Notes to Consolidated Financial Statements

Ube Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

1

Basis of presenting consolidated financial statements

(a) Ube Industries, Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan and, accordingly, have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain modifications have been made to the accompanying financial statements in order to present them in a form which is more familiar to readers outside Japan.

(b) The accompanying financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at ¥111=US$1, the approximate rate of exchange on March 31, 2021. The translation should not be construed as a representation that Japanese yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

2

Significant accounting policies

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company (66 and 69 companies for the years ended March 31, 2021 and 2020, respectively). Significant companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements by the equity method (26 companies for the years ended March 31, 2021 and 2020). All significant intercompany balances and transactions are eliminated in consolidation.

Certain subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31, and necessary adjustments are made to their financial statements to reflect any significant transactions occurring during the January 1 to March 31 period.

In the initial consolidation, assets and liabilities of subsidiaries including those attributable to non-controlling interests are recorded based on fair value in the consolidated financial statements.

The difference between acquisition cost and the underlying net assets at fair value at the date of acquisition is amortized over a period of 20 years on a straight-line basis. Goodwill in the amount of ¥720 million (US$6,486 thousand) and ¥524 million is included in "Other non-current assets" on the consolidated balance sheet at March 31, 2021 and 2020, respectively.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost.

(b) Accounting for income taxes

Deferred tax assets and liabilities are recognized in the consolidated financial statements with respect to the differences between the financial reporting and the tax bases of the assets and liabilities.

Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Valuation allowance is provided for the deferred tax assets that are not realizable within a reasonable period.

(c) Securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: "Trading," "Held-to-maturity" and "Others." The Company and its consolidated subsidiaries have no trading securities and held-to-maturity securities. Marketable securities classified as other securities are carried at fair value with changes in the valuation difference, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving-average method.

(d) Derivatives and hedge accounting

All derivatives are stated at fair value, with changes in fair value recorded as gain or loss for the period in which they arise.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers the recognition of gains or losses resulting from changes in the fair value of the derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed ("Short-cut method").

Summarized in the table below are hedging instruments and items hedged.

Hedging instruments	Items hedged
Interest rate swaps	Loans
Interest rate options	Loans
Forward foreign exchange contracts	Foreign currency receivables and payables Forecasted foreign currency transactions
Currency options	Foreign currency receivables and payables Forecasted foreign currency transactions
Currency swaps	Foreign currency loans
Coal price swaps	Coal purchased at market linked price

The Company and its consolidated subsidiaries use hedging instruments for the purpose of reducing the fluctuation risk of interest rates, foreign exchange and coal prices in accordance with the Company's policies.

The effectiveness of hedging activities is assessed by confirming whether each hedging instrument corresponds to the item hedged.

Additional information on derivatives is presented in Note 18. Derivative financial instruments.

(e) Retirement and pension plan

The Company attributes projected benefits based on a flat benefit formula.

Actuarial gain or loss is amortized in the following year in which the gain or loss is incurred mainly by the declining-balance method over 10-14 years, which are shorter than the average remaining service years of employees.

Prior service cost is amortized as incurred mainly by the straight-line method over 5-14 years, which are shorter than the average remaining service years of the employees.

Many consolidated subsidiaries adopt a simplified method to calculate net defined benefit liability and retirement benefit expenses based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminate their employment at fiscal year end, approximates the retirement benefit obligations at year end.

(f) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at an amount estimated with reference to individual uncollectible accounts plus an amount calculated using a historical rate determined based on the actual uncollectible amounts incurred in prior years.

(g) Inventories

Inventories are stated at the lower of cost or market, cost being determined principally by the weighted-average method.

(h) Property, plant and equipment (except for leased assets) and depreciation

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed principally by the straight-line method for the Company and by the declining-balance method for some consolidated subsidiaries, except for certain buildings of domestic consolidated subsidiaries acquired on or after April 1, 1998, and except for certain building facilities and structures of domestic consolidated subsidiaries acquired on or after April 1, 2016, which are depreciated by the straight-line method, at rates based on the estimated useful lives of the respective assets.

The estimated useful lives of the assets are as follows:

Buildings and structures: 2 to 75 years

Machinery and equipment: 2 to 30 years

(i) Intangible assets (except for leased assets)

Mining rights are amortized by the unit-of-production method and patent rights, software and others are amortized by the straight-line method over their estimated useful lives.

(j) Leased assets

Leased property under finance leases which does not transfer ownership of the leased property to lessees is depreciated or amortized by the straight-line method over the lease terms assuming no residual value.

(k) Research and development costs

Research and development costs are charged to income when incurred.

(l) Net income per share

Basic net income per share is computed based on net income available for distribution to stockholders of common stock and the weighted average number of shares of common stock outstanding during each year (101,134 thousand shares and 101,069 thousand shares for the years ended March 31, 2021 and 2020, respectively). Diluted net income per share is computed based on net income available for distribution to the stockholders and the weighted average number of shares of common stock outstanding during each year assuming full exercise of share subscription rights (290 thousand shares and 318 thousand shares for the years ended March 31, 2021 and 2020, respectively).

(m) Provision for bonuses

Provision for bonuses is provided for payments to employees at the estimated amount incurred attributable to the current fiscal year.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments. Short-term investments included here are readily convertible into cash, exposed to insignificant risk of changes in value and mature or become due within three months of the date of acquisition.

(o) Provision for loss on order received

Provision for loss on order received is provided to cover the losses that are highly likely to be incurred and the amounts of which can be reasonably estimated.

These provision for loss on order received in the amounts of ¥378 million (US$3,405 thousand) and ¥277 million are included in "Other current liabilities" on the consolidated balance sheet at March 31, 2021 and 2020, respectively.

(p) Provision for directors' retirement benefits

Consolidated subsidiaries provide for retirement allowances for directors and audit & supervisory board members at the necessary amount at the year end based on their internal policies.

Retirement allowances of ¥497 million (US$4,477 thousand) and ¥586 million are included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2021 and 2020, respectively.

(q) Provision for loss on business restructuring

Provision for loss on business restructuring is provided to cover the losses, which are highly likely to be incurred and the amounts of which can be reasonably estimated, related to certain businesses of the Company and its consolidated subsidiaries.

These provision for losses on business restructuring in the amounts of ¥75 million (US$676 thousand) and ¥222 million are included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2021 and 2020, respectively.

(r) Provision for special repairs

Provision for special repairs is provided for payments of routine maintenance mainly for ammonia plants at the estimated amount.

These provision for special repairs in the amounts of ¥1,503 million (US$13,541 thousand) and ¥2,930 million are included in "Other long-term liabilities" on the consolidated balance sheet at March 31, 2021 and 2020, respectively.

3

Significant accounting estimates

Loss on impairment of property, plant and equipment

An impairment loss of ¥55 million (US$495 thousand) was recognized for the year ended March 31, 2021.

Total property, plant and equipment, net of ¥331,223 million (US$2,983,991 thousand) has been recorded on the consolidated balance sheet at March 31, 2021.

Impairment loss on idle land, etc., whose market value has declined was recognized during the year ended March 31, 2021.

The Group regularly assesses any indication of impairment for each fixed asset grouping and estimates the recoverable amount in the event indications of impairment exist. When calculating the recoverable amount, the future cash flows expected to be generated by the asset group are used. In estimating the future cash flows, the Group evaluates the business condition and the market trends of the future growth rates of industries in which its customers operate. However, if the future cash flow projection changes and the carrying value of the asset group is unrecoverable, an impairment loss may be recorded.

Recoverability of deferred tax assets

Deferred tax assets of ¥16,263 million (US$146,514 thousand) has been recorded on the consolidated balance sheet at March 31, 2021.

Deferred tax assets recognized by the Group are related future tax consequences of temporary differences and estimated regularly to assess recoverability. The recoverability of deferred tax assets is largely dependent on estimates of the future taxable income. In estimating taxable income, the Group evaluates the business condition and the market trends of the future growth rates of the industries in which its customers operate. However, if it is determined that some or all deferred tax assets are unrecoverable due to a change in estimates, the amount of deferred tax assets may be reduced.

4

Accounting changes

Accounting standards issued but not yet adopted

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 issued on March 26, 2021)

•Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued on March 31, 2020)

1. Overview

In May 2014, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly issued Revenue from Contracts with Customers (IFRS 15 under IFRS and Topic 606 under U.S. GAAP), a converged standard on the recognition of revenue from contracts with customers. In light of IFRS 15`s mandatory application for annual reporting periods beginning on or after January 1, 2018 and Topic 606`s mandatory application for annual reporting periods beginning on or after December 16, 2017, the ASBJ had projected the development of a comprehensive accounting standard for revenue recognition and issued the corresponding accounting standard and the implementation guidance. The basic policy on development of the accounting standard by the ASBJ is basically based on IFRS 15, from the standpoint of comparability of the financial statements between IFRS and Japanese GAAP. Also, certain additional alternative treatments that do not impair comparability are provided where current practices under Japanese GAAP should be addressed.

2. Scheduled date of adoption

The Company expects to adopt ASBJ Statement No. 29 and ASBJ Guidance No. 30 and No. 19 from the beginning of the fiscal year ending March 31, 2022.

3. Effect of adoption

The Company is currently evaluating the effect of adopting ASBJ Statement No. 29 and ASBJ Guidance No. 30 and No. 19 on its consolidated financial statements.

•Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019)
•Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 issued on July 4, 2019)
•Accounting Standard for Finacial Instruments (ASBJ Statement No. 10 issued on July 4, 2019)
•Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued on July 4, 2019)
•Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued on March 31, 2020)

1. Overview

The IASB and the FASB have provided similar detailed guidance on fair value measurement (IFRS 13 Fair Value Measurement by IASB, and Fair Value Measurement (Topic 820) by FASB). Given this situation, the ASBJ issued “Accounting Standard for Fair Value Measurement,” etc., as a result of its initiatives mainly to promote the consistency between Japanese accounting standards and international accounting standards regarding guidance for fair value measurement and required disclosures.

The basic objective of the ASBJ in developing the accounting standard for fair value measurement was to enhance comparability between financial statements of domestic and foreign entities, through a unified measuring method. Accordingly, the accounting standard fundamentally incorporates the basic policies of IFRS 13. Furthermore, where there are items that should be considered to reflect business practices in Japan, exceptional treatments have been established for certain items to the extent that comparability is not impaired.

2. Scheduled date of adoption

The Company expects to adopt ASBJ Statements No. 30, No. 9 and No. 10 and ASBJ Guidance No. 31 and No. 19 from the beginning of the fiscal year ending March 31, 2022.

3. Effect of adoption

The Company is currently evaluating the effect of adopting ASBJ Statements No. 30, No. 9 and No. 10 and ASBJ Guidance No. 31 and No. 19 on its consolidated financial statements.

5 Financial instruments

(a) Policy for financial instruments

The Group manages funds by utilizing short-term deposits, etc., subject to an insignificant risk of change in value. The Group raises money by borrowing from financial institutions and by issuing commercial paper, straight bonds and bonds with warrants. The Group uses derivatives for the purpose of reducing risk and does not hold or issue derivative financial instruments for speculative purposes.

(b) Types of financial instruments and related risk

Trade receivables— Notes and accounts receivables - trade —are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange risk arising from receivables and payables denominated in foreign currencies. The foreign currency exchange risks deriving from those receivables and payables are hedged by forward foreign exchange contracts, currency options and currency swaps.

Investment securities are exposed to market risk and credit risk in relation to issuers. Those securities are composed of the shares of common stock of other companies.

Trade payables— Notes and accounts payables – trade —have payment due dates within one year.

Short-term loans payable are raised and commercial paper is issued mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Short-term loans payable and long-term debt with variable interest rates are exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for those bearing interest at variable rates, the Group utilizes interest rate swap or option transactions as a hedging instrument.

Regarding derivatives, the Group enters into derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates and commodity prices.

(c) Risk management for financial instruments

1. Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors the credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Group also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

2. Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange risk for each currency and enters into forward foreign exchange contracts, currency options and currency swaps to hedge such risk. In order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Group may also enter into interest rate swap transactions and interest rate option transactions.

For investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers.

In conducting derivative transactions, the division in charge of derivative transactions follows the internal policies, which set forth delegation of authority and maximum upper limit on positions.

3. Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on a report from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

(d) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. The notional amounts of derivatives in Note 18. Derivative financial instruments are not necessarily indicative of the actual market risk involved in derivative transactions.

Summarized in the table below are the carrying amounts and the estimated fair values of financial instruments outstanding at March 31, 2021 and 2020. Financial instruments for which it is extremely difficult to determine the fair value are not included in the table below.

	Millions of yen			Thousands of U.S. dollars		
	2021			2021		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Cash and cash equivalents	¥ 79,646	¥ 79,646	¥ —	$ 717,531	$ 717,531	$ —
Time deposits	658	658	—	5,928	5,928	—
Notes and accounts receivable - trade	149,615	149,615	—	1,347,883	1,347,883	—
Investment securities	12,028	12,028	—	108,360	108,360	—
Total assets	¥241,947	¥241,947	¥ —	$2,179,702	$2,179,702	$ —
Liabilities						
Notes and accounts payable - trade	¥ 90,831	¥ 90,831	¥ —	$ 818,297	$ 818,297	$ —
Short-term loans payable	23,372	23,372	—	210,559	210,559	—
Other payables	30,718	30,718	—	276,739	276,739	—
Income taxes payable	3,196	3,196	—	28,793	28,793	—
Long-term debt*	185,904	185,814	(90)	1,674,810	1,673,999	(811)
Total liabilities	¥334,021	¥333,931	¥(90)	$3,009,198	$3,008,387	$(811)
Derivative financial transactions**	¥ 1,328	¥ 1,328	¥ —	$ 11,964	$ 11,964	$ —

** Current portions of long-term borrowings of ¥14,659 million (US$132,063 thousand) and bonds payable of 10,000 million (US$90,090 thousand) are included in long-term debt.*

*** The value of assets and liabilities arising from derivatives is shown at net value with amounts in parentheses representing net liability position.*

Note: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

(a) "Cash and cash equivalents," "Time deposits" and "Notes and accounts receivable - trade"

These are settled in a short period of time, therefore their carrying amounts approximate fair value.

(b) "Investment securities"

The fair values of marketable securities are based on quoted market prices.

The fair values of debt securities are based on either quoted market prices or quotes provided by the financial institutions. For information on securities classified by holding purpose, please refer to Note 6. Securities in these notes to the consolidated financial statements.

Liabilities

(c) "Notes and accounts payable - trade," "Short-term loans payable," "Other payables" and "Income taxes payable"

These are settled in a short period of time, therefore their carrying amounts approximate fair value.

(d) "Long-term debt"

The fair value of bonds is estimated based on either market price, when available, or present value of the total of principal and interest discounted by the interest rate that would be applied if similar new bonds were issued. The fair value of long-term borrowings is estimated based on present value of the total of principal and interest discounted by the interest rate that would be applied if similar new borrowings were entered into. Long-term borrowings with variable rates are hedged by interest rate swap contracts that are accounted for by the short-cut method and the fair value is estimated based on the total of principal and interest under the short-cut method discounted by the interest rate that would be applied if similar new borrowings were entered into.

Derivative financial transactions

Please refer to Note 18. Derivative financial instruments in these notes to the consolidated financial statements.

	Millions of yen		
	2020		
	Carrying amount	Fair value	Difference
Assets			
Cash and cash equivalents	¥ 40,609	¥ 40,609	¥—
Time deposits	617	617	—
Notes and accounts receivable - trade	158,140	158,140	—
Investment securities	9,104	9,104	—
Total assets	¥208,470	¥208,470	¥—
Liabilities			
Notes and accounts payable - trade	¥ 92,620	¥ 92,620	¥—
Short-term loans payable	26,009	26,009	—
Other payables	33,192	33,192	—
Income taxes payable	4,369	4,369	—
Long-term debt*	161,895	161,938	43
Total liabilities	¥318,085	¥318,128	¥43
Derivative financial transactions**	¥ 1,213	¥ 1,213	¥—

** Current portions of long-term borrowings of ¥17,475 million is included in long-term debt.*

*** The value of assets and liabilities arising from derivatives is shown at net value with amounts in parentheses representing net liability position.*

Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2021 and 2020 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Unconsolidated subsidiaries and affiliates securities	**¥42,392**	¥38,998	**$381,910**
Non-listed equity securities	**4,252**	4,568	**38,306**
Others	**812**	656	**7,315**

Redemption schedules for financial assets and investment securities with contractual maturities subsequent to March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	**¥ 79,620**	**¥—**	**¥—**	**¥—**
Time deposits	**658**	**—**	**—**	**—**
Notes and accounts receivable - trade	**149,615**	**—**	**—**	**—**
	¥229,893	**¥—**	**¥—**	**¥—**

	Thousands of U.S. dollars			
	2021			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	**$ 717,297**	**$—**	**$—**	**$—**
Time deposits	**5,928**	**—**	**—**	**—**
Notes and accounts receivable - trade	**1,347,883**	**—**	**—**	**—**
	$2,071,108	**$—**	**$—**	**$—**

	Millions of yen			
	2020			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 40,572	¥—	¥—	¥—
Time deposits	617	—	—	—
Notes and accounts receivable - trade	158,140	—	—	—
	¥199,329	¥—	¥—	¥—

Redemption schedules for long-term debt and other interest-bearing debt subsequent to March 31, 2021 and 2020 are as follows:

	Millions of yen					
	2021					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	¥23,372	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	24,659	25,168	20,065	31,511	28,999	55,502
	¥48,031	¥25,168	¥20,065	¥31,511	¥28,999	¥55,502

	Thousands of U.S. dollars					
	2021					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	$210,559	$ —	$ —	$ —	$ —	$ —
Long-term debt	222,153	226,738	180,766	283,883	261,252	500,018
	$432,712	$226,738	$180,766	$283,883	$261,252	$500,018

	Millions of yen					
	2020					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	¥26,009	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	17,475	24,281	24,609	19,623	23,750	52,157
	¥43,484	¥24,281	¥24,609	¥19,623	¥23,750	¥52,157

6 Securities

Investment securities at March 31, 2021 and 2020 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment securities:			
Unconsolidated subsidiaries and affiliated companies	¥42,392	¥38,998	$381,910
Others	17,092	14,328	153,982
	¥59,484	¥53,326	$535,892

Marketable securities classified as other securities at March 31, 2021 and 2020 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2021			2020			2021		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:									
Stock	¥10,643	¥4,401	¥6,242	¥7,503	¥3,929	¥3,574	$ 95,883	$39,649	$56,234
Debt securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Subtotal	10,643	4,401	6,242	7,503	3,929	3,574	95,883	39,649	56,234
Securities whose acquisition cost exceeds their carrying value:									
Stock	1,385	1,857	(472)	1,601	2,287	(686)	12,477	16,729	(4,252)
Debt securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Subtotal	1,385	1,857	(472)	1,601	2,287	(686)	12,477	16,729	(4,252)
Total	¥12,028	¥6,258	¥5,770	¥9,104	¥6,216	¥2,888	$108,360	$56,378	$51,982

Non-listed equity securities and others are not included in the above table because there were no quoted market prices available and their fair value is deemed to be extremely difficult to determine.

These non-listed equity securities and others in the amounts of ¥5,164 million (US$46,523 thousand) and ¥5,324 million are included in "Investment securities" on the consolidated balance sheet at March 31, 2021 and 2020, respectively.

Sales of securities classified as other securities and the aggregate gain for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2021			2020			2021		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥—	¥—	¥—	¥1,359	¥1,014	¥—	$—	$—	$—
Debt securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
	¥—	¥—	¥—	¥1,359	¥1,014	¥—	$—	$—	$—

Acquisition costs in the tables above represent the amounts after deduction of impairment losses.

Impairment losses in the amount of ¥41 million were recognized for the year ended March 31, 2020.

Impairment losses are recognized for securities whose fair values at the year end are less than 50% of acquisition cost, or are more than 50% but less than 70% and deemed to be unrecoverable.

7 Inventories

Inventories at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Finished goods	¥35,748	¥43,171	$322,054
Work in process	19,362	21,200	174,432
Raw materials and supplies	32,724	29,371	294,811
	¥87,834	¥93,742	$791,297

8 Short-term loans payable and long-term debt

Short-term loans payable represent bank loans, with average interest rates of 0.39% and 0.43% per annum at March 31, 2021 and 2020, respectively.

Long-term debt at March 31, 2021 and 2020 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
0.53% unsecured bonds due FY 2021	¥ 10,000	¥ 10,000	$ 90,090
0.15% unsecured bonds due FY 2022	10,000	10,000	90,090
0.15% unsecured bonds due FY 2024	10,000	10,000	90,090
0.31% unsecured bonds due FY 2025	10,000	10,000	90,090
0.43% unsecured bonds due FY 2026	10,000	10,000	90,090
0.375% unsecured bonds due FY 2027	10,000	10,000	90,090
0.58% unsecured bonds due FY 2030	10,000	—	90,090
Loans principally from banks and insurance companies:			
Secured, at 0.33% to 4.10%, maturing through FY 2025	2,706	—	24,378
Secured, at 0.36% to 1.21%, maturing through FY 2025	—	1,614	—
Unsecured, at 0.00% to 3.95%, maturing through FY 2033	113,198	100,281	1,019,802
	185,904	161,895	1,674,810
Less current portion	24,659	17,475	222,153
	¥161,245	¥144,420	$1,452,657

The Company and certain consolidated subsidiaries have entered into loan commitment agreements amounting to ¥22,435 million (US$202,117 thousand) with certain banks. There was no loans payable outstanding at March 31, 2021 under these loan commitment agreements.

The aggregate annual maturities of the non-current portion of long-term debt are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2023	¥ 25,168	$ 226,738
2024	20,065	180,766
2025	31,511	283,883
2026	28,999	261,252
2027 and thereafter	55,502	500,018
	¥161,245	$1,452,657

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Pledged assets

The assets pledged as collateral for short-term and long-term borrowings, guarantees and borrowings of affiliated companies at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets pledged as collateral:			
Property, plant and equipment, at net book value	¥9,012	¥9,585	$81,189

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Contingent liabilities

At March 31, 2021 and 2020, the Company and its consolidated subsidiaries are contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
As endorser of trade notes discounted or endorsed	¥ 49	¥ 114	$ 441
As guarantor of employees' housing loans	11	17	99
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	6,180	8,004	55,676

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Net assets

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) shall be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

At the general shareholders' meeting of the Company held on June 29, 2021, the distribution of retained earnings for the year ended March 31, 2021 was approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥45.00 per share)	¥4,551	$41,000

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Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Freight and storage	¥20,052	¥21,168	$180,649
Salaries and benefits	21,072	21,319	189,838
Research and development costs	11,034	12,137	99,405

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Research and development costs

Research and development costs, all of which are included in “Selling, general and administrative expenses” and “Cost of sales” for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Research and development costs	¥ 11,378	¥12,890	$102,505

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Other income (expenses)

“Other income (expenses) – Others, net” for the years ended March 31, 2021 and 2020 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gain on sales of investment securities, net	¥ 483	¥ 1,002	$ 4,351
Gain (loss) on sales of property, plant and equipment, net	150	(8)	1,351
Loss on disposal of property, plant and equipment	(2,835)	(1,474)	(25,540)
Loss on impairment of fixed assets (Note 15)	(55)	(5,236)	(495)
Loss on valuation of investment securities	(1,452)	(298)	(13,081)
Gain on foreign currency exchange, net	363	664	3,270
Others, net	(1,341)	(1,159)	(12,081)
	¥(4,687)	¥(6,509)	$(42,225)

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Loss on impairment of fixed assets

Fixed assets of the Company and its consolidated subsidiaries are grouped at the business unit or department level for impairment testing.

Loss on impairment of fixed assets for the year ended March 31, 2021 consists of the following:

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Idle property:		
Land	¥(15)	$(135)
Business assets in use:		
Dolomite for food manufacturing plant (Ube Material Industries, Ltd.)	(12)	(108)
Dan line in plastic materials manufacturing plant (Ube-Nitto Kasei (WUXI) Co., Ltd.)	(12)	(108)
Land on ready-mixed concrete manufacturing plant (Hokkaido Ube Co., Ltd.)	(16)	(144)
	¥(55)	$(495)

(a) Idle property

Among idle property by the Company, there were certain assets whose book values exceeded their recoverable amounts. These assets were written down to their recoverable amounts and an impairment loss of ¥15 million (US$135 thousand) was recognized for the year ended March 31, 2021. This impairment loss consisted of ¥15 million (US$135 thousand) for land.

The recoverable amounts for land in the idle property were determined at net selling price based on appraisal.

(b) Business assets in use

Ube Material Industries, Ltd. decided to withdraw from the dolomite business and reduced the book value of the related facilities to their recoverable amounts.

The recoverable amounts were determined at their memorandum prices, and an impairment loss of ¥12 million (US$108 thousand) was recorded.

This impairment loss consisted of ¥12 million (US$108 thousand) for buildings and others.

Ube-Nitto Kasei (WUXI) Co., Ltd. decided to withdraw from the dan line business and reduced the book value of the related facilities to their recoverable amounts.

The recoverable amounts were determined at their memorandum prices, and an impairment loss of ¥12 million (US$108 thousand) was recorded.

This impairment loss consisted of ¥12 million (US$108 thousand) for machinery and others.

Hokkaido Ube Co., Ltd. decided to close a ready-mixed concrete manufacturing plant in Shiribeshi and reduced the book value of the land to their recoverable amounts.

The recoverable amounts were determined at net selling price based on appraisal, and an impairment loss of ¥16 million (US$144 thousand) was recorded.

This impairment loss consisted of ¥16 million (US$144 thousand) for land.

Loss on impairment of fixed assets for the year ended March 31, 2020 consists of the following:

	Millions of yen
	2020
Assets held for sale:	
Land, buildings and structures	¥ (180)
Business assets in use:	
Golf course (Ube Realty & Development Co., Ltd.)	(4,617)
Plastic materials for optical communication manufacturing plant (Ube Exsymo Co., Ltd.)	(439)
	¥(5,236)

(a) Assets held for sale

Among assets held for sale by the Company, there were certain assets whose book values exceeded their recoverable amounts. These assets were written down to their recoverable amounts and an impairment loss of ¥180 million was recognized for the year ended March 31, 2020. This impairment loss consisted of ¥84 million for land and ¥96 million for buildings and structures.

The recoverable amounts for land classified as assets held for sale were determined based on net selling price based using the appraisal value and those for buildings and structures classified as assets held for sale were determined based on their memorandum prices.

(b) Business assets in use

Ube Realty & Development Co., Ltd. decided to transfer a golf course business and reduced the book value of the related facilities to their recoverable amounts.

The recoverable amounts were determined based on their contract prices, and an impairment loss of ¥4,617 million was recorded.

This impairment loss consisted of ¥3,297 million for land, ¥559 million for structures, ¥548 million for buildings and ¥213 million for machinery and others.

Ube Exsymo Co., Ltd. wrote down the book values of plastic materials for optical communication manufacturing plant to its recoverable amounts due to a decline in profitability and recorded an impairment loss of ¥439 million.

This impairment loss consisted of ¥240 million for machinery, ¥172 million for buildings and ¥27 million for others.

The recoverable amount of the asset group was measured based on value in use, but the discount rate is not disclosed because the undiscounted cash flows were negative.

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Income taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.5% for the years ended March 31, 2021 and 2020.

The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2021 and 2020 differ from the statutory tax rates for the following reasons.

	Percentage	
	2021	2020
Statutory tax rate	30.5%	30.5%
Effect of:		
Permanently non-deductible expenses	0.2	0.4
Permanently non-taxable items including dividend income	(11.6)	(11.4)
Loss carried forward without deferred tax assets	0.9	8.9
Deducted amount of loss without deferred tax assets	(1.1)	(0.7)
Effect of elimination of dividend income through consolidation procedures	12.0	11.0
Share of profit of entities accounted for using equity method	(1.5)	(2.3)
Tax rate difference of overseas consolidated subsidiaries	(0.6)	(2.6)
Gain on bargain purchase	(0.2)	—
Retained earnings of foreign subsidiary companies	(13.6)	0.3
Deductible research and development expenses	(2.1)	(3.2)
Consolidated adjustment for allowance for doubtful accounts	(1.4)	(5.8)
Decrease in valuation allowance of resolution in subsidiary's dissolution	(9.0)	—
Gain on change in equity	(2.5)	—
Others	(0.4)	0.1
Effective tax rate	(0.4)%	25.2%

The significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Provision for bonuses	¥ 2,005	¥ 2,183	$ 18,063
Net defined benefit liability	2,475	2,374	22,297
Allowance for doubtful accounts	316	269	2,847
Loss carried forward	7,132	6,219	64,252
Intercompany profit	10,759	10,764	96,928
Depreciation and amortization	2,431	2,728	21,901
Loss on valuation of investment securities	3,374	1,136	30,396
Disposal of fixed assets without dismantlement	2,525	2,525	22,748
Accrual for losses on business restructuring	78	92	703
Others	6,396	7,963	57,622
Gross deferred tax assets	37,491	36,253	337,757
Valuation allowance:			
Tax loss carried forward	(5,071)	(5,233)	(45,685)
Total future tax consequences of temporary differences**	(3,645)	(3,682)	(32,838)
Gross valuation allowance	(8,716)	(8,915)	(78,523)
Total deferred tax assets	28,775	27,338	259,234
Deferred tax liabilities:			
Reserve for advanced depreciation of non-current assets	(1,986)	(2,127)	(17,892)
Valuation difference on available-for-sale securities	(1,592)	(752)	(14,342)
Net defined benefit asset	(2,816)	(1,104)	(25,370)
Revaluation surplus on assets	(1,433)	(1,572)	(12,910)
Retained earnings of foreign subsidiary companies	(1,761)	(4,805)	(15,865)
Others	(3,703)	(3,679)	(33,360)
Total deferred tax liabilities	(13,291)	(14,039)	(119,739)
Net deferred tax assets*	¥ 15,484	¥ 13,299	$ 139,495

** Net deferred tax assets in the preceding table are classified as follows in the accompanying consolidated balance sheet.*

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investments and other assets – Deferred tax assets	¥16,263	¥14,516	$146,514
Long-term liabilities – Deferred tax liabilities	(779)	(1,217)	(7,018)

*** Tax loss carried forward and deferred tax assets by carry-forward period are as follows:*

	Millions of yen			Thousands of U.S. dollars		
Years ending March 31	Tax loss carried forward	Valuation allowance	Deferred tax assets	Tax loss carried forward	Valuation allowance	Deferred tax assets
2022	¥ —	¥ —	¥ —	$ —	$ —	$ —
2023	31	(22)	9	279	(198)	81
2024	673	(223)	450	6,063	(2,009)	4,054
2025	277	(4)	273	2,496	(36)	2,460
2026	998	(15)	983	8,991	(135)	8,856
2027 and thereafter	5,153	(4,807)	346	46,423	(43,307)	3,116
	¥7,132	¥(5,071)	¥2,061*	$64,252	$(45,685)	$18,567

** For the tax loss carried forward of ¥7,132 million (US$64,252 thousand) and ¥6,219 million for the years ended March 31, 2021 and 2020, respectively, the deferred tax assets of ¥2,061 million (US$18,567 thousand) and ¥986 million for the years ended March 31, 2021 and 2020, respectively have been recorded. The tax loss carried forward was determined to be recoverable as future taxable income is anticipated, and therefore a valuation allowance has not been recognized.*

Note: Tax loss carried forward is measured using the statutory effective tax rate.

17 Business combinations

Business combination through acquisitions

1. Outline of business combination

(1) Name of acquired company

Premium Composite Technology North America, Inc. (hereafter “PCTNA”)

(2) Business description

Commissioned manufacturing of plastic compounds

(3) Main reason for business combination

PCTNA was established in 2009 as part of the Toyota Tsusho Group and mainly engages in the commissioned manufacturing of plastic compounds made from non-nylon resins in the United States. PCTNA offers a quality management system primarily for Japanese automakers, and has established itself as a longstanding supplier to the auto industry with a strong reputation for quality.

Under its current medium-term management plan, the Company has positioned its nylon 6 business as an active growth business and is further strengthening its competitive advantages for extrusion applications while expanding the scope of its business for injection applications. As a part of the Company’s efforts for expanding the international operations for the injection and compound businesses, its European subsidiary, UBE Corporation Europe, S.A.U., acquired a Spanish company in March 2019 that manufactures and markets plastic compounds.

The acquisition of PCTNA will enable the Company to establish a first own North American base for manufacturing its own compounds, adding to its existing manufacturing bases in Japan, Thailand, and Spain. With global operations covering the four regions of Japan, Asia, Europe and North America, the Company will be able to offer automakers (OEMs) and Tier 1 auto parts manufacturers a global supply network. The North American market is one of the world’s leading markets for the auto industry, and many Japanese OEMs and Tier 1 auto parts manufacturers have established local manufacturing operations as well as R&D bases in the region to accelerate localization. The Company will leverage PCTNA to supply new value to markets and customers, driven by the advantages of locally procured materials.

The acquisition will also allow the Company to tap into the plastic compounding technology and expertise held by PCTNA. This will in turn enable the Company to propose and combine optimal polymer solutions according to the needs of markets, which is expected to significantly contribute to the product and market development efforts of the Company Group.

(4) Date of business combination

April 1, 2020

(5) Legal form of business combination

Acquisition of shares in exchange for cash

(6) Company name after business combination

Unchanged

(7) Percentage of voting rights acquired

Percentage of voting rights before business combination: —%

Percentage of voting rights after business combination: 100%

(8) Basis for determining acquiring company

Because the Company acquired shares of PCTNA in exchange for cash

2. *Period for which acquired company's operating results are included in consolidated statement of income*

The acquired company's operating results are included in the consolidated statement of income from April 1, 2020 to March 31, 2021.

3. *Acquisition cost*

	Millions of yen	Thousands of U.S. dollars
Cash	¥0	$0
Total acquisition cost	¥0	$0

4. *Acquisition-related cost*

	Millions of yen	Thousands of U.S. dollars
Advisory fees	¥62	$559

5. *Amount of gain on bargain purchase recognized and reason for recognition*

(1) Amount of gain on bargain purchase recognized

¥145 million (US$1,306 thousand)

(2) Reason for recognized

The gain recognized resulted from the difference between the net fair value of assets acquired and liabilities assumed and the acquisition cost of the shares.

6. *Details on assets acquired and liabilities assumed*

	Millions of yen	Thousands of U.S. dollars
Current assets	¥219	$1,973
Non-current assets	80	721
Total assets	¥299	$2,694

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥154	$1,387
Total liabilities	¥154	$1,387

Common control transactions

1. *Outline of transaction*

(1) Name of combined entities

Taisei industry Co., Ltd.

(2) Business description

Sales of cement, ready-mixed concrete, building materials and electrical machinery

(3) Date of transaction

April 1, 2020

(4) Legal form of transaction

An absorption-type merger
Surviving company
Company name: Ube Construction Materials Sales Co., Ltd. (The Company's consolidated subsidiary)
Absorbed company
Company name: Taisei industry Co., Ltd. (The Company's unconsolidated subsidiary)
(hereinafter referred to as the "Merger")

(5) Company name after business combination

Ube Construction Materials Sales Co., Ltd.

(6) Other matters concerning transaction summary

The Merger is expected to strengthen and maintain commercial rights of cement and ready-mixed concrete in the Company Group in Chugoku Shikoku area with the efficient business operations and personnel arrangement.

2. *Summary of accounting procedures*

The Merger was accounted for as a business combination of entities under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 of January 16, 2019).

As a result of the Merger, "Gain on extinguishment of tie-in shares" of ¥514 million (US$4,631 thousand) is recognized as other income in the consolidated statement of income.

Business divestiture

The Company and Mitsubishi Chemical Corporation ("Mitsubishi Chemical", referred to together as "the parties") have been preparing to transfer the electrolyte business for lithium-ion rechargeable batteries and other applications ("the business") of both companies to the joint venture company to be established by joint incorporation-type company split ("company split") as described in Conclusion of a Joint Venture Agreement between the Company and Mitsubishi Chemical and Joint Incorporation-Type Company Split of Lithium-Ion Rechargeable Battery Electrolyte Business dated March 27, 2020. The parties' respective Board of Directors agreed to the joint incorporation-type company split plan with an effective date of October 1, 2020. The parties implemented the company split. The Company has owned 20% and Mitsubishi Chemical has owned 80% of the issued shares of the new joint venture company.

1. Outline of the business divestiture

(1) Name of successor company

MU Ionic Solutions Corporation

(2) Content of the divested business

R&D, manufacturing and sales of lithium-ion battery electrolytes

(3) Main reason for business divestiture

The parties had been jointly operating the business in China through Changshu UM Battery Materials Co., Ltd. In the form of a joint venture since January 2018. The parties have now agreed to expand the tie-up to further enhance competitiveness in and outside of Japan in order to achieve the long-term development of the business. To this end, the parties enhance product development capabilities through synergistic efforts and strengthen the management base by streamlining purchasing, production, and sales systems. The parties also integrate research and development and combine the intellectual assets and technical development capabilities possessed by the two companies. Specifically, the parties establish the new joint venture company in Japan and transfer the assets of both companies related to the business, including manufacturing sites in Japan, to the new joint venture company. In addition, Changshu UM Battery Materials Co., Ltd. is a wholly-owned subsidiary of the new joint venture company.

(4) Date of business divestiture

October 1, 2020

(5) Outline of business divestiture including its legal form

The company split took the form of a simple incorporation-type split, with the Company as the split company and the new joint venture company as the succeeding company.

The new joint venture company assumed rights and obligations attributed to the business.

2. Outline of the accounting treatment implemented

(1) Amount of gain or loss on the transfer

¥1,873 million (US$16,874 thousand)

(2) Book value and major breakdown of the assets of the business transferred

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 872	$ 7,856
Non-current assets	687	6,189
Total assets	¥1,559	$14,045

(3) Accounting treatments

The Company accounted for this divesture in accordance with the "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019).

3. Name of reporting segment in which the divested business was included

Chemicals segment

4. Approximate amount of profit or loss of the divested business included in consolidated statement of income for the current fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥1,771	$15,955
Operating loss	¥ 89	$ 802

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Derivative financial instruments

Summarized below are the notional amounts and the estimated fair values of the derivative transactions outstanding at March 31, 2021 and 2020.

(a) Derivative financial instruments for which deferred hedge accounting has not been applied

Currency-related transactions:

	Millions of yen						Thousands of U.S. dollars		
	2021			2020			2021		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:									
Sell:									
USD	¥ 1,966	¥ (56)	¥ (56)	¥ 216	¥ (1)	¥ (1)	$ 17,712	$ (504)	$ (504)
JPY	40	(0)	(0)	—	—	—	360	(0)	(0)
EUR	290	(3)	(3)	—	—	—	2,613	(27)	(27)
Buy:									
USD	9,088	1,336	1,336	9,254	1,206	1,206	81,874	12,036	12,036
EUR	4,124	47	47	—	—	—	37,153	423	423
Total	¥15,508	¥1,324	¥1,324	¥9,470	¥1,205	¥1,205	$139,712	$11,928	$11,928

Note: Calculation of fair value is based on the forward rate.

(b) Derivative financial instruments for which deferred hedged accounting has been applied

1. Currency-related transactions

Main items hedged by forward foreign exchange contracts are trade accounts receivable and payable.

		Millions of yen				Thousands of U.S. dollars	
		2021		2020		2021	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Principle method	Forward exchange contracts:						
	Sell:						
	USD	¥ 685	¥ (5)	¥ 90	¥ 2	$ 6,171	$ (45)
	Buy:						
	USD	—	—	25	1	—	—
	EUR	299	9	381	(6)	2,694	81
Short-cut method	Forward exchange contracts:						
	Sell:						
	USD	678	(31)	288	5	6,108	(279)
	Currency swap contracts:						
	Receive/USD Pay/JPY	1,000	*	1,000	*	9,009	*
	Total	¥2,662	¥(27)	¥1,784	¥ 2	$23,982	$(243)

** The fair value of currency swaps accounted for by the short-cut method is included in the fair value of long-term debt, which is designated as the hedged item.*
Note: Calculation of fair value is based on the forward rate.

2. Interest-related transactions

Main items hedged by interest-rate swap and interest-cap contracts are short-term loans payable and long-term debt.

		Millions of yen				Thousands of U.S. dollars	
		2021		2020		2021	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Short-cut method	Interest-rate swaps:						
	Receive/floating and pay/fixed	¥—	¥—	¥883	*	$—	$—

** The fair value of interest-rate swaps accounted for by the short-cut method is included in the fair value of long-term debt, which is designated as the hedged item.*
Note: Calculation of fair value is based on the prices provided by the financial institutions.

3. Commodity-related transactions

The main item hedged by coal price swap contracts is coal purchased at market linked price.

		Millions of yen				Thousands of U.S. dollars	
		2021		2020		2021	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Principle method	Coal price swaps:						
	Receive/floating and pay/fixed:	¥—	¥—	¥1,100	¥11	$—	$—

Note: Calculation of fair value is based on the prices provided by financial institutions.

19 Segment information

Reportable segments of the Company consist of the business units for which independent financial information is available. They are regularly monitored by the Board of Directors in order to decide the distribution of business resources and evaluate the business results.

The Company classifies its products and services into four reportable segments: “Chemicals,” “Construction Materials,” “Machinery,” and “Others.”

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2021 and 2020 are summarized by reportable segment as follows:

	Millions of yen					
Year ended March 31, 2021	Chemicals	Construction Materials	Machinery	Others	Elimination & Corporate	Consolidated
Sales:						
Outside customers	¥258,612	¥276,229	¥77,300	¥1,748	¥ —	¥613,889
Intersegment sales and transfers	768	6,626	1,427	1,369	(10,190)	—
Total	259,380	282,855	78,727	3,117	(10,190)	613,889
Segment operating profit	¥ 8,184	¥ 14,744	¥ 2,831	¥ 447	¥ (304)	¥ 25,902
Segment assets	¥353,065	¥284,197	¥81,365	¥7,232	¥43,851	¥769,710
Depreciation and amortization	20,758	13,197	1,896	42	489	36,382
Equity method investments	28,061	11,022	—	1,435	—	40,518
Capital expenditures	17,944	13,937	4,578	34	654	37,197

	Thousands of U.S. dollars					
Year ended March 31, 2021	Chemicals	Construction Materials	Machinery	Others	Elimination & Corporate	Consolidated
Sales:						
Outside customers	$2,329,838	$2,488,550	$696,396	$15,748	$ —	$5,530,532
Intersegment sales and transfers	6,919	59,693	12,856	12,333	(91,801)	—
Total	2,336,757	2,548,243	709,252	28,081	(91,801)	5,530,532
Segment operating profit	$ 73,730	$ 132,829	$ 25,504	$ 4,027	$ (2,739)	$ 233,351
Segment assets	$3,180,766	$2,560,333	$733,018	$65,153	$395,054	$6,934,324
Depreciation and amortization	187,009	118,892	17,081	378	4,406	327,766
Equity method investments	252,802	99,297	—	12,928	—	365,027
Capital expenditures	162,108	125,559	41,243	306	5,892	335,108

	Millions of yen					
Year ended March 31, 2020	Chemicals	Construction Materials	Machinery	Others	Elimination & Corporate	Consolidated
Sales:						
Outside customers	¥285,225	¥290,674	¥88,931	¥ 3,062	¥ —	¥667,892
Intersegment sales and transfers	816	12,363	1,868	1,514	(16,561)	—
Total	286,041	303,037	90,799	4,576	(16,561)	667,892
Segment operating profit	¥ 14,531	¥ 14,567	¥ 4,940	¥ 597	¥ (602)	¥ 34,033
Segment assets	¥344,834	¥286,855	¥77,548	¥13,764	¥ 4,268	¥727,269
Depreciation and amortization	21,216	13,120	1,748	236	507	36,827
Equity method investments	23,659	10,800	—	1,276	—	35,735
Capital expenditures	24,723	20,079	1,853	151	809	47,615

Sales and amounts of property, plant and equipment of the Company and its consolidated subsidiaries as of and for the years ended March 31, 2021 and 2020 by geographic area are as follows:

	Millions of yen				
Year ended March 31, 2021	Japan	Asia	Europe	Others	Consolidated
Sales	¥440,722	¥106,723	¥37,373	¥29,071	¥613,889

	Thousands of U.S. dollars				
Year ended March 31, 2021	Japan	Asia	Europe	Others	Consolidated
Sales	$3,970,469	$961,468	$336,694	$261,901	$5,530,532

	Millions of yen					
As of March 31, 2021	Japan	Thailand	Other Asia	Europe	Others	Consolidated
Property, plant and equipment	¥269,132	¥41,345	¥613	¥19,307	¥826	¥331,223

	Thousands of U.S. dollars					
As of March 31, 2021	Japan	Thailand	Other Asia	Europe	Others	Consolidated
Property, plant and equipment	$2,424,613	$372,477	$5,523	$173,937	$7,441	$2,983,991

	Millions of yen				
Year ended March 31, 2020	Japan	Asia	Europe	Others	Consolidated
Sales	¥478,786	¥114,677	¥43,133	¥31,296	¥667,892

	Millions of yen					
As of March 31, 2020	Japan	Thailand	Other Asia	Europe	Others	Consolidated
Property, plant and equipment	¥268,474	¥42,689	¥569	¥17,596	¥714	¥330,042

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Leases

Operating leases

Future minimum lease payments subsequent to March 31, 2021 and 2020 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31	2021	2021
2022	¥ 677	$ 6,099
2023 and thereafter	3,411	30,730
	¥4,088	$36,829

	Millions of yen
Years ending March 31	2020
2021	¥ 748
2022 and thereafter	4,100
	¥4,848

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Retirement benefits

The Company and certain domestic consolidated subsidiaries have funded and unfunded defined benefit company pension plans. Certain domestic consolidated subsidiaries have defined contribution pension plans.

Under the defined benefit pension plans, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay and years of service. The retirement benefit trusts have been established for some defined benefit pension plans.

Under the lump-sum retirement benefit of defined pension plans, benefits are determined based on the rate of pay and years of service.

Defined contribution plans are mainly defined contribution pension plans.

(a) Defined benefit plans

The changes in the retirement benefit obligation during the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Opening balance of retirement benefit obligation	¥49,797	¥49,583	$448,622
Service cost	2,952	2,899	26,594
Interest cost	291	287	2,622
Actuarial loss (gain)	(69)	(165)	(622)
Benefit paid	(2,367)	(2,937)	(21,324)
Prior service cost	—	130	—
Closing balance of retirement benefit obligation	¥50,604	¥49,797	$455,892

The changes in plan assets during the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Opening balance of plan assets	¥51,027	¥53,442	$459,703
Expected return on pension assets	1,161	1,182	10,459
Actuarial gain (loss)	5,369	(2,683)	48,369
Contributions by the employer	1,892	1,862	17,045
Benefit paid	(2,247)	(2,776)	(20,243)
Closing balance of plan assets	¥57,202	¥51,027	$515,333

The reconciliation of the retirement benefit obligations and plan assets to the liabilities and assets for retirement benefits recognized in the consolidated balance sheet as of March 31, 2021 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligations	¥ 47,263	¥ 46,740	$ 425,793
Plan assets	(57,202)	(51,027)	(515,333)
	(9,939)	(4,287)	(89,540)
Unfunded retirement benefit obligations	3,341	3,057	30,099
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥ (6,598)	¥ (1,230)	$ (59,441)
Net defined benefit liability	¥ 3,341	¥ 3,057	$ 30,099
Net defined benefit asset	(9,939)	(4,287)	(89,540)
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥ (6,598)	¥ (1,230)	$ (59,441)

The breakdown of the retirement benefit expenses for the years ended March 31, 2021 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 2,952	¥ 2,899	$ 26,594
Interest cost	291	287	2,622
Expected return on plan assets	(1,161)	(1,182)	(10,459)
Amortization of actuarial loss	954	534	8,594
Amortization of prior service cost	—	130	—
Retirement benefit expenses	¥ 3,036	¥ 2,668	$ 27,351

The components of remeasurements of defined benefit plans in other comprehensive income (before tax effect) for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial loss (gain)	¥6,392	¥(1,984)	$57,586
Total	¥6,392	¥(1,984)	$57,586

The components of remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized actuarial loss (gain)	¥(931)	¥5,461	$(8,387)
Total	¥(931)	¥5,461	$(8,387)

The breakdown of pension assets by major category as a percentage of total plan assets as of March 31, 2021 and 2020 is as follows:

	Ratio	
	2021	2020
Bonds	28%	31%
Equities	38	33
Insurance assets (General account)	23	26
Other	11	10
Total	100%	100%

The above total includes 8% and 7% of the retirement benefit trusts of company pension plans at March 31, 2021 and 2020, respectively.

The expected return rate on plan assets is estimated based on the current and anticipated allocations to each asset class and current and anticipated long-term returns on assets held in each category.

The items of actuarial assumptions for the years ended March 31, 2021 and 2020 are as follows:

	Ratio	
	2021	2020
Discount rate	0.4~1.2%	0.3~1.2%
Expected long-term return on plan assets:		
Pension assets	2.0~2.5	2.0~2.5
Retirement benefit trusts	0.0	0.0

The schedule of the defined benefit obligation and pension assets accounted for by the simplified method for the years ended March 31, 2021 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Opening balance of net defined benefit asset and liability	¥4,313	¥4,250	$38,856
Benefit expenses	426	576	3,838
Benefit paid	(353)	(436)	(3,180)
Contributions to the plans	(67)	(77)	(604)
Closing balance of net defined benefit asset and liability	¥4,319	¥4,313	$38,910

The reconciliation of the retirement benefit obligations and plan assets to the liabilities and assets for retirement benefits by the simplified method recognized in the consolidated balance sheet as of March 31, 2021 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligations	¥ 1,398	¥ 1,493	$12,595
Plan assets	(1,103)	(1,166)	(9,937)
	295	327	2,658
Unfunded retirement benefit obligations	4,024	3,986	36,252
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	4,319	4,313	38,910
Net defined benefit liability	4,404	4,385	39,676
Net defined benefit asset	(85)	(72)	(766)
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥ 4,319	¥ 4,313	$38,910

The retirement benefit expenses under the simplified method were ¥426 million (US$3,838 thousand) and ¥576 million for the years ended March 31, 2021 and 2020, respectively.

(b) Defined contribution plans

The contributions by consolidated subsidiaries paid to defined contribution pension plans were ¥67 million (US$604 thousand) and ¥64 million for the years ended March 31, 2021 and 2020, respectively.

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Investment and rental property

The Company and its consolidated subsidiaries own idle property and rental property in Yamaguchi prefecture, Japan and other areas. The carrying amount, net changes and fair value of investment and rental property for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021			
	Carrying amount			Fair value at March 31, 2021
	Opening balance	Net change during the year	Closing balance	
Idle property	¥ 5,737	¥ (29)	¥ 5,708	¥21,810
Rental property	10,642	333	10,975	19,161

	Thousands of U.S. dollars			
	2021			
	Carrying amount			Fair value at March 31, 2021
	Opening balance	Net change during the year	Closing balance	
Idle property	$51,684	$ (261)	$51,423	$196,486
Rental property	95,874	3,000	98,874	172,622

Notes: Carrying amounts represent the acquisition costs less accumulated depreciation and impairment losses.
Net change for the year ended March 31, 2021 is mainly change of use of classification of ¥377 million (US$3,396 thousand).
Fair value of main property at March 31, 2021 is based on external appraisal, and fair value of other property is estimated based on the index prices deemed to reflect the market price accurately.

	Millions of yen			
	2020			
	Carrying amount			Fair value at March 31, 2020
	Opening balance	Net change during the year	Closing balance	
Idle property	¥ 6,530	¥(793)	¥ 5,737	¥21,720
Rental property	10,725	(83)	10,642	18,703

Notes: Carrying amounts represent the acquisition costs less accumulated depreciation and impairment losses.
Net change for the year ended March 31, 2020 is mainly loss on sales of ¥(670) million.
Fair value of main property at March 31, 2020 is based on external appraisal, and fair value of other property is estimated based on the index prices deemed to reflect the market price accurately.

The amount of income and expenses related to investment and rental property for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021			
	Rental income	Rental expenses	Net income	Others
Idle property	¥ —	¥ —	¥ —	¥(216)
Rental property	1,106	501	605	(29)

	Thousands of U.S. dollars			
	2021			
	Rental income	Rental expenses	Net income	Others
Idle property	$ —	$ —	$ —	$(1,946)
Rental property	9,964	4,514	5,450	(261)

Notes: Others in the above table for idle property consist of taxes and dues of ¥(172) million (US$ (1,550) thousand), impairment loss of ¥(31) million (US$(279) thousand) and loss on sales of ¥(13) million (US$(117) thousand).
Others for rental property is loss on sales of ¥(29) million (US$(261) thousand).

	Millions of yen			
	2020			
	Rental income	Rental expenses	Net income	Others
Idle property	¥ —	¥ —	¥ —	¥(312)
Rental property	1,051	486	565	(13)

Notes: Others in the above table for idle property consist of taxes and dues of ¥(175) million, impairment loss of ¥(84) million and loss on sales of ¥(53) million.
Others for rental property is loss on sales of ¥(13) million.

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Stock options

Stock option expenses in the amounts of ¥63 million (US$568 thousand) and ¥79 million were recognized as "Selling, general and administrative expenses" on the consolidated statement of income for the years ended March 31, 2021 and 2020, respectively.

The Company has consolidated its shares in the proportion of 10 common shares to one common share, effective as of October 1, 2017. Information on stock options at March 31, 2021, which reflects such share consolidation, is as follows:

2007 stock options	*Position and number of grantees*	Directors of the Company: 5 Executive officers of the Company: 12
	Type and number of shares	Common stock of the Company: 26,900 shares
	Date of grant	February 22, 2007
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	For 1 year (From July 1, 2006 to June 30, 2007)
	Exercise period of rights	For 25 years from grant date (From February 22, 2007 to February 21, 2032)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2008 stock options	*Position and number of grantees*	Directors of the Company: 5 Executive officers of the Company: 17
	Type and number of shares	Common stock of the Company: 23,700 shares
	Date of grant	July 13, 2007
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2007 to June 30, 2008) Executive officers of the Company: For 9 months (From July 1, 2007 to March 31, 2008) Newly designated executive officers of the Company: For 1 year (From April 1, 2007 to March 31, 2008)
	Exercise period of rights	For 25 years from grant date (From July 13, 2007 to July 12, 2032)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2009 stock options	*Position and number of grantees*	Directors of the Company: 6 Executive officers of the Company: 16
	Type and number of shares	Common stock of the Company: 24,300 shares
	Date of grant	July 14, 2008
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2008 to June 30, 2009) Executive officers of the Company: For 1 year (From April 1, 2008 to March 31, 2009)
	Exercise period of rights	For 25 years from grant date (From July 14, 2008 to July 13, 2033)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2010 stock options	*Position and number of grantees*	Directors of the Company: 6 Executive officers of the Company: 17
	Type and number of shares	Common stock of the Company: 32,200 shares
	Date of grant	July 13, 2009
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2009 to June 30, 2010) Executive officers of the Company: For 1 year (From April 1, 2009 to March 31, 2010)
	Exercise period of rights	For 25 years from grant date (From July 13, 2009 to July 12, 2034)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2011 stock options	*Position and number of grantees*	Directors of the Company: 5 Executive officers of the Company: 17
	Type and number of shares	Common stock of the Company: 36,600 shares
	Date of grant	July 14, 2010
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2010 to June 30, 2011) Executive officers of the Company: For 1 year (From April 1, 2010 to March 31, 2011)
	Exercise period of rights	For 25 years from grant date (From July 14, 2010 to July 13, 2035)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.

2012 stock options	*Position and number of grantees*	Directors of the Company: 5 Executive officers of the Company: 18
	Type and number of shares	Common stock of the Company: 35,500 shares
	Date of grant	July 14, 2011
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2011 to June 30, 2012) Executive officers of the Company: For 1 year (From April 1, 2011 to March 31, 2012)
	Exercise period of rights	For 25 years from grant date (From July 14, 2011 to July 13, 2036)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2013 stock options	*Position and number of grantees*	Directors of the Company: 4 Executive officers of the Company: 19
	Type and number of shares	Common stock of the Company: 37,700 shares
	Date of grant	July 13, 2012
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2012 to June 30, 2013) Executive officers of the Company: For 1 year (From April 1, 2012 to March 31, 2013)
	Exercise period of rights	For 25 years from grant date (From July 13, 2012 to July 12, 2037)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2014 stock options	*Position and number of grantees*	Directors of the Company: 4 Executive officers of the Company: 20
	Type and number of shares	Common stock of the Company: 48,100 shares
	Date of grant	July 12, 2013
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2013 to June 30, 2014) Executive officers of the Company: For 1 year (From April 1, 2013 to March 31, 2014)
	Exercise period of rights	For 25 years from grant date (From July 12, 2013 to July 11, 2038)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2015 stock options	*Position and number of grantees*	Directors of the Company: 4 Executive officers of the Company: 19
	Type and number of shares	Common stock of the Company: 43,000 shares
	Date of grant	July 14, 2014
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2014 to June 30, 2015) Executive officers of the Company: For 1 year (From April 1, 2014 to March 31, 2015)
	Exercise period of rights	For 25 years from grant date (From July 14, 2014 to July 13, 2039)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2016 stock options	*Position and number of grantees*	Directors of the Company: 4 Executive officers of the Company: 19
	Type and number of shares	Common stock of the Company: 50,000 shares
	Date of grant	July 13, 2015
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2015 to June 30, 2016) Executive officers of the Company: For 1 year (From April 1, 2015 to March 31, 2016)
	Exercise period of rights	For 25 years from grant date (From July 13, 2015 to July 12, 2040)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2017 stock options	*Position and number of grantees*	Directors of the Company: 4 Executive officers of the Company: 19
	Type and number of shares	Common stock of the Company: 39,500 shares
	Date of grant	July 14, 2016
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2016 to June 30, 2017) Executive officers of the Company: For 1 year (From April 1, 2016 to March 31, 2017)
	Exercise period of rights	For 25 years from the next day of grant date (From July 15, 2016 to July 14, 2041)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 10 days, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.

2018 stock options	*Position and number of grantees*	Directors of the Company: 4 Executive officers of the Company: 20
	Type and number of shares	Common stock of the Company: 42,100 shares
	Date of grant	July 14, 2017
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2017 to June 30, 2018) Executive officers of the Company: For 1 year (From April 1, 2017 to March 31, 2018)
	Exercise period of rights	For 25 years from the next day of grant date (From July 15, 2017 to July 14, 2042)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 10 days, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2019 stock options	*Position and number of grantees*	Directors of the Company: 4 Executive officers of the Company: 22
	Type and number of shares	Common stock of the Company: 32,100 shares
	Date of grant	July 13, 2018
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2018 to June 30, 2019) Executive officers of the Company: For 1 year (From April 1, 2018 to March 31, 2019)
	Exercise period of rights	For 25 years from the next day of grant date (From July 14, 2018 to July 13, 2043)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 10 days, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2020 stock options	*Position and number of grantees*	Directors of the Company: 4 Executive officers of the Company: 21
	Type and number of shares	Common stock of the Company: 41,500 shares
	Date of grant	July 12, 2019
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2019 to June 30, 2020) Executive officers of the Company: For 1 year (From April 1, 2019 to March 31, 2020)
	Exercise period of rights	For 25 years from the next day of grant date (From July 13, 2019 to July 12, 2044)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 10 days, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2021 stock options	*Position and number of grantees*	Directors of the Company: 4 Executive officers of the Company: 21
	Type and number of shares	Common stock of the Company: 41,900 shares
	Date of grant	July 13, 2020
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2020 to June 30, 2021) Executive officers of the Company: For 1 year (From April 1, 2020 to March 31, 2021)
	Exercise period of rights	For 25 years from the next day of grant date (From July 14, 2020 to July 13, 2045)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 10 days, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
2022 stock options	*Position and number of grantees*	Directors of the Company: 4 Executive officers of the Company: 18
	Type and number of shares	Common stock of the Company: 43,200 shares
	Date of grant	July 14, 2021
	Settlement of rights	After providing service for the period
	Period of providing service for stock option	Directors of the Company: For 1 year (From July 1, 2021 to June 30, 2022) Executive officers of the Company: For 1 year (From April 1, 2021 to March 31, 2022)
	Exercise period of rights	For 25 years from the next day of grant date (From July 15, 2021 to July 14, 2046)
	Condition of exercise of rights	A holder of share acquisition rights may only exercise rights within a maximum of 10 days, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.

	Exercise price	Average stock price at exercise	Fair value at grant date
2007 stock options	¥1	¥1,565	¥3,880
2008 stock options	¥1	¥1,565	¥3,510
2009 stock options	¥1	¥1,712	¥3,260
2010 stock options	¥1	¥1,686	¥2,230
2011 stock options	¥1	¥1,778	¥1,860
2012 stock options	¥1	¥1,878	¥2,270
2013 stock options	¥1	¥1,565	¥1,360
2014 stock options	¥1	¥1,709	¥1,560
2015 stock options	¥1	¥1,565	¥1,350
2016 stock options	¥1	¥1,565	¥1,810
2017 stock options	¥1	¥1,606	¥1,610
2018 stock options	¥1	¥1,606	¥2,820
2019 stock options	¥1	¥1,606	¥2,584
2020 stock options	¥1	¥1,606	¥1,910
2021 stock options	¥1	—	¥1,480
	US$ 0.01	—	US$13.33

Assumptions used in estimation of the fair value of stock options above were as follows:

	2021 stock options
Method of estimation	Black-Scholes model
Volatility*	27.856%
Expected remaining period**	4 years
Expected dividend	¥90 (US$ 0.81)
Risk-free interest rate***	(0.137)%

** Volatility is calculated based on the monthly closing prices of common stock of the Company for 4 years prior to the last month ahead of each date of grant.*
*** Mid-term between date of grant and estimated exercisable period*
**** Interest rate for a government bond with 4 years remaining*

24 Related parties

Related party transactions

The Company sold cement and related products for resale in the amounts of ¥30,997 million (US$279,252 thousand) and ¥33,084 million to Ube-Mitsubishi Cement Corporation (UMCC) for the years ended March 31, 2021 and 2020, respectively. The capital stock of UMCC is ¥8,000 million (US$72,072 thousand), and it is accounted for by the equity method. The balances of accounts receivable were ¥10,388 million (US$93,586 thousand) and ¥12,425 million as of March 31, 2021 and 2020, respectively.

Selling prices are negotiated based on the amount of goods sold after deducting UMCC's selling costs and logistics costs from its net sales.

25 Subsequent events

Buyback of Shares

The Company resolved, at the Board of Directors meeting held on May 12, 2021, matters related to its buy-back of shares outlined below. The buyback of shares is pursuant to Article 156 of Japan's Companies Act and is applicable in lieu of Paragraph 3, Article 165 of the same act.

1. Reasons for the buyback of shares

The Company will conduct the share buyback in order to enhance the return to shareholders, improve capital efficiency and exercise agile capital policies corresponding to changes in the business environment.

2. Contents of acquisition

(1) Class of shares to be acquired: Common stock of the Company
(2) Total number of shares to be acquired: 6,000,000 shares (maximum)
(The percentage compared to the total number of shares outstanding: 5.9%)
Note: excluding treasury shares
(3) Aggregate amount of acquisition cost: ¥10,000 million (US$90,090 thousand) (maximum)
(4) Period of acquisition: From May 13, 2021 to October 29, 2021

(Reference)
The status of treasury shares as of March 31, 2021:
Total number of shares outstanding (excluding treasury shares): 101,144,078 shares
Number of treasury shares: 5,056,029 shares

Signing of the absorption-type company split agreement for the integration of cement business

The Company and Mitsubishi Materials Corporation ("Mitsubishi Materials") signed a definitive agreement on September 29, 2020 between both companies (the "Definitive Agreement") for the integration of their respective cement businesses and related businesses (the "Integration"), scheduled to be implemented around April 2022. The respective Board of Directors of the Company and Mitsubishi Materials made formal resolutions at their meetings to implement the Integration. The signing of the Definitive Agreement is pursuant to the announcement on February 12, 2020 by the Company and Mitsubishi Materials that they had signed a letter of intent to engage in specific discussions and study of the Integration.

The Board of Directors of the Company resolved the absorption-type company split agreement on May 12, 2021 and the absorption-type company split agreement was signed by both companies on May 14, 2021. The approvals for the Integration were obtained at the ordinary general shareholders' meetings of the Company and Mitsubishi Materials on June 29, 2021 and June 24, 2021, respectively.

1. Purpose of the Integration

In 1998, the Company and Mitsubishi Materials established Ube-Mitsubishi Cement Corporation ("Ube-Mitsubishi Cement") as an equally-owned joint venture. Under the joint venture, the companies integrated their respective non-consolidated cement sales and logistics functions, realizing a certain degree of benefit including reductions in logistics costs as well as head office and branch office expenses.

While the business situations surrounding the cement business in Japan are currently undergoing significant changes, including slowing demand and fluctuating energy prices dramatically, it is necessary for the Company and Mitsubishi Materials to establish a new framework for their cement businesses that develops the existing relationship, in order to realize the future growth of their cement businesses.

In light of these circumstances, the Company and Mitsubishi Materials decided to integrate the respective cement businesses and related businesses of their corporate groups as an optimal strategic option to combine all of the advantages of the respective cement businesses and related businesses of both companies such as the Company's (1) infrastructure facilities in the Ube area, including large port facilities and coal centers; (2) Nationwide ready-mixed concrete manufacturing and sales network; and (3) Ube Materials Industries, Ltd.'s inorganic materials business; and Mitsubishi Materials' (1) Kyushu Plant, which boasts the largest domestic production capacity; (2) Higashitani Mine, which has abundant limestone resources; (3) highly competitive Cement and ready-mixed concrete business in the United States.

2. Summary of the Integration

(1) Scope and Method of the Integration

The scope of the Integration encompasses the cement and ready-mixed concrete businesses, limestone resources businesses, energy and environmental-related businesses, construction material businesses, and other related businesses (the "Relevant Businesses") of the Company and Mitsubishi Materials, both in and outside of Japan (the Relevant Businesses of the Company, the "Ube Industries Relevant Businesses"; the Relevant Businesses of Mitsubishi Materials, the "Mitsubishi Materials Relevant Businesses").

The Company and Mitsubishi Materials plan to implement the Integration by establishing an equally-owned joint venture (the "New Company") that will assume the respective relevant businesses (including shares of subsidiaries engaged in the relevant businesses) by a company split method (the company split by the Company, the "Ube Industries Absorption-Type Company Split"; the company split by Mitsubishi Materials, the "Mitsubishi Materials Absorption-Type Company Split"; the Ube Industries Absorption-Type Company Split and the Mitsubishi Materials Absorption-Type Company Split, together, the "Joint Absorption-Type Company Split"). Additionally, the New Company will implement an absorption-type merger of Ube-Mitsubishi Cement, with Ube-Mitsubishi Cement as the absorbed company.

Following the Integration, the Company and Mitsubishi Materials will each own a 50% stake in the New Company.

** Includes shares of subsidiaries that engage in the Relevant Businesses*

(2) Schedule of the Integration

September 29, 2020 Approval of the Definitive Agreement by the Board of Directors of both companies
September 29, 2020 Signing of the Definitive Agreement
April 14, 2021 Establishment of the New Company
May 12, 2021 Approval of the absorption-type company split agreement by the Board of Directors of the Company
May 14, 2021 Signing of the absorption-type company split agreement by both companies
June 24, 2021 Approval for the Integration at the ordinary general shareholders' meeting of Mitsubishi Materials
June 29, 2021 Approval for the Integration at the ordinary general shareholders' meetings of the Company

April 2022(expected) Effective date of the Integration

Note: Implementation of the Integration is subject to completing the necessary filings for the Integration with relevant agencies in and outside of Japan including the Japan Fair Trade Commission, and acquiring approvals (the "Approvals and Other Related Procedures"). Furthermore, it is subject to approval at the general shareholders' meetings of both companies (except where the integration clearly satisfies the requirements for a simplified absorption-type company split as stipulated in Article 784, Paragraph 2 of the Companies Act of Japan), and subject to circumstances or events not arising that critically and adversely impact the assets, debts, financial position, business results, cash flows or future revenue plans of the relevant businesses of both companies. The Integration schedule is provisional at this time and subject to change based on discussions between the companies, because of the Approvals and Other Related Procedures or other reasons having to do with fulfilling necessary procedures.

(3) Method of the Integration

The Integration will take the form of an absorption-type joint venture involving (1) an absorption-type company split with the Company as the splitting company and the New Company as the successor company, (2) an absorption-type company split with Mitsubishi Materials as the splitting company and the New Company as the successor company, and (3) an absorption-type company merger in which the New Company (being the wholly-owning parent company of Ube-Mitsubishi Cement through the Joint Absorption-Type Company Split) will be the surviving company and Ube-Mitsubishi Cement (being the wholly-owned subsidiary of the New Company) will be the absorbed company.

(4) Details of Allocations for the Joint Absorption-Type Company Split

At the time of the Ube Industries Absorption-Type Company Split, the New Company will newly issue 450 shares and entirely allocate these shares to the Company. Additionally, at the time of the Mitsubishi Materials Absorption-Type Company Split, the New Company will newly issue 450 shares equaling the shares allocated to the Company and entirely allocate the shares to Mitsubishi Materials. As a result, the New Company will have issued 900 shares at the time of the Joint Absorption-Type Company Split. If the shares that the New Company issues and allocates to the Company at the time of the Joint Absorption-Type Company Split are taken as one and the ratio of shares issued by the New Company to Mitsubishi Materials is 1:1 to that of the Company, the Company and Mitsubishi Materials will each continue to own 50% of the shares in the New Company.

3. Name of reporting segment in which the divested business is include

Construciton Materials segment