Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

Mitsubishi Gas Chemical Company, Inc. (the Company) and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

“Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18, May 17, 2006) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for by the Equity Method” (ASBJ PITF No. 24, March 10, 2008) require that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with International Financial Reporting Standards (IFRS) or the generally accepted accounting principles in the United States (U.S. GAAP) tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that profit (loss) is accounted for in accordance with Japan GAAP unless they are not material. The Company made necessary modification to the consolidated financial statements according to the PITF.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and 68 subsidiaries (72 in 2020). The Company and its consolidated subsidiaries are collectively referred to as “MGC.”

All significant intercompany accounts and transactions have been eliminated in consolidation.

Fudow Techno Corporation was excluded from the scope of consolidation due to merger with Fudow Company Ltd. as the surviving company, during the year ended March 31, 2021.

MGC MONTNEY HOLDINGS LTD. was excluded from the scope of consolidation due to liquidation during the year ended March 31, 2021.

MGC Energy Company Ltd. was included in the scope of consolidation due to its significance during the year ended March 31, 2021.

Tokyo Shokai, Ltd., Ryoko Chemical Co., Ltd., Ryoyo Trading Co., Ltd. were excluded from the scope of consolidation due to merger with MGC Trading, Inc. as the surviving company, during the year ended March 31, 2021. Upon the merger, the company name of MGC Trading, Inc. was changed to Mitsubishi Gas Chemical Trading, Inc.

Investments in 14 affiliates (1 unconsolidated subsidiary and 13 affiliates in 2020) are accounted for by the equity method.

The Accounting Standards for Consolidation require the control or influence concept for the consolidation scope of subsidiaries and affiliates. Under the control or influence concept, a company in which the parent company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and a company over which the parent company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method.

The difference between the cost and the underlying net assets at the date of investments in subsidiaries or affiliates is allocated to identifiable assets and liabilities based on fair market value at the date of investments.

The unallocated portion of the difference, which is recognized as goodwill, is being amortized using the straight-line method over an expected benefit period by each investment within 20 years.

The fiscal year-ends of 33 consolidated subsidiaries (33 in 2020) are December 31. For consolidation purposes, the Company uses their financial statements as of December 31 with necessary consolidation adjustments made to reflect any significant transactions which occurred between January 1 and March 31.

(c) Cash and Cash Equivalents

For the purpose of the statement of cash flows, MGC considers all highly liquid investments with insignificant risk of changes in value, which have maturities of generally three months or less when purchased, to be cash equivalents.

(d) Securities and Investments in Securities

Under the Accounting Standards for Financial Instruments, securities are classified into four categories – “trading securities,” “held-to-maturity securities,” “investments in entities” and “other securities.” Securities classified as “trading securities” are stated at fair value and unrealized gains or losses are recorded in the consolidated statement of income. Securities classified as “held-to-maturity securities” are stated at amortized cost. Securities classified as “other securities” with fair value are stated at fair value and unrealized gains or losses, net of related taxes, are excluded from earnings and reported as accumulated other comprehensive income in the consolidated balance sheet. Debt classified as “other securities” for which fair value is not available are stated at the amortized cost. Equity securities classified as “other securities” for which fair value is not available are stated at the moving-average cost. Realized gains and losses on the other securities are computed using the moving-average cost. Securities held by the Company are classified as held-to-maturity securities, investments in entities and other securities.

(e) Inventories

Inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the average method.

(f) Property, Plant and Equipment

Property, plant and equipment are carried substantially at cost. Depreciation of the property, plant and equipment is provided principally by the straight-line method based on the estimated useful lives.

The estimated useful lives are as follows:

Buildings and structures	7-50 years
Machinery, equipment and vehicles	8-15 years

(g) Intangible Assets

Intangible assets are carried at cost less accumulated amortization. The expenses for internal use computer software are deferred and amortized by the straight-line method over the estimated useful lives (5 years). Intangible assets other than software are deferred and amortized by the straight-line method at rates based on the estimated useful lives of the respective assets.

(h) Impairment of Long-lived Assets

The standard for the impairment of long-lived assets requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Recognized impairment losses, except for those to be deducted directly from acquisition costs of corresponding fixed assets, are included in accumulated depreciation on the consolidated balance sheet.

(i) Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided at an amount of uncollectible receivables based on historical loss ratios and an amount that takes into consideration the possibility of specific liabilities.

(j) Retirement Benefits

In calculating retirement benefit obligation, the benefit formula basis is used for the method of attributing expected retirement benefits to the periods up to the end of the current fiscal year.

Past service costs are amortized by the straight-line method over a certain period within the average remaining years of service of the eligible employees (10 years) when such past service costs occur.

Actuarial gains and losses are amortized by the declining-balance method over a certain period within the average remaining years of service of the eligible employees (10 years) from the year following the year in which the gains or losses occur.

The Company and certain subsidiaries have unfunded defined benefit pension plans for directors, corporate auditors and executive officers. The provision for the plans has been made in the accompanying consolidated financial statements for the vested benefits to which directors, corporate auditors and executive officers are entitled if they were to retire or sever immediately at the balance sheet dates (See note 8).

(k) Leases

All finance lease transactions are capitalized. Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line method, with the lease periods as their useful lives and no residual value.

(l) Foreign Currency Translation

Under the Accounting Standards for Foreign Currency Transactions, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction dates, receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet dates, and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange as of the balance sheet date, and revenues and expenses of them are translated into yen using the average rate in the year, and a comprehensive adjustment resulting from translation is presented as “Foreign currency translation adjustments” and “Non-controlling interests” in a component of net assets.

(m) Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax.

The Accounting Standards for Income Taxes require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Accrual for Environmental Measures

An accrual for environmental measures is provided at an estimated amount of disposal and transport costs of polychlorinated biphenyl waste based on the handling cost publicized by Japan Environmental Storage & Safety Corporation. The Act of Special Measures for Proper Handling of Polychlorinated Biphenyl Waste requires proper handling of polychlorinated biphenyl waste.

(o) Asset Retirement Obligations

The Company recognized an asset retirement obligation which is statutory or similar obligation with regard to the removal of assets as a liability. An asset retirement obligation is recognized as a liability at the time that the asset is incurred by its acquisition, construction, development or ordinary use. When an asset retirement obligation is recognized as a liability, the asset retirement cost corresponding to it is included in the cost of the relevant asset by the same amount.

(p) Accrued Business Structure Improvement Expenses

The Company provides a reasonably estimated amount of structural reform costs for unprofitable business.

(q) Provision for Loss on Liquidation of Subsidiaries and Affiliates

The Company provides a reasonably estimated amount for loss to be incurred in association with liquidation of subsidiaries and affiliates.

(r) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2021.

(s) Significant Accounting Estimates

Impairment of fixed assets

(1) Amount recorded on the consolidated financial statements for the year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
	2021	**2021**
Property, plant and equipment	¥ **249,931**	$ **2,257,529**
Intangible assets	**10,499**	**94,833**
Impairment loss	**2,060**	**18,607**

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

The fixed assets held by the Company and its consolidated subsidiaries are accounted for in accordance with the accounting standards for impairment of fixed assets. In calculating the recoverable amount used to measure the impairment loss, certain assumptions are made regarding the economic remaining useful life, future cash flows, discount rate, etc.

Although these assumptions are determined based on management's best estimates, they may be affected by the results of changes in uncertain economic conditions in the future. If a revision is needed, the amount to be recognized in the consolidated financial statements for the following fiscal year may be affected.

(3) Test for impairment at MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS(SHANGHAI)CO., LTD.

MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS(SHANGHAI)CO., LTD. is engaged in manufacturing and sales of polycarbonates and has adopted IFRS. Although the subsidiary's operating results have deteriorated and there are indications of impairment, the subsidiary's fixed assets are recorded at book value because the recoverable amount exceeds the book value. The balance of property, plant and equipment and intangible assets related to MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS(SHANGHAI)CO., LTD. at the March 31, 2021 was ¥5,745 million ($51,892 thousand) and ¥1,451 million ($13,106 thousand), respectively.

The recoverable amount is calculated based on discounted future cash flows. In calculating the cash flows, assumptions regarding sales volume, sales prices, marginal profit ratio, discount rates, and other items have been made based on trends from prior years, market data for polycarbonates and its raw material, bisphenol A, and the cost of capital of other companies in the same industry.

(t) Accounting Pronouncements Not Yet Adopted

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, revised on March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, revised on March 26, 2021)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, revised on March 31, 2020)

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition standards and issued “Revenue from Contracts with Customers” in May 2014 (IASB’s IFRS 15 and FASB’s Topic 606). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

These ASBJ statement and implementation guidance will be applied from the fiscal year beginning on April 1, 2021.

The impact of the application of the Accounting Standard for Revenue Recognition and other guidance on the consolidated financial statements is currently under evaluation.

- “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, revised on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised 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, revised on March 31, 2020)

The IASB and the FASB have provided detailed guidance of almost the same contents for fair value measurement (IFRS 13 Fair Value Measurement by IFRS, and ASU 2018-13 Fair Value Measurement (Topic 820) by U.S.GAAP). Based on such a situation, the ASBJ issued “Accounting Standard for Fair Value Measurement,” etc., as a result of initiatives mainly concerning promoting the consistency between Japanese 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.Also, where there are items that should be considered to reflect the business practices in Japan, exceptional treatments have been established for certain items to the extent that comparability is not lost significantly.

These ASBJ statements and implementation guidance will be applied from the fiscal year beginning on April 1, 2021.

The impact of the application of the Accounting Standards for Fair Value Measurement and other standards and guidance on the consolidated financial statements is currently under consideration.

(u) Change in Presentation

Application of “Accounting Standard for Disclosure of Accounting Estimates”

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, issued on March 31, 2020) from the year ended March 31, 2021 and disclosed notes regarding significant accounting estimates in the consolidated financial statements.

On the other hand, the Company does not disclose nature of the estimate for the year ended March 31, 2020 in accordance with transitional treatment prescribed in the proviso of Paragraph 11 of the accounting standard.

(v) Additional Information

Assumptions regarding impact of novel coronavirus (COVID-19) in making accounting estimate

Although there are concerns about a decrease in demand, etc. due to the impact of the COVID-19 pandemic, the Company believes that the impact on the accounting estimates for impairment of fixed assets, etc. will be immaterial.

2. Financial Statement Translation

The translations of the yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate as of March 31, 2021, which was ¥110.71 to U.S. $1. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3. Cash and Cash Equivalents

(a) Reconciliation between "Cash" in the consolidated balance sheet and "Cash and cash equivalents" in the consolidated statement of cash flows as of March 31, 2021 and 2020 is as follows

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥ 101,785	¥ 78,227	$ 919,384
Time deposits with maturities of over three months	(10,980)	(11,698)	(99,178)
Securities	269	3,514	2,430
Cash and cash equivalents	¥ 91,075	¥ 70,043	$ 822,645

(b) Details of the assets and liabilities of subsidiaries that have been included in the scope of consolidation due to acquisition of shares

As of March 31, 2020

TOHO EARTHTECH,INC. has been included in the scope of consolidation due to acquisition of its shares. Assets, liabilities and stock acquisition cost at the time of acquisition are not disclosed due to confidentiality with the seller. The acquisition cost was determined by taking into consideration the results of stock value evaluation by a third-party organization to secure fairness and validity.

Japan U-PiCA Company, Ltd. has been included in the scope of consolidation due to acquisition of its shares. The components of assets and liabilities at the time of acquisition, the acquisitions cost and net expenditure for this acquisition are as follows:

	Millions of yen
	2020
Current assets	¥ 9,227
Non-current assets	3,485
Current liabilities	(2,559)
Non-current liabilities	(1,059)
Loss on revaluation of acquisition	(190)
Non-controlling interests	(2,991)
Negative Goodwill	(492)
Stock acquisition cost	¥ 5,419
Investment value accounted for by the equity method prior to obtaining control	(3,947)
Loss on step acquisitions	197
Cash and cash equivalents of the new consolidated subsidiary	(4,922)
Expenditure for acquisition	¥ (3,251)

4. Securities and Investments in Securities

There were no held-to-maturity securities with fair value as of March 31, 2021. Balance sheet amount, fair value and gross unrealized gain and loss of held-to-maturity securities with fair value as of March 31, 2020 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2020				
Government bond securities	¥ 0	¥ 0	¥ —	¥ 0
Certificates of deposit	3,000	—	—	3,000
	¥ 3,000	¥ 0	¥ —	¥ 3,000

Balance sheet amount, acquisition cost, and gross unrealized gain and loss of other securities with fair value as of March 31, 2021 and 2020 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2021				
Equity securities	¥ 38,702	¥ 21,364	¥ (383)	¥ 17,721
Other securities	87	—	(12)	100
	¥ 38,790	¥ 21,364	¥ (396)	¥ 17,821
March 31, 2020				
Equity securities	¥ 32,365	¥ 14,367	¥ (2,283)	¥ 20,281
Other securities	578	—	(31)	610
	¥ 32,943	¥ 14,367	¥ (2,315)	¥ 20,891

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2021				
Equity securities	$ 349,580	$ 192,973	$ (3,459)	$ 160,067
Other securities	786	—	(108)	903
	$ 350,375	$ 192,973	$ (3,577)	$ 160,970

Securities classified as other securities for which fair value is not available are unlisted equity securities amounting to ¥5,839 million ($52,741 thousand) and ¥3,822 million as of March 31, 2021 and 2020, respectively.

For the years ended March 31, 2021 and 2020, proceeds from the sale of other securities are ¥4,648 million ($41,984 thousand) and ¥4,702 million, respectively. Gross realized gains are ¥1,807 million ($16,322 thousand) and ¥2,681 million for the years ended March 31, 2021 and 2020, respectively.

The Company recognized impairment losses on securities of ¥228 million ($2,059 thousand) and ¥762 million for the years ended March 31, 2021 and 2020, respectively.

The Company recognizes impairment losses on securities with market value when the market value declines by more than 50 percent. When the market value declines by more than 30 percent but less than 50 percent, the Company recognizes necessary impairment losses as a result of considering the possibility of recovery. The Company recognizes impairment losses on securities without market value when the value declines significantly due to an issuer's financial condition.

5. Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2021 and 2020 are ¥113,660 million ($1,026,646 thousand) and ¥112,946 million, respectively.

6. Short-term and Long-term Borrowings

Short-term borrowing is represented by bank loans which are due within one year. The weighted average interest rate of short-term borrowing is 0.9% and 1.3% as of March 31, 2021 and 2020, respectively.

Long-term borrowing as of March 31, 2021 and 2020 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Loans, principally from banks, maturing in installments through 2035 with weighted average interest of 0.18% as of March 31, 2021, partially secured by mortgage of property, plant and equipment and securities	¥ 55,185	¥ —	$ 498,464
Loans, principally from banks, maturing in installments through 2035 with weighted average interest of 0.87% as of March 31, 2020, partially secured by mortgage of property, plant and equipment and securities	—	38,042	—
Lease obligations maturing in installments through 2056 as of March 31, 2021	2,186	—	19,745
Lease obligations maturing in installments through 2056 as of March 31, 2020	—	1,689	—
Unsecured bonds, due 2030 with interest of 0.340%	10,000	—	90,326
Unsecured bonds, due 2025 with interest of 0.170%	10,000	—	90,326
Unsecured bonds, due 2021 with interest of 0.572%	—	10,000	—
	77,371	49,731	698,862
Less current installments:			
Loans	10,413	5,853	94,057
Lease obligations	543	429	4,905
Unsecured bonds	—	10,000	—
	¥ 66,415	¥ 33,449	$ 599,901

Note: The weighted average interest rates on lease obligations as of March 31, 2021 and 2020 are omitted because lease obligations were recorded in the consolidated balance sheet based on the total lease payment which includes assumed interests portion.

The aggregate annual maturities of loans after March 31, 2022, are as follows:

Year ending March 31,	Millions of Yen		Thousands of U.S. dollars	
2023	¥	6,313	$	57,023
2024		14,871		134,324
2025		3,756		33,926
2026		2,661		24,036

Property, plant and equipment and securities with a book value as of March 31, 2021 of ¥26,950 million ($243,429 thousand) were mortgaged to secure certain debts.

As is customary in Japan, both short-term and long-term bank loans are under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset cash deposits against obligations due the banks.

7. Asset Retirement Obligations

(a) Asset retirement obligations recognized on the consolidated balance sheet

The Company is obliged to restore its natural gas mining facilities except for mentioned below (c) according to law and land lease contracts. The asset retirement obligations are based on estimated future cash flows for the restorations. The obligations are calculated by using the estimated mine lives of 18 to 76 years and discounted rate of 0.828% to 2.385%.

Asbestos are used in part of fixed assets held by the Company and certain consolidated subsidiaries. The Company is obliged to conduct a special treatment when asbestos are removed. The asset retirement obligations are based on estimated future cash flows for the treatment. The obligations are calculated by using the estimated useful lives of the fixed assets mainly of 8 years and discounted rate mainly of 1.035%.

The following table provides a total asset retirement obligation for the years ended March 31, 2021 and 2020:

	Millions of yen				Thousands of U.S. dollars	
	2021		2020		2021	
Balance at beginning of year	¥	3,560	¥	2,437	$	32,156
Liabilities incurred due to the acquisition		0		5		0
Increase due to change of estimate		1,406		—		12,700
Accretion expenses		41		42		370
Liabilities settled		(0)		(125)		(0)
Other		104		1,201		939
Balance at end of year	¥	5,113	¥	3,560	$	46,184

Note: The increase in other for the year ended March 31, 2020 is due to change in scope of consolidation.

(b) Change of estimate of amount for asset retirement obligations

The Company changed its estimate for restoration costs that had been recorded as restoration obligations based on laws and regulations for some of the natural gas mining facilities owned by the Company in the year ended March 31, 2021 as new information about costs for well abandonment and other items was obtained.

The increase of ¥1,406 million ($12,700 thousand) due to this change in estimate has been added to the balance of asset retirement obligations before the change.

As a result of change in the estimate, profit before income taxes for the year ended March 31, 2021 decreased by ¥1,258 million ($11,363 thousand), because some fixed assets of natural gas mining facilities were accounted for as impairment losses due to recording property, plant and equipment according to change in the estimate.

(c) Asset retirement obligations not recognized on the consolidated balance sheet

The Company is obliged to restore its natural gas mining facilities according to law and land lease contracts, and the Company plans to use part of the facilities as storage facilities after mining continuingly. The Company and certain consolidated subsidiaries are obliged to restore their piers and pipelines according to law and lease contracts, and the piers and pipelines can be used for a substantial long-term with appropriate repair. Asset retirement obligations relating to these assets are not recognized because it is extremely difficult to estimate the time of fulfilling the obligations reasonably.

8. Retirement Benefits

MGC has defined retirement benefit plans such as lump-sum retirement benefit plans and defined benefit corporate pension plans, besides defined contribution pension plans.

In addition, the Company has also set up retirement benefit trusts.

Certain consolidated subsidiaries apply the simplified method in computing net defined benefit liability and retirement benefit expenses for their defined benefit corporate pension plans and lump-sum retirement benefit plans.

Defined benefit plans

(a) Reconciliation between retirement benefit obligations at beginning of year and end of year (excluding plans applying the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Retirement benefit obligation at beginning of year	**¥ 41,794**	¥ 41,332	**$ 377,509**
Service costs	**2,175**	2,105	**19,646**
Interest costs	**375**	367	**3,387**
Actuarial gains and losses arising during year	**111**	(43)	**1,003**
Retirement benefits paid	**(2,129)**	(1,953)	**(19,230)**
Other	**227**	(13)	**2,050**
Retirement benefit obligation at end of year	**¥ 42,555**	¥ 41,794	**$ 384,383**

(b) Reconciliation between plan assets at beginning of year and end of year (excluding plans applying the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Plan assets at beginning of year	**¥ 36,248**	¥ 38,909	**$ 327,414**
Expected return on plan assets	**498**	571	**4,498**
Actuarial gains and losses arising during year	**2,798**	(3,277)	**25,273**
Contribution from employer	**1,412**	1,615	**12,754**
Retirement benefits paid	**(1,478)**	(1,550)	**(13,350)**
Other	**68**	(19)	**614**
Plan assets at end of year	**¥ 39,548**	¥ 36,248	**$ 357,222**

(c) Reconciliation between net defined benefit liabilities of plans applying the simplified method at beginning of year and end of year:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Net defined benefit liability at beginning of year	**¥ 2,813**	¥ 1,651	**$ 25,409**
Retirement benefit expenses	**164**	294	**1,481**
Retirement benefits paid	**(189)**	(67)	**(1,707)**
Contribution to plans	**36**	(43)	**325**
Increase due to change in scope of consolidation	**—**	984	**—**
Decrease due to transition to defined contribution pension plans	**(92)**	—	**(831)**
Other	**14**	(4)	**126**
Net defined benefit liability at end of year	**¥ 2,746**	¥ 2,813	**$ 24,804**

(d) Reconciliation between retirement benefit obligations and plan assets at end of year and net defined benefit asset and defined benefit liability on the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Funded retirement benefit obligation	**¥ 42,695**	¥ 42,140	**$ 385,647**
Plan assets	**(41,396)**	(38,058)	**(373,914)**
	¥ 1,299	¥ 4,081	**$ 11,733**
Unfunded retirement benefit obligation	**4,454**	4,276	**40,231**
Net balance of liability and asset recorded on the consolidated balance sheet	**¥ 5,753**	¥ 8,358	**$ 51,965**
Net defined benefit asset	**¥ (1,396)**	¥ (974)	**$ (12,610)**
Net defined benefit liability	**7,150**	9,333	**64,583**
Net balance of liability and asset recorded on the consolidated balance sheet	**¥ 5,753**	¥ 8,358	**$ 51,965**

(e) Retirement benefit expenses and components thereof:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service costs	¥ 2,175	¥ 2,105	$ 19,646
Interest costs	375	367	3,387
Expected return on plan assets	(498)	(571)	(4,498)
Amortization of actuarial gains and losses	415	(230)	3,749
Amortization of past service costs	0	(19)	0
Retirement benefit expenses applying the simplified method	164	294	1,481
Other	(2)	(7)	(18)
Retirement benefit expenses under defined benefit plans	¥ 2,630	¥ 1,938	$ 23,756

(f) Components of items recorded in remeasurements of defined benefit plans in other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Past service costs	¥ 0	¥ (19)	$ 0
Actuarial gains and losses	3,064	(3,608)	27,676
Total	¥ 3,065	¥ (3,627)	$ 27,685

(g) Components of items recorded in remeasurements of defined benefit plans in accumulated other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized past service costs	¥ (37)	¥ (37)	$ (334)
Unrecognized actuarial gains and losses	(1,088)	1,973	(9,827)
Total	¥ (1,126)	¥ 1,935	$ (10,171)

(h) Plan assets

(i) Components of plan assets

Percentages to total plan assets by major category are as follows:

	2021	2020
Debt securities	32%	36%
Equity securities	37	26
Cash and deposits	11	14
Other	20	24
Total	100%	100%

(ii) Determination of expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is determined considering current and expected allocation of plan assets and current and expected long-term rate of return derived from various components of plan assets.

(i) Actuarial assumptions

	2021	2020
Discount rate	Mainly 0.8%	Mainly 0.8%
Expected long-term rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

Defined contribution plans

The required contribution of MGC to the defined contribution plans amounted to ¥548 million ($4,950 thousand) and ¥521 million as of March 31, 2021 and 2020, respectively.

Directors, corporate auditors and executive officers are not covered by the plans described above. For such persons, the Company and certain subsidiaries had unfunded defined benefit pension plans. Under the plans, directors, corporate auditors and executive officers are entitled to lump-sum payments based on the current rate of pay and length of service when they leave the companies. MGC provides for the amount of the vested benefits to which directors, corporate auditors and executive officers are entitled if they were to retire or sever immediately at the balance sheet dates. As of March 31, 2021 and 2020, the liabilities for retirement and severance benefits related to the plans were ¥217 million ($1,960 thousand) and ¥433 million, respectively.

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income which, in the aggregate, result in a statutory tax rate of approximately 30.6% in 2021 and 2020.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of profit before income taxes for the years ended March 31, 2021 and 2020 is as follows:

	2021	2020
Statutory tax rate	**30.6%**	30.6%
Share of profit of entities accounted for using equity method	**(3.2)**	—
Share of loss of entities accounted for using equity method	**—**	1.1
Dividend income eliminated in consolidation	**4.6**	12.9
Valuation allowance	**(6.7)**	(0.2)
Income not credited for tax purposes	**(4.8)**	(12.7)
Foreign taxes	**1.1**	1.3
Other	**(2.1)**	(4.3)
Effective tax rate	**19.5%**	28.7%

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Deferred tax assets:			
Tax loss carryforward	**¥ 6,193**	¥ 6,604	**$ 55,939**
Net defined benefit liability	**6,947**	6,880	**62,750**
Devaluation loss on investments in securities	**1,227**	3,293	**11,083**
Accrued bonuses	**1,717**	1,650	**15,509**
Intercompany profits	**2,335**	2,287	**21,091**
Depreciation	**408**	426	**3,685**
Impairment loss	**1,657**	1,727	**14,967**
Asset retirement obligations	**1,605**	1,124	**14,497**
Other	**3,498**	3,669	**31,596**
	25,592	27,662	**231,162**
Valuation allowance for tax loss carryforward	**(4,658)**	(6,103)	**(42,074)**
Valuation allowance for the total amount of deductible temporary differences	**(11,433)**	(13,265)	**(103,270)**
Valuation allowance	**(16,091)**	(19,368)	**(145,344)**
	9,501	8,293	**85,819**
Deferred tax liabilities:			
Net unrealized gain on other securities	**(6,328)**	(4,050)	**(57,158)**
Gain by contributing the assets to the trust	**(1,255)**	(1,255)	**(11,336)**
Tax purpose reserves etc. regulated by Japanese tax law	**(2,009)**	(1,949)	**(18,147)**
Asset retirement cost	**(192)**	(51)	**(1,734)**
Retained earnings of overseas consolidated subsidiaries and others	**(4,195)**	(3,876)	**(37,892)**
Other	**(4,203)**	(2,828)	**(37,964)**
	(18,184)	(14,011)	**(164,249)**
Net deferred tax assets (liabilities)	**¥ (8,682)**	¥ (5,717)	**$ (78,421)**

Notes 1: The change in valuation allowance is mainly due to a decrease of valuation allowance for devaluation loss on investment in securities.

2: The expiration of tax loss carryforward and the resulting net deferred tax assets as of March 31, 2021 and 2020 was as follows:

March 31, 2021	Millions of yen						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforward*	¥ 1,085	¥ 651	¥ 411	¥ 87	¥ 1,708	¥ 2,249	¥ 6,193
Valuation allowance	(259)	(335)	(411)	(72)	(1,707)	(1,871)	(4,658)
Deferred tax assets	825	315	—	14	1	378	1,535

March 31, 2020	Millions of yen						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforward*	¥ 1,073	¥ 537	¥ 796	¥ 510	¥ 1,305	¥ 2,381	¥ 6,604
Valuation allowance	(809)	(537)	(789)	(510)	(1,305)	(2,151)	(6,103)
Deferred tax assets	264	—	6	—	—	229	500

March 31, 2021	Thousands of U.S. dollars						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforward*	$ 9,800	$ 5,880	$ 3,712	$ 786	$ 15,428	$ 20,314	$ 55,939
Valuation allowance	(2,339)	(3,026)	(3,712)	(650)	(15,419)	(16,900)	(42,074)
Deferred tax assets	7,452	2,845	—	126	9	3,414	13,865

* Tax loss carryforward was calculated by multiplying the statutory tax rate.

10. Common Stock

Under the Companies Act, the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

11. Retained Earnings and Dividends

The Companies Act provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Companies Act also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the stockholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheet.

Cash dividends charged to retained earnings for the years ended March 31, 2021 and 2020 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Companies Act.

(a) Dividends paid during the year ended March 31, 2020

The following was approved by the Board of Directors held on May 24, 2019.

(i)	Total dividends	¥7,477 million
(ii)	Cash dividends per common share	¥35
(iii)	Record date	March 31, 2019
(iv)	Effective date	June 6, 2019

The following was approved by the Board of Directors held on November 5, 2019.

(i)	Total dividends	¥7,384 million
(ii)	Cash dividends per common share	¥35
(iii)	Record date	September 30, 2019
(iv)	Effective date	December 5, 2019

(b) Dividends paid during the year ended March 31, 2021

The following was approved by the Board of Directors held on May 26, 2020.

(i)	Total dividends	¥7,279 million ($65,748 thousand)
(ii)	Cash dividends per common share	¥35 ($0.32)
(iii)	Record date	March 31, 2020
(iv)	Effective date	June 8, 2020

The following was approved by the Board of Directors held on November 2, 2020.

(i)	Total dividends	¥7,280 million ($65,757 thousand)
(ii)	Cash dividends per common share	¥35 ($0.32)
(iii)	Record date	September 30, 2020
(iv)	Effective date	December 4, 2020

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2021

The following was approved by the Board of Directors held on May 26, 2021.

(i)	Total dividends	¥7,280 million ($65,757 thousand)
(ii)	Dividend source	Retained earnings
(iii)	Cash dividends per common share	¥35 ($0.32)
(iv)	Record date	March 31, 2021
(v)	Effective date	June 7, 2021

12. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Freight	¥ 21,435	¥ 22,389	$ 193,614
Stevedoring and warehouse fee	3,738	3,817	33,764
Salaries	18,961	18,361	171,267
Employees' bonuses	5,747	5,543	51,910
Pension cost	1,431	924	12,926
Welfare	4,846	4,001	43,772
Transportation	670	2,685	6,052
Depreciation	5,681	5,951	51,314

13. Research and Development Costs

Research and development costs charged to following items 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 which were included in selling, general and administrative expenses	¥ 18,595	¥ 18,410	$ 167,961
Research and development costs which were included in general and administrative expenses and manufacturing costs	19,905	19,696	179,794

14. Impairment Loss

MGC reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss for the years ended March 31, 2021 and March 31, 2020 as follows:

Location	Usage	Classification	Millions of yen		Thousands of U.S. dollars
			2021	2020	**2021**
Tainai-shi Niigata Pref. Japan	Manufacturing facilities for natural gas and crude oil	Machinery and equipment, etc.	**¥1,258**	¥—	**$11,363**
Kurashiki-shi Okayama Pref. Japan	Manufacturing facilities for organic chemical	Machinery and equipment, etc.	**373**	—	**3,369**
Yokkaichi-shi Mie Pref. Japan	Manufacturing facilities for optical material	Machinery and equipment, etc.	**144**	—	**1,301**
State of Michigan, U.S.A	Manufacturing facilities	Machinery and equipment, etc.	**219**	381	**1,978**

Impairment loss for Yokkaichi-shi, Mie pref. was presented as loss on withdrawal from business in the consolidated statement of income. Also, impairment loss for State of Michigan, U.S.A was presented as loss on liquidation of subsidiaries in the consolidated statement of income.

The long-lived assets that are used for business are grouped according to the classification which is used for monitoring the profit and loss continuously under the management accounting system, and the idle assets are grouped individually by each item.

The carrying amount of manufacturing facilities owned by the Company and a consolidated subsidiary of the Company were written down to a recoverable amount because the carrying amount fell below the recoverable amount.

The recoverable amounts were measured using the net selling value or value in use per each asset group, and evaluated based on reasonable estimation by cost approach or based on memorandum value due to negative future cash flow.

Impairment loss on the asset groups consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Building and structures	**¥234**	¥ —	**$2,114**
Machinery, equipment and vehicles	**1,740**	182	**15,717**
Construction in progress	**—**	86	**—**
Intangible assets	**—**	111	**—**
Other	**18**	2	**163**
Total	**¥1,994**	381	**$18,011**

15. Other Comprehensive Income

The reclassification adjustment and the related income tax effects allocated to each component of other comprehensive income for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Valuation difference on available-for-sale securities:			
Arising during the year	**¥ 10,747**	¥ (4,700)	**$ 97,073**
Reclassification adjustment	**(1,799)**	(2,069)	**(16,250)**
Before tax amount	**8,948**	(6,770)	**80,824**
Tax (expense) benefit	**(2,210)**	1,597	**(19,962)**
Net-of-tax amount	**6,737**	(5,172)	**60,853**
Deferred (losses) gains on hedges:			
Arising during the year	**(34)**	6	**(307)**
Reclassification adjustment	**—**	(1)	**—**
Before tax amount	**(34)**	4	**(307)**
Tax benefit (expense)	**10**	(1)	**90**
Net-of-tax amount	**(24)**	3	**(217)**
Foreign currency translation adjustments:			
Arising during the year	**3,036**	(3,431)	**27,423**
Net-of-tax amount	**3,036**	(3,431)	**27,423**
Remeasurements of defined benefit plans:			
Arising during the year	**2,691**	(3,232)	**24,307**
Reclassification adjustment	**373**	(395)	**3,369**
Before tax amount	**3,065**	(3,627)	**27,685**
Tax (expense) benefit	**(235)**	241	**(2,123)**
Net-of-tax amount	**2,829**	(3,386)	**25,553**
Share of other comprehensive income of entities accounted for by the equity method:			
Arising during the year	**1,137**	(1,621)	**10,270**
Reclassification adjustment	**—**	3,109	**—**
Net-of-tax amount	**1,137**	1,488	**10,270**
Total other comprehensive income	**¥ 13,718**	¥ (10,498)	**$ 123,909**

16. Per Share Information

(a) Earnings per share

Earnings per share, and reconciliation of the numbers and the amounts used in the earnings per share computations for the years ended March 31, 2021 and 2020 are as follows:

	Yen		U.S. dollars
	2021	2020	**2021**
Earnings per share	**¥ 173.41**	¥ 100.50	**$ 1.57**

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Profit attributable to owners of parent	**¥ 36,070**	¥ 21,158	**$ 325,806**
Profit not applicable to common stockholders	**—**	—	**—**
Profit attributable to common stockholders of parent	**¥ 36,070**	¥ 21,158	**$ 325,806**

	Number of shares	
	2021	2020
Weighted average number of shares outstanding on which earnings per share is calculated	**208,004,306**	210,529,901

The diluted earnings per share for the years ended March 31, 2021 and 2020 are not presented because there are no dilutive potential shares as of March 31, 2021 and 2020.

(b) Net assets per share

Net assets per share as of March 31, 2021 and 2020 are as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets per share	¥ 2,520.34	¥ 2,368.11	$ 22.77

17. Leases

Operating lease

Future minimum lease payments required under non-cancellable operating leases as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Within one year	¥ 871	¥ 889	$ 7,867
Over one year	3,449	2,188	31,153
	¥ 4,320	¥ 3,077	$ 39,021

18. Balances and Transactions with Related Party

The Company has a 50% equity ownership in Mitsubishi Engineering-Plastics Corporation as of March 31, 2021 and 2020.

Balances with the company as of March 31, 2021 and 2020 and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balances:			
Trade accounts receivable	¥ 10,736	¥ 8,820	$ 96,974
Transactions:			
Sales	29,226	31,815	263,987

The Company has a 50% equity ownership in BRUNEI METHANOL COMPANY SDN. BHD. as of March 31, 2021 and 2020.

As of March 31, 2021 and 2020, the Company has guaranteed ¥2,588 million ($23,376 thousand) and ¥4,016 million of the company's loans to financial institutions, respectively.

The affiliated company of the Company has a 35% equity ownership in CARIBBEAN GAS CHEMICAL LTD. as of March 31, 2021 and 2020.

As of March 31, 2021 and 2020, the Company has guaranteed ¥27,309 million ($246,671 thousand) and ¥29,075 million of the company's loans to financial institutions.

The condensed financial information of all of 14 affiliates (15 in 2020) accounted for by the equity method, including the significant affiliate, Japan Saudi Arabia Methanol Company, Inc., are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total current assets	¥ 187,161	¥ 152,348	$ 1,690,552
Total non-current assets	391,854	320,092	3,539,463
Total current liabilities	140,296	118,445	1,267,239
Total non-current liabilities	190,721	133,268	1,722,708
Total net assets	247,996	220,698	2,240,051
Sales	270,563	287,249	2,443,889
Profit before income taxes	21,793	16,667	196,848
Profit	11,806	4,168	106,639

19. Commitments and Contingencies

The Company guarantees certain obligations of its associated companies and employees, etc. As of March 31, 2021 and 2020, guarantees for affiliates and employees, etc. loans amounted to ¥29,719 million ($268,440 thousand) and ¥31,446 million, respectively.

20. Financial Instruments

Conditions of financial instruments

(a) Management policy

MGC raises necessary funds through bank borrowings and issue of bonds in accordance with a funds management plan. Surplus funds are invested in highly safe financial instruments. MGC raises funds through bank borrowings for short-term operating fund. MGC uses derivatives to avoid risks mentioned below and does not enter into derivatives for speculative purposes.

(b) Financial instruments and risks

Trade notes and accounts receivable are exposed to customer's credit risk. Maturities of trade notes and accounts payable are mostly within one year. Part of trade receivables and payables is denominated in foreign currency and is exposed to fluctuation risk of foreign exchange rates. MGC uses foreign exchange contracts to hedge the net position.

Securities and investments in securities are mainly held-to-maturity bonds and equity securities held for business relations and are exposed to market fluctuation risk.

Borrowings, bonds and lease obligations for finance leases are mainly for financing of funds for capital expenditure and operating. Part of the liabilities is with variable interest rate and thus is exposed to interest rate fluctuation risk. MGC uses interest rate swaps to hedge the risk.

MGC uses foreign exchange contracts to hedge future fluctuation of foreign exchange rates of operating receivables and payables and forecasted transactions denominated in foreign currencies, interest rate swaps and currency swaps to hedge future fluctuation of interest rates and foreign exchange rates of borrowings.

Hedge accounting is applied for certain derivative transactions. MGC applies the deferral hedge accounting method for hedge accounting. MGC has entered into forward exchange contracts for receivables and payables and forecasted transactions denominated in foreign currencies, and interest rate swap agreements to manage interest rate exposures on certain borrowings. Hedges for fluctuation risk of foreign exchange rates that meet certain criteria are accounted for using the allocation method. If interest rate swap agreements are used as hedges and meet certain hedging criteria, the difference in amounts to be paid or received on the interest rate swap agreements is recognized over the life of the agreements as an adjustment to interest expense. MGC employs derivative transactions within actual demand and does not hold or issue derivative financial instruments for speculative purposes. The hedge effectiveness is assessed based on the fluctuation ratio of hedged items and hedging instruments by comparing the cumulative market fluctuations or cash flow fluctuations of hedged items and those of related hedging instruments. The Company omits to assess hedge effectiveness of interest rate swaps which qualify for hedge accounting and meet certain criteria.

(c) Financial instruments risk management

(i) Credit risk

To mitigate and quickly capture the collectability issues, sales administration divisions regularly monitor major customers' credit status, and perform due date controls and balance controls for each customer in accordance with trade receivables and credit control rules. Held-to-maturity securities are debt securities readily convertible into cash which are invested in accordance with investment of surplus funds rules.

Maximum risk as of March 31, 2021 and 2020 is represented by the carrying amount of financial assets exposed to credit risk.

(ii) Market risk

The finance departments have executed the transactions with market risk with the director's approval in accordance with the finance rules and the derivatives control rules.

To mitigate the foreign currency fluctuation risk recognized by currency and month, MGC enters into a forward exchange contract for hedging the cash flow fluctuation risk associated with operating receivables and payables and forecasted transactions denominated in foreign currencies and surplus funds. To mitigate the foreign currency and interest rate fluctuation risk, MGC enters into an interest rate swap and a currency swap for hedging the cash flow fluctuation risk associated with borrowings.

MGC regularly monitors a price and an issuer's financial condition, and continuously considers whether MGC holds the securities or the investments in securities except for held-to-maturity bond.

(iii) Liquidity risk

To mitigate the liquidity risk, a finance department prepares and updates a funds management plan as necessary, and maintains an appropriate level of liquidity.

(d) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in **Fair value of financial instruments** does not represent the market risk of the derivative transactions.

Fair value of financial instruments

Balance sheet amount, fair value, and differences as of March 31, 2021 and 2020 are as follows.

Financial instruments, of which it is extremely difficult to measure the fair value, are not included in the table below. (Please see "<2> Financial instruments of which the fair value is extremely difficult to measure.")

March 31, 2021	Millions of yen			Thousands of U.S. dollars		
	Balance sheet amount	Fair value	Differences	Balance sheet amount	Fair value	Differences
Assets:						
(1) Cash and deposits	¥ 101,785	¥ 101,785	¥ —	$ 919,384	$ 919,384	$ —
(2) Notes and accounts receivable - trade	159,018	159,018	—	1,436,347	1,436,347	—
(3) Securities and investments in securities	39,568	39,568	—	357,402	357,402	—
Total assets	¥ 300,372	¥ 300,372	¥ —	$ 2,713,142	$ 2,713,142	$ —
Liabilities:						
(1) Notes and accounts payable - trade	¥ 75,308	¥ 75,308	¥ —	$ 680,228	$ 680,228	$ —
(2) Short-term borrowings	40,087	40,087	—	362,090	362,090	—
(3) Accrued expenses	20,225	20,225	—	182,684	182,684	—
(4) Bonds	20,000	19,976	(24)	180,652	180,435	(217)
(5) Long-term borrowings	36,202	36,177	(24)	326,998	326,773	(217)
Total liabilities	¥ 191,824	¥ 191,775	¥ (48)	$ 1,732,671	$ 1,732,228	$ (434)
Derivative transactions (*):						
Hedge accounting not applied	¥ (320)	¥ (320)	¥ —	$ (2,890)	$ (2,890)	$ —
Hedge accounting applied	(27)	(27)	—	(244)	(244)	—
Total derivative transactions	¥ (348)	¥ (348)	¥ —	$ (3,143)	$ (3,143)	$ —

March 31, 2020	Millions of yen		
	Balance sheet amount	Fair value	Differences
Assets:			
(1) Cash and deposits	¥ 78,227	¥ 78,227	¥ —
(2) Notes and accounts receivable - trade	141,279	141,279	—
(3) Securities and investments in securities	35,972	35,972	—
Total assets	¥ 255,480	¥ 255,480	¥ —
Liabilities:			
(1) Notes and accounts payable - trade	¥ 70,776	¥ 70,776	¥ —
(2) Short-term borrowings	33,980	33,980	—
(3) Accrued expenses	18,008	18,008	—
(4) Current portion of bonds payable	10,000	10,041	41
(5) Long-term borrowings	29,043	29,847	803
Total liabilities	¥ 161,809	¥ 162,654	¥ 845
Derivative transactions (*):			
Hedge accounting not applied	¥ (364)	¥ (364)	¥ —
Hedge accounting applied	6	4	(1)
Total derivative transactions	¥ (358)	¥ (359)	¥ (1)

* Derivative receivables and payables are on net basis. Items that are net payables are shown in parenthesis

<1> Fair value measurement of financial instruments

Assets:

• Cash and deposits and Notes and accounts receivable - trade

The carrying amount approximates fair value because of the short maturity of these instruments.

• Securities and investments in securities

The fair value of equity securities is calculated by quoted market price and the fair value of bond securities is estimated based on quotes from counterparties. Please see note 4 Securities and Investments in Securities for information by category.

Liabilities:

• Notes and accounts payable - trade, Short-term borrowings, and Accrued expenses

The carrying amount approximates fair value because of the short maturity of these instruments.

• Bonds

The fair value of bonds issued by the Company is calculated by market price.

• Long-term borrowings

Fair value of long-term borrowings is based on the present value of future cash flows discounted using the current borrowing rate for similar borrowings of a comparable maturity.

Derivative Transactions:

Please see note 21 Derivative Financial Instruments.

<2> Financial instruments of which the fair value is extremely difficult to measure

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Unlisted equity securities	**¥ 119,419**	¥ 116,699	**$ 1,078,665**

* It is extremely difficult to measure the fair value, and thus above are not included in “Assets (3) securities and investments in securities.”

<3> Projected future redemption of monetary claim and securities with maturities as of March 31, 2021

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash and deposits	¥ 101,785	¥ —	¥ —	¥ —
(2) Notes and accounts receivable - trade	159,018	—	—	—
(3) Securities and investments in securities:				
Held-to-maturity securities:				
Government bonds	—	—	—	—
Certificates of deposit	—	—	—	—
Other securities with maturity (bonds)	—	—	—	1,747
Total	¥ 260,803	¥ —	¥ —	¥ 1,747

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash and deposits	$ 919,384	$ —	$ —	$ —
(2) Notes and accounts receivable - trade	1,436,347	—	—	—
(3) Securities and investments in securities:				
Held-to-maturity securities:				
Government bonds	—	—	—	—
Certificates of deposit	—	—	—	—
Other securities with maturity (bonds)	—	—	—	15,780
Total	$ 2,355,731	$ —	$ —	$ 15,780

<4> The annual maturities of the bonds and long-term borrowings as of March 31, 2021

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	¥ —	¥ —	¥ —	¥ —	¥ 10,000	¥ 10,000
Long-term borrowings	10,413	6,313	14,871	3,756	2,661	8,598

	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	$ —	$ —	$ —	$ —	$ 90,326	$ 90,326
Long-term borrowings	94,057	57,023	134,324	33,926	24,036	77,662

21. Derivative Financial Instruments

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2021 and 2020 are summarized as follows:

Derivative financial instruments to which hedge accounting is not applied are summarized as follows:

(a) Forward exchange contracts and currency swap agreements

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2021			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 8,962	¥ (7)	¥ (7)
Euro	2,821	(3)	(3)
Thai Baht	114	(0)	(0)
New Taiwan dollar	512	1	1
Chinese Yuan	2,340	(1)	(1)
To buy foreign currency:			
U.S. dollar	591	(18)	(18)
New Taiwan dollar	1	(0)	(0)
Chinese Yuan	73	(0)	(0)
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	518	34	34
Receive/U.S. dollar, Pay/Thai Baht	517	(20)	(20)
Receive/Japanese Yen, Pay/Chinese Yuan	1,684	(164)	(164)
	¥ 18,136	¥ (178)	¥ (178)

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2020			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 11,642	¥ (17)	¥ (17)
Euro	2,329	(27)	(27)
Thai Baht	59	(0)	(0)
New Taiwan dollar	370	(10)	(10)
Chinese Yuan	882	(0)	(0)
Korean Won	614	5	5
To buy foreign currency:			
U.S. dollar	298	(11)	(11)
Canadian dollar	1,396	(68)	(68)
New Taiwan dollar	2	(0)	(0)
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	545	(0)	(0)
Receive/U.S. dollar, Pay/Thai Baht	547	(20)	(20)
	¥ 18,689	¥ (150)	¥ (150)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2021			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	**$ 80,950**	**$ (63)**	**$ (63)**
Euro	**25,481**	**(27)**	**(27)**
Thai Baht	**1,030**	**(0)**	**(0)**
New Taiwan dollar	**4,625**	**9**	**9**
Chinese Yuan	**21,136**	**(9)**	**(9)**
To buy foreign currency:			
U.S. dollar	**5,338**	**(163)**	**(163)**
New Taiwan dollar	**9**	**(0)**	**(0)**
Chinese Yuan	**659**	**(0)**	**(0)**
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	**4,679**	**307**	**307**
Receive/U.S. dollar, Pay/Thai Baht	**4,670**	**(181)**	**(181)**
Receive/Japanese Yen, Pay/Chinese Yuan	**15,211**	**(1,481)**	**(1,481)**
	$ 163,815	**$ (1,608)**	**$ (1,608)**

* The fair value of forward exchange contracts and currency swap agreements is estimated based on quotes from counterparties.

(b) Interest rate swap agreements

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2021			
Interest rate swap agreements:			
Receive/floating and pay/fixed	**¥ 4,014**	**¥ (142)**	**¥ (142)**
March 31, 2020			
Interest rate swap agreements:			
Receive/floating and pay/fixed	¥ 4,430	¥ (214)	¥ (214)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2021			
Interest rate swap agreements:			
Receive/floating and pay/fixed	**$ 36,257**	**$ (1,283)**	**$ (1,283)**

* The fair value of interest rate swap agreements is estimated based on quotes from counterparties.

Derivative financial instruments to which hedge accounting is applied are summarized as follows:

(a) Forward exchange contracts

	Hedged items	Millions of yen	
		Contract or notional amounts	Fair value
March 31, 2021			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable		
U.S. dollar		**¥ 1,766**	**¥ (83)**
To buy foreign currency:	Accounts payable		
U.S. dollar		**218**	**7**
To sell foreign currency:	Forecasted transactions		
U.S. dollar		**875**	**(28)**
To buy foreign currency:	Forecasted transactions		
U.S. dollar		**16**	**0**
		¥ 2,877	**¥ (104)**

	Hedged items	Millions of yen	
		Contract or notional amounts	Fair value
March 31, 2020			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable		
U.S. dollar		¥ 1,290	¥ 1
Chinese Yuan		65	(0)
To buy foreign currency:	Accounts payable		
U.S. dollar		566	3
To sell foreign currency:	Forecasted transactions		
U.S. dollar		234	2
To buy foreign currency:	Forecasted transactions		
U.S. dollar		537	4
		¥ 2,695	¥ 11

	Hedged items	Thousands of U.S. dollars	
		Contract or notional amounts	Fair value
March 31, 2021			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable		
U.S. dollar		**$ 15,952**	**$ (750)**
To buy foreign currency:	Accounts payable		
U.S. dollar		**1,969**	**63**
To sell foreign currency:	Forecasted transactions		
U.S. dollar		**7,904**	**(253)**
To buy foreign currency:	Forecasted transactions		
U.S. dollar		**145**	**0**
		$ 25,987	**$ (939)**

*The fair value of forward exchange contracts is estimated based on quotes from counterparties.

(b) Interest rate swap agreements

There were no interest rate swap agreements as of March 31, 2021.

	Hedged items	Millions of yen	
		Contract or notional amounts	Fair value
March 31, 2020			
Interest rate swap agreements:			
Receive/floating and pay/fixed	Long-term borrowings	¥ 360	¥ (1)

* The fair value of interest rate swap agreements is estimated based on quotes from counterparties.

22. Investment and Rental Property

The Company and certain consolidated subsidiaries own land and buildings for rent in Tokyo and other areas (hereafter "rental property").

The amounts recognized in the consolidated balance sheet and fair values related to the rental property for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Consolidated balance sheet amount:			
Balance at beginning of the year	**¥ 10,793**	¥ 15,150	**$ 97,489**
Increase/(decrease)	**(592)**	(4,357)	**(5,347)**
Balance at end of the year	**¥ 10,200**	¥ 10,793	**$ 92,133**
Fair value	**¥ 13,665**	¥ 14,117	**$ 123,431**

Notes:
1. Consolidated balance sheet amount is its cost minus accumulated depreciation and accumulated impairment loss.
2. Decrease for the year ended March 31, 2021 was mainly due to depreciation expense of ¥676 million ($6,106 thousand) the Company recorded. Decrease for the year ended March 31, 2020 was mainly due to loss of ¥4,381 million on reduction of property, plant and equipment located in QOL Innovation Center Shirakawa.
3. Fair value is based on roadside value, etc.

Rent income from the rental property is ¥232 million ($2,096 thousand) and ¥438 million for the years ended March 31, 2021 and 2020, respectively.

23. Business Combination

Transactions under common control

1. Summary of transaction

(1) Name and business of the company subject to business combination

Name: Tokyo Shokai, Ltd., Ryoko Chemical Co., Ltd., Ryoyo Trading Co., Ltd.

Business: Sales of synthetic resins, electronic materials, organic chemicals, aromatic chemicals, inorganic chemicals and oxygen absorbers

(2) Date of combination

October 1, 2020

(3) Legal form of combination

Legal form is absorption-type merger which treats MGC Trading, Inc. as the surviving company and Tokyo Shokai, Ltd., Ryoko Chemical Co., Ltd., Ryoyo Trading Co., Ltd. as companies absorbed in the merger. Upon the merger, the company name of MGC Trading, Inc. was changed to Mitsubishi Gas Chemical Trading, Inc.

(4) Post-combination name of the acquired company

Mitsubishi Gas Chemical Trading, Inc.

(5) Other matters related to the business combination

The objective is to further unify the business activities of MGC, accelerate overseas expansion and new business development efforts on a group-wide basis, and realize a market-oriented sales structure with a stronger focus on growth areas such as "Medicine & Food," "Information & Communication," and "Mobility."

2. Outline of accounting treatment

This business combination was accounted for as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

24. Segment Information

The Company introduced company-based organization for clarifying management’s responsibility in operation and for managing efficiently. Each company develops a business strategy for their products and services and conducts business.

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

Under the Group vision of “creating values to share with society,” MGC is promoting a growth strategy based on the five measures in its medium-term management plan “MGC Advance 2020.” In particular, an organizational revision was made in the year ended March 31, 2021 in order to promote measures such as “Creating and developing new businesses,” “Implementing investment strategies to form an optimal business portfolio” and “Promoting unified MGC Group management” more swiftly and strongly than before.

The reported segments were changed from four segments of “Natural gas chemicals,” “Aromatic chemicals,” “Specialty chemicals” and “Information and advanced materials” to two segments of “Basic Chemicals Business Sector” and “Specialty Chemicals Business Sector” according to this revision.

“Basic Chemicals Business Sector” mainly produces and sells methanol, chemical products for methanol and ammonia, life science products, general aromatic products, specialty aromatic products and foaming plastics.

“Specialty Chemicals Business Sector” mainly produces and sells inorganic chemicals, plastic lens monomer, engineering plastics, electronic materials and oxygen absorbers.

The segment information for the year ended March 31, 2020 is disclosed based on the reported segment classification after the organizational revision.

Segment sales, profit, assets, liabilities and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements. Segment profit are calculated based on “Keijo-rieki” disclosed in the consolidated statement of income under accounting principles generally accepted in Japan (See note 25). Intersegment revenue and transfer are based on arm’s-length transactions.

The reported segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2021 and 2020 is summarized as follows:

	Millions of yen				
	2021				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Sales:					
Sales to third parties	¥ 315,034	¥ 267,457	¥ 13,226	¥ —	¥ 595,718
Inter-segment sales	7,767	368	1,965	(10,101)	—
	¥ 322,801	¥ 267,825	¥ 15,192	¥ (10,101)	¥ 595,718
Segment profit	¥ 11,001	¥ 37,552	¥ 3,297	¥ (1,610)	¥ 50,240
Segment assets	¥ 427,468	¥ 355,794	¥ 40,940	¥ 12,161	¥ 836,364
Others:					
Depreciation and amortization	¥ 16,371	¥ 13,090	¥ 189	¥ 1,034	¥ 30,686
Amortization of goodwill	368	—	3	—	371
Interest income	226	190	6	(61)	362
Interest expenses	551	581	2	(335)	800
Share of profit (loss) of entities accounted for using equity method	1,972	3,180	—	9	5,162
Investments in entities accounted for by the equity method	73,535	30,831	—	(149)	104,217
Capital expenditures	19,482	18,619	637	1,543	40,282

	Millions of yen									
	2020									
		Basic Chemicals Business Sector		Specialty Chemicals Business Sector		Other		Adjustments		Consolidated
Sales:										
Sales to third parties	¥	357,333	¥	255,112	¥	898	¥	—	¥	613,344
Inter-segment sales		6,503		830		123		(7,456)		—
	¥	363,836	¥	255,943	¥	1,021	¥	(7,456)	¥	613,344
Segment profit	¥	4,756	¥	28,178	¥	8	¥	(1,827)	¥	31,116
Segment assets	¥	396,905	¥	310,204	¥	34,569	¥	30,053	¥	771,733
Others:										
Depreciation and amortization	¥	15,941	¥	12,578	¥	19	¥	1,052	¥	29,591
Amortization of goodwill		379		—		1		—		380
Interest income		278		263		9		14		565
Interest expenses		822		635		5		(494)		968
Share of profit (loss) of entities accounted for using equity method		(4,924)		3,701		(60)		—		(1,282)
Investments in entities accounted for by the equity method		65,122		30,540		—		(149)		95,513
Capital expenditures		22,316		17,312		1		2,759		42,389

	Thousands of U.S. dollars									
	2021									
		Basic Chemicals Business Sector		Specialty Chemicals Business Sector		Other		Adjustments		Consolidated
Sales:										
Sales to third parties	**$**	**2,845,579**	**$**	**2,415,834**	**$**	**119,465**	**$**	**—**	**$**	**5,380,887**
Inter-segment sales		**70,156**		**3,324**		**17,749**		**(91,238)**		**—**
	$	**2,915,735**	**$**	**2,419,158**	**$**	**137,223**	**$**	**(91,238)**	**$**	**5,380,887**
Segment profit	**$**	**99,368**	**$**	**339,192**	**$**	**29,781**	**$**	**(14,542)**	**$**	**453,798**
Segment assets	**$**	**3,861,151**	**$**	**3,213,748**	**$**	**369,795**	**$**	**109,846**	**$**	**7,554,548**
Others:										
Depreciation and amortization	**$**	**147,873**	**$**	**118,237**	**$**	**1,707**	**$**	**9,340**	**$**	**277,175**
Amortization of goodwill		**3,324**		**—**		**27**		**—**		**3,351**
Interest income		**2,041**		**1,716**		**54**		**(551)**		**3,270**
Interest expenses		**4,977**		**5,248**		**18**		**(3,026)**		**7,226**
Share of profit (loss) of entities accounted for using equity method		**17,812**		**28,724**		**—**		**81**		**46,626**
Investments in entities accounted for by the equity method		**664,213**		**278,484**		**—**		**(1,346)**		**941,351**
Capital expenditures		**175,973**		**168,178**		**5,754**		**13,937**		**363,852**

Notes:
1. Other includes listed affiliates, real estate business and electric power business which are not included in reported segments.
2. Adjustments in the above tables are made for the followings:

(1) Adjustments in segment profit

	Millions of yen				Thousands of U.S. dollars	
	2021		2020		**2021**	
Elimination of intersegment transactions	**¥**	**59**	¥	(165)	**$**	**533**
Unallocated company-wide expenses		**(1,670)**		(1,661)		**(15,084)**
	¥	**(1,610)**	¥	(1,827)	**$**	**(14,542)**

* Company-wide expenses are administrative expenses, financial income and expenses and other income and expenses which are not allocated to reported segments.

(2) Adjustments in segment assets

	Millions of yen				Thousands of U.S. dollars	
	2021		2020		2021	
Elimination of intersegment balances	¥	(50,598)	¥	(37,931)	$	(457,032)
Unallocated company-wide assets		62,759		67,985		566,877
	¥	12,161	¥	30,053	$	109,846

* Company-wide assets include cash, investments in securities and deferred taxes assets which are not allocated to reported segments.

(3) "Adjustments in depreciation and amortization" of ¥1,034 million ($9,340 thousand) and ¥1,052 million are depreciation and amortization of company-wide assets which are not allocated to reported segments for the years ended March 31, 2021 and 2020, respectively.

(4) "Adjustments in interest income" of ¥(61) million ($(551) thousand) and ¥14 million are mainly interest income which are not allocated to reported segments and elimination of intersegment transactions for the years ended March 31, 2021 and 2020, respectively.

(5) "Adjustments in interest expenses" of ¥(335) million ($(3,026) thousand) and ¥(494) million are mainly elimination of intersegment transactions for the years ended March 31, 2021 and 2020, respectively.

(6) "Adjustments in investments in entities accounted for by the equity method" of ¥(149) million ($(1,346) thousand) and ¥(149) million are mainly investments which are not allocated to reported segments for the years ended March 31, 2021 and 2020, respectively.

(7) "Adjustments in capital expenditures" of ¥1,543 million ($13,937 thousand) and ¥2,759 million are related to company-wide assets which are not allocated to reported segments for the years ended March 31, 2021 and 2020, respectively.

3. Segment profit is adjusted with "Keijo-rieki" disclosed in the consolidated statement of income under accounting principles generally accepted in Japan (See note 25).

Related information

1. Information by products and services

Disclosures are omitted because the classification of products and services are same as the classification of the reported segments.

2. Geographical information

(1) Sales

	Millions of yen				Thousands of U.S. dollars	
	2021		2020		2021	
Japan	¥	242,901	¥	276,706	$	2,194,029
Asia:						
China		103,487		89,653		934,757
Other		157,226		162,630		1,420,161
U.S.A.		49,353		37,196		445,786
Other		42,748		47,157		386,126
Total	¥	595,718	¥	613,344	$	5,380,887

Note: Geographical sales are classified by customer's location.

(2) Property, plant and equipment

	Millions of yen				Thousands of U.S. dollars	
	2021		2020		2021	
Japan	¥	178,945	¥	172,804	$	1,616,340
Asia		40,226		35,079		363,346
U.S.A.		25,585		26,675		231,099
Other		5,174		5,278		46,735
Total	¥	249,931	¥	239,838	$	2,257,529

3. Information by major customers

Disclosures are omitted because no particular customer whose sales are over 10% of sales in the consolidated statement of income exists.

Information of impairment loss on fixed assets by reported segments

	Millions of yen				
	2021				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Impairment loss	¥ **1,851**	¥ **208**	¥ **—**	¥ **—**	¥ **2,060**

	Millions of yen				
	2020				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Impairment loss	¥ 381	¥ —	¥ —	¥ —	¥ 381

	Thousands of U.S. dollars				
	2021				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Impairment loss	$ **16,719**	$ **1,879**	$ **—**	$ **—**	$ **18,607**

Information of balance of goodwill by reported segments

	Millions of yen				
	2021				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Goodwill	¥ **4,900**	¥ **—**	¥ **13**	¥ **—**	¥ **4,914**

	Millions of yen				
	2020				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Goodwill	¥ 5,275	¥ —	¥ 17	¥ —	¥ 5,293

	Thousands of U.S. dollars				
	2021				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Goodwill	$ **44,260**	$ **—**	$ **117**	$ **—**	$ **44,386**

Information of negative goodwill by reported segments

No negative goodwill was recognized for the year ended March 31, 2021. Negative goodwill of ¥492 million was recognized in the other segment because Japan U-PiCA Company, Ltd. became a subsidiary during the year ended March 31, 2020.

25. The Statement of Income Disclosure under Accounting Principles Generally Accepted in Japan

Under accounting principles generally accepted in Japan, an ordinary income, "Keijo-rieki" should be disclosed in the statement of income. The ordinary income is an income figure with certain adjustments made to profit before income taxes.

Followings are the summary information of the statement of income under accounting principles generally accepted in Japan.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Net sales	¥ **595,718**	¥ 613,344	$ **5,380,887**
Gross profit	**140,958**	131,394	**1,273,218**
Operating profit	**44,510**	34,260	**402,041**
Ordinary income	**50,240**	31,116	**453,798**
Profit before income taxes	**48,951**	34,343	**442,155**
Profit	**39,383**	24,487	**355,731**