



FINANCIAL STATEMENTS

Tosoh Corporation and consolidated subsidiaries
Fiscal year ended March 31, 2019

TOSOH CORPORATION

TOSOH CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS	As of March 31, 2019 and 2018		
	2019	2018	2019
	Millions of Yen		Thousands of US Dollars (Note 1)
Current assets:			
Cash and cash equivalents (Notes 7 and 12)	¥ 92,095	¥ 106,179	\$ 829,759
Trade receivables (Notes 7 and 12)	227,274	219,676	2,047,698
Lease investment assets (Note 12)	13,574	15,241	122,299
Inventories (Note 3)	150,562	141,783	1,356,537
Other current assets	17,916	9,345	161,420
Allowance for doubtful accounts	(661)	(633)	(5,955)
Total current assets	500,760	491,591	4,511,758
Investments:			
Investment securities (Notes 5 and 12)	40,757	46,838	367,213
Investments in unconsolidated subsidiaries and affiliates (Note 12)	19,668	18,514	177,205
Long-term loans receivable (Note 12)	194	223	1,748
Assets for retirement benefit (Note 8)	22,145	23,481	199,522
Other	7,924	11,163	71,394
Allowance for doubtful accounts	(580)	(474)	(5,226)
Total investments	90,108	99,745	811,856
Property, plant and equipment—net (Notes 6 and 7)	275,708	243,447	2,484,080
Other assets:			
Deferred tax assets (Note 13)	6,971	6,599	62,807
Intangibles	4,647	4,366	41,869
Total other assets	11,618	10,965	104,676
Total assets	¥ 878,194	¥ 845,748	\$ 7,912,370

The accompanying notes are an integral part of these statements.

LIABILITIES
AND NET ASSETS

	As of March 31, 2019 and 2018		
	2019	2018	2019
	Millions of Yen		Thousands of US Dollars (Note 1)
Current liabilities:			
Short-term bank loans (Notes 7 and 12)	¥ 55,756	¥ 49,145	\$ 502,352
Current maturities of long-term debt (Notes 7 and 12)	16,390	20,400	147,671
Trade payables (Note 12)	105,723	104,070	952,545
Income taxes payable	15,621	27,347	140,742
Other current liabilities	48,763	53,583	439,346
Total current liabilities	242,253	254,545	2,182,656
Long-term liabilities:			
Long-term debt, less current maturities (Notes 7 and 12)	28,926	38,295	260,618
Liabilities for retirement benefit (Note 8)	20,391	19,620	183,719
Provision for retirement benefits for directors and corporate audit and supervisory board members	416	410	3,748
Deferred tax liabilities (Note 13)	1,203	1,409	10,839
Provision for losses on dissolution of business	71	96	640
Other long-term liabilities	5,432	3,306	48,941
Total long-term liabilities	56,439	63,136	508,505
Total liabilities	298,692	317,681	2,691,161
Contingent liabilities (Note 9)			
Shareholders' equity:			
Common stock:			
Authorized—900,000,000 shares;			
Issued—325,080,956 shares	55,173	55,173	497,099
Capital surplus	45,041	44,891	405,811
Retained earnings	430,734	372,085	3,880,836
Treasury stock, 345,105 shares in 2019 and 394,937 shares in 2018	(328)	(370)	(2,955)
Total shareholders' equity	530,620	471,779	4,780,791
Accumulated other comprehensive income :			
Net unrealized gains on securities	11,853	16,755	106,793
Deferred gains(losses) on hedges	(0)	(0)	(0)
Foreign currency translation adjustments	(4,277)	(1,753)	(38,535)
Accumulated adjustments for retirement benefit	2,640	4,044	23,786
Total accumulated other comprehensive income	10,216	19,046	92,044
Stock acquisition rights (Note 16)	298	282	2,685
Non-controlling interests	38,368	36,960	345,689
Total net assets	579,502	528,067	5,221,209
Total liabilities and net assets	¥ 878,194	¥ 845,748	\$ 7,912,370

TOSOH CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Years ended March 31, 2019 and 2018		
	2019	2018	2019
	Millions of Yen		Thousands of US Dollars (Note 1)
Net sales (Note 14)	¥ 861,456	¥ 822,858	\$ 7,761,564
Cost of sales	639,714	581,812	5,763,708
Gross profit	221,742	241,046	1,997,856
Selling, general and administrative expenses (Note 10)	116,002	110,465	1,045,158
Operating income (Note 14)	105,740	130,581	952,698
Other income (expenses):			
Interest and dividend income	2,152	1,904	19,389
Foreign exchange gains (losses), net	788	(2,057)	7,100
Interest expense	(1,177)	(1,287)	(10,605)
Equity in earnings of affiliates	1,571	1,900	14,154
Loss on disposal of property, plant and equipment	(1,962)	(1,400)	(17,677)
Impairment loss	(117)	(866)	(1,054)
Insurance income	1,987	158	17,903
Subsidy income	1,387	329	12,497
Other, net	2,937	1,088	26,462
Subtotal	7,566	(231)	68,169
Income before income taxes	113,306	130,350	1,020,867
Income taxes (Note 13) :			
Current	30,439	41,751	274,250
Deferred	1,818	(2,649)	16,380
Subtotal	32,257	39,102	290,630
Net income	81,049	91,248	730,237
Profit (loss) attributable to non-controlling interests	(2,915)	(2,453)	(26,264)
Profit attributable to owners of parent	¥ 78,134	¥ 88,795	\$ 703,973
Net income per share (Note 2)	Yen		US Dollars (Note 1)
Net income—primary	¥ 240.62	¥ 273.49	\$ 2.17
Net income—diluted	240.38	273.20	2.17
Cash dividends per share	¥ 56.00	¥ 44.00	\$ 0.50

The accompanying notes are an integral part of these statements.

TOSOH CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended March 31, 2019 and 2018		
	2019	2018	2019
	Millions of Yen		Thousands of US Dollars (Note 1)
Net income	¥ 81,049	¥ 91,248	\$ 730,237
Other comprehensive income:			
Net unrealized gains on securities	(4,854)	3,666	(43,734)
Deferred gains (losses) on hedges	0	6	0
Foreign currency translation adjustments	(2,676)	606	(24,110)
Adjustments for retirement benefit	(1,431)	2,862	(12,893)
Share of other comprehensive income of affiliates applied for equity method	(264)	341	(2,379)
Total other comprehensive income (Note 4)	(9,225)	7,481	(83,116)
Comprehensive income	¥ 71,824	¥ 98,729	\$ 647,121
Breakdown of comprehensive income:			
Comprehensive income attributable to shareholders of parent	¥ 69,305	¥ 95,982	\$ 624,425
Comprehensive income attributable to non-controlling interests	2,519	2,747	22,696

TOSOH CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Millions of Yen

	Shareholders' equity				Accumulated other comprehensive income								Total net assets
	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	
As of March 31, 2017	¥ 55,173	¥ 44,720	¥ 301,820	¥ (361)	¥ 401,352	¥ 13,005	¥ (3)	¥ (2,465)	¥ 1,321	¥ 11,858	¥ 270	¥ 34,856	¥ 448,336
Change in treasury shares of parent arising from transactions with non-controlling shareholders		171			171								171
Cash dividends			(18,507)		(18,507)								(18,507)
Profit attributable to owners of parent			88,795		88,795								88,795
Purchase of treasury stock				(92)	(92)								(92)
Disposal of treasury stock			(23)	83	60								60
Other, net						3,750	3	712	2,723	7,188	12	2,104	9,304
As of March 31, 2018	¥ 55,173	¥ 44,891	¥ 372,085	¥ (370)	¥ 471,779	¥ 16,755	¥ (0)	¥ (1,753)	¥ 4,044	¥ 19,046	¥ 282	¥ 36,960	¥ 528,067
Change in treasury shares of parent arising from transactions with non-controlling shareholders		150			150								150
Cash dividends			(19,485)		(19,485)								(19,485)
Profit attributable to owners of parent			78,134		78,134								78,134
Purchase of treasury stock				(11)	(11)								(11)
Disposal of treasury stock			(0)	53	53								53
Other, net						(4,902)	0	(2,524)	(1,404)	(8,830)	16	1,408	(7,406)
As of March 31, 2019	¥ 55,173	¥ 45,041	¥ 430,734	¥ (328)	¥ 530,620	¥ 11,853	¥ (0)	¥ (4,277)	¥ 2,640	¥ 10,216	¥ 298	¥ 38,368	¥ 579,502

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, 2018	\$ 497,099	\$ 404,460	\$ 3,352,419	\$ (3,334)	\$ 4,250,644	\$ 150,959	\$ (0)	\$ (15,794)	\$ 36,436	\$ 171,601	\$ 2,541	\$ 333,003	\$ 4,757,789
Change in treasury shares of parent arising from transactions with non-controlling shareholders		1,351			1,351								1,351
Cash dividends			(175,556)		(175,556)								(175,556)
Profit attributable to owners of parent			703,973		703,973								703,973
Purchase of treasury stock				(99)	(99)								(99)
Disposal of treasury stock			(0)	478	478								478
Other, net						(44,166)	0	(22,741)	(12,650)	(79,557)	144	12,686	(66,727)
As of March 31, 2019	\$ 497,099	\$ 405,811	\$ 3,880,836	\$ (2,955)	\$ 4,780,791	\$ 106,793	\$ (0)	\$ (38,535)	\$ 23,786	\$ 92,044	\$ 2,685	\$ 345,689	\$ 5,221,209

The accompanying notes are an integral part of these statements.

TOSOH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended March 31, 2019 and 2018		
	2019	2018	2019
	Millions of Yen		Thousands of US Dollars (Note 1)
Cash flows from operating activities:			
Income before income taxes	¥ 113,306	¥ 130,350	\$ 1,020,867
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	34,519	32,618	311,010
Impairment loss	117	866	1,054
Change in assets and liabilities for retirement benefit	68	1,167	613
Interest and dividend income	(2,152)	(1,904)	(19,389)
Interest expense	1,177	1,287	10,605
Equity in earnings of affiliates	(1,571)	(1,900)	(14,154)
Loss on disposal of property, plant and equipment	1,962	1,400	17,677
Decrease (increase) in trade receivables	(9,594)	(19,242)	(86,441)
Decrease (increase) in inventories	(10,253)	(14,375)	(92,378)
Increase (decrease) in trade payables	3,696	3,096	33,300
Other, net	(13,334)	19,973	(120,137)
Subtotal	117,941	153,336	1,062,627
Interest and dividends received	2,451	2,642	22,083
Interest paid	(1,211)	(1,278)	(10,911)
Income taxes paid	(41,670)	(39,270)	(375,439)
Net cash provided by operating activities	77,511	115,430	698,360
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(61,890)	(41,837)	(557,618)
Proceeds from sales and redemption of investment securities	2,701	920	24,336
Payments for advances of long-term loans receivable	(2,046)	(318)	(18,434)
Proceeds from collections of long-term loans receivable	2,158	248	19,443
Other, net	(4,234)	(2,142)	(38,148)
Net cash used in investing activities	(63,311)	(43,129)	(570,421)
Cash flows from financing activities:			
Net decrease in short-term bank loans	8,511	(12,060)	76,683
Proceeds from long-term debt	5,629	861	50,716
Repayments of long-term debt	(20,549)	(21,467)	(185,143)
Cash dividends paid	(19,870)	(18,870)	(179,025)
Other, net	(683)	(209)	(6,154)
Net cash used in financing activities	(26,962)	(51,745)	(242,923)
Effect of exchange rate changes on cash and cash equivalents	(1,322)	163	(11,911)
Net increase in cash and cash equivalents	(14,084)	20,719	(126,895)
Cash and cash equivalents at beginning of year	106,179	85,460	956,654
Cash and cash equivalents at end of year	¥ 92,095	¥ 106,179	\$ 829,759

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 four 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, 2019, which was ¥110.99 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.

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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.

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. Equity securities issued by subsidiaries and affiliates, which are not consolidated or accounted for using the equity method, are stated at cost as determined by the moving-average method. Available-for-sale securities with available fair values are stated 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.

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 computed over the estimated useful lives of the assets on the declining basis. However, the straight-line method is applied to buildings (other than facilities attached to buildings). Besides, depreciation of facilities attached to buildings and structures acquired since April 1, 2016 is also calculated by the straight-line method. 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.

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 recognized as expense (income) as incurred.

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

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 non-employees 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.

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Per share information

The Company implemented the consolidation of shares of common stock by a factor of 2 to 1, with October 1, 2017, as the effective date. Net income per share is calculated based on the assumption that the consolidation had been implemented at the beginning of the year ended March 31, 2018.

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, 2019, comprise interim dividends of ¥28.00 and year-end dividends of ¥28.00.

Reclassifications

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

Standards and guidance not yet adopted

The following standard and guidance were issued but not yet adopted.

- Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30, March 30, 2018)

(1)Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step1: Identify contracts with customers.

Step2: Identify the performance obligations in the contract.

Step3: Determine the transaction price.

Step4: Allocate the transaction price to the performance obligation in the contract.

Step5: Recognize revenue when or as the entity satisfies a performance obligation.

(2)Effective date

Effective from the beginning of the year ending March 31, 2022.

(3)Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

Changes in presentation

(1) About Consolidated Statements of Income

"Insurance income" and "Subsidy income", which were included in "Other, net" under "Other income (expenses)" in the previous year, are presented separately from the current year because the amount of the items has increased in importance.

To reflect these changes in reporting method, the reclassification of accounts has been made for the statements of income for the previous year.

As a result, ¥487 million in "Other, net" under "Other income (expenses)" in the previous statements of income has been reclassified into ¥158 million in "Insurance income" and ¥329 million in "Subsidy income" under "Other income (expenses)".

(2) Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The Company and its subsidiaries adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ statement No.28, issued on February 16, 2018) from the beginning of the current year.

Under the partial amendments to Accounting Standard, "Deferred tax assets" came to be presented not on "Current assets" but on "Other assets", and "Deferred tax liabilities" came to be presented not on "Current liabilities" but on "Long-term liabilities".

As a result, the balance sheet for the previous year has been reclassified. The effect of the adoption in the previous year was to decrease "Deferred tax assets" under "Current assets" by ¥9,029 million, to increase "Deferred tax assets" under "Other assets" by ¥1,974 million, to decrease "Other current liabilities" under "Current liabilities" by ¥7 million and to decrease "Deferred tax liabilities" under "Long-term liabilities" by ¥7,048 million.

In addition, deferred tax assets and deferred tax liabilities of the same taxpayer have been eliminated. As a result, the Total assets were to decrease ¥7,055 million by comparing with the unchanged balance sheet of the previous year.

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 3 – INVENTORIES

Inventories as of March 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2019	2018	2019
Finished products	¥ 97,257	¥ 91,725	\$ 876,268
Raw materials and supplies	44,106	41,215	397,388
Work in process	9,199	8,843	82,881
Total	¥ 150,562	¥ 141,783	\$ 1,356,537

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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)
	2019	2018	2019
Net unrealized gains on securities			
Increase(decrease) during the year	¥ (4,559)	¥ 5,764	\$ (41,076)
Reclassification adjustments	(2,152)	(321)	(19,389)
Subtotal, before tax	(6,711)	5,443	(60,465)
Tax effect	1,857	(1,777)	16,731
Subtotal, net of tax	¥ (4,854)	¥ 3,666	\$ (43,734)
Deferred gains (losses) on hedges			
Increase during the year	¥ 1	¥ 9	\$ 9
Reclassification adjustments	(0)	0	(0)
Subtotal, before tax	1	9	9
Tax effect	(1)	(3)	(9)
Subtotal, net of tax	¥ 0	¥ 6	\$ 0
Foreign currency translation adjustments			
Increase(decrease) during the year	¥ (2,676)	¥ 606	\$ (24,110)
Subtotal, net of tax	¥ (2,676)	¥ 606	\$ (24,110)
Adjustments for retirement benefit			
Increase(decrease) during the year	¥ (2,159)	¥ 2,930	\$ (19,452)
Reclassification adjustments	95	1,190	856
Subtotal, before tax	(2,064)	4,120	(18,596)
Tax effect	633	(1,258)	5,703
Subtotal, net of tax	¥ (1,431)	¥ 2,862	\$ (12,893)
Share of other comprehensive income of affiliates applied for equity method			
Increase(decrease) during the year	¥ (263)	¥ 337	\$ (2,370)
Reclassification adjustments	(1)	4	(9)
Subtotal, net of tax	¥ (264)	¥ 341	\$ (2,379)
Total other comprehensive income	¥ (9,225)	¥ 7,481	\$ (83,116)

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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, 2019 and 2018.

Available-for-sale securities:

	Millions of Yen					
	2019			2018		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs	¥ 19,352	¥ 35,630	¥ 16,278	¥ 19,675	¥ 42,625	¥ 22,950
Securities with book values not exceeding acquisition costs	1,477	1,365	(112)	684	616	(68)
Total	¥ 20,829	¥ 36,995	¥ 16,166	¥ 20,359	¥ 43,241	¥ 22,882

	Thousands of US Dollars (Note 1)		
	2019		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs	\$ 174,358	\$ 321,020	\$ 146,662
Securities with book values not exceeding acquisition costs	13,308	12,298	(1,010)
Total	\$ 187,666	\$ 333,318	\$ 145,652

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of March 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2019	2018	2019
Land	¥ 72,313	¥ 72,753	\$ 651,527
Buildings and structures	234,047	226,818	2,108,721
Machinery and equipment	846,191	820,226	7,624,029
Lease assets	879	799	7,920
Construction in progress	42,868	29,050	386,233
	<u>1,196,298</u>	<u>1,149,646</u>	<u>10,778,430</u>
Less accumulated depreciation	<u>(920,590)</u>	<u>(906,199)</u>	<u>(8,294,350)</u>
Net property, plant and equipment	<u>¥ 275,708</u>	<u>¥ 243,447</u>	<u>\$ 2,484,080</u>

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

Short-term bank loans (partially secured) bore interest at weighted average annual rates of 0.86% and 0.65% as of March 31, 2019 and 2018, respectively. Such loans are generally renewable at maturity.

Long-term debt as of March 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2019	2018	2019
Loans from banks and other financial institutions, 1.67%, maturing serially through 2026			
Secured	¥ 394	¥ 721	\$ 3,550
Unsecured	44,922	57,974	404,739
	45,316	58,695	408,289
Less amounts due within 1 year	(16,390)	(20,400)	(147,671)
Total	¥ 28,926	¥ 38,295	\$ 260,618

Assets pledged as collateral to secure primarily short-term bank loans and long-term debt as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2019	2018	2019
Property, plant and equipment	¥ 10,270	¥ 12,218	\$ 92,531
Cash and cash equivalents	122	122	1,099
Trade receivables	256	312	2,307
Total	¥ 10,648	¥ 12,652	\$ 95,937

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The annual maturities of long-term debt as of March 31, 2019 and 2018 were as follows:

	Millions of Yen	Thousands of US Dollars (Note 1)
<u>As of March 31, 2019</u>		
2020	¥ 16,390	\$ 147,671
2021	2,656	23,930
2022	13,825	124,560
2023	7,438	67,015
2024	3,929	35,400
2025 and thereafter	1,078	9,713
	¥ 45,316	\$ 408,289
	Millions of Yen	
<u>As of March 31, 2018</u>		
2019	¥ 20,400	
2020	15,513	
2021	10,541	
2022	6,864	
2023	3,462	
2024 and thereafter	1,915	
	¥ 58,695	

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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)
	2019	2018	2019
Beginning of year	¥ 59,878	¥ 59,669	\$ 539,490
Service cost	3,055	3,087	27,525
Interest cost	193	201	1,739
Actuarial differences	724	1	6,523
Benefits paid	(3,304)	(3,075)	(29,768)
Other	(39)	(5)	(352)
End of year	¥ 60,507	¥ 59,878	\$ 545,157

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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)
	2019	2018	2019
Beginning of year	¥ 68,074	¥ 64,694	\$ 613,335
Expected return on plan assets	1,371	1,283	12,352
Actuarial differences	(1,450)	2,911	(13,064)
Contributions	1,462	1,654	13,172
Benefits paid	(2,747)	(2,466)	(24,750)
Other	(23)	(2)	(207)
End of year	¥ 66,687	¥ 68,074	\$ 600,838

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)
	2019	2018	2019
Beginning of year	¥ 4,335	¥ 4,096	\$ 39,058
Retirement benefit cost	671	665	6,045
Benefits paid	(315)	(223)	(2,839)
Contributions	(237)	(253)	(2,135)
Other	(28)	50	(252)
End of year	¥ 4,426	¥ 4,335	\$ 39,877

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2019	2018	2019
Defined benefit obligation in the Company and its consolidated subsidiaries which have funded retirement plans	¥ 51,439	¥ 51,203	\$ 463,456
Retirement plan assets	(70,594)	(71,966)	(636,039)
	(19,155)	(20,763)	(172,583)
Defined benefit obligation in the consolidated subsidiaries which don't have funded retirement plans	17,401	16,902	156,780
Net amount of liabilities and assets for retirement benefit on the balance sheet	¥ (1,754)	¥ (3,861)	\$ (15,803)
Liabilities for retirement benefit	20,391	19,620	183,719
Assets for retirement benefit	(22,145)	(23,481)	(199,522)
Net amount of liabilities and assets for retirement benefit on the balance sheet	¥ (1,754)	¥ (3,861)	\$ (15,803)

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Components of retirement benefit cost for the year ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2019	2018	2019
Service cost	¥ 3,055	¥ 3,087	\$ 27,525
Interest cost	193	201	1,739
Expected return on plan assets	(1,371)	(1,283)	(12,352)
Amortization of actuarial differences	95	1,190	856
Retirement benefit cost in the simplified method	671	665	6,045
Other	139	88	1,252
Total retirement benefit cost	<u>¥ 2,782</u>	<u>¥ 3,948</u>	<u>\$ 25,065</u>

Adjustments for retirement benefit before tax effect as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2019	2018	2019
Actuarial differences	<u>¥(2,064)</u>	<u>¥ 4,120</u>	<u>\$ (18,596)</u>

Accumulated adjustments for retirement benefit before tax effect as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2019	2018	2019
Unrecognized actuarial differences	<u>¥ (3,366)</u>	<u>¥ (5,430)</u>	<u>\$ (30,327)</u>

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The major categories of plan assets as a percentage of total assets as of March 31, 2019 and 2018 were as follows:

	2019	2018
Bonds	36.0%	36.1%
Shares of stock	38.9%	39.3%
Life insurance company general accounts	24.4%	24.0%
Other	0.7%	0.6%
Total	100%	100%

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

	2019	2018
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 ¥324 million (US\$2,919 thousand) and ¥336 million for the years ended March 31, 2019 and 2018, respectively.

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 9 – CONTINGENT LIABILITIES

Contingent liabilities primarily for loans from banks to affiliates, which are guaranteed by the Companies as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2019	2018	2019
Loans guaranteed	¥ 636	¥ 173	\$ 5,730

NOTE 10 – RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2019	2018	2019
Research and development expenses:	¥ 16,644	¥ 15,502	\$ 149,959

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Derivative transactions to which hedging accounting is not applied as of March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
	Contract amount	Fair value	Contract amount	Fair value
Foreign currency forward exchange contracts				
Buying Indonesian Rupiahs	¥ 1,182	¥ (49)	¥ 478	¥ (3)
Buying US Dollars	26	(1)	—	—
Buying Euros	4	(0)	—	—
Buying Singapore Dollars	11	(0)	—	—
Buying Japanese Yen	12	(0)	—	—
Total	<u>¥ 1,235</u>	<u>¥ (50)</u>	<u>¥ 478</u>	<u>¥ (3)</u>

	Thousands of US Dollars	
	(Note 1)	
	2019	
	Contract amount	Fair value
Foreign currency forward exchange contracts		
Buying Indonesian Rupiahs	\$ 10,650	\$ (441)
Buying US Dollars	234	(9)
Buying Euros	36	(0)
Buying Singapore Dollars	99	(0)
Buying Japanese Yen	108	(0)
Total	<u>\$ 11,127</u>	<u>\$ (450)</u>

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Derivative transactions to which hedging accounting is applied as of March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
	Contract amount	Fair value	Contract amount	Fair value
Foreign currency forward exchange contracts				
Principle method				
Buying US Dollars	¥ 15	¥ (0)	¥ —	¥ —
Allocation method				
Buying US Dollars	—	—	28	(*1)
Buying Euros	—	—	0	(*1)
Selling US Dollars	—	—	6	(*1)
Total	¥ 15	¥ (0)	¥ 34	¥ —
Interest rate swaps				
Principle method				
Payment fixation and receipt change	¥ 3,276	¥ 55	¥ 800	¥ (1)
Special method				
Payment fixation and receipt change	210	(*2)	350	(*2)
Total	¥ 3,486	¥ 55	¥ 1,150	¥ (1)

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

	Thousands of US Dollars	
	(Note 1)	
	2019	
	Contract amount	Fair value
Foreign currency forward exchange contracts		
Principle method		
Buying US Dollars	\$ 135	\$ (0)
Allocation method		
Buying US Dollars	—	—
Buying Euros	—	—
Selling US Dollars	—	—
Total	\$ 135	\$ (0)
Interest rate swaps		
Principle method		
Payment fixation and receipt change	\$ 29,516	\$ 496
Special method		
Payment fixation and receipt change	1,892	(* 2)
Total	\$ 31,408	\$ 496

(*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.

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12– 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.

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Book values and fair values of financial instruments for which it is practical to estimate values as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		
	March 31, 2019		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 92,095	¥ 92,095	¥ —
Trade receivables	227,274	227,274	—
Lease investment assets	13,574	13,574	—
Securities			
Available-for-sale securities	36,995	36,995	—
Investments in affiliates	9,322	6,429	(2,893)
Long-term loans receivable	533	533	—
Trade payables	(105,723)	(105,723)	—
Short-term bank loans	(55,756)	(55,756)	—
Long-term debt	(45,316)	(45,575)	(259)
Derivative transactions	5	5	—

	Millions of Yen		
	March 31, 2018		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 106,179	¥ 106,179	¥ —
Trade receivables	219,676	219,676	—
Lease investment assets	15,241	15,241	—
Securities			
Available-for-sale securities	43,241	43,241	—
Investments in affiliates	8,860	7,514	(1,346)
Long-term loans receivable	562	562	—
Trade payables	(104,070)	(104,070)	—
Short-term bank loans	(49,145)	(49,145)	—
Long-term debt	(58,695)	(59,314)	(619)
Derivative transactions	(4)	(4)	—

	Thousands of US Dollars (Note 1)		
	March 31, 2019		
	Book value	Fair value	Difference
Cash and cash equivalents	\$ 829,759	\$ 829,759	\$ —
Trade receivables	2,047,698	2,047,698	—
Lease investment assets	122,299	122,299	—
Securities			
Available-for-sale securities	333,318	333,318	—
Investments in affiliates	83,989	57,924	(26,065)
Long-term loans receivable	4,802	4,802	—
Trade payables	(952,545)	(952,545)	—
Short-term bank loans	(502,352)	(502,352)	—
Long-term debt	(408,289)	(410,623)	(2,334)
Derivative transactions	46	46	—

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Calculation method of fair value of financial instruments:

Cash and cash equivalents, trade receivables, lease investment assets, trade payables and short-term bank loans:

The book values approximate the fair values because of the short-term nature of these instruments.

Long-term loans receivable:

The fair values of long-term loans receivable are calculated by discounting future cash flows of the principal and interest using the current interest rate applicable to similar loans. However, as the fair values are approximate to the book values, the fair values are recorded at the book values.

Long-term debt:

The fair values of long-term debt are calculated by discounting future cash flows of the principal and interest using current interest rate applicable to similar debts.

Derivative transactions:

Refer to Note 11.

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		Thousands of US Dollars (Note 1)
	2019	2018	2019
Equity securities issued by unconsolidated subsidiaries and affiliates	¥7,291	¥ 6,682	\$ 65,691
Non-listed equity securities	3,762	3,597	33,895

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Redemption schedule of monetary claims and available-for-sale securities with maturity as of March 31, 2019 and 2018 was as follows:

	Millions of Yen			
	2019			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Cash and cash equivalents	¥92,095	¥—	¥—	¥—
Trade receivables	227,274	—	—	—
Long-term loans receivable	13	511	6	3
Total	¥ 319,382	¥ 511	¥ 6	¥ 3

	Millions of Yen			
	2018			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Cash and cash equivalents	¥ 106,179	¥—	¥—	¥—
Trade receivables	219,676	—	—	—
Long-term loans receivable	14	540	3	5
Total	¥ 325,869	¥ 540	¥ 3	¥ 5

	Thousands of US Dollars (Note 1)			
	2019			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Cash and cash equivalents	\$ 829,759	\$—	\$—	\$—
Trade receivables	2,047,698	—	—	—
Long-term loans receivable	117	4,604	54	27
Total	\$ 2,877,574	\$ 4,604	\$ 54	\$ 27

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

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 13 – 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 30.7% for the year ended March 31, 2019 and 2018, 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, 2019.

The note is omitted for the year ended March 31, 2018, 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, 2019
Statutory income tax rate	30.5 %
Increase(decrease) in taxes resulting from:	
Difference in tax rate with foreign subsidiaries	(0.5)
Equity in earnings of affiliates	(0.4)
Special deduction in research expense	(1.6)
Other	0.5
Actual income tax rate	28.5 %

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Significant components of deferred tax assets and deferred tax liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of US Dollars (Note 1)
	2019	2018	2019
Deferred tax assets:			
Liabilities for retirement benefit	¥ 7,321	¥ 6,840	\$ 65,961
Unrealized gains on intercompany transactions	7,000	7,679	63,069
Operating loss carryforwards	2,003	2,074	18,047
Impairment loss on fixed assets	1,321	1,773	11,902
Other	14,653	15,309	132,020
Total gross deferred tax assets	32,298	33,675	290,999
Valuation allowance	(6,958)	(7,170)	(62,690)
Total deferred tax assets	25,340	26,505	228,309
Deferred tax liabilities:			
Assets for retirement benefit	(6,753)	(7,160)	(60,843)
Net unrealized gains on securities	(4,539)	(6,394)	(40,896)
Reserve for replacement of property, plant and equipment	(1,906)	(1,679)	(17,173)
Other	(6,374)	(6,082)	(57,429)
Total deferred tax liabilities	(19,572)	(21,315)	(176,341)
Net deferred tax assets	¥ 5,768	¥ 5,190	\$ 51,968

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 14 – 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, "Summary of Accounting Policies."

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

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Business segment information for the years ended March 31, 2019 and 2018 was as follows:

Millions of Yen								
Year ended March 31, 2019								
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Net sales:								
External customers	¥ 183,926	¥ 337,377	¥ 197,423	¥ 98,919	¥ 43,811	¥ 861,456	¥ —	¥ 861,456
Inter-segment	96,519	31,111	14,328	16,677	55,340	213,975	(213,975)	—
Total	¥ 280,445	¥ 368,488	¥ 211,751	¥ 115,596	¥ 99,151	¥ 1,075,431	¥ (213,975)	¥ 861,456
Segment income	¥ 13,393	¥ 45,996	¥ 35,349	¥ 8,304	¥ 2,698	¥ 105,740	¥ —	¥ 105,740
Segment assets	¥ 127,147	¥ 274,932	¥ 233,991	¥ 117,610	¥ 38,155	¥ 791,835	¥ 86,359	¥ 878,194
Depreciation and amortization	3,635	12,352	11,967	999	1,488	30,441	868	31,309
Amortization on goodwill	—	—	—	51	—	51	—	51
Capital expenditures	11,042	19,221	29,100	878	3,628	63,869	961	64,830
Investment for affiliates	988	9,191	4,589	2,443	1,449	18,660	—	18,660
Millions of Yen								
Year ended March 31, 2018								
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Net sales:								
External customers	¥ 174,769	¥ 335,024	¥ 187,117	¥ 84,824	¥ 41,124	¥ 822,858	¥ —	¥ 822,858
Inter-segment	86,825	26,561	11,956	10,413	52,147	187,902	(187,902)	—
Total	¥ 261,594	¥ 361,585	¥ 199,073	¥ 95,237	¥ 93,271	¥ 1,010,760	¥ (187,902)	¥ 822,858
Segment income	¥ 22,522	¥ 66,620	¥ 33,899	¥ 4,869	¥ 2,671	¥ 130,581	¥ —	¥ 130,581
Segment assets	¥ 114,356	¥ 266,425	¥ 212,593	¥ 108,869	¥ 34,522	¥ 736,765	¥ 108,983	¥ 845,748
Depreciation and amortization	3,003	10,772	12,853	1,022	1,392	29,042	714	29,756
Amortization on goodwill	—	—	—	107	—	107	—	107
Capital expenditures	5,446	15,493	14,914	1,428	1,514	38,795	699	39,494
Investment for affiliates	960	8,542	4,489	2,316	1,352	17,659	—	17,659

TOSOH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

	Thousands of US Dollars (Note1)							
	Year ended March 31, 2019							
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Net sales:								
External customers	\$ 1,657,140	\$ 3,039,707	\$ 1,778,746	\$ 891,242	\$ 394,729	\$ 7,761,564	\$ —	\$ 7,761,564
Inter-segment	869,619	280,304	129,093	150,257	498,603	1,927,876	(1,927,876)	—
Total	<u>\$ 2,526,759</u>	<u>\$ 3,320,011</u>	<u>\$ 1,907,839</u>	<u>\$ 1,041,499</u>	<u>\$ 893,332</u>	<u>\$ 9,689,440</u>	<u>\$ (1,927,876)</u>	<u>\$ 7,761,564</u>
Segment income	<u>\$ 120,668</u>	<u>\$ 414,416</u>	<u>\$ 318,489</u>	<u>\$ 74,817</u>	<u>\$ 24,308</u>	<u>\$ 952,698</u>	<u>\$ —</u>	<u>\$ 952,698</u>
Segment assets	\$ 1,145,572	\$ 2,477,088	\$ 2,108,217	\$ 1,059,645	\$ 343,769	\$ 7,134,291	\$ 778,079	\$ 7,912,370
Depreciation and amortization	32,751	111,289	107,821	9,001	13,406	274,268	7,820	282,088
Amortization on goodwill	—	—	—	460	—	460	—	460
Capital expenditures	99,486	173,177	262,186	7,911	32,688	575,448	8,659	584,107
Investment for affiliates	<u>8,902</u>	<u>82,809</u>	<u>41,346</u>	<u>22,011</u>	<u>13,055</u>	<u>168,123</u>	<u>—</u>	<u>168,123</u>

- 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 ¥86,359 million (US\$778,079 thousand) and ¥108,983 million for segment assets as of March 31, 2019 and 2018 included ¥28,665 million (US\$258,267 thousand) and ¥25,623 million of eliminations of inter-segment receivables and assets and ¥115,024 million (US\$1,036,346 thousand) and ¥134,606 million of corporate assets unallocated to each reported segment as of March 31, 2019 and 2018, respectively.
4. Adjustments amount of ¥868 million (US\$7,820 thousand) and ¥714 million for depreciation and amortization for the years ended March 31, 2019 and 2018 were mainly corporate costs unallocated to each reported segment.
5. Adjustments amount of ¥961 million (US\$8,659 thousand) and ¥699 million for capital expenditures for the years ended March 31, 2019 and 2018 were mainly made to corporate assets unallocated to each reported segment.

TOSOH CORPORATION
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (Continued)

Related information

Geographic information

(1) Net sales

Millions of Yen				
Year ended March 31, 2019				
Japan	China	Other Asian countries	Other	Total
¥ 466,890	¥ 117,850	¥ 158,333	¥ 118,383	¥ 861,456

Millions of Yen				
Year ended March 31, 2018				
Japan	China	Other Asian countries	Other	Total
¥ 437,305	¥ 130,025	¥ 144,975	¥ 110,553	¥ 822,858

Thousands of US Dollars (Note1)				
Year ended March 31, 2019				
Japan	China	Other Asian countries	Other	Total
\$ 4,206,595	\$ 1,061,807	\$ 1,426,552	\$ 1,066,610	\$ 7,761,564

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

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(2) Property, plant and equipment

Millions of Yen		
Year ended March 31, 2019		
Japan	Other	Total
¥ 243,802	¥ 31,906	¥ 275,708

Property, plant and equipment

Millions of Yen		
Year ended March 31, 2018		
Japan	Other	Total
¥ 212,393	¥ 31,054	¥ 243,447

Property, plant and equipment

Thousands of US Dollars (Note1)		
Year ended March 31, 2019		
Japan	Other	Total
\$ 2,196,613	\$ 287,467	\$ 2,484,080

Property, plant and equipment

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Information about impairment loss of fixed assets by reported segments

Millions of Yen								
Year ended March 31, 2019								
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Impairment loss	¥ 8	¥ 56	¥ 52	¥ 1	¥ —	¥ 117	¥ —	¥ 117

Millions of Yen								
Year ended March 31, 2018								
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Impairment loss	¥ 127	¥ 247	¥ 68	¥ 1	¥ 423	¥ 866	¥ —	¥ 866

Thousands of US Dollars (Note1)								
Year ended March 31, 2019								
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Impairment loss	\$ 72	\$ 504	\$ 469	\$ 9	\$ —	\$ 1,054	¥ —	\$ 1,054

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Information about unamortized balance of goodwill by reported segments

Millions of Yen								
Year ended March 31, 2019								
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Unamortized balance of goodwill	¥—	¥—	¥—	¥ 23	¥—	¥ 23	¥—	¥ 23

Millions of Yen								
Year ended March 31, 2018								
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Unamortized balance of goodwill	¥—	¥—	¥—	¥ 78	¥—	¥ 78	¥—	¥ 78

Thousands of US Dollars (Note1)								
Year ended March 31, 2019								
	Petrochemical	Chlor-alkali	Specialty	Engineering	Other	Total	Adjustments	Consolidated
Unamortized balance of goodwill	\$—	\$—	\$—	\$ 207	\$—	\$ 207	\$—	\$ 207

TOSOH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 15 – RELATED PARTY TRANSACTIONS

There were no balances or transaction to be disclosed as of and for the year ended March 31, 2019 and 2018.

NOTE 16 – STOCK OPTION PLANS

At March 31, 2019, the Company had the following stock option plans:

	2018 plan	2017 plan	2016 plan	2015 plan	2014 plan	2013 plan
Date of grant	July 14, 2018	July 15, 2017	July 16, 2016	July 18, 2015	July 12, 2014	July 13, 2013
Grantees	30 (including 7 directors)	31 (including 8 directors)	30 (including 6 directors)	29 (including 9 directors)	32 (including 12 directors)	33 (including 13 directors)
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	49,519	30,986	81,764	55,611	85,265	110,094
Exercise price (Yen)	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Exercise price (US Dollars) (Note 1)	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Exercisable period	July 15, 2018- July 14, 2043	July 16, 2017- July 15, 2042	July 17, 2016- July 16, 2041	July 19, 2015- July 18, 2040	July 13, 2014- July 12, 2039	July 14, 2013- July 13, 2038
Fair value at the date of grant (Yen)	¥ 1,374	¥ 2,277	¥ 863	¥ 1,199	¥ 851	¥ 677
Fair value (US Dollars) (Note 1)	\$ 12.38	\$ 20.52	\$ 7.78	\$ 10.80	\$ 7.67	\$ 6.10
	2012 plan	2011 plan	2010 plan	2009 plan	2008 plan	2007 plan
Date of grant	July 14, 2012	July 16, 2011	July 17, 2010	July 18, 2009	July 19, 2008	July 18, 2007
Grantees	30 (including 11 directors)	31 (including 13 directors)	29 (including 14 directors)	28(including 16 directors)	29 (including 16 directors)	29 (including 15 directors)
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	227,185	128,901	209,856	180,594	100,549	60,686
Exercise price (Yen)	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Exercise price (US Dollars) (Note 1)	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Exercisable period	July 15, 2012- July 14, 2037	July 17, 2011- July 16, 2036	July 18, 2010- July 17, 2035	July 19, 2009- July 18, 2034	July 20, 2008- July 19, 2033	July 19, 2007- July 18, 2032
Fair value at the date of grant (Yen)	¥ 329	¥ 627	¥ 393	¥ 451	¥ 801	¥ 1,275
Fair value (US Dollars) (Note 1)	\$ 2.96	\$ 5.65	\$ 3.54	\$ 4.06	\$ 7.22	\$ 11.49

Notes: "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.

TOSOH CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 17 – SUBSEQUENT EVENTS

At the meetings of the Company's board of directors held on May 9, 2019 and May 9, 2018 retained earnings of the Company as of March 31, 2019 and 2018, were appropriated as follows:

	March 31, 2019	
	Millions of Yen	Thousands of US Dollars
Year-end cash dividends (¥28.00 per share)	¥ 9,093	(Note 1) \$ 81,926
	March 31, 2018	
	Millions of Yen	
Year-end cash dividends (¥32.00 per share)	¥ 10,391	

Independent Auditor's Report

To the Board of Directors of Tosoh Corporation:

We have audited the accompanying consolidated financial statements of Tosoh Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tosoh Corporation and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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.

KPMG AZSA LLC

June 26, 2019
Tokyo, Japan

Independent Auditor's Report

To the Board of Directors of Tosoh Corporation:

We have audited the accompanying consolidated financial statements of Tosoh Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tosoh Corporation and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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.

KPMG AZSA LLC

KPMG AZSA LLC

June 26, 2019
Tokyo, Japan