	159,612
Allowance for doubtful accounts	(659)	(648)	(5,384)
Total current assets	642,278	552,518	5,247,798
Investments:			
Investment securities (Notes 5 and 13)	40,983	44,784	334,856
Investments in unconsolidated subsidiaries and affiliates (Note 13)	22,572	21,457	184,427
Long-term loans receivable (Note 13)	388	427	3,170
Assets for retirement benefit (Note 8)	30,252	27,387	247,177
Other	10,377	9,630	84,786
Allowance for doubtful accounts	(778)	(716)	(6,357)
Total investments	103,794	102,969	848,059
Property, plant and equipment—net (Notes 6 and 7)	326,706	315,466	2,669,385
Other assets:			
Deferred tax assets (Note 14)	7,943	7,149	64,899
Intangibles	6,946	4,674	56,753
Total other assets	14,889	11,823	121,652
Total assets	¥ 1,087,667	¥ 982,776	$ 8,886,894

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	As of March 31, 2022 and 2021		
	2022	2021	2022
	Millions of Yen		Thousands of US Dollars (Note 1)
Current liabilities:			
Short-term bank loans (Notes 7 and 13)	¥ 54,216	¥ 88,465	$ 442,977
Current maturities of long-term debt (Notes 7 and 13)	9,446	11,376	77,180
Trade payables (Note 13)	113,441	91,377	926,881
Income taxes payable	34,585	23,479	282,580
Other current liabilities (Note 15)	58,190	48,923	475,448
Total current liabilities	269,878	263,620	2,205,066
Long-term liabilities:			
Long-term debt, less current maturities (Notes 7 and 13)	28,244	26,686	230,770
Liabilities for retirement benefit (Note 8)	20,787	20,582	169,842
Provision for retirement benefits for directors and corporate audit and supervisory board members	405	386	3,309
Deferred tax liabilities (Note 14)	1,631	2,510	13,326
Provision for losses on dissolution of business	19	30	156
Other long-term liabilities	6,979	7,282	57,023
Total long-term liabilities	58,065	57,476	474,426
Total liabilities	327,943	321,096	2,679,492
Contingent liabilities (Note 9)			
Shareholders' equity:			
Common stock: Authorized—900,000,000 shares; Issued—325,080,956 shares	55,173	55,173	450,797
Capital surplus	45,328	45,097	370,357
Retained earnings	601,344	513,339	4,913,342
Treasury stock, 6,873,424 shares in 2022 and 6,934,001 shares in 2021	(10,018)	(10,104)	(81,853)
Total shareholders' equity	691,827	603,505	5,652,643
Accumulated other comprehensive income:			
Net unrealized gains on securities	10,479	12,751	85,619
Deferred gains (losses) on hedges	(26)	—	(212)
Foreign currency translation adjustments	760	(5,852)	6,210
Accumulated adjustments for retirement benefit	5,876	5,167	48,010
Total accumulated other comprehensive income	17,089	12,066	139,627
Stock acquisition rights (Note 18)	179	214	1,463
Non-controlling interests	50,629	45,895	413,669
Total net assets	759,724	661,680	6,207,402
Total liabilities and net assets	¥ 1,087,667	¥ 982,776	$ 8,886,894

TOSOH CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Years ended March 31, 2022 and 2021		
	2022	2021	2022
	Millions of Yen		Thousands of US Dollars (Note 1)
Net sales (Note 15)	¥ 918,581	¥ 732,851	$ 7,505,360
Cost of sales	646,557	528,463	5,282,760
Gross profit	272,024	204,388	2,222,600
Selling, general and administrative expenses (Note 10)	127,979	116,568	1,045,666
Operating income (Note 15)	144,045	87,820	1,176,934
Other income (expenses):			
Interest and dividend income	2,092	1,778	17,093
Foreign exchange gains (losses), net	10,848	3,688	88,635
Interest expense	(1,065)	(1,335)	(8,702)
Equity in earnings of affiliates	2,343	1,272	19,144
Loss on disposal of property, plant and equipment	(1,884)	(2,306)	(15,393)
Impairment loss (Note 11)	(2,647)	(33)	(21,628)
Plant closure cost	(68)	(133)	(556)
Gain on sales of investment securities	2,774	3,094	22,665
Other, net	3,233	1,217	26,416
Subtotal	15,626	7,242	127,674
Income before income taxes	159,671	95,062	1,304,608
Income taxes (Note 14):			
Current	47,194	27,649	385,603
Deferred	(897)	(453)	(7,329)
Subtotal	46,297	27,196	378,274
Net income	113,374	67,866	926,334
Profit (loss) attributable to non-controlling interests	5,435	4,590	44,407
Profit attributable to owners of parent	¥ 107,939	¥ 63,276	$ 881,927
Net income per share (Note 2)	Yen		US Dollars (Note 1)
Net income—primary	¥ 339.23	¥ 197.89	$ 2.77
Net income—diluted	339.03	197.75	2.77
Cash dividends per share	¥ 80.00	¥ 60.00	$ 0.65

The accompanying notes are an integral part of these statements.

TOSOH CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended March 31, 2022 and 2021		
	2022	2021	2022
	Millions of Yen		Thousands of US Dollars (Note 1)
Net income	¥ 113,374	¥ 67,866	$ 926,334
Other comprehensive income:			
Net unrealized gains on securities	(2,238)	7,770	(18,286)
Deferred gains (losses) on hedges	(32)	—	(262)
Foreign currency translation adjustments	7,525	(836)	61,484
Adjustments for retirement benefit	865	5,820	7,068
Share of other comprehensive income of affiliates applied for equity method	111	214	907
Total other comprehensive income (Note 4)	6,231	12,968	50,911
Comprehensive income	¥ 119,605	¥ 80,834	$ 977,245
Breakdown of comprehensive income:			
Comprehensive income attributable to shareholders of parent	¥ 112,962	¥ 75,979	$ 922,968
Comprehensive income attributable to non-controlling interests	6,643	4,855	54,277

TOSOH CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Millions of Yen												
	Shareholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
As of March 31, 2020	¥ 55,173	¥ 45,160	¥ 468,086	¥ (237)	¥ 568,182	¥ 4,998	—	¥ (5,224)	¥ (410)	¥ (636)	¥ 270	¥ 41,844	¥ 609,660
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(63)			(63)								(63)
Effect of changes in accounting period of consolidated subsidiaries			13		13								13
Cash dividends			(18,006)		(18,006)								(18,006)
Profit attributable to owners of parent			63,276		63,276								63,276
Purchase of treasury stock				(10,013)	(10,013)								(10,013)
Increase (decrease) of treasury stock due to changes in shareholding ratio				(1)	(1)								(1)
Disposal of treasury stock			(30)	147	117								117
Other, net						7,753	—	(628)	5,577	12,702	(56)	4,051	16,697
As of March 31, 2021	¥ 55,173	¥ 45,097	¥ 513,339	¥ (10,104)	¥ 603,505	¥ 12,751	—	¥ (5,852)	¥ 5,167	¥ 12,066	¥ 214	¥ 45,895	¥ 661,680
Cumulative effects of changes in accounting policies			(241)		(241)							7	(234)
Restated balance	55,173	45,097	513,098	(10,104)	603,264	12,751	—	(5,852)	5,167	12,066	214	45,902	661,446
Change in treasury shares of parent arising from transactions with non-controlling shareholders		231			231								231
Cash dividends			(19,729)		(19,729)								(19,729)
Profit attributable to owners of parent			107,939		107,939								107,939
Purchase of treasury stock				(11)	(11)								(11)
Increase (decrease) of treasury stock due to changes in shareholding ratio				1	1								1
Disposal of treasury stock			(0)	96	96								96
Increase in retained earnings due to increase in consolidated subsidiaries			36		36								36
Other, net						(2,272)	(26)	6,612	709	5,023	(35)	4,727	9,715
As of March 31, 2022	¥ 55,173	¥ 45,328	¥ 601,344	¥ (10,018)	¥ 691,827	¥ 10,479	¥ (26)	¥ 760	¥ 5,876	¥ 17,089	¥ 179	¥ 50,629	¥ 759,724

TOSOH CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(Continued)

	Thousands of US Dollars (Note 1)												
	Shareholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury Stock	Total shareholders' equity	Net unrealized gains on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
As of March 31, 2021	$ 450,797	$ 368,470	$ 4,194,288	$ (82,555)	$ 4,931,000	$ 104,183	—	$ (47,814)	$ 42,218	$ 98,587	$ 1,749	$ 374,989	$ 5,406,325
Cumulative effects of changes in accounting policies			(1,969)		(1,969)							57	(1,912)
Restated balance	450,797	368,470	4,192,319	(82,555)	4,929,031	104,183	—	(47,814)	42,218	98,587	1,749	375,046	5,404,413
Change in treasury shares of parent arising from transactions with non-controlling shareholders		1,887			1,887								1,887
Cash dividends			(161,198)		(161,198)								(161,198)
Profit attributable to owners of parent			881,927		881,927								881,927
Purchase of treasury stock				(90)	(90)								(90)
Increase (decrease) of treasury stock due to changes in shareholding ratio				8	8								8
Disposal of treasury stock			(0)	784	784								784
Increase in retained earnings due to increase in consolidated subsidiaries			294		294								294
Other, net						(18,564)	(212)	54,024	5,792	41,040	(286)	38,623	79,377
As of March 31, 2022	$ 450,797	$ 370,357	$ 4,913,342	$ (81,853)	$ 5,652,643	$ 85,619	(212)	$ 6,210	$ 48,010	$ 139,627	$ 1,463	$ 413,669	$ 6,207,402

The accompanying notes are an integral part of these statements.

TOSOH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended March 31, 2022 and 2021		
	2022	2021	2022
	Millions of Yen		Thousands of US Dollars (Note 1)
Cash flows from operating activities:			
Income before income taxes	¥ 159,671	¥ 95,062	$ 1,304,608
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	40,663	40,462	332,241
Impairment loss	2,647	33	21,628
Change in assets and liabilities for retirement benefit	(1,454)	(364)	(11,880)
Interest and dividend income	(2,092)	(1,778)	(17,093)
Interest expense	1,065	1,335	8,702
Equity in earnings of affiliates	(2,343)	(1,272)	(19,144)
Loss on disposal of property, plant and equipment	1,884	2,306	15,393
Decrease (increase) in trade receivables	—	(27,844)	—
Decrease (increase) in trade receivables and contract assets	(28,207)	—	(230,468)
Decrease (increase) in inventories	(34,288)	3,393	(280,154)
Increase (decrease) in trade payables	16,408	6,965	134,063
Other, net	(10,435)	(10,726)	(85,260)
Subtotal	143,519	107,572	1,172,636
Interest and dividends received	2,937	2,223	23,997
Interest paid	(1,075)	(1,347)	(8,783)
Income taxes paid	(36,765)	(13,341)	(300,392)
Net cash provided by operating activities	108,616	95,107	887,458
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(44,483)	(50,152)	(363,453)
Purchases of investment securities	(480)	(317)	(3,922)
Proceeds from sales and redemption of investment securities	3,954	4,910	32,307
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,403)	—	(11,463)
Payments for advances of long-term loans receivable	(1,653)	(4,999)	(13,506)
Proceeds from collections of long-term loans receivable	1,595	4,726	13,032
Other, net	(1,056)	(521)	(8,629)
Net cash used in investing activities	(43,526)	(46,353)	(355,634)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	(35,263)	32,999	(288,120)
Proceeds from long-term debt	10,779	12,203	88,071
Repayments of long-term debt	(11,536)	(14,305)	(94,256)
Purchase of treasury stock	(11)	(10,045)	(90)
Cash dividends paid	(20,606)	(18,718)	(168,363)
Other, net	(1,216)	(549)	(9,935)
Net cash used in financing activities	(57,853)	1,585	(472,693)
Effect of exchange rate changes on cash and cash equivalents	4,862	837	39,725
Net increase in cash and cash equivalents	12,099	51,176	98,856
Cash and cash equivalents at beginning of year	148,398	97,235	1,212,501
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	—	(13)	—
Increase in cash and cash equivalents from newly consolidated subsidiary	316	—	2,582
Cash and cash equivalents at end of year	¥ 160,813	¥ 148,398	$ 1,313,939

The accompanying notes are an integral part of these statements.

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Tosoh Corporation (the "Company") and its consolidated domestic subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accounts of the Company's overseas subsidiaries and affiliates are prepared in accordance with either International Financial Reporting Standards or US generally accepted accounting principles or Japanese GAAP, with consolidation adjustments for the specified five items, which are described in "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No.18)" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method(PITF No.24)", as applicable.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate local finance bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into US dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to US$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into US dollars at this or any other rate of exchange.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Consolidation and investments

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany transactions and accounts have been eliminated in the consolidation.

Investments in affiliates are, with minor exceptions, accounted for by the equity method. Equity in earnings of affiliates has been calculated by excluding unrealized intercompany profits.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates, and the resulting translation adjustments are credited or charged to income.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate for assets and liabilities, at historical rates for the other balance sheet accounts exclusive of the current year's net income, and at the average annual rate for revenue and expense accounts and net income.

Cash and cash equivalents

Cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Securities

Securities are classified into one of the following categories based on the intent of holding, resulting in the different measurement and accounting for the changes in fair value. Investments in equity securities without market prices, issued by subsidiaries and affiliates are stated at cost as determined by the moving-average method. Investments in securities other than equity securities without market prices are measured at fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Other available-for-sale securities with no available fair values are stated at moving-average cost.

Significant declines in fair value or the net asset value of equity securities, not on the equity method, issued by unconsolidated subsidiaries and affiliates, and available-for-sale securities judged to be other than temporary are charged to expense.

Allowance for doubtful accounts

The Company and its consolidated subsidiaries (the "Companies") provide the allowance for doubtful trade receivables by individually estimating uncollectible amounts and for other receivables based on the Companies' historical experience of write-offs of such receivables.

Inventories

Inventories are principally valued at cost as determined by the average cost method. If the profitability of the inventories decreases, the book value is reduced accordingly.

Property, plant and equipment, and depreciation

Property, plant and equipment are stated at cost. Cumulative amounts of impairment losses recognized have been deducted from acquisition costs. Depreciation is principally calculated using the straight-line method over the estimated useful lives of the assets. Repairs, maintenance and minor renewals are charged to expenses as incurred.

Lease transactions

Assets acquired by lessees in finance lease transactions are recorded in the corresponding asset accounts.

Amortization method and period of goodwill

Goodwill is amortized on the straight-line basis over a reasonable period of up to 20 years.

Retirement and severance benefits

The estimated amount of all retirement benefits to be paid at the future retirement dates is allocated equally to each service year using the benefit formula basis.

Prior service cost (credit) is principally recognized as expense (income) as incurred.

Actuarial difference is principally recognized as expense (income) using the straight-line method over 10 years commencing in the following period.

Income 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 of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Shareholders' equity

The Corporate Law of Japan (the "Law") requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Law, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of common stock may be made available for dividends by resolution of the shareholders. Under the Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

Stock options

The Company has adopted an accounting standard for stock options. The standard requires companies to account for stock options granted to directors and vice presidents based on the fair value of the stock option. In the balance sheets, the stock option is presented as stock acquisition rights as a separate component of net assets until exercised.

Per share information

Net income per share is computed based upon the weighted average number of shares of common stock outstanding during the period.
Diluted net income per share reflects the potential dilution that could occur if stock options were fully exercised.
Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.
Cash dividends per share applicable to the period for the year ended March 31, 2022, comprise interim dividends of ¥30.00 and year-end dividends of ¥50.00.
As described in Note 2 "Changes in accounting policies", the Company and its subsidiaries has applied the Revenue Recognition Standards from the start of the fiscal year. As a result, net income per share and diluted net income per share of the current consolidated fiscal year decreased by ¥0.16, and ¥0.16, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Accounting policy for recognition of significant revenues and expenses

In relation to recognition of revenue from contracts with customers, the nature of principal performance obligations for major businesses of the Company and its subsidiaries and typical timing of the satisfaction of those performance obligations (i.e., typical timing of revenue recognition) are as follows:

The Petrochemical business, the Chlor-alkali business and the Specialty business sell goods, and manufacture and sell products. For sales of these goods and products, the Company and its consolidated subsidiaries recognize revenue principally at amounts expected to be received in exchange for the goods or products as the controls of such goods or products are transferred to customers. For domestic sales, however, they recognize revenue at the time of shipment.
With respect to transactions which the Company and its consolidated subsidiaries determined to be agency transactions, the Company and its consolidated subsidiaries recognize revenue at the net amount of consideration which the Company and its consolidated subsidiaries retained after paying the vendors the consideration received from the customers.
With respect to product sales transactions with repurchase obligations, the Company and its consolidated subsidiaries don't recognize revenue for products which they expected to repurchase from customers but recognize revenue at the amount of consideration which they expected to obtain.
The Engineering Business mainly has construction contracts, and it is determined that the performance obligations in such contracts are satisfied over time. The consolidated subsidiaries recognize revenue on basis of the progress towards complete satisfaction of the performance obligation. The progress of the construction contracts is measured on the basis of construction costs incurred by the end of each reporting period relative to the total expected construction costs. In addition, the consolidated subsidiaries recognize revenue by the cost recovery method when it is not possible to reasonably estimate the progress towards complete satisfaction of a performance obligation, but it is expected that the incurred costs will be recovered.

Significant accounting estimates

Consolidated fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
1. Applying the percentage-of-completion method
(1) The amount recorded in the consolidated financial statements for the year ended March 31, 2021
The Company and its consolidated subsidiaries recognized construction revenue of ¥45,852 million in the engineering segment, using the percentage-of-completion method for the year ended March 31, 2021.

(2) Information on the nature of significant accounting estimates for identified items
The Company and its consolidated subsidiaries applied the percentage-of-completion method to construction contracts in the engineering segment for which the realization of the completed portion is assured and recognized construction revenue using the construction-cost percentage method for estimating total construction revenue and costs, and the progress toward completion of construction at the end of the fiscal year.
Total construction costs, which formed the basis for the construction revenue using the percentage-of-completion method are estimated as the estimated cost for each contract. The increase in work hours and changes in the situation due to the fact identified subsequent to the start of construction could result in changes in the work activities. Especially, because a large-scale construction related to the water treatment engineering business takes a long period of time to complete, there is a high degree of uncertainty in estimating the work activities and work hours toward completion.
Specifically, the identification of the work required for the completion of a construction contract, the estimation of the cost relevant to the work, and the timely and appropriate reflection in the estimated cost of any changes in work due to changes in circumstances that occurred subsequent to the start of construction have a significant effect on the estimate of the total construction costs at the end of the fiscal year.

2. The valuation of inventories
(1) The amount recorded in the consolidated financial statements for the year ended March 31, 2021
The Company and its consolidated subsidiaries recognized reported inventories of ¥155,565 million on the consolidated balance sheets and ¥75,410 million of those inventories were held by the Company.

(2) Information on the nature of significant accounting estimates for identified items
Inventories are measured at the lower of either the acquisition cost or the net selling price at the end of fiscal year. In addition, for slow-moving inventories that are outside of the normal operating cycle, a valuation method that reduces the carrying amount is applied in order to reflect their reduced profitability.
The Company identifies slow-moving inventories that are outside of the normal operating cycle from inventories whose turnover period exceeds a certain threshold considering the sales plan based on forecasted demand as inventories that should be subject to write-down.
This forecasted demand could significantly change due to factors beyond the control of management. Especially, as the Company has many product types and grades, the identification of slow-moving inventories that are outside of the normal operating cycle could change depending on how the Company forecasts each demand, resulting in a significant effect on the valuation.

Consolidated fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
1. Revenue recognition of transactions related to construction contracts in the engineering segment that were recognized for performance obligations satisfied over time
(1) The amount recorded in the consolidated financial statements for the year ended March 31, 2022
The consolidated subsidiaries recognized revenue of ¥81,804 million (US$668,388 thousand) related to construction contracts for performance obligations satisfied over time in the engineering segment. This includes various water treatment service contracts such as maintenance and operation management, and construction contracts based on the cost recovery method, and the revenue excluding these contracts is ¥53,292 million (US$435,428 thousand).

(2) Information on the nature of significant accounting estimates for identified items
For construction contracts in the Engineering segment, when controls of the goods or services were transferred to customers over time, the consolidated subsidiaries recognized revenue over time as they satisfied performance obligations to transfer the goods or services to the customers. The consolidated subsidiaries recognize revenue based on a reasonable estimate of total construction revenues, total construction costs, and the progress of construction at the end of fiscal year.
Total construction costs are comprised the estimated cost for each contract and the basis for the recognition of construction revenue. Any increases in work hours and changes in circumstances at the construction sites due to matters that occurred subsequent to the start of construction could result in changes in the work activities. Especially, because a large-scale construction related to the water treatment engineering business takes a long period of time to complete, there is a high degree of uncertainty in estimating the work activities and work hours toward completion.
Specifically, the identification of the work necessary to complete the construction contract, the estimation of the cost relevant to the work, and the timely and appropriate reflection in the estimated cost of any changes in circumstances impacting the level of work required that occurred subsequent to the start of construction had a significant effect on the estimate of the total construction costs at the end of the fiscal year.

2. The valuation of inventories
(1) The amount recorded in the consolidated financial statements for the year ended March 31, 2022
The Company recognized reported inventories of ¥191,665 million (US$1,566,018 thousand) on the consolidated balance sheets and ¥104,342 million (US$852,537 thousand) of those inventories were held by the Company.

(2) Information on the nature of significant accounting estimates for identified items
Inventories are measured at the lower of either the acquisition cost or the net selling price at the end of fiscal year. In addition, for slow-moving inventories that are outside of the normal operating cycle, a valuation method that reduces the carrying amount is applied in order to reflect their reduced profitability.
The Company identifies slow-moving inventories that are outside of the normal operating cycle from inventories whose turnover period exceeds a certain threshold considering the sales plan based on forecasted demand as inventories that should be subject to write-down.
This forecasted demand could significantly change due to factors beyond the control of management. Especially, as the Company has many product types and grades, the identification of slow-moving inventories that are outside of the normal operating cycle could change depending on how the Company forecasts each demand, resulting in a significant effect on the valuation.

3. The judgment as to whether an impairment loss should be recognized on property, plant and equipment used in the High Silica Zeolite business of the Company
(1) The amount recorded in the consolidated financial statements for the year ended March 31, 2022
The Company recognized reported property, plant and equipment of ¥326,706 million (US$2,669,385 thousand) on the consolidated balance sheets and ¥11,830 million (US$96,658 thousand) for the Company's High Silica Zeolite business.

(2) Information on the nature of significant accounting estimates for identified items
The Company and its subsidiaries group assets based on management accounting categories. The assets or assets groups need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the related asset groups with their carrying amounts.
In the Company's High Silica Zeolite business, the Company made capital investments in Nanyo Complex to meet future demand growth. As a result, the High Silica Zeolite business has recognized recurring operating losses for some consecutive years due to increasing depreciation expense, indicating impairment. Accordingly, the Company performed an impairment test during the year ended March 31, 2022; however, it determined that the recognition of an impairment loss was not necessary as the estimated undiscounted future cash flows from the business exceeded the carrying amount.
The undiscounted future cash flows were estimated based on next year's budget and the mid-term management plan of the High Silica Zeolite business, which reflected assumptions including significant judgments by management about an increase in sales volume including obtaining prospective new orders. Therefore, if these assumptions change due to changes in market conditions or other factors, the Company could result in recognizing impairment losses on the assets.

4. The judgment as to whether an impairment loss should be recognized on property, plant and equipment used in the Chlor-alkali business of the Tohoku Tosoh Chemical Co., Ltd.
(1) The amount recorded in the consolidated financial statements for the year ended March 31, 2022
The Company recognized reported property, plant and equipment of ¥326,706 million (US$2,669,385 thousand) on the consolidated balance sheets and ¥8,732 million (US$71,346 thousand) for the Chlor-alkali business of Tohoku Tosoh Chemical Co., Ltd. a consolidated subsidiary of the Company (hereinafter referred to as "Tohoku Tosoh Chemical").

(2) Information on the nature of significant accounting estimates for identified items
The Company and its subsidiaries group assets based on management accounting categories. The assets or assets groups need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the related asset groups with their carrying amounts.
The Chlor-alkali business of Tohoku Tosoh Chemical made capital investments to replace deteriorated production facilities. As a result, Tohoku Tosoh Chemical's Chlor-alkali business has projected to recognize recurring operating losses for some consecutive years due to increasing depreciation expense, indicating impairment. Accordingly, Tohoku Tosoh Chemical performed an impairment test during the year ended March 31, 2022; however, it determined that the recognition of an impairment loss was not necessary as the estimated undiscounted future cash flows from the business exceeded the carrying amount.
The undiscounted future cash flows were estimated based on the next year's budget and the mid-term management plan of the Chlor-alkali business of Tohoku Tosoh Chemical, which reflected assumptions including significant judgments by management particularly about trends in raw material and fuel prices, market conditions and sales forecasts for chemical products. Therefore, if these assumptions change due to changes in market conditions or other factors, Tohoku Tosoh Chemical could result in recognizing impairment losses on the assets.

Changes in accounting policies

Adoption of accounting standard for revenue recognition, etc.

The Company and its consolidated subsidiaries adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as "the Revenue Recognition Standards"), etc. from the beginning of the current consolidated fiscal year and recognize revenue at amounts expected to be received in exchange for the promised goods or services as the controls of such goods or services are transferred to customers.
The main changes due to the Revenue Recognition Standards, etc. are as follows:

1. Revenue recognition related to export transactions
With respect to some export sales, previously, the Company and its consolidated subsidiaries had recognized the revenue at the time of shipping or loading, however, the Company and its consolidated subsidiaries changed to the method of recognizing revenue at the time that the goods or services were transferred to customers and the performance obligations were satisfied.

2. Revenue recognition related to agency transactions
With respect to transactions which the Company and its consolidated subsidiaries determined to be agency transactions because they didn't control the goods or services transferred to customers and only provided services to arrange for these goods or services, previously, the Company and its consolidated subsidiaries had recognized the total amount of consideration received from the customers. However, the Company and its consolidated subsidiaries changed to the method of recognizing revenue at the net amount of consideration which the Company and its consolidated subsidiaries retained after paying the vendors the consideration received from the customers.

3. Revenue recognition related to transactions with repurchase obligations
With respect to product sales transactions with repurchase obligations, the Company and its consolidated subsidiaries changed to the method of not recognizing revenue for products which they expected to repurchase from customers but recognizing revenue at the amount of consideration which they expected to obtain.

4. Revenue recognition related to construction contracts
With respect to construction contracts, previously, the consolidated subsidiaries had applied the percentage-of-completion method to construction contracts for which the realization of the completed portion was assured, and applied the completed-contract method to other construction contracts. However, when controls of the goods or services were transferred to customers over time, the consolidated subsidiaries changed to the method of recognizing revenue over time as they satisfied performance obligations to transfer the goods or services to the customers. The progress towards complete satisfaction of a performance obligation is measured on the basis of construction costs incurred by the end of each reporting period relative to the total expected construction costs. In addition, the consolidated subsidiaries recognize revenue by the cost recovery method when it is not possible to reasonably estimate the progress towards complete satisfaction of a performance obligation, but it is expected that the incurred costs will be recovered.

The application of such changes in accounting policies follows the transitional treatment prescribed in the proviso of paragraph 84 of the Revenue Recognition Standards, etc., such that the new accounting policy was applied from the beginning balance of retained earnings of the current consolidated fiscal year to add to or deducted from the amount of beginning balance of retained earnings of the current consolidated fiscal year the cumulative effects of applying retrospectively the new accounting policy from the beginning of the current consolidated fiscal year.
"Trade receivables" presented in "Current assets" in the consolidated balance sheet of the previous consolidated fiscal year is included in "Notes receivable - trade", "Accounts receivable - trade" and "Contract assets" from the current consolidated fiscal year. Also, "Decrease (increase) in trade receivables" presented in "Cash flows from operating activities" in the consolidated statements of cash flows for the previous consolidated fiscal year is included in "Decrease (increase) in trade receivables and contract assets" from the current consolidated fiscal year. In accordance with the transitional treatment prescribed in paragraph 89-2 of the revenue recognition accounting standard, the previous consolidated fiscal year has not been reclassified using the new presentation.
As a result, in the current consolidated fiscal year, net sales decreased by ¥30,234 million (US$247,030 thousand), cost of sales decreased by ¥29,578 million (US$241,670 thousand), selling, general and administrative expenses decreased by ¥658 million (US$5,376 thousand), operating income increased by ¥2 million (US$16 thousand), and income before income taxes decreased by ¥18 million (US$147 thousand), respectively. Also, the beginning balance of retained earnings decreased by ¥241 million (US$1,969 thousand).
The effects on earnings per share information are explained in Note 2 "Per share information".
In addition, following the transitional treatment in paragraph 89-3 of "the Revenue Recognition Standards", relevant information for the previous consolidated fiscal year is not provided.

Adoption of accounting standard regarding measurement of fair value, etc.

The Company adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Fair Value Measurement"), etc. from the beginning of the current consolidated fiscal year. In accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company applied the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement, etc. in the future. This has no effect on the consolidated financial statements.
In addition, fair value information of financial instruments by level are disclosed in the notes of "Financial Instruments". However, following the transitional treatment prescribed in paragraph 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), relevant information for the previous consolidated fiscal year is not provided.

Changes in presentation

About Consolidated Statements of Income
"PCB disposal costs" and "Insurance income", which were presented separately in the previous fiscal year, are included in "Other, net" under "Other income (expenses)" from the current fiscal year because the amounts of the items have decreased in importance.
As a result, ¥13 million in "PCB disposal cost" and ¥282 million in "Insurance income" under "Other income (expenses)" in the previous statements of income have been reclassified into ¥1,217 million in "Other net" under "Other income (expenses)".

NOTE 3 – INVENTORIES

Inventories as of March 31, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Finished products	¥ 119,146	¥ 95,456	$ 973,495
Raw materials and supplies	56,983	46,471	465,585
Work in process	15,536	13,638	126,938
Total	¥ 191,665	¥ 155,565	$ 1,566,018

NOTE 4 – COMPREHENSIVE INCOME

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Net unrealized gains on securities			
Increase (decrease) during the year	¥(564)	¥ 14,121	$ (4,608)
Reclassification adjustments	(2,664)	(3,070)	(21,767)
Subtotal, before tax	(3,228)	11,051	(26,375)
Tax effect	990	(3,281)	8,089
Subtotal, net of tax	¥ (2,238)	¥ 7,770	$ (18,286)
Deferred gains (losses) on hedges			
Increase (decrease) during the year	¥ (32)	¥ —	$ (262)
Reclassification adjustments	—	—	—
Subtotal, before tax	(32)	—	(262)
Tax effect	(0)	—	(0)
Subtotal, net of tax	¥ (32)	¥ —	$ (262)
Foreign currency translation adjustments			
Increase (decrease) during the year	¥ 7,525	¥ (836)	$ 61,484
Subtotal, net of tax	¥ 7,525	¥ (836)	$ 61,484
Adjustments for retirement benefit			
Increase (decrease) during the year	¥ 2,121	¥ 8,301	$ 17,330
Reclassification adjustments	(967)	106	(7,901)
Subtotal, before tax	1,154	8,407	9,429
Tax effect	(289)	(2,587)	(2,361)
Subtotal, net of tax	¥ 865	¥ 5,820	$ 7,068
Share of other comprehensive income of affiliates applied for equity method			
Increase (decrease) during the year	¥ 109	¥ 222	$ 891
Reclassification adjustments	2	(8)	16
Subtotal, net of tax	¥ 111	¥ 214	$ 907
Total other comprehensive income	¥ 6,231	¥ 12,968	$ 50,911

NOTE 5—FAIR VALUE INFORMATION OF SECURITIES

The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2022 and 2021.

Available-for-sale securities:

	Millions of Yen					
	2022			2021		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs	¥ 18,285	¥ 32,821	¥ 14,536	¥ 22,375	¥ 39,887	¥ 17,512
Securities with book values not exceeding acquisition costs	3,667	3,354	(313)	554	500	(54)
Total	¥ 21,952	¥ 36,175	¥ 14,223	¥ 22,929	¥ 40,387	¥ 17,458

	Thousands of US Dollars (Note 1)		
	2022		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs	$ 149,399	$ 268,167	$ 118,768
Securities with book values not exceeding acquisition costs	29,962	27,405	(2,557)
Total	$ 179,361	$ 295,572	$ 116,211

NOTE 6—PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of March 31, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Land	¥ 68,830	¥ 71,642	$ 562,382
Buildings and structures	279,368	266,773	2,282,605
Machinery and equipment	932,026	906,786	7,615,214
Lease assets	5,662	3,099	46,262
Construction in progress	29,540	28,749	241,360
	1,315,426	1,277,049	10,747,823
Less accumulated depreciation	(988,720)	(961,583)	(8,078,438)
Net property, plant and equipment	¥ 326,706	¥ 315,466	$ 2,669,385

NOTE 7 – SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans (partially secured) bore interest at weighted average annual rates of 0.73% and 0.55% as of March 31, 2022 and 2021, respectively. Such loans are generally renewable at maturity.

Long-term debt as of March 31, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Loans from banks and other financial institutions, 1.01%, maturing serially through 2035			
Secured	¥ 140	¥ 246	$ 1,144
Unsecured	37,550	37,816	306,806
	37,690	38,062	307,950
Less amounts due within 1 year	(9,446)	(11,376)	(77,180)
Total	¥ 28,244	¥ 26,686	$ 230,770

Assets pledged as collateral to secure primarily short-term bank loans and long-term debt as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Property, plant and equipment	¥ 3,637	¥ 5,492	$ 29,716
Cash and cash equivalents	302	182	2,468
Trade receivables	—	221	—
Notes receivable - trade	261	—	2,133
Total	¥ 4,200	¥ 5,895	$ 34,317

The annual maturities of long-term debt as of March 31, 2022 and 2021 were as follows:

As of March 31, 2022	Millions of Yen	Thousands of US Dollars (Note 1)
2023	¥ 9,446	$ 77,180
2024	7,361	60,144
2025	5,660	46,246
2026	5,108	41,735
2027	3,236	26,440
2028 and thereafter	6,879	56,205
Total	¥ 37,690	$ 307,950

As of March 31, 2021	Millions of Yen
2022	¥ 11,376
2023	7,919
2024	5,331
2025	3,728
2026	1,704
2027 and thereafter	8,004
Total	¥ 38,062

NOTE 8 – RETIREMENT AND SEVERANCE BENEFITS

The Company and its consolidated subsidiaries have defined benefit corporate pension plans and lump-sum payment plans, but certain of its consolidated subsidiaries have defined contribution pension plans.

The Company has instituted retirement benefit trusts. In some cases when employees retire, the Company and its consolidated subsidiaries provide for additional retirement benefits that are not related to the retirement benefit liabilities computed according to actuarial method in accordance with retirement benefit accounting.

Certain consolidated subsidiaries use the simplified method for the calculation of projected benefits obligation.

The amount in multiemployer pension plans is included in defined benefit plans.

(1) Defined benefit plans

Changes in the present value of the defined benefit obligation in the Company and its consolidated subsidiaries which have not adopted the simplified method were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Beginning of year	¥ 61,947	¥ 61,678	$ 506,144
Service cost	2,996	2,901	24,479
Interest cost	211	240	1,724
Actuarial differences	(625)	640	(5,107)
Benefits paid	(4,597)	(3,498)	(37,560)
Prior service cost	(14)	—	(114)
Other	0	(14)	0
End of year	¥ 59,918	¥ 61,947	$ 489,566

Changes in the fair value of retirement plan assets in the Company and its consolidated subsidiaries which have not adopted the simplified method were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Beginning of year	¥ 73,362	¥ 64,198	$ 599,412
Expected return on plan assets	1,487	1,351	12,150
Actuarial differences	1,525	8,999	12,460
Contributions	1,738	1,842	14,201
Benefits paid	(3,751)	(3,029)	(30,648)
Other	15	1	122
End of year	¥ 74,376	¥ 73,362	$ 607,697

Changes in the present value of the liabilities for retirement benefit in the consolidated subsidiaries which have adopted the simplified method were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Beginning of year	¥ 4,610	¥ 4,452	$ 37,666
Retirement benefit cost	699	697	5,711
Benefits paid	(122)	(344)	(997)
Contributions	(219)	(212)	(1,789)
Other	26	17	213
End of year	¥ 4,994	¥ 4,610	$ 40,804

Reconciliations from ending balances of defined benefit obligation and retirement plan assets to assets and liabilities for retirement benefit on the balance sheet as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Defined benefit obligation in the Company and its consolidated subsidiaries which have funded retirement plans	¥ 49,629	¥ 51,133	$ 405,499
Retirement plan assets	(77,409)	(76,253)	(632,478)
	(27,780)	(25,120)	(226,979)
Defined benefit obligation in the consolidated subsidiaries which don't have funded retirement plans	18,315	18,315	149,644
Net amount of liabilities and assets for retirement benefit on the balance sheet	¥ (9,465)	¥ (6,805)	$ (77,335)
Liabilities for retirement benefit	20,787	20,582	169,842
Assets for retirement benefit	(30,252)	(27,387)	(247,177)
Net amount of liabilities and assets for retirement benefit on the balance sheet	¥ (9,465)	¥ (6,805)	$ (77,335)

Components of retirement benefit cost for the year ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Service cost	¥ 2,996	¥ 2,901	$ 24,479
Interest cost	211	240	1,724
Expected return on plan assets	(1,487)	(1,351)	(12,150)
Amortization of actuarial differences	(980)	94	(8,007)
Prior service cost recorded as expenses	(2)	12	(16)
Retirement benefit cost in the simplified method	699	697	5,711
Other	124	148	1,013
Total retirement benefit cost	¥ 1,561	¥ 2,741	$ 12,754

Adjustments for retirement benefit before tax effect as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Actuarial differences	¥ 1,142	¥ 8,395	$ 9,331
Prior service cost	12	12	98
Total adjustments for retirement benefit before tax effect	¥ 1,154	¥ 8,407	$ 9,429

Accumulated adjustments for retirement benefit before tax effect as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Unrecognized actuarial differences	¥ (8,538)	¥ (7,396)	$ (69,761)
Unrecognized prior service cost	24	36	196
Total accumulated adjustments for retirement benefit before tax effect	¥ (8,514)	¥ (7,360)	$ (69,565)

The major categories of plan assets as a percentage of total assets as of March 31, 2022 and 2021 were as follows:

	2022	2021
Bonds	35.2%	35.0%
Shares of stock	38.3%	38.7%
Life insurance company general accounts	21.2%	22.2%
Other	5.3%	4.1%
Total	100%	100%

The assumptions and basis used in the actuarial calculation were mainly as follows:

	2022	2021
Discount rate	Mainly 0.3%	Mainly 0.3%
Long-term expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%

Note: In determining the long-term expected rate of return on plan assets, the Company and its consolidated subsidiaries consider the current and projected asset allocations, and the current and expected long-term rates of return of a wide variety of the plan assets.

(2) Defined contribution plans

The amounts contributed to defined contribution plan by certain consolidated subsidiaries were ¥288 million (US$2,353 thousand) and ¥361 million for the years ended March 31, 2022 and 2021, respectively.

NOTE 9—CONTINGENT LIABILITIES

Contingent liabilities primarily for loans from banks to affiliates, which are guaranteed by the Companies as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Loans guaranteed	¥ 713	¥ 633	$ 5,826

NOTE 10—RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Research and development expenses	¥ 19,897	¥ 19,484	$ 162,570

NOTE 11 – IMPAIRMENT LOSS

The Companies group business assets based on business divisions or relevance of the production process. Major assets for which impairment losses were recognized were as follows:

			Millions of Yen	Thousands of US Dollars (Note 1)
			2022	2022
Location	Use	Assets category		
Yamagata, Japan	Production facilities ,etc	Buildings and structures, Machinery and equipment, Land, others	¥ 2,165	$ 17,689

Regarding production facilities, these were written down to the recoverable amount, its reduction is recorded as an "Impairment loss" under "Other income (expenses)" due to the suspension of operation. The amount of the impairment loss comprised ¥2 million for buildings and structures, ¥22 million for machinery and equipment, ¥2,139 million for land and ¥2 million for other assets.

NOTE 12 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Derivative transactions to which hedging accounting is not applied as of March 31, 2022 and 2021 were as follows:

	Millions of Yen			
	2022		2021	
	Contract amount	Fair value	Contract amount	Fair value
Foreign currency forward exchange contracts				
Buying Indonesian Rupiahs	¥ 2,036	¥ (11)	¥ 869	¥ (9)
Buying US Dollars	¥ 745	¥ 2	¥ 24	¥ 1
Buying Japanese Yen	¥ 216	¥ (5)	—	—
Selling Taiwan Dollars	¥ 2,069	¥ (87)	—	—
Total	¥ 5,066	¥ (101)	¥ 893	¥ (8)

	Thousands of US Dollars (Note 1)	
	2022	
	Contract amount	Fair value
Foreign currency forward exchange contracts		
Buying Indonesian Rupiahs	$ 16,635	$ (90)
Buying US Dollars	$ 6,087	$ 16
Buying Japanese Yen	$ 1,765	$ (41)
Selling Taiwan Dollars	$ 16,905	$ (710)
Total	$ 41,392	$ (825)

Derivative transactions to which hedging accounting is applied as of March 31, 2022 and 2021 were as follows:

	Millions of Yen			
	2022		2021	
	Contract amount	Fair value	Contract amount	Fair value
Foreign currency forward exchange contracts				
Principle method				
Buying US Dollars	¥ 0	¥ (0)	¥ —	¥ —
Allocation method				
Buying US Dollars	—	—	0	(＊1)
Buying Euros	—	—	0	(＊1)
Total	¥ 0	¥ (0)	¥ 0	¥ —
Interest rate swaps				
Principle method				
Payment fixation and receipt change	¥ 3,051	¥ (165)	¥ 2,943	¥ (190)
Special method				
Payment fixation and receipt change	1,045	—	765	(＊2)
Total	¥ 4,096	¥ (165)	¥ 3,708	¥ (190)

	Thousands of US Dollars (Note 1)	
	2022	
	Contract amount	Fair value
Foreign currency forward exchange contracts		
Principle method		
Buying US Dollars	$ 0	$ (0)
Total	$ 0	$ (0)
Interest rate swaps		
Principle method		
Payment fixation and receipt change	$ 24,929	$ (1,348)
Special method		
Payment fixation and receipt change	8,538	—
Total	$ 33,467	$ (1,348)

(＊1) Because derivatives to which allocation method of forward exchange contracts are applied are processed with trade receivables and trade payables as a hedge object, the fair value is included in the fair value of trade receivables and trade payables.

(＊2) Because derivatives to which special method of interest swap are applied are processed with long-term debt as a hedge object, the fair value is included in the fair value of a long-term debt.

Fair values are based on the quotes provided by financial institutions.

NOTE 13 – FINANCIAL INSTRUMENTS

Matters relating to the conditions of financial instruments:

Policy on financial instruments

The Tosoh Group raises capital according to loans from banks to invest in core and growing businesses based on capital investment plans. Derivatives are used to mitigate risk, and speculative transactions are not undertaken.

Contents, risk, and risk management of financial instruments

Trade receivables are exposed to credit risks of customers. The Companies monitor the due dates and the balances of customers individually in accordance with credit control rules and strive to find doubtful debt at an early stage and to reduce the risks. Securities, which are mainly shares, are exposed to market risks. Regarding listed shares, the Companies check the market prices every quarter and revise their positions consistently, taking account of relations with companies who issue the shares.

Parts of trade payables are denominated in foreign currency and exposed to foreign currency risks. However, almost all those balances may be offset at any time by accounts receivables, which are also denominated in foreign currency. Loans payable are used as short-term working capital or long-term capital investment, part of which is exposed to interest rate risk. These risks are removed by entering into interest rate swaps.

Some consolidated subsidiaries use foreign currency forward exchange contracts to hedge against foreign currency risks associated with receivables and payables denominated in foreign currencies.

The Companies execute and control derivative transactions in accordance with internal control rules that provide authority and transaction limits and have transactions only with the highest-rated banks to reduce the credit risks.

Book values and fair values of financial instruments for which it is practical to estimate values as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		
	March 31,2022		
	Book value	Fair value	Difference
Lease investment assets	¥ 11,293	¥ 11,699	¥ 406
Securities			
Available-for-sale securities	36,175	36,175	—
Investments in affiliates	10,365	5,398	(4,967)
Long-term debt	(37,690)	(37,779)	(89)
Derivative transactions	(266)	(266)	—

	Millions of Yen		
	March 31,2021		
	Book value	Fair value	Difference
Lease investment assets	¥ 9,773	¥ 9,773	¥ —
Securities			
Available-for-sale securities	40,387	40,387	—
Investments in affiliates	9,964	6,389	(3,575)
Long-term loans receivable	875	875	—
Long-term debt	(38,062)	(38,358)	(296)
Derivative transactions	(198)	(198)	—

	Thousands of US Dollars (Note 1)		
	March 31,2022		
	Book value	Fair value	Difference
Lease investment assets	$ 92,271	$ 95,588	$ 3,317
Securities			
Available-for-sale securities	295,572	295,572	—
Investments in affiliates	84,688	44,105	(40,583)
Long-term debt	(307,950)	(308,677)	(727)
Derivative transactions	(2,173)	(2,173)	—

Note: Cash is omitted from the note. Also, cash equivalents, notes receivable - trade, accounts receivable - trade, trade payables and short-term bank loans are omitted because their fair values approximate their book values as they are settled within a short period of time.

Financial instruments whose fair values are deemed to be extremely difficult to determine and which are not included in "Securities" in the fair value information of the financial instruments, were as follows:

	Book value
	Millions of Yen
	2021
Equity securities issued by unconsolidated subsidiaries and affiliates	¥7,828
Non-listed equity securities	4,397

Investments in equity securities without market prices, not included in "Securities" in the fair value information of the financial instruments, were as follows:

	Book value	
	Millions of Yen	Thousands of US Dollars (Note 1)
	2022	2022
Equity securities issued by unconsolidated subsidiaries and affiliates	¥7,976	$ 65,169
Non-listed equity securities	4,808	39,284
Investments in capital	3,894	31,816

Redemption schedules of monetary claims and available-for-sale securities with maturity as of March 31, 2022 and 2021 were as follows:

	Millions of Yen			
	2022			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Cash and cash equivalents	¥ 160,813	¥ —	¥ —	¥ —
Notes receivable - trade	16,413	—	—	—
Accounts receivable - trade	217,073	—	—	—
Long-term loans receivable	54	670	84	3
Total	¥ 394,353	¥ 670	¥ 84	¥ 3

	Millions of Yen			
	2021			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Cash and cash equivalents	¥ 148,398	¥ —	¥ —	¥ —
Trade receivables	225,459	—	—	—
Long-term loans receivable	62	513	128	172
Total	¥ 373,919	¥ 513	¥ 128	¥ 172

	Thousands of US Dollars (Note 1)			
	2022			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Cash and cash equivalents	$ 1,313,939	$ —	$ —	$ —
Notes receivable - trade	134,105	—	—	—
Accounts receivable - trade	1,773,617	—	—	—
Long-term loans receivable	440	5,475	686	25
Total	$ 3,222,101	$ 5,475	$ 686	$ 25

Refer to Note 7 for schedule of Long-term debt.

Fair value information of financial instruments by level of inputs
Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:
Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.
Level 2 fair value: the fair value measured using observable inputs other than Level 1.
Level 3 fair value: fair values measured using unobservable inputs.
When multiple inputs of different categories are used in measuring fair value, the Company and its subsidiaries classified fair values into a category to which the lowest priority is assigned.

(1) Financial instruments measured at fair values in the consolidated balance sheet

	Fair value			
	Millions of Yen			
	2022			
	Level 1	Level 2	Level 3	Total
Investments in securities presented as current or non-current				
Other investments in securities	¥ 36,175	¥ —	¥ —	¥ 36,175
Total assets	¥ 36,175	¥ —	¥ —	¥ 36,175
Derivative transactions				
Currency related	¥ —	¥ (101)	¥ —	¥ (101)
Interest related	—	(165)	—	(165)
Total liabilities	¥ —	¥ (266)	¥ —	¥ (266)

	Fair value			
	Thousands of US Dollars (Note 1)			
	2022			
	Level 1	Level 2	Level 3	Total
Investments in securities presented as current or non-current				
Other investments in securities	$ 295,572	$ —	$ —	$ 295,572
Total assets	$ 295,572	$ —	$ —	$ 295,572
Derivative transactions				
Currency related	$ —	$ (825)	$ —	$ (825)
Interest related	—	(1,348)	—	(1,348)
Total liabilities	$ —	$ (2,173)	$ —	$ (2,173)

(2) Financial instruments other than those measured at fair values in the consolidated balance sheet

	Fair value			
	Millions of Yen			
	2022			
	Level 1	Level 2	Level 3	Total
Lease investment assets	¥ —	¥ 11,699	¥ —	¥ 11,699
Investments in securities presented as current or non-current				
Securities issued by affiliates	5,398	—	—	5,398
Total assets	¥ 5,398	¥ 11,699	¥ —	¥ 17,097
Long-term debt	¥ —	¥ (37,779)	¥ —	¥ (37,779)
Total liabilities	¥ —	¥ (37,779)	¥ —	¥ (37,779)

	Fair value			
	Thousands of US Dollars (Note 1)			
	2022			
	Level 1	Level 2	Level 3	Total
Lease investment assets	$ —	$ 95,588	$ —	$ 95,588
Investments in securities presented as current or non-current				
Securities issued by affiliates	44,105	—	—	44,105
Total assets	$ 44,105	$ 95,588	$ —	$ 139,693
Long-term debt	$ —	$ (308,677)	$ —	$ (308,677)
Total liabilities	$ —	$ (308,677)	$ —	$ (308,677)

Note: Valuation techniques and inputs used in measuring fair values

Investments in securities presented as current or non-current
Listed equity securities are measured using quoted prices. Fair values of listed equity securities are classified as level 1, because they are exchanged in active markets.

Derivative transactions
Interest rate swaps and currency forward contracts are classified as level 2, because their fair values are measured using prices quoted by financial institutions using inputs such as interest rates and foreign exchange rates. Interest rate swaps that qualify for special method are accounted for as an integral part of long-term debt that are hedged. Therefore, the fair value is included in the fair value of the relevant long-term debt (See "Long-term debt" below).

Lease investment assets
Lease investment assets are classified as level 2, because their fair values are measured using the present value of the total principal and interest discounted at an interest rate assumed to be applied to similar new lease transactions.

Long-term debt
Long-term debt is classified as level 2, because their fair values are measured using the total amount of principal and interest discounted at an interest rate assumed to be applicable to a similar new debt. Long-term debt with floating interest rates is subject to special method as interest rate swaps (see "Derivative transactions" above), and the total amount of principal and interest accounted for as an integral part of such interest rate swaps is used for calculation.

NOTE 14—INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to a number of income taxes, which, in the aggregate, indicated a statutory income tax rate in Japan of approximately 30.5% and 30.5% for the year ended March 31, 2022 and 2021, respectively.

The following table summarizes the significant difference between the statutory income tax rate and the Companies' actual income tax rate for the year ended March 31, 2022 and 2021.

The note is omitted for the year ended March 31, 2022, because the difference between the statutory income tax rate and the Companies' actual income tax rate after adoption of tax-effect accounting is less than 5%.

	March 31, 2022	March 31, 2021
Statutory income tax rate	—	30.5 %
Increase(decrease) in taxes resulting from:		
Difference in tax rate with foreign subsidiaries	—	(0.6)
Equity in earnings of affiliates	—	(0.6)
Increase(decrease) in valuation allowance	—	0.3
Special deduction in research expense	—	(2.1)
Other	—	1.1
Actual income tax rate	—	28.6 %

Significant components of deferred tax assets and deferred tax liabilities as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2022	2021	2022
Deferred tax assets:			
Unrealized gains on intercompany transactions	¥ 8,533	¥ 7,018	$ 69,720
Liabilities for retirement benefit	7,844	7,689	64,090
Operating loss carryforwards	3,505	2,980	28,638
Impairment loss on fixed assets	1,553	1,069	12,689
Other	17,143	16,070	140,068
Total gross deferred tax assets	38,578	34,826	315,205
Valuation allowance	(8,791)	(8,253)	(71,827)
Total deferred tax assets	29,787	26,573	243,378
Deferred tax liabilities:			
Assets for retirement benefit	(9,181)	(8,267)	(75,014)
Net unrealized gains on securities	(3,975)	(4,931)	(32,478)
Reserve for replacement of property, plant and equipment	(1,516)	(1,645)	(12,387)
Other	(8,803)	(7,091)	(71,926)
Total deferred tax liabilities	(23,475)	(21,934)	(191,805)
Net deferred tax assets	¥ 6,312	¥ 4,639	$ 51,573

NOTE 15 – REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers

	Millions of Yen					
	Year ended March 31, 2022					
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total
Olefin	¥108,606	¥ —	¥ —	¥ —	¥ —	¥108,606
Polymer	68,579	—	—	—	—	68,579
Chlor-alkali	—	218,213	—	—	—	218,213
Urethane	—	134,238	—	—	—	134,238
Cement	—	9,173	—	—	—	9,173
Bioscience	—	—	53,531	—	—	53,531
Organic Chemicals	—	—	55,270	—	—	55,270
Advanced Materials	—	—	117,418	—	—	117,418
Engineering	—	—	—	112,842	—	112,842
Other	—	—	—	—	37,258	37,258
Revenue from contracts with customers	¥177,185	¥361,624	¥226,219	¥112,842	¥ 37,258	¥915,128
Other revenue	—	—	—	¥3,453	—	¥3,453
External revenue as reported	¥177,185	¥361,624	¥226,219	¥116,295	¥ 37,258	¥918,581

	Thousands of US Dollars (Note 1)					
	Year ended March 31, 2022					
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total
Olefin	$ 887,376	$ —	$ —	$ —	$ —	$ 887,376
Polymer	560,332	—	—	—	—	560,332
Chlor-alkali	—	1,782,932	—	—	—	1,782,932
Urethane	—	1,096,805	—	—	—	1,096,805
Cement	—	74,949	—	—	—	74,949
Bioscience	—	—	437,380	—	—	437,380
Organic Chemicals	—	—	451,589	—	—	451,589
Advanced Materials	—	—	959,376	—	—	959,376
Engineering	—	—	—	921,987	—	921,987
Other	—	—	—	—	304,421	304,421
Revenue from contracts with customers	$ 1,447,708	$ 2,954,686	$ 1,848,345	$ 921,987	$ 304,421	$ 7,477,147
Other revenue	—	—	—	$ 28,213	—	$28,213
External revenue as reported	$ 1,447,708	$ 2,954,686	$ 1,848,345	$ 950,200	$ 304,421	$ 7,505,360

Note: “Other” is an additional category for service-related businesses, such as transportation and warehousing, inspection and analysis, and information processing.

2. Information that provides a basis for understanding revenue from contracts with customers

Petrochemical Business

In the Petrochemical business, the Company and its consolidated subsidiaries sell goods and products related to olefins (ethylene, propylene, and other olefin products, etc.) and polymers (low-density polyethylene, high-density polyethylene, processed resin products, functional polymers, etc.) to domestic and overseas customers.

For sales of the goods and products, the Company and its consolidated subsidiaries recognize revenue at amounts expected to be received in exchange for such goods and products as the controls of such goods and products are transferred to customers. This is because it can be determined that, legal title and physical possession of the goods and products, as well as significant risks and economic values associated with ownership of the goods and products, have been transferred to the customers and the Company and its consolidated subsidiaries have the right to receive payment for the transactions from the customers at the time. For domestic sales, however, the Company and its consolidated subsidiaries recognize revenue at the time of shipment.

When the consideration of transactions includes variable consideration, it is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Moreover, the Company and its consolidated subsidiaries receive consideration generally within almost one year at the time that the performance obligations are satisfied, and it doesn't include the significant financial elements.

In addition, for sales of goods which the Company and its consolidated subsidiaries determined to be agency transactions, they recognize revenue at the net amount of consideration which they retained after paying the vendors the consideration received from the customers.

With respect to product sales transactions with repurchase obligations, the Company and its consolidated subsidiaries don't recognize revenue for products which they expected to repurchase from customers but recognize revenue at the amount of consideration which they expected to obtain.

Chlor-alkali Business

In the Chlor-alkali business, the Company and its consolidated subsidiaries sell goods and products related to chemical products (caustic soda, vinyl chloride monomer, vinyl chloride resin, inorganic and organic chemicals, etc.), urethane (urethane raw materials, etc.), and cement to domestic and overseas customers.

Information that provides a basis for understanding revenue from contracts with customers related to the sale of products and goods in the Chlor-alkali business is the same as that in the Petrochemicals business.

Specialty Business

In the Specialty business, the Company and its consolidated subsidiaries sell goods and products related to bioscience (chromatographic instruments, columns and separation media, and diagnostic systems, etc.), organic chemicals (inorganic and organic fine products, etc.), and advanced materials (electronic materials and functional materials, etc.) to domestic and overseas customers.

Information that provides a basis for understanding revenue from contracts with customers related to the sale of products and goods in the specialty business is the same as that in the Petrochemicals business.

Engineering Business

In the Engineering business, mainly, the consolidated subsidiaries provide various water treatment services, including construction work of water treatment plants, remodeling work, maintenance and operation management of existing facilities and other services to domestic and overseas customers. The amount of variable consideration for these transactions is not significant.

The consolidated subsidiaries determined that the performance obligations are satisfied over time. This is because many transactions of construction contracts are related to the constructions for equipment on customer's sites based on the customer's specifications, and any of the following applies.

(1) As the consolidated subsidiaries perform the obligations, new assets or value of the assets increase and the customers control them.

(2) Assets that cannot be converted to another use are created by performance of the obligations and the consolidated subsidiaries have enforceable rights to receive consideration for the portions that they have completed performance of the obligations.

In addition, with respect to the services providing such as maintenance, the Company and its consolidated subsidiaries have determined that the performance obligations are satisfied over time because the customers receive benefits as the consolidated subsidiaries performed their obligations.

The progress of the construction contracts is measured on the basis of construction costs incurred by the end of each reporting period relative to the total expected construction costs because the constructions are expected to progress in accordance with the incurred degree of the construction costs. Moreover, the progress of water treatment service transactions contracted over one year or multi-year period is measured based on the passed period and the evaluation of the outcomes achieved, since the consideration and service items for each period are clearly predetermined in the contracts and the customers inspect them for each period. In addition, the consolidated subsidiaries recognize revenue by the cost recovery method when it is not possible to reasonably estimate the progress towards complete satisfaction of a performance obligation, but it is expected that the incurred costs will be recovered.

The consolidated subsidiaries receive consideration generally in phases as the progress of performance obligations in accordance with the terms of the contracts and the remaining amounts are received within almost one year after they satisfied all performance obligations. It does not include the significant financial elements.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such performance obligations, and the amount and timing of revenue expected to be recognized from contracts with customers existing at the end of the current consolidated fiscal year through the following fiscal year

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

	Millions of Yen	Thousands of US Dollars (Note 1)
	2022	2022
Receivables from contracts with customers (beginning balance)	¥223,934	$ 1,829,676
Receivables from contracts with customers (ending balance)	232,117	1,896,536
Contract assets (beginning balance)	23,428	191,421
Contract assets (ending balance)	26,145	213,620
Contract liabilities (beginning balance)	1,659	13,555
Contract liabilities (ending balance)	3,001	24,520

Contract assets is mainly rights to consideration received in exchange for the satisfaction of performance obligations that is measured on basis of the progress at the end of the consolidated fiscal year, for construction work of water treatment plants, remodeling work and maintenance, etc. of existing facilities excluding receivables. Contract assets is reclassified to receivables from contracts with customers when the rights of the Company and its consolidated subsidiaries to the consideration become unconditional.

Contract liabilities mainly relates to advances received from customers. Contract liabilities are reversed due to recognition of revenue.

The amounts of revenue recognized in the year ended March 31, 2022 that was included in the contract liabilities balance at the beginning of the current fiscal year was ¥1,386 million (US$11,324 thousand).

The amount of revenue recognized in the year ended March 31, 2022 from performance obligations satisfied (or partially satisfied) in the past is not significant.

(2) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries applied a practical expedient to the notes of the transaction price allocated to the remaining performance obligations. For that reason, the Company and its consolidated subsidiaries don't include in the notes of performance obligations for contracts with an original expected duration within one year and water treatment service contracts for one year or multi-year which fixed amount is charged on the basis of the performance of the service items predetermined in the contract. The amount of unsatisfied (or partially unsatisfied) performance obligations was ¥47,709 million (US$389,811 thousand) on March 31, 2022. That performance obligations relate to contract work, existing facilities remodeling work and maintenance, etc. in the Engineering business. The Company and its consolidated subsidiaries expect that approximately 66% of such performance obligations will be recognized as revenue within one year after the end of the fiscal year, of the remaining 34%, approximately 8% will be recognized as revenue within two years and approximately 26% thereafter.

There are no significant amounts of consideration arising from contracts with customers that are not included in the transaction price.

NOTE 16 – SEGMENT INFORMATION

The operations of the Companies are classified into four business segments – Petrochemical, Chlor-alkali, Specialty, Engineering.

Operations of the Petrochemical segment include the manufacture and sale of olefins and polymers.

Operations of the Chlor-alkali segment include the manufacture and sale of caustic soda, vinyl chloride monomer, polyvinyl chloride, high-performance polyurethane and cement.

Operations of the Specialty segment include the manufacture and sale of fine chemicals, scientific and diagnostic instruments and systems, quartz, specialty materials and metals.

Operations of the Engineering segment include water treatment equipment and construction.

The accounting methods for each reported segment are mostly described in Note 2.

Inter-segment sales and transfers are mainly based on market prices and manufacturing costs.

As described in Note 2 "Changes in accounting policies", the Company and its subsidiaries changed accounting treatment for revenue recognition by adopting the Revenue Recognition Standards from the consolidated financial statements of the current consolidated fiscal year, and accordingly changed the measurement methods for profits or losses of operating segments in the same manner. As a result of this change, in comparison with the previous method, segment sales decreased by ¥17,361 million (US$141,850 thousand) for "Petrochemical", ¥8,834 million (US$72,179 thousand) for "Chlor-alkali", and ¥304 million (US$2,484 thousand) for "Specialty", increased ¥1,473 million (US$12,035 thousand) for "Engineering", and decreased ¥5,208 million (US$42,552 thousand) for "Others". Also segment income decreased by ¥40 million (US$327 thousand) for "Petrochemical", ¥48 million (US$392 thousand) for "Chlor-alkali", and ¥2 million (US$16 thousand) for "Specialty", increased ¥92 million (US$751 thousand) for "Engineering", and decreased ¥0 million (US$0 thousand) for "Others".

Business segment information for the years ended March 31, 2022 and 2021 was as follows:

	Millions of Yen							
	Year ended March 31, 2022							
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Net sales:								
External customers	¥ 177,185	¥ 361,624	¥ 226,219	¥ 116,295	¥ 37,258	¥ 918,581	¥ —	¥ 918,581
Inter-segment	115,856	39,775	17,034	14,664	59,121	246,450	(246,450)	—
Total	¥ 293,041	¥ 401,399	¥ 243,253	¥ 130,959	¥ 96,379	¥ 1,165,031	¥ (246,450)	¥ 918,581
Segment income	¥ 15,655	¥ 69,522	¥ 43,536	¥ 12,280	¥ 3,052	¥ 144,045	¥ —	¥ 144,045
Segment assets	¥ 146,296	¥ 321,957	¥ 283,954	¥ 153,503	¥ 51,716	¥ 957,426	¥ 130,241	¥ 1,087,667
Depreciation and amortization	5,613	11,728	14,978	1,371	2,819	36,509	1,071	37,580
Amortization on goodwill	—	—	25	—	—	25	—	25
Capital expenditures	7,495	13,989	17,403	3,498	4,127	46,512	1,523	48,035
Investment for affiliates	1,040	10,668	5,959	2,768	1,664	22,099	—	22,099

	Millions of Yen							
	Year ended March 31, 2021							
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Net sales:								
External customers	¥ 131,387	¥ 274,862	¥ 180,593	¥ 106,207	¥ 39,802	¥ 732,851	¥ —	¥ 732,851
Inter-segment	67,637	26,234	12,721	17,845	58,375	182,812	(182,812)	—
Total	¥ 199,024	¥ 301,096	¥ 193,314	¥ 124,052	¥ 98,177	¥ 915,663	¥ (182,812)	¥ 732,851
Segment income	¥ 7,704	¥ 41,520	¥ 23,539	¥ 11,988	¥ 3,069	¥ 87,820	¥ —	¥ 87,820
Segment assets	¥ 134,957	¥ 282,199	¥ 248,640	¥ 136,355	¥ 47,946	¥ 850,097	¥ 132,679	¥ 982,776
Depreciation and amortization	5,145	12,323	15,507	1,260	2,371	36,606	929	37,535
Capital expenditures	9,575	15,154	16,176	1,312	6,842	49,059	1,568	50,627
Investment for affiliates	1,012	9,979	5,287	2,622	1,593	20,493	—	20,493

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

	Thousands of US Dollars (Note1)							
	Year ended March 31, 2022							
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Net sales:								
External customers	$ 1,447,708	$ 2,954,686	$ 1,848,345	$ 950,200	$ 304,421	$ 7,505,360	$ —	$ 7,505,360
Inter-segment	946,613	324,986	139,178	119,814	483,054	2,013,645	(2,013,645)	—
Total	$ 2,394,321	$ 3,279,672	$ 1,987,523	$ 1,070,014	$ 787,475	$ 9,519,005	$ (2,013,645)	$ 7,505,360
Segment income	$ 127,911	$ 568,037	$ 355,715	$ 100,335	$ 24,936	$ 1,176,934	$ —	$ 1,176,934
Segment assets	$ 1,195,326	$ 2,630,583	$ 2,320,075	$ 1,254,212	$ 422,551	$ 7,822,747	$ 1,064,147	$ 8,886,894
Depreciation and amortization	45,862	95,825	122,379	11,202	23,033	298,301	8,750	307,051
Amortization on goodwill	—	—	204	—	—	204	—	204
Capital expenditures	61,239	114,298	142,193	28,581	33,720	380,031	12,444	392,475
Investment for affiliates	8,497	87,164	48,689	22,616	13,596	180,562	—	180,562

Notes: 1. "Other" is an additional category for service-related businesses, such as transportation and warehousing, inspection and analysis, and information processing.
2. Segment income is equal to operating income of consolidated statements of income.
3. Adjustments amount of ¥130,241 million (US$1,064,147 thousand) and ¥132,679 million for segment assets as of March 31, 2022 and 2021 included ¥36,443 million (US$297,762 thousand) and ¥32,921 million of eliminations of inter-segment receivables and assets and ¥166,684 million (US$1,361,909 thousand) and ¥165,600 million of corporate assets unallocated to each reported segment as of March 31, 2022 and 2021, respectively.
4. Adjustments amount of ¥1,071 million (US$8,750 thousand) and ¥929 million for depreciation and amortization for the years ended March 31, 2022 and 2021 were mainly corporate costs unallocated to each reported segment.
5. Adjustments amount of ¥1,523 million (US$12,444 thousand) and ¥1,568 million for capital expenditures for the years ended March 31, 2022 and 2021 were mainly made to corporate assets unallocated to each reported segment.

Related information

Geographic information

(1) Net sales

	Millions of Yen				
	Year ended March 31, 2022				
	Japan	China	Other Asian countries	Other	Total
Net sales	¥ 447,699	¥ 145,663	¥ 204,578	¥ 120,641	¥ 918,581

	Millions of Yen				
	Year ended March 31, 2021				
	Japan	China	Other Asian countries	Other	Total
Net sales	¥ 399,433	¥ 102,241	¥ 144,328	¥ 86,849	¥ 732,851

	Thousands of US Dollars (Note1)				
	Year ended March 31, 2022				
	Japan	China	Other Asian countries	Other	Total
Net sales	$ 3,657,970	$ 1,190,154	$ 1,671,526	$ 985,710	$ 7,505,360

Note: Net sales are classified by country or region based on the locations of customers.

(2) Property, plant and equipment

	Millions of Yen		
	Year ended March 31, 2022		
	Japan	Other	Total
Property, plant and equipment	¥ 287,967	¥ 38,739	¥ 326,706

	Millions of Yen		
	Year ended March 31, 2021		
	Japan	Other	Total
Property, plant and equipment	¥ 281,265	¥ 34,201	¥ 315,466

	Thousands of US Dollars (Note1)		
	Year ended March 31, 2022		
	Japan	Other	Total
Property, plant and equipment	$ 2,352,864	$ 316,521	$ 2,669,385

Information about impairment loss of fixed assets by reported segments

	Millions of Yen							
	Year ended March 31, 2022							
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Impairment loss	¥ 34	¥ 2,229	¥ 384	¥ —	¥ —	¥ 2,647	¥ —	¥ 2,647

	Millions of Yen							
	Year ended March 31, 2021							
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Impairment loss	¥ 5	¥ 22	¥ 6	¥ —	¥ 0	¥ 33	¥ —	¥ 33

	Thousands of US Dollars (Note1)							
	Year ended March 31, 2022							
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Impairment loss	$ 278	$ 18,212	$ 3,138	$ —	$ —	$ 21,628	$ —	$ 21,628

Information about unamortized balance of goodwill by reported segments

	Millions of Yen							
	Year ended March 31, 2022							
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Unamortized balance of goodwill	¥ —	¥ —	¥ 1,053	¥ —	¥ —	¥ 1,053	¥ —	¥ 1,053

	Millions of Yen							
	Year ended March 31, 2021							
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Unamortized balance of goodwill	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

	Thousands of US Dollars (Note1)							
	Year ended March 31, 2022							
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Unamortized balance of goodwill	$ —	$ —	$ 8,604	$ —	$ —	$ 8,604	$ —	$ 8,604

NOTE 17 – RELATED PARTY TRANSACTIONS

There were no balances or transactions to be disclosed as of and for the year ended March 31, 2022 and 2021.

NOTE 18 – STOCK OPTION PLANS

At March 31, 2022, the Company had the following stock option plans:

	2019 plan	2018 plan	2017 plan	2016 plan	2015 plan
Date of grant	July 13, 2019	July 14, 2018	July 15, 2017	July 16, 2016	July 18, 2015
Grantees	28 (including 5 directors)	30 (including 7 directors)	31 (including 8 directors)	30 (including 6 directors)	29 (including 9 directors)
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	53,820	49,519	30,986	81,764	55,611
Exercise price (Yen)	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Exercise price (US Dollars) (Note 1)	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Exercisable period	July 14, 2019– July 13, 2044	July 15, 2018– July 14, 2043	July 16, 2017– July 15, 2042	July 17, 2016– July 16, 2041	July 19, 2015– July 18, 2040
Issue price upon exercise of the subscription rights to shares (Yen)	¥ 1,192	¥ 1,374	¥ 2,277	¥ 863	¥ 1,199
Issue price upon exercise of the subscription rights to shares (US Dollars) (Note 1)	$ 9.74	$ 11.23	$ 18.60	$ 7.05	$ 9.80

	2014 plan	2013 plan	2012 plan	2011 plan	2010 plan
Date of grant	July 12, 2014	July 13, 2013	July 14, 2012	July 16, 2011	July 17, 2010
Grantees	32 (including 12 directors)	33 (including 13 directors)	30 (including 11 directors)	31 (including 13 directors)	29 (including 14 directors)
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	85,265	110,094	227,185	128,901	209,856
Exercise price (Yen)	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Exercise price (US Dollars) (Note 1)	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Exercisable period	July 13, 2014– July 12, 2039	July 14, 2013– July 13, 2038	July 15, 2012– July 14, 2037	July 17, 2011– July 16, 2036	July 18, 2010– July 17, 2035
Issue price upon exercise of the subscription rights to shares (Yen)	¥ 851	¥ 677	¥ 329	¥ 627	¥ 393
Issue price upon exercise of the subscription rights to shares (US Dollars) (Note 1)	$ 6.95	$ 5.53	$ 2.69	$ 5.12	$ 3.21

	2009 plan	2008 plan	2007 plan
Date of grant	July 18, 2009	July 19, 2008	July 18, 2007
Grantees	28(including 16 directors)	29 (including 16 directors)	29 (including 15 directors)
Type of stock	Common stock	Common stock	Common stock
Number of shares granted	180,594	100,549	60,686
Exercise price (Yen)	¥ 1	¥ 1	¥ 1
Exercise price (US Dollars) (Note 1)	$ 0.01	$ 0.01	$ 0.01
Exercisable period	July 19, 2009– July 18, 2034	July 20, 2008- July 19, 2033	July 19, 2007– July 18, 2032
Issue price upon exercise of the subscription rights to shares (Yen)	¥ 451	¥ 801	¥ 1,275
Issue price upon exercise of the subscription rights to shares (US Dollars) (Note 1)	$ 3.68	$ 6.54	$ 10.42

Note: "Number of shares granted" means total shares to be issued upon exercise of subscription rights to shares and is adjusted for the reverse stock split (two-to-one share) executed on October 1, 2017.

NOTE 19 – SUBSEQUENT EVENTS

At the meetings of the Company's board of directors held on May 12, 2022 and May 11, 2021 retained earnings of the Company as of March 31, 2022 and 2021, were appropriated as follows:

	March 31, 2022	
	Millions of Yen	Thousands of US Dollars (Note 1)
Year-end cash dividends (¥50.00 per share)	¥ 15,912	$ 130,011

	March 31, 2021
	Millions of Yen
Year-end cash dividends (¥32.00 per share)	¥ 10,181

Independent Auditor's Report

To the Board of Directors of Tosoh Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Tosoh Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years 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.

Reasonableness of the estimate of total construction costs for transactions related to the water treatment engineering business where revenue is recognized for performance obligations satisfied over time	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 2, "SUMMARY OF ACCOUNTING POLICIES, Significant accounting estimates, 1. Revenue recognition of transactions related to construction contracts in the engineering segment that were recognized for performance obligations satisfied over time" to the consolidated financial statements, the revenues related to construction contracts in the engineering segment, which were recognized for performance obligations satisfied over time, excluding the revenues related to the cost recovery method, amounted to ¥53,292 million (US$435,428 thousand), representing approximately 5.8% of total revenue in the consolidated financial statements. The consolidated subsidiaries recognize revenue over time for construction contracts as they are satisfied based on the progress towards complete satisfaction of a performance obligation. The estimated progress is calculated as a percentage of accumulated costs incurred to date against the total construction costs. Total construction costs are comprised of the estimated cost for each contract and are the basis for the recognition of construction revenue. Any increases in work hours and changes in circumstances at the construction sites due to matters that occurred subsequent to the start of construction could result in changes in the work activities. Especially, because a large-scale construction related to the water treatment engineering business of the consolidated subsidiary, Organo Corporation, takes a long period of time to complete, there is a high degree of uncertainty in estimating the work activities and work hours toward completion. Therefore, management's determination of the following aspects of construction had a significant effect on the estimated total construction costs at the end of the fiscal year. ● whether all the work necessary to complete the construction contract was identified and the estimation of the cost relevant to the work was included in the estimated cost; and ● whether any changes in circumstances impacting the level of work required that occurred subsequent to the start of construction, were reflected within the estimated cost in a timely and appropriate manner.	The primary procedures we performed to assess the reasonableness of whether the estimate of total construction costs for transactions related to the water treatment engineering business of the consolidated subsidiary Organo Corporation where revenue is recognized for performance obligations satisfied over time included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of Organo Corporation's internal controls relevant to the process of preparing the estimated cost and managing the cost for construction contracts. In this assessment, we focused our testing on the following controls: ● controls to prepare the appropriate estimated cost; and ● controls to reflect any changes in circumstances that occur after the start of construction within the project budget in a timely and appropriate manner. (2) Assessment of the reasonableness of the estimated total construction cost We evaluated the accuracy of estimated cost by comparing the estimated cost of completed projects in the current fiscal year with the total actual cost. Also, we examined large-scale construction projects with relatively high uncertainty in the estimation of the estimated cost. In addition, we: ● assessed whether all the work agreed upon with the customer was included in the project budget by comparing the project budget with the construction contract and the specification sheet; ● evaluated the accuracy of the estimated cost by comparing the estimated cost as of the end of the fiscal year with their initial estimated cost and inquired about the cause of significant variances between the two, and ensured that the effect of events that were the causes of those variances were reflected in the latest estimated cost as of the end of the fiscal year, as necessary; and

We, therefore, determined that our assessment of the reasonableness of the estimate of total construction costs for transactions related to the water treatment engineering business of the consolidated subsidiary Organo Corporation where revenue is recognized for performance obligations satisfied over time was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	● inspected the materials for monthly construction status meetings and inquired of the head of project management and other relevant personnel about any changes in circumstances that occurred after the start of construction and their judgment on whether to update the estimated cost, and assessed the consistency of their responses with each other's.

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on property, plant and equipment used in the High Silica Zeolite business of the Company	
The key audit matter	**How the matter was addressed in our audit**
The Company reported property, plant and equipment of ¥326,706 million (US$2,669,385 thousand) on the consolidated statement of financial position as of March 31, 2022. As described in Note 2, "SUMMARY OF ACCOUNTING POLICIES, Significant Accounting Estimates, 3. The judgment as to whether an impairment loss should be recognized on property, plant and equipment used in the High Silica Zeolite business of the Company" to the consolidated financial statements, ¥11,830 million (US$96,658 thousand) of those assets were used in the High Silica Zeolite business of the Company within the Specialty segment, accounting for approximately 1.1% of total assets in the consolidated financial statements. While these assets are depreciated in a systematic manner, they need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the related asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The High Silica Zeolite business of the Company has recognized recurring operating losses for some consecutive years, indicating impairment. Accordingly, the Company performed an impairment test during the current fiscal year; however, it determined that the recognition of an impairment loss was not necessary as the estimated undiscounted future cash flows from the business exceeded the carrying amount. In the impairment testing, future cash flows were estimated based on next year's budget and the mid-term management plan of the High Silica Zeolite business, which	The primary procedures we performed to assess whether the Company's judgment with respect to the recognition of an impairment loss was appropriate, included the following: (1) Assessment of estimation uncertainty We assessed whether assumptions used in preparing next year's budget and the mid-term business plan were appropriately selected, by estimating the impact on the Company's judgment as to whether an impairment loss should be recognized on property, plant and equipment when the effects of specific uncertainties were incorporated into each assumption. (2) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to determining impairment losses to be recognized. In this assessment, we focused our testing on controls designed to prevent and/or detect the use of unreasonable assumptions that were inconsistent with the estimated effect of an increase in sales volume during the period on estimated future cash flows. (3) Assessment of the appropriateness of the judgment as to whether an impairment loss should be recognized We inquired of management to evaluate the rationale supporting the assumptions about an increase in sales volume that were the key assumptions embedded in next year's budget and the mid-term business plan of the High Silica Zeolite business of the Company. In addition, we: ● evaluated the rationale supporting the assumptions by evaluating the consistency of individually forecasted sales volume by year for

reflected highly uncertain assumptions particularly related to an increase in sales volume including obtaining prospective new orders. Accordingly, management's judgment on these assumptions had a significant effect on the estimated future cash flows. We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on property, plant and equipment used in the High Silica Zeolite business of the Company was one of the most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	major customers with the notification of expected order volume from major customers; ● assessed the consistency of the materials supporting customer negotiations with the projected increase in sales volume due to prospective orders from new customers; and ● compared sales volume with market data regarding demand trends in the industries of major customers published by external organizations.

Other Information

The other information comprises the information included in the Financial Statements, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors 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, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of 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 our 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 objective of the 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 in the consolidated financial statements are in accordance with accounting standards 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 corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 corporate auditors and the board of corporate auditors, 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, 2022 are presented solely for convenience. Our audit also included the translation of 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

We 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.

Kentaro Yamamoto
Designated Engagement Partner
Certified Public Accountant

Yoshitaka Kuwamoto
Designated Engagement Partner
Certified Public Accountant

Koichi Hamaguchi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 24, 2022

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.