Corporate Report 2020

Financial Section

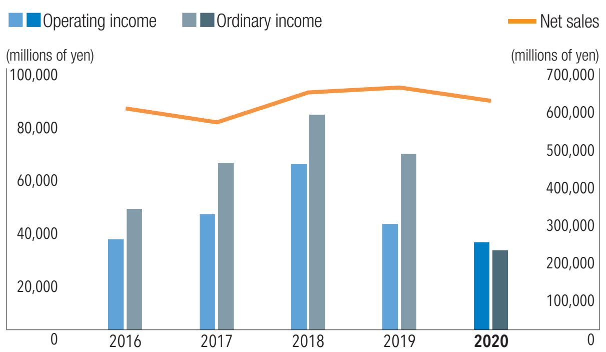
Consolidated Financial Summary

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31

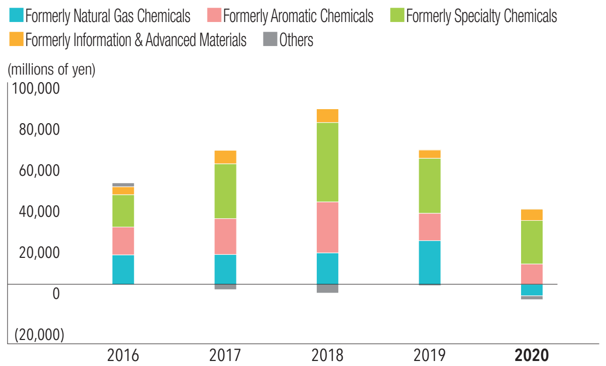
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2020
Operating results (Millions of yen)												(Thousands of U.S. dollars)*2
Net sales	¥384,528	451,033	452,217	467,979	534,443	529,570	593,502	556,480	635,909	648,986	**613,344**	**$ 5,635,799**
Operating income	4,090	23,363	9,083	11,421	11,488	14,996	34,018	43,762	62,741	41,386	**34,260**	**314,803**
Ordinary income	7,365	36,394	26,116	27,651	30,804	42,000	45,432	62,430	80,711	69,199	**31,116**	**285,914**
Net income attributable to owners of the parent	5,827	18,950	12,327	(7,793)	14,921	43,346	34,134	48,013	60,531	55,000	**21,158**	**194,413**
Equity in earnings of affiliates	8,794	17,873	20,532	19,045	20,466	27,895	16,683	21,125	18,277	28,408	**(1,282)**	**(11,780)**
Financial position (Millions of yen)												(Thousands of U.S. dollars)*2
Current assets	¥218,082	244,522	254,037	261,397	287,642	372,166	341,237	326,674	384,249	378,845	**358,669**	**$ 3,295,681**
Total assets	539,431	577,045	595,250	613,908	657,838	790,784	739,582	738,188	785,687	804,038	**771,733**	**7,091,179**
Current liabilities	160,297	182,527	193,464	195,438	178,897	225,068	214,676	188,426	206,835	188,420	**163,574**	**1,503,023**
Net assets	278,094	288,257	292,111	294,895	323,858	422,851	423,135	473,370	519,144	553,282	**548,141**	**5,036,672**
Interest-bearing debt	165,848	182,679	185,185	182,644	204,489	215,614	181,427	118,713	106,964	95,751	**74,713**	**686,511**
Cash flows (Millions of yen)												(Thousands of U.S. dollars)*2
Operating activity cash flow	¥ 31,326	39,773	37,348	31,169	27,182	76,982	84,671	82,711	90,720	64,042	**74,234**	**$ 682,110**
Investing activity cash flow	(33,662)	(24,626)	(37,274)	(30,818)	(29,883)	(23,531)	(31,922)	(31,119)	(33,614)	(42,761)	**(33,922)**	**(311,697)**
Financing activity cash flow	(15,354)	(1,849)	(9,876)	(14,356)	7,124	(25,005)	(47,335)	(60,217)	(33,038)	(31,396)	**(49,563)**	**(455,417)**
Total cash and cash equivalents at end of year	36,048	46,768	35,701	26,907	37,310	72,678	75,828	67,177	90,304	80,379	**70,043**	**643,600**
Per share data (Yen)												(U.S. dollars)*2
Earnings per share (EPS)*1	¥ 25.78	83.85	54.56	(34.50)	66.07	191.94	153.85	221.83	281.39	257.46	**100.50**	**$ 0.92**
Net assets per share *1	1,191.13	1,230.50	1,246.92	1,256.81	1,382.52	1,672.25	1,707.01	1,967.94	2,187.99	2,354.25	**2,368.11**	**21.76**
Ratios (%)												
Operating income margin	1.1	5.2	2.0	2.4	2.1	2.8	5.7	7.9	9.9	6.4	**5.6**	**5.6**
Return on equity (ROE)	2.2	6.9	4.4	(2.8)	5.0	12.6	9.0	12.0	13.6	11.3	**4.3**	**4.3**
Return on assets (ROA)	1.4	6.5	4.5	4.6	4.8	5.8	5.9	8.4	10.6	8.7	**3.9**	**3.9**
Equity ratio	49.9	48.2	47.3	46.2	47.5	47.8	51.0	57.5	59.5	62.6	**63.8**	**63.8**
Others (Millions of yen)												(Thousands of U.S. dollars)*2
Capital expenditure	¥ 27,567	35,400	42,423	30,982	25,409	22,226	30,512	35,010	30,959	39,279	**42,389**	**$ 389,497**
Depreciation and amortization	29,535	28,950	27,763	23,096	23,528	23,770	26,705	25,631	27,027	27,451	**29,591**	**271,901**
Research and Development cost	16,198	16,380	17,449	15,332	16,122	16,873	18,936	19,267	18,987	18,607	**19,696**	**180,980**
Number of employees	4,920	4,979	5,216	5,323	5,445	8,254	8,176	8,034	8,009	8,276	**8,954**	**8,954**

*1 With an effective date of October 1, 2016, MGC conducted a reverse stock split for MGC's ordinary shares on a 2:1 basis.
As a result, each amounts per share in the above table are calculated assuming that the reverse stock split had been conducted at the beginning of FY2009.
*2 U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥108.83= US$1 prevailing on March 31, 2020.

Net sales / Operating income / Ordinary income

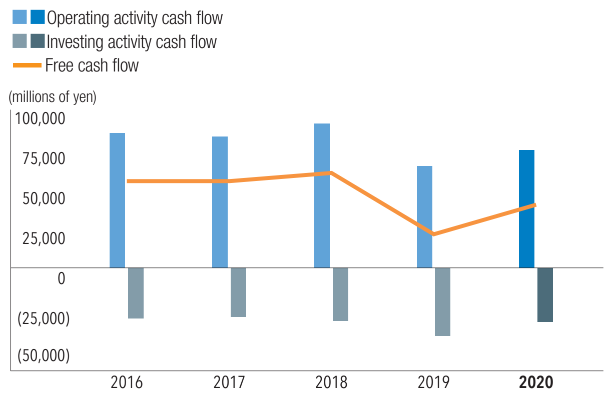


Ordinary income by business segment

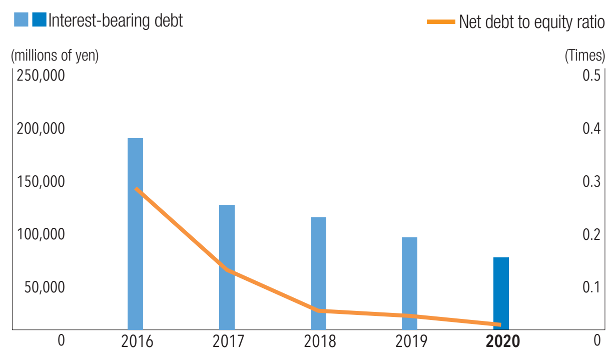


This graph shows 2019 business segments (before organizational reform).

Cash flows



Interest-bearing debt / Net debt to equity ratio



Management's Discussion and Analysis

1. Results of Operations

1) Net Sales & Operating Income

(1) In fiscal 2019, MGC Group posted consolidated net sales of ¥613,344 million, a year-on-year decrease of 5.5%, and consolidated operating income of ¥34,260 million, a year-on-year decrease of 17.2%.
(2) Group operating income also fell year on year, despite an increase in the sales volume of optical resin polymer and that of BT materials for semiconductor packaging, due to drops in market prices for such products as polycarbonates, purified isophthalic acid and methanol.

2) Non-Operating Revenue

The Group posted non-operating revenue of ¥19,162 million, a year-on-year decrease of 48.4%. This was primarily due to the decrease in equity in earnings of affiliates.

Non-operating expenses were ¥19,079 million, a year-on-year increase of 101.1%. This was primarily due to the increase in Loss on tax purpose reduction entry of non-current assets.

As a result, net income attributable to owners of the parent was ¥21,158 million, a year-on-year decrease of 61.5%.

3) Dividend

The year-end dividend payout for FY2019 was ¥35 per share. Since the interim dividend payout was ¥35, the annual dividend for FY2019 is ¥70 per share.

2. Segment Information

1) Natural Gas Chemicals

(1) Net sales in the natural gas chemicals segment were ¥157,158 million, a year-on-year decrease of 13.0%, and segment loss was ¥5,711 million.
(2) The methanol business saw decreases in both net sales and earnings due to a decrease in market prices compared with the previous year.

Methanol and ammonia-based chemicals posted a decrease in earnings compared with the previous fiscal year due to lower market prices of MMA and neopentyl glycol.

Despite higher crude oil sales volume, results for crude oil and other energy sources remained virtually unchanged from the previous fiscal year, reflecting such factors as plunges in crude oil prices.

2) Aromatics Chemicals

(1) Net sales in the aromatics chemicals segment were ¥200,174 million, a year-on-year decrease of 5.2%, and segment income was ¥10,470 million, a year-on-year decrease of 25.0%.
(2) Specialty aromatic chemical products posted a decrease in earnings from the previous fiscal year as demand for meta-xylenediamine became weaker in the fourth quarter, despite growing sales volume of aromatic aldehydes.

General-purpose aromatic chemical products suffered decreases in net sales and earnings compared with the previous fiscal year. Negative factors included lower sales prices of purified isophthalic acid and meta-xylene.

Foamed plastics suffered a year-on-year decline in earnings, primarily due to weak demand and a rise in fixed costs associated with the construction of production systems to meet new demand.

3) Specialty Chemicals

(1) Net sales in the specialty chemicals segment were ¥200,396 million, a year-on-year decrease of 2.1%, and segment income was ¥22,329 million, a year-on-year decrease of 20.8%.
(2) Inorganic chemicals posted lower earnings compared with the previous year, despite growth in the sales volume of chemicals for use in semiconductor manufacturing. This was primarily due to higher fixed costs in connection with the launch of a new production facility for super-pure hydrogen peroxide in North America, deterioration in the profitability of hydrogen peroxide and a decline in the sales volume of chemicals for use in liquid crystal display production.

Earnings from the engineering plastics business stayed virtually unchanged from the previous fiscal year. While market prices for polycarbonates declined significantly from the previous year, optical polymer sales volumes increased due to the growing use of multiple camera lenses in smartphones and the execution of measures to enhance production capacity.

4) Information & Advanced Materials

(1) Net sales in the information & advanced materials segment were ¥54,716 million, a year-on-year increase of 5.3%, and segment income was ¥5,846 million, a year-on-year increase of 30.5%.
(2) Electronic materials saw increases in net sales and earnings. This was mainly attributable to overall recovery of demand in contrast with stagnation in the latter half of the previous fiscal year, the performance of products used in smartphones and memory devices that have been supported by growth in demand from the third quarter onward, and higher sales volumes of BT materials for semiconductor packaging, the core product category for electronic materials.

Oxygen absorbers such as AGELESS™ posted a decrease in earnings compared with the previous year. This was due mainly to a downturn in showings of those sold in Japan for use in confectionary packages, reflecting the impact of natural disasters and the novel coronavirus pandemic.

5) Other

Net sales in the other business segment were ¥898 million, a year-on-year increase of 30.8%, and segment income was ¥8 million, a year-on-year decrease of 98.1%.

3. Financial Position

(1) As of March 31, 2020, total consolidated assets were ¥771.7 billion, ¥32.3 billion lower than at the end of the previous fiscal year.
(2) Current assets decreased by ¥20.1 billion to ¥358.6 billion. The main causes were decreases in cash and deposits and trade notes and accounts receivable.
(3) Noncurrent assets decreased by ¥12.1 billion to ¥413.0 billion primarily due to a decrease in investment securities.
(4) Total liabilities decreased by ¥27.1billion to ¥223.5 billion. Current liabilities decreased by ¥24.8 billion primarily due to decreases in short-term loans payable. Noncurrent liabilities decreased by ¥2.3 billion primarily as a result of decreases in bonds payable.
(5) Net assets decreased by ¥5.1 billion to ¥548.1 billion. This was attributable primarily to a decrease in valuation difference on available-for-sale securities.
(6) As a result, as of March 31, 2020, the shareholders' equity ratio was 63.8%, compared to 62.6% on March 31, 2019. Net assets per share at the end of the fiscal year were ¥2,368.11, compared to ¥2,354.25 at the end of the previous fiscal year.

4. Cash Flow

As of March 31, 2020, total cash and cash equivalents were ¥70.0 billion, ¥10.3 billion lower than at the end of the previous fiscal year.

1) Operating Activity Cash Flow

Net cash provided by operating activities increased by ¥10.1 billion from the previous year to ¥74.2 billion. This was primarily due to progress in the collection of accounts receivable.

2) Investing Activity Cash Flow

Net cash outflow from investing activities was ¥33.9 billion, a decrease of ¥8.8 billion from the previous year. This was primarily due to increases in proceeds from sale of investments in securities.

3) Financing Activity Cash Flow

Net cash outflow from financing activity was ¥49.5 billion, an increase of ¥18.1 billion from the previous year. This was primarily due to increases in purchase of treasury stock.

5. Capital Expenditure

MGC Group (including MGC and consolidated subsidiaries) capital expenditures for the consolidated fiscal year were ¥42,389million.

By segment, capital expenditure of ¥7,294 million, ¥15,022 million, ¥14,677 million, ¥2,635 million, and ¥2,760 million were made in natural gas chemicals, aromatic chemicals, specialty chemicals, information and advanced materials, and other business segments and company-wide assets, respectively.

6. Research and Development

Fiscal 2019 was the second year of MGC Advance2020, the new medium-term management plan positioned to realize the goals of "Vision 2021." During the past year, pursuing the guidepost of "Creating value to share with society," research and development initiatives were vigorously advanced with the purpose of "Strengthening the earning power of existing businesses with a focus on the core businesses" and "Creating and developing new businesses." Under a stance geared to manifest maximum synergy between the various Company R&D departments, the Advanced Business Development Division positioned as the Corporate R&D sector and the Research & Development Division comprising the Corporate support sector, steady progress was made in cultivating strengthened earning power for existing business and the forging of new business. The Advanced Business Development Division moved through participation in investment partnerships, venture business cooperation and investment, joint research with public research institutions and other research and development endeavors channeled through collaboration outside the company to carry on initiatives in new business domains. Energetic steps were also taken to promote commercialization of in-house developed medical packaging materials, complex hydride solid electrolyte and other products, and we will work toward commercialization of allergy diagnostic agents and other products through open innovation. Shipment of factory-grown produce began in Shirakawa City, Fukushima Prefecture, providing safe and reassuring produce to the public.

There are a total of 917 MGC Group research and development personnel, including those in affiliate research and development divisions, making up around 10% of the total workforce. Expenditures on research totaled ¥19,696 million.

Research and development costs by segment were as follows:

Natural Gas Chemicals Company: ¥3,621 million
Aromatic Chemicals Company: ¥5,617 million
Specialty Chemicals Company: ¥5,850 million
Information and Advanced Materials Company: ¥4,606 million

7. Business Risks

MGC Group perceives "risk" as potential events or hazards whose occurrence could cause harm to people and property, result in loss of opportunities, harm our reputation, and so on, ultimately leading to economic losses for the company, and we have established systems to manage risk during normal and emergency times. Specifically, we established the Basic Rules on Internal Control & Risk Management, formulated policies in risk management and responses, and established the Internal Control & Risk Management Committee as a decision-making body under the direct authority of the president and chaired by the officer responsible for internal control and risk management. The committee makes decisions on policies, implementation, and planning relating to risk management systems and so on and risk management in business and operations as well as guidance, instruction, and supervision of related matters, and the formulation of business continuity plans. The committee also reports periodically on the status of risk management to the Board of Directors.

The main risks believed to present a possibility of affecting the Group's business performance, share price, or financial status are listed below. These are all risks determined by the Group to be liable to occur, although degree and timing of occurrence and the specific impacts and so on are difficult to estimate as of the date of submission this securities report (June 25, 2020) (however, the stated risks are not necessarily exhaustive of all possible risks).

Immediate concerns include impacts from the COVID-19 novel coronavirus. The major part of the Group's business is not directly affected by the spread of COVID-19 or the measures to prevent its spread, but our products are used by a wide range of customers as raw materials, material products, and pharmaceuticals, and there are concerns that the economic stagnation in Japan and overseas caused by COVID-19 will have an adverse impact on the Group's operating results and financial condition.

Moreover, it is possible that the status of the spread of COVID-19 will have an impact on procurement of raw materials and the manufacture and distribution of products. As discussed below, depending on the raw materials or product, the Group procures goods from multiple suppliers and performs manufacturing and other processing at multiple sites including overseas sites, but the effects of COVID-19 are global, and there are concerns regarding an adverse impact on the Group's results and financial status according to the circumstances regarding the spread of COVID-19.

MGC established a Crisis Response Headquarters to address COVID-19 at an early stage, recommended working from home and took measures to maintain employee motivation while placing the highest priority on ensuring the safety of stakeholders including employees, their families, and customers. MGC was able to maintain production and distribution and continued business in order to fulfill our supply responsibilities.

In any case, it is not possible as of the day of submission of this securities report to forecast the timing when COVID-19 will be controlled or the extent of its impact, and if it becomes necessary to revise our forecasts of results, we will promptly make an announcement.

1) Risks Relating to Business Characteristics

Details of Risks

MGC Group's primary business is manufacturing, and many of the Group's products are raw materials, material products, or pharmaceuticals used in customers' business, and therefore, our business is susceptible to impact from the economic conditions in the countries and regions where products are sold. In particular, market-sensitive commodities such as methanol, methanol derivatives, general-purpose aromatic chemicals, and polycarbonate resin are generally prone to declines in sales volume and selling prices during times of economic downturn, which adversely affects MGC Group's operating results and financial condition.

Competition among specialty products and high-value-added products is mainly on the basis of categories including price, quality, function, delivery time, and customer service, and a rise in the level of competition in these areas due to the emergence of products with alterative functions or other reasons could have an adverse impact on MGC Group's operating results and financial condition. For example, electronic material products, for which the electronics industry is the primary customer segment, typically have a short product life and are constantly exposed to competition in technological innovation. Therefore, sales could decline if existing products become obsolete or if new product development is delayed. In addition, some Group products are sold only to specific customers, and the suspension of use of those products by a customer could result in a decline in sales.

MGC Group purchases raw materials including mixed xylene and electric power from outside suppliers. It is possible that the inability to procure necessary raw materials and so on could impede the Group's manufacturing activities. Also, if prices were to increase suddenly, there could be an adverse impact on the Group's operating results and financial condition.

Main Actions

MGC Group conducts basic and applied research to develop new products and manufacturing processes and to improve and enhance existing products and manufacturing processes and works to develop new markets and business fields. R&D and other divisions engage in close exchanges in information with customers and take risk mitigation measures such as entering into long-term supply agreements. When purchasing raw materials and other commodities, the Group enters into procurement and long-term purchase agreements with multiple suppliers to mitigate risks.

2) Risks Relating to Business and Other Investment

Details of Risks

MGC Group engages in capital investment and invests in R&D to achieve business growth and bolster competitiveness and focuses its efforts on reinforcing existing business and creating new business closely aligned with future market needs. Moreover, the Group undertake business investment in Japan and overseas such as establishing new companies including joint ventures and making equity investments as well as acquiring existing companies, with these activities to be continued going forward.

When these investments fail to yield earnings commensurate with the amounts involved, losses are incurred from revaluation of securities held, or other setbacks occur, losses including impairment of fixed assets, losses from securities revaluation, and equity method losses may occur, which could have adverse effects on the Group's operating results and financial condition.

Main Actions

MGC Group established and operates an internal screening system for investments. Depending on the content of the screening, the Group also checks business conditions and other factors as necessary and makes efforts so that related divisions adopt countermeasures.

3) Risks Relating to Natural Disaster and Accidents

Details of Risks

MGC Group has multiple manufacturing bases in Japan and other countries. The facilities at these bases are subject to damage from the impact of earthquakes, windstorms, floods or other natural disasters, war, terrorism, riots, strikes, disabling of communication infrastructure, spread of infectious diseases, problems with facilities, human error, and other unforeseen circumstances, which may result in suspension of production activities. MGC Group routinely handles hazardous chemical substances, and the possibility of explosions, fires, toxic gas leaks or other accidents, damage to production facilities or harm to employees, damage to areas surrounding production facilities or harm to customers, environmental pollution, and other damage cannot be entirely excluded. Many of MGC Group's manufacturing bases have multiple production facilities that share electricity, water supply, steam, and other utilities. Consequently, if such facilities are shut down, the production activities of an entire base could be suspended. If these types of circumstances were to occur, there could be adverse effects on the Group's operating results and financial condition.

Main Actions

MGC Group makes ongoing improvements based on an environmental safety management system, reinforces risk management, and conducts comprehensive safety education to ensure maintenance and stable operation of production facilities while doing everything possible to construct safety and disaster prevention systems as well as formulating business continuity plans and establishing redundancy in manufacturing bases including overseas bases. In addition, the Group maintains various types of insurance coverage including fire insurance, profit insurance, oil pollution insurance, and liability insurance.

4) Risks Relating to Overseas Business

Details of Risks

MGC Group has established subsidiaries and conducts manufacturing and sales in Asia, North America, South America, the Middle East and other regions. Depending on the circumstances in each country, the risks relating to natural disaster, war, disabling of infrastructure, spread of infectious disease, or other unforeseeable circumstances as described above could lead to political instability or social or economic turmoil, causing difficulties for business activities as well as remittance of dividends and the like. Other risks that could have an adverse effect on MGC Group's operating results and financial condition include problems due to differences in legal systems, the possibility of restrictions on investments and nationalization or expropriation of assets by foreign governments, and personnel or labor issues.

Main Actions

MGC Group collects information for officers and employees dispatched to local sites, joint venture partners, relevant authorities, and other sources so that it can respond as effectively and promptly as possible.

5) Risks Relating to Joint Ventures

Details of Risks

MGC Group is involved in a number of manufacturing joint ventures not only in Japan but also overseas including Saudi Arabia, Venezuela, Thailand, China, South Korea, and Trinidad and Tobago to procure and sell methanol, engineering plastics, and a variety of other products. These joint ventures are not under the control of the Group, and consequently, there is no guarantee that the joint venture partners will make decisions that are best for MGC Group or the joint ventures. In the event that circumstances preventing the maintenance of a joint venture occur, there could be an adverse effect on the Group's operating results and financial condition.

Main Actions

MGC Group maintains and reinforces good communications with the joint venture partners developed until now, works to establish shared targets and objectives and maintain relationships, and strives to maintain Group profit through joint venture agreement and other business agreements.

6) Risks Relating to Product Quality

Details of Risks

As stated earlier, many MGC Group products are used by a wide range of customers as raw materials, material products, and pharmaceuticals, and the Group ships products that conform to specifications agreed upon with customers. However, in the event that a product with a quality defect is shipped, the need will emerge for MGC Group to compensate customers who used the defective product, users of final products, or others not only for direct damages but also for opportunity loss, and MGC may lose social credibility. MGC Group's operating results and financial condition could be adversely affected.

Main Actions

Most MGC Group manufacturing bases perform manufacturing in accordance with globally-recognized quality control standards and maintain liability insurance coverage including product liability insurance to address any risks that should occur. In addition, the Group enters into agreements with customers as necessary to clarify the scope of the Group's liability.

7) Risks Relating to Exchange Rate Fluctuations

Details of Risks

Exports, imports, and other transactions conducted in foreign currencies, are subject to exchange rate changes, which could have a negative impact on the Group's business results and financial situation such as decreased sales or increased losses.

Financial balance data that is valued in local currencies for MGC Group overseas subsidiaries are translated into yen when creating the Group's consolidated balance sheet. Depending on the exchange rate at the time, MGC Group's business results and financial situation could be adversely affected.

Main Actions

MGC Group engages in risk hedging to a certain degree by conducting foreign exchange futures transactions in accordance with internal rules in order to mitigate the risk of exchange rate fluctuations with respect to receivables and liabilities denominated in foreign currencies.

8) Risks Relating to Capital Procurement and Interest Rate Fluctuations

Details of Risks

When procuring necessary funds, MGC Group secures loans and other financing from financial institutions to a certain degree, but if the financial environment suddenly changes, it may be difficult to procure funds, and if interest rates increase, the amount of interest payments also rises, which may adversely affect MGC Group's operating results and financial condition.

Main Actions

MGC Group strives to maintain a certain level of financial health based on indicators such as the debt/equity ratio and shareholders' equity ratio. The Group also maintains an appropriate balance of fixed and variable interest rates and work to maintain sound and good relationships with financial institutions and others.

9) Risks Relating to Compliance and Environment Issues

Details of Risks

MGC Group handles hazardous chemical substances including toxic and deleterious substances, hazardous materials, and high-pressure gas as part of its business and is subject to various legal restrictions, both in Japan and overseas, at each stage, including manufacturing, storage, distribution, and sale. In addition, with rising environmental awareness worldwide regarding issues including climate change and marine plastic, regulations as well as societal demands concerning chemical substances and waste materials including greenhouse gases are becoming increasingly stringent.

In addition to these environmental issues, the Group's operating results and financial condition could be adversely affected by criminal, civil, and administrative liability, remediation costs, social sanction, and loss of credibility due to the failure of MGC Group to comply with legal regulations and social norms.

Main Actions

MGC Group has positioned proactive and dynamic responses to environmental problems and reinforcement of compliance as a top management priority (materiality). In addition to the existing specialized divisions that respond to environmental regulations and issues, the Group created a new task force team. The Group also takes various measures to enhance compliance awareness by officers and employees, created various systems including an internal whistleblowing system, and strives to strictly comply with laws and regulations.

10) Risks Relating to Litigation

Details of Risks

If lawsuits or other legal proceedings are filed against MGC Group related to its domestic and overseas businesses and the outcomes of such proceedings are unfavorable, the result could be an adverse effect on the Group's operating results and financial condition. For example, the Group applies for and obtains patents to protect its intellectual property rights and strives to prevent infringement of the rights of third parties in Japan and other countries, but if litigation were initiated with a third party in relation to intellectual property rights and MGC's assertions were not recognized, there could be an adverse impact on the Group's operating results or growth.

Main Actions

MGC Group complies with laws and regulations applicable to its business and cooperates with attorneys and other professionals to clarify rights and duties by executing appropriate agreements, investigate the rights of third parties, and take other actions to prevent the occurrence of disputes.

Consolidated Balance Sheet

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
March 31, 2020

Assets

	Millions of yen		Thousands of U.S. dollars (note 2)
	2020	2019	2020
Current assets:			
Cash (note 3)	¥ 78,227	¥ 91,130	$ 718,800
Trade notes and accounts receivable (note 18)	141,279	155,507	1,298,162
Short-term investments (note 4)	3,514	23	32,289
Inventories	114,797	119,252	1,054,829
Other current assets	21,975	13,965	201,920
Less allowance for doubtful receivables	1,124	1,033	10,328
Total current assets	358,669	378,845	3,295,681
Property, plant and equipment (note 6):			
Buildings and structures	220,252	207,981	2,023,817
Machinery, equipment and vehicles	484,798	457,159	4,454,636
Land	41,109	39,826	377,736
Leased assets	2,611	750	23,992
Construction in progress	23,113	20,522	212,377
Other	51,266	48,151	471,065
	823,151	774,392	7,563,641
Less accumulated depreciation	583,313	545,899	5,359,855
Net property, plant and equipment	239,838	228,492	2,203,786
Intangible assets, net:			
Goodwill	5,293	3,841	48,635
Leased assets	0	5	0
Software	2,251	2,187	20,684
Other	3,052	2,579	28,044
Net intangible assets	10,597	8,614	97,372
Investments and other assets:			
Investments in securities (notes 4, 5 and 6)	149,158	177,011	1,370,560
Long-term loans receivable	3,153	2,831	28,972
Deferred income taxes (note 9)	3,482	2,510	31,995
Net defined benefit asset (note 8)	974	1,174	8,950
Other investments and other assets (note 5)	6,500	5,101	59,726
Less allowance for doubtful receivables	640	543	5,881
Total investments and other assets	162,628	188,086	1,494,331
Total assets	¥ 771,733	¥ 804,038	$ 7,091,179

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets

	Millions of yen		Thousands of U.S. dollars (note 2)
	2020	2019	2020
Current liabilities:			
Trade notes and accounts payable	¥ 70,776	¥ 80,089	$ 650,335
Short-term debt and current installments of long-term debt (note 6)	44,409	58,846	408,058
Accrued expenses	18,008	20,493	165,469
Accrued income taxes (note 9)	5,539	3,439	50,896
Accrued bonuses	5,616	5,539	51,603
Other current liabilities (note 9)	19,225	20,011	176,652
Total current liabilities	163,574	188,420	1,503,023
Non-current liabilities:			
Long-term debt (note 6)	30,304	36,905	278,453
Net defined benefit liability (note 8)	9,333	5,247	85,758
Provision for directors' retirement benefits (note 8)	433	337	3,979
Deferred income taxes (note 9)	9,200	9,521	84,536
Other non-current liabilities (note 7)	10,745	10,323	98,732
Total non-current liabilities	60,016	62,336	551,466
Total liabilities	223,591	250,756	2,054,498
Stockholders' equity:			
Common stock (note 10): Authorized 492,428,000 shares; issued 225,739,199 and 231,739,199 shares in 2020 and 2019	41,970	41,970	385,647
Additional paid-in capital (note 10)	34,234	34,298	314,564
Retained earnings (note 11)	439,701	439,080	4,040,255
Treasury stock, at cost; 17,758,765 and 18,099,472 shares in 2020 and 2019	(21,600)	(19,930)	(198,475)
Total stockholders' equity	494,306	495,418	4,542,001
Accumulated other comprehensive income:			
Net unrealized gain on other securities (note 4)	7,789	13,023	71,570
Deferred gains on hedges	4	1	37
Surplus on revaluation of land	—	222	—
Foreign currency translation adjustments	(6,701)	(6,327)	(61,573)
Remeasurements of defined benefit plans (note 8)	(2,877)	623	(26,436)
Total accumulated other comprehensive income	(1,785)	7,542	(16,402)
Non-controlling interests	55,619	50,321	511,063
Total net assets	548,141	553,282	5,036,672
Commitments and contingencies (note 19)			
Total liabilities and net assets	¥ 771,733	¥ 804,038	$ 7,091,179

Consolidated Statement of Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (note 2)
	2020	2019	2020
Net sales (note 18)	¥ 613,344	¥ 648,986	$ 5,635,799
Cost of sales (note 13)	481,950	512,857	4,428,466
Gross profit	131,394	136,129	1,207,333
Selling, general and administrative expenses (notes 12 and 13)	97,133	94,742	892,520
Operating income	34,260	41,386	314,803
Other income (expenses):			
Interest income	565	642	5,192
Dividend income	2,226	2,200	20,454
Interest expenses	(968)	(1,018)	(8,895)
Share of profit (loss) of entities accounted for using equity method	(1,282)	28,408	(11,780)
Gain on sale of investments in securities (note 4)	2,676	989	24,589
Rent expenses	(1,628)	(1,634)	(14,959)
Loss on valuation of investments in securities	(939)	(690)	(8,628)
Provision for loss on guarantees	—	(1,267)	—
Provision for loss on liquidation of subsidiaries and associates	(1,098)	—	(10,089)
Personnel expenses for seconded employees	(1,512)	(1,430)	(13,893)
Loss on tax purpose reduction entry of non-current assets	(5,652)	—	(51,934)
Loss on sale/disposal of property, plant and equipment	(943)	(920)	(8,665)
Impairment loss (note 14)	(381)	—	(3,501)
Other, net	9,022	2,400	82,900
	82	27,679	753
Profit before income taxes	34,343	69,066	315,566
Income taxes (note 9)**:**			
Current	8,373	8,333	76,937
Deferred	1,482	753	13,618
	9,855	9,087	90,554
Profit	¥ 24,487	¥ 59,979	$ 225,002
Profit attributable to non-controlling interests	3,329	4,979	30,589
Profit attributable to owners of parent	¥ 21,158	¥ 55,000	$ 194,413

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (note 2)
	2020	2019	2020
Profit	¥ 24,487	¥ 59,979	$ 225,002
Other comprehensive income arising during the year (note 15)**:**			
Net unrealized loss on other securities	(5,172)	(4,212)	(47,524)
Deferred gains on hedges	3	1	28
Foreign currency translation adjustments	(3,431)	(2,232)	(31,526)
Remeasurements of defined benefit plans	(3,386)	(1,812)	(31,113)
Shares of other comprehensive income of affiliates accounted for by the equity method	1,488	2,594	13,673
Total other comprehensive income arising during the year	(10,498)	(5,661)	(96,462)
Comprehensive income	¥ 13,988	¥ 54,318	$ 128,531
Comprehensive income attributable to:			
Owners of the parent	¥ 11,884	¥ 50,795	$ 109,198
Non-controlling interests	2,104	3,522	19,333

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2020

	Millions of yen													
	Stockholders' equity					Accumulated other comprehensive income								
	Common stock (note 10)	Additional paid-in capital (note 10)	Retained earnings (note 11)	Treasury stock	Total	Net unrealized gain on other securities (note 4)	Deferred gains on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans (note 8)	Total	Non-controlling interests	Total net assets
Balance as of April 1, 2018	¥ 41,970	¥ 34,578	¥ 399,033	¥ (19,966)	¥ 455,616	¥ 17,261	¥ (0)	¥ 222	¥ (7,614)	¥ 1,878	¥ 11,747	¥ 51,780	¥ 519,144
Changes arising during year:													
Cash dividends			(14,953)		(14,953)								(14,953)
Profit attributable to owners of parent			55,000		55,000								55,000
Purchase of treasury stock				(6)	(6)								(6)
Disposition of treasury stock		53		42	95								95
Change in treasury stock of parent arising from transactions with non-controlling interests		(333)			(333)								(333)
Net changes other than stockholders' equity						(4,238)	1	—	1,287	(1,254)	(4,204)	(1,459)	(5,664)
Total changes during the year	—	(280)	40,046	35	39,802	(4,238)	1	—	1,287	(1,254)	(4,204)	(1,459)	34,138
Balance as of March 31, 2019	¥ 41,970	¥ 34,298	¥ 439,080	¥ (19,930)	¥ 495,418	¥ 13,023	¥ 1	¥ 222	¥ (6,327)	¥ 623	¥ 7,542	¥ 50,321	¥ 553,282
Changes arising during year:													
Cash dividends			**(14,861)**		**(14,861)**								**(14,861)**
Profit attributable to owners of parent			**21,158**		**21,158**								**21,158**
Purchase of treasury stock				**(8,733)**	**(8,733)**								**(8,733)**
Disposition of treasury stock		**11**		**40**	**51**								**51**
Retirement of treasury stock		**(7,023)**		**7,023**	**—**								**—**
Transfer to additional paid-in capital from retained earnings		**6,959**	**(6,959)**		**—**								**—**
Change in scope of consolidation			**1,246**		**1,246**								**1,246**
Change in treasury stock of parent arising from transactions with non-controlling interests		**(10)**			**(10)**								**(10)**
Reversal of revaluation reserve for land			**37**		**37**								**37**
Net changes other than stockholders' equity						**(5,233)**	**3**	**(222)**	**(374)**	**(3,500)**	**(9,327)**	**5,298**	**(4,029)**
Total changes during the year	**—**	**(63)**	**621**	**(1,669)**	**(1,111)**	**(5,233)**	**3**	**(222)**	**(374)**	**(3,500)**	**(9,327)**	**5,298**	**(5,141)**
Balance as of March 31, 2020	**¥ 41,970**	**¥ 34,234**	**¥ 439,701**	**¥ (21,600)**	**¥ 494,306**	**¥ 7,789**	**¥ 4**	**¥ —**	**¥ (6,701)**	**¥ (2,877)**	**¥ (1,785)**	**¥ 55,619**	**¥ 548,141**

	Thousands of U.S. dollars (note 2)												
	Stockholders' equity					Accumulated other comprehensive income							
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total	Net unrealized gain on other securities	Deferred gains on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance as of March 31, 2019	$ 385,647	$ 315,152	$ 4,034,549	$ (183,130)	$ 4,552,219	$ 119,664	$ 9	$ 2,040	$ (58,137)	$ 5,725	$ 69,301	$ 462,382	$ 5,083,911
Changes arising during year:													
Cash dividends			**(136,552)**		**(136,552)**								**(136,552)**
Profit attributable to owners of parent			**194,413**		**194,413**								**194,413**
Purchase of treasury stock				**(80,244)**	**(80,244)**								**(80,244)**
Disposition of treasury stock		**101**		**368**	**469**								**469**
Retirement of treasury stock		**(64,532)**		**64,532**	**—**								**—**
Transfer to additional paid-in capital from retained earnings		**63,944**	**(63,944)**		**—**								**—**
Change in scope of consolidation			**11,449**		**11,449**								**11,449**
Change in treasury stock of parent arising from transactions with non-controlling interests		**(92)**			**(92)**								**(92)**
Reversal of revaluation reserve for land			**340**		**340**								**340**
Net changes other than stockholders' equity						**(48,084)**	**28**	**(2,040)**	**(3,437)**	**(32,160)**	**(85,702)**	**48,681**	**(37,021)**
Total changes during the year	**—**	**(579)**	**5,706**	**(15,336)**	**(10,209)**	**(48,084)**	**28**	**(2,040)**	**(3,437)**	**(32,160)**	**(85,702)**	**48,681**	**(47,239)**
Balance as of March 31, 2020	**$ 385,647**	**$ 314,564**	**$ 4,040,255**	**$ (198,475)**	**$ 4,542,001**	**$ 71,570**	**$ 37**	**$ —**	**$ (61,573)**	**$ (26,436)**	**$ (16,402)**	**$ 511,063**	**$ 5,036,672**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (note 2)
	2020	2019	2020
Cash flows from operating activities:			
Profit before income taxes	¥ 34,343	¥ 69,066	$ 315,566
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	29,591	27,451	271,901
Loss on sale/disposal of property, plant and equipment	778	870	7,149
Impairment loss	381	—	3,501
Loss on tax purpose reduction entry of non-current assets	5,652	—	51,934
Equity in losses (earnings) of affiliates	1,282	(28,408)	11,780
Increase (decrease) in allowance for doubtful receivables	187	(137)	1,718
Decrease in net defined benefit liability	(48)	(682)	(441)
(Decrease) increase in provision for directors' retirement benefits	(245)	68	(2,251)
Decrease in provision for loss on business withdrawal	(11)	(107)	(101)
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	592	(144)	5,440
(Decrease) increase in provision for loss on guarantees	(2,358)	1,270	(21,667)
Interest and dividend income	(2,791)	(2,842)	(25,646)
Interest expenses	968	1,018	8,895
Gain on sale of short-term investments and investments in securities	(2,682)	(1,041)	(24,644)
Loss on devaluation of short-term investments and investments in securities	762	837	7,002
Decrease in trade notes and accounts receivable	19,048	8,059	175,025
Decrease (increase) in inventories	5,694	(15,750)	52,320
Decrease in trade notes and accounts payable	(13,799)	(7,290)	(126,794)
Other, net	(8,929)	4,074	(82,045)
Sub total	68,416	56,313	628,650
Interest and dividend received	2,755	2,804	25,315
Dividend received from affiliates accounted for by the equity method	10,693	12,323	98,254
Interest paid	(1,030)	(1,020)	(9,464)
Income taxes paid	(7,173)	(6,552)	(65,910)
Other, net	572	173	5,256
Net cash provided by operating activities	74,234	64,042	682,110
Cash flows from investing activities:			
Capital expenditures	(43,453)	(37,409)	(399,274)
Proceeds from sale of property, plant and equipment	1,144	891	10,512
Purchase of investments in securities and subsidiaries	(1,544)	(5,039)	(14,187)
Increase in long-term loans receivable	(333)	(48)	(3,060)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	5,810	—	53,386
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	939	—
Other, net	4,454	(2,094)	40,926
Net cash used in investing activities	(33,922)	(42,761)	(311,697)
Cash flows from financing activities:			
Decrease in short-term debt	(14,927)	(10,599)	(137,159)
Proceeds from long-term debt	8,697	16,773	79,914
Payments on long-term debt	(15,768)	(17,893)	(144,887)
Purchase of treasury stock	(8,733)	(6)	(80,244)
Dividends paid to stockholders	(14,861)	(14,953)	(136,552)
Dividends paid to non-controlling interests	(1,890)	(1,751)	(17,367)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,208)	(2,859)	(11,100)
Other, net	(870)	(105)	(7,994)
Net cash used in financing activities	(49,563)	(31,396)	(455,417)
Effect of exchange rate changes on cash and cash equivalents	(1,342)	190	(12,331)
Increase (decrease) in cash and cash equivalents	(10,594)	(9,925)	(97,344)
Cash and cash equivalents at beginning of year	80,379	90,304	738,574
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	258	—	2,371
Cash and cash equivalents at end of year (note 3)	¥ 70,043	¥ 80,379	$ 643,600

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2020

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" (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 Practical Issues Task Force (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 IFRSs 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 72 subsidiaries (71 in 2019). The Company and its consolidated subsidiaries are collectively referred to as "MGC."

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

TOHO EARTHTECH,INC. and Japan U-PiCA Company, Ltd. were included in scope of consolidation due to additional acquisition of shares during the year ended March 31, 2020.

Kaiyo Unyu Co., Ltd. was excluded from the scope of consolidation due to its merger with Kinoe Terminal Company, Inc. as the surviving company, during the year ended March 31, 2020. Upon the merger, the company name of Kinoe Terminal Company, Inc. was changed to MGC Terminal Company, Inc.

Korea Special Products Co., Ltd. was excluded from the scope of consolidation due to its merger with KOSPA corporation as the surviving company, during the year ended March 31, 2020.

Investments in an unconsolidated subsidiary and 13 affiliates (15 in 2019) 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 (31 in 2019) 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) Short-term Investments 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 affiliates" 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 affiliates 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 Associates

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

(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, 2020.

(s) Changes in Accounting Policies

Some overseas consolidated subsidiaries have applied IFRS 16 “Leases” effective from the year ended March 31, 2020. The impact of the application of this standard on the consolidated financial statements is immaterial.

(t) Accounting Pronouncements Not Yet Adopted

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, 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 on the consolidated financial statements is currently under evaluation.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, 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 statement and implementation guidance will be applied from the fiscal year beginning on April 1, 2022.

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

- “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, March 31, 2020)

Paragraph 125 of International Accounting Standards (“IAS”) 1 “Presentation of Financial Statements” issued by IASB in 2003 requires disclosure of “Sources of estimation uncertainty.” As this information was considered highly useful to users of financial statements, there were requests for discussion on implementation of such disclosure requirement in Japanese GAAP. Accordingly, ASBJ developed and issued the “Accounting Standard for Disclosure of Accounting Estimates.”

ASBJ’s basic policy in developing this accounting standard was to refer to requirements of Paragraph 125 of IAS 1. The standard was intended not to enhance existing note disclosure requirements, but to require enterprises to specify the purposes of disclosure and to determine what to disclose according to such purposes.

The ASBJ statement will be applied from the fiscal year ending on March 31, 2021.

- “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24, March 31, 2020)

In response to suggestions to discuss improving the note disclosure of “principle and procedure applied to accounting treatments when related accounting standards are undefined”, ASBJ accordingly revised the “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.”

To avoid conflict with the current practices of disclosure when related accounting standards are defined, in adopting this standard, it should be noted that Paragraph 1-2 of annotations on the accounting principles is still effective.

The ASBJ statement will be applied from the fiscal year ending on March 31, 2021.

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, 2020, which was ¥108.83 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, 2020 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash	¥ 78,227	¥ 91,130	$ 718,800
Time deposits with maturities of over three months	(11,698)	(10,774)	(107,489)
Short-term investments	3,514	23	32,289
Cash and cash equivalents	¥ 70,043	¥ 80,379	$ 643,600

(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	Thousands of U.S. dollars
	2020	2020
Current assets	¥ 9,227	$ 84,784
Non-current assets	3,485	32,022
Current liabilities	(2,559)	(23,514)
Non-current liabilities	(1,059)	(9,731)
Loss on revaluation of acquisition	(190)	(1,746)
Non-controlling interests	(2,991)	(27,483)
Negative Goodwill	(492)	(4,521)
Stock acquisition cost	¥ 5,419	$ 49,793
Investment value accounted for by the equity method prior to obtaining control	(3,947)	(36,268)
Loss on step acquisitions	197	1,810
Cash and cash equivalents of the new consolidated subsidiary	(4,922)	(45,227)
Expenditure for acquisition	¥ (3,251)	$ (29,872)

(c) Details of the assets and liabilities of subsidiaries that have been excluded from the scope of consolidation due to sales of shares

As of March 31, 2019

TAIYO Industry Co., Ltd. has been excluded from the scope of consolidation due to the sale of the entirety of shares. The components of assets and liabilities at the time of the sale, the selling price and net proceeds from sales of shares of TAIYO Industry Co., Ltd. are as follows:

	Millions of yen
	2019
Current assets	¥ 2,846
Non-current assets	501
Current liabilities	(2,101)
Non-current liabilities	(351)
Gain on sales of shares	759
Selling price of shares	¥ 1,655
Cash and cash equivalents	(715)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥ 939

4. Short-term Investments and Investments in Securities

Balance sheet amount, fair value and gross unrealized gain and loss of held-to-maturity securities with fair value as of March 31, 2020 and 2019 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
March 31, 2019				
Government bond securities	¥ 0	¥ 0	¥ –	¥ 0
	¥ 0	¥ 0	¥ –	¥ 0

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2020				
Government bond securities	$ 0	$ 0	$ –	$ 0
Certificates of deposit	27,566	–	–	27,566
	$ 27,566	$ 0	$ –	$ 27,566

Balance sheet amount, acquisition cost, and gross unrealized gain and loss of other securities with fair value as of March 31, 2020 and 2019 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
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
March 31, 2019				
Equity securities	¥ 41,668	¥ 19,747	¥ (1,223)	¥ 23,144
Other securities	9	–	(0)	10
	¥ 41,679	¥ 19,747	¥ (1,223)	¥ 23,155

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2020				
Equity securities	$ 297,390	$ 132,013	$ (20,978)	$ 186,355
Other securities	5,311	–	(285)	5,605
	$ 302,701	$ 132,013	$ (21,272)	$ 191,960

Securities classified as other securities for which fair value is not available are unlisted equity securities amounting to ¥3,822 million ($35,119 thousand) and ¥4,185 million as of March 31, 2020 and 2019, respectively.

For the years ended March 31, 2020 and 2019, proceeds from the sale of other securities are ¥4,702 million ($43,205 thousand) and ¥2,113 million, respectively. Gross realized gains are ¥2,681 million ($24,635 thousand) and ¥941 million for the years ended March 31, 2020 and 2019, respectively.

The Company recognized impairment losses on securities of ¥762 million ($7,002 thousand) and ¥837 million for the years ended March 31, 2020 and 2019, 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, 2020 and 2019 are ¥112,946 million ($1,037,820 thousand) and ¥131,409 million, respectively.

6. Short-term and Long-term Debt

Short-term debt is represented by bank loans which are due within one year. The weighted average interest rate of short-term debt is 1.3% and 0.9% as of March 31, 2020 and 2019, respectively.

Long-term debt as of March 31, 2020 and 2019 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
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	¥ –	$ 349,554
Loans, principally from banks, maturing in installments through 2036 with weighted average interest of 1.15% as of March 31, 2019, partially secured by mortgage of property, plant and equipment and securities	–	44,786	–
Lease liabilities maturing in installments through 2056 as of March 31, 2020	1,689	–	15,520
Lease liabilities maturing in installments through 2027 as of March 31, 2019	–	387	–
Unsecured bonds, due 2021 with interest of 0.572%	10,000	10,000	91,886
	49,731	55,173	456,960
Less current installments:			
Loans	5,853	15,511	53,781
Lease liabilities	429	97	3,942
Unsecured bonds	10,000	–	91,886
	¥ 33,449	¥ 39,565	$ 307,351

Note : The weighted average interest rates on lease liabilities as of March 31, 2020 and 2019 are omitted because lease liabilities 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, 2021, are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2022	¥ 9,733	$ 89,433
2023	4,190	38,500
2024	3,744	34,402
2025	11,375	104,521

Property, plant and equipment and securities with a book value as of March 31, 2020 of ¥22,896 million ($210,383 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 (b) 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, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥ 2,437	¥ 3,943	$ 22,393
Liabilities incurred due to the acquisition	5	15	46
Accretion expenses	42	72	386
Liabilities settled	(125)	(57)	(1,149)
Other	1,201	(1,536)	11,036
Balance at end of year	¥ 3,560	¥ 2,437	$ 32,712

Note: The increase in other for the year ended March 31, 2020 is due to change in scope of consolidation. The decrease in other for the year ended March 31, 2019 is due to cancellation of leasehold contracts resulting from the purchase of land the Company had rent.

(b) 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
	2020	2019	2020
Retirement benefit obligation at beginning of year	¥ 41,332	¥ 41,246	$ 379,785
Service costs	2,105	2,145	19,342
Interest costs	367	372	3,372
Actuarial gains and losses arising during year	(43)	(91)	(395)
Retirement benefits paid	(1,953)	(2,013)	(17,945)
Decrease due to change in scope of consolidation	—	(258)	—
Other	(13)	(69)	(119)
Retirement benefit obligation at end of year	¥ 41,794	¥ 41,332	$ 384,030

(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
	2020	2019	2020
Plan assets at beginning of year	¥ 38,909	¥ 39,438	$ 357,521
Expected return on plan assets	571	496	5,247
Actuarial gains and losses arising during year	(3,277)	(1,214)	(30,111)
Contribution from employer	1,615	1,612	14,840
Retirement benefits paid	(1,550)	(1,388)	(14,242)
Other	(19)	(35)	(175)
Plan assets at end of year	¥ 36,248	¥ 38,909	$ 333,070

(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
	2020	2019	2020
Net defined benefit liability at beginning of year	¥ 1,651	¥ 1,563	$ 15,170
Retirement benefit expenses	294	269	2,701
Retirement benefits paid	(67)	(118)	(616)
Contribution to plans	(43)	(66)	(395)
Increase due to change in scope of consolidation	984	—	9,042
Other	(4)	2	(37)
Net defined benefit liability at end of year	¥ 2,813	¥ 1,651	$ 25,848

(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
	2020	2019	2020
Funded retirement benefit obligation	¥ 42,140	¥ 41,733	$ 387,209
Plan assets	(38,058)	(40,627)	(349,701)
	¥ 4,081	¥ 1,105	$ 37,499
Unfunded retirement benefit obligation	4,276	2,967	39,291
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 8,358	¥ 4,073	$ 76,799
Net defined benefit asset	¥ (974)	¥ (1,174)	$ (8,950)
Net defined benefit liability	9,333	5,247	85,758
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 8,358	¥ 4,073	$ 76,799

(e) Retirement benefit expenses and components thereof:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service costs	¥ 2,105	¥ 2,145	$ 19,342
Interest costs	367	372	3,372
Expected return on plan assets	(571)	(496)	(5,247)
Amortization of actuarial gains and losses	(230)	(510)	(2,113)
Amortization of past service costs	(19)	(19)	(175)
Retirement benefit expenses applying the simplified method	294	269	2,701
Other	(7)	(6)	(64)
Retirement benefit expenses under defined benefit plans	¥ 1,938	¥ 1,754	$ 17,808

(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
	2020	2019	2020
Past service costs	¥ (19)	¥ (19)	$ (175)
Actuarial gains and losses	(3,608)	(1,887)	(33,153)
Total	¥ (3,627)	¥ (1,907)	$(33,327)

(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
	2020	2019	2020
Unrecognized past service costs	¥ (37)	¥ (56)	$ (340)
Unrecognized actuarial gains and losses	1,973	(1,627)	18,129
Total	¥ 1,935	¥ (1,684)	$ 17,780

(h) Plan assets

(i) Components of plan assets

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

	2020	2019
Debt securities	36%	42%
Equity securities	26	32
Cash	14	9
Other	24	17
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

	2020	2019
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 ¥521 million ($4,787 thousand) and ¥513 million as of March 31, 2020 and 2019, 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, 2020 and 2019, the liabilities for retirement and severance benefits related to the plans were ¥433 million ($3,979 thousand) and ¥337 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 2020 and 2019.

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, 2020 and 2019 is as follows:

	2020	2019
Statutory tax rate	**30.6%**	30.6%
Share of profit of entities accounted for using equity method	**—**	(12.6)
Share of loss of entities accounted for using equity method	**1.1**	—
Dividend income eliminated in consolidation	**12.9**	8.5
Valuation allowance	**(0.2)**	(2.5)
Income not credited for tax purposes	**(12.7)**	(8.4)
Foreign taxes	**1.3**	1.0
Other	**(4.3)**	(3.4)
Effective tax rate	**28.7%**	13.2%

Significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Tax loss carryforward	**¥ 6,604**	¥ 6,719	**$ 60,682**
Net defined benefit liability	**6,880**	5,998	**63,218**
Devaluation loss on investments in securities	**3,293**	3,207	**30,258**
Accrued bonuses	**1,650**	1,604	**15,161**
Intercompany profits	**2,287**	1,823	**21,014**
Depreciation	**426**	458	**3,914**
Impairment loss	**1,727**	2,301	**15,869**
Asset retirement obligations	**1,124**	787	**10,328**
Other	**3,669**	4,125	**33,713**
	27,662	27,026	**254,176**
Valuation allowance for tax loss carryforward	**(6,103)**	(6,046)	**(56,078)**
Valuation allowance for the total amount of deductible temporary differences	**(13,265)**	(13,410)	**(121,887)**
Valuation allowance	**(19,368)**	(19,457)	**(177,966)**
	8,293	7,569	**76,201**
Deferred tax liabilities:			
Net unrealized gain on other securities	**(4,050)**	(5,656)	**(37,214)**
Gain by contributing the assets to the trust	**(1,255)**	(1,356)	**(11,532)**
Tax purpose reserves etc. regulated by Japanese tax law	**(1,949)**	(1,917)	**(17,909)**
Asset retirement cost	**(51)**	(46)	**(469)**
Retained earnings of overseas consolidated subsidiaries and others	**(3,876)**	(3,566)	**(35,615)**
Other	**(2,828)**	(2,038)	**(25,985)**
	(14,011)	(14,580)	**(128,742)**
Net deferred tax liabilities	**¥ (5,717)**	¥ (7,011)	**$ (52,531)**

Notes:

1. The change in valuation allowance is mainly due to a decrease of valuation allowance for tax loss carryforward.
2. The expiration of tax loss carryforward and the resulting net deferred tax assets as of March 31, 2020 and 2019 was as follows:

■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	¥ 490	¥ 510	¥ 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, 2019

	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*	¥ 1,332	¥ 1,231	¥ 662	¥ 825	¥ 512	¥ 2,154	¥ 6,719
Valuation allowance	(983)	(1,228)	(662)	(815)	(512)	(1,843)	(6,046)
Deferred tax assets	348	2	—	10	—	311	673

■March 31, 2020

	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*	$ 9,859	$ 4,934	$ 7,314	$ 4,502	$ 4,686	$ 21,878	**$ 60,682**
Valuation allowance	(7,434)	(4,934)	(7,250)	(4,686)	(11,991)	(19,765)	**(56,078)**
Deferred tax assets	(2,426)	—	55	—	—	2,104	**4,594**

*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, 2020 and 2019 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, 2019

The following was approved by the Board of Directors held on May 25, 2018.

(i) Total dividends	¥7,476 million
(ii) Cash dividends per common share	¥35
(iii) Record date	March 31, 2018
(iv) Effective date	June 7, 2018

The following was approved by the Board of Directors held on November 1, 2018.

(i) Total dividends	¥7,477 million
(ii) Cash dividends per common share	¥35
(iii) Record date	September 30, 2018
(iv) Effective date	December 6, 2018

(b) 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 ($68,703 thousand)
(ii) Cash dividends per common share	¥35 ($0.32)
(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 ($67,849 thousand)
(ii) Cash dividends per common share	¥35 ($0.32)
(iii) Record date	September 30, 2019
(iv) Effective date	December 5, 2019

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2020

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

(i) Total dividends	¥7,279 million ($66,884 thousand)
(ii) Dividend source	Retained earnings
(iii) Cash dividends per common share	¥35 ($0.32)
(iv) Record date	March 31, 2020
(v) Effective date	June 8, 2020

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
	2020	2019	2020
Freight	**¥ 22,389**	¥ 21,947	**$ 205,725**
Stevedoring and warehouse fee	**3,817**	4,015	**35,073**
Salaries	**18,361**	17,828	**168,713**
Employees' bonuses	**5,543**	5,669	**50,933**
Pension cost	**924**	833	**8,490**
Welfare	**4,001**	3,880	**36,764**
Transportation	**2,685**	2,969	**24,672**
Depreciation	**5,951**	5,356	**54,682**

13. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2020 and 2019 are ¥19,696 million ($180,980 thousand) and ¥18,607 million, respectively.

14. Impairment Loss

Year ended March 31, 2020

MGC reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss in the amount of ¥381 million ($3,501 thousand) for the significant asset groups.

which are as follows:

Location	Usage	Classification	Millions of yen	Thousands of U.S. dollars
State of Michigan, U.S.A.	Manufacturing facilities	Machinery and equipment, etc.	¥ 381	**$ 3,501**

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 a consolidated subsidiary of the Company were written down to a recoverable amount because the carrying amount fell below the recoverable amount.

The recoverable amount was measured using the net selling value and evaluated based on reasonable estimation by cost approach.

Impairment loss on the asset groups consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Machinery, equipment and vehicles	¥ 182	$ 1,672
Construction in progress	86	790
Intangible assets	111	1,020
Other	2	18
Total	¥ 381	$ 3,501

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, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net unrealized loss on other securities:			
Arising during the year	¥ (4,700)	¥ (6,508)	$(43,187)
Reclassification adjustment	(2,069)	507	(19,011)
Before tax amount	(6,770)	(6,000)	(62,207)
Tax benefit (expense)	1,597	1,787	14,674
Net-of-tax amount	(5,172)	(4,212)	(47,524)
Deferred gains on hedges:			
Arising during the year	6	1	55
Reclassification adjustment	(1)	0	(9)
Before tax amount	4	2	37
Tax benefit (expense)	(1)	(0)	(9)
Net-of-tax amount	3	1	28
Foreign currency translation adjustments:			
Arising during the year	(3,431)	(2,232)	(31,526)
Reclassification adjustment	—	—	—
Net-of-tax amount	(3,431)	(2,232)	(31,526)
Remeasurements of defined benefit plans:			
Arising during the year	(3,232)	(1,120)	(29,698)
Reclassification adjustment	(395)	(787)	(3,630)
Before tax amount	(3,627)	(1,907)	(33,327)
Tax expense	241	94	2,214
Net-of-tax amount	(3,386)	(1,812)	(31,113)
Share of other comprehensive income of affiliates accounted for by equity method:			
Arising during the year	(1,621)	2,594	(14,895)
Reclassification adjustment	3,109	—	28,567
Net-of-tax amount	1,488	2,594	13,673
Total other comprehensive income	¥(10,498)	¥ (5,661)	$(96,462)

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, 2020 and 2019 are as follows:

	Yen		U.S. dollars
	2020	2019	2020
Earnings per share	¥ 100.50	¥ 257.46	$ 0.92

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Profit attributable to owners of parent	¥ 21,158	¥ 55,000	$194,413
Profit not applicable to common stockholders	—	—	—
Profit attributable to common stockholders of parent	¥ 21,158	¥ 55,000	$194,413

	Number of shares	
	2020	2019
Weighted average number of shares outstanding on which earnings per share is calculated	210,529,901	213,630,153

The diluted earnings per share for the years ended March 31, 2020 and 2019 are not presented because there are no dilutive potential shares as of March 31, 2020 and 2019.

(b) Net assets per share

Net assets per share as of March 31, 2020 and 2019 are as follows:

	Yen		U.S. dollars
	2020	2019	2020
Net assets per share	¥2,368.11	¥2,354.25	$ 21.76

17. Leases

Operating lease

Future minimum lease payments required under non-cancellable operating leases as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Within one year	¥ 889	¥ 1,839	$ 8,169
Over one year	2,188	2,273	20,105
	¥ 3,077	¥ 4,112	$28,273

18. Balances and Transactions with Related Party

The Company has a 50% equity ownership in Mitsubishi Engineering-Plastics Corporation as of March 31, 2020 and 2019.

Balances with the company as of March 31, 2020 and 2019 and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balances:			
Trade accounts receivable	¥ 8,820	¥ 10,789	$ 81,044
Transactions:			
Sales	31,815	38,251	292,337

The Company has a 50% equity ownership in BRUNEI METHANOL COMPANY SDN. BHD. as of March 31, 2020 and 2019.

As of March 31, 2020 and 2019, the Company has guaranteed ¥4,016 million ($36,902 thousand) and ¥5,629 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, 2020 and 2019.

As of March 31, 2020 and 2019, the Company has guaranteed ¥29,075 million ($267,160 thousand) and ¥25,991 million of the company's loans to financial institutions.

The condensed financial information of all of 15 affiliates (16 in 2019) 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
	2020	2019	2020
Total current assets	¥ 152,348	¥ 260,013	$1,399,871
Total non-current assets	320,092	196,780	2,941,211
Total current liabilities	118,445	123,252	1,088,349
Total non-current liabilities	133,268	69,524	1,224,552
Total net assets	220,698	264,016	2,027,915
Sales	287,249	367,395	2,639,428
Profit before income taxes	16,667	114,530	153,147
Profit	4,168	72,945	38,298

19. Commitments and Contingencies

The Company guarantees certain obligations of its associated companies and employees, etc. As of March 31, 2020 and 2019, guarantees for affiliates and employees, etc. loans amounted to ¥31,446 million ($288,946 thousand) and ¥35,111 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.

Short-term investments 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, 2020 and 2019 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 short-term investments 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, 2020 and 2019 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.")

	Millions of yen			Thousands of U.S. dollars		
March 31, 2020	Balance sheet amount	Fair value	Differences	Balance sheet amount	Fair value	Differences
Assets:						
(1) Cash	¥ 78,227	¥ 78,227	¥ —	$ 718,800	$ 718,800	$ —
(2) Trade notes and accounts receivable	141,279	141,279	—	1,298,162	1,298,162	—
(3) Short-term investments and investments in securities	35,972	35,972	—	330,534	330,534	—
Total assets	¥ 255,480	¥ 255,480	¥ —	$2,347,514	$2,347,514	$ —
Liabilities:						
(1) Trade notes and accounts payable	¥ 70,776	¥ 70,776	¥ —	$ 650,335	$ 650,335	$ —
(2) Short-term borrowings	33,980	33,980	—	312,230	312,230	—
(3) Accrued expenses	18,008	18,008	—	165,469	165,469	—
(4) Current portion of bonds payable	10,000	10,041	41	91,886	92,263	377
(5) Long-term borrowings	29,043	29,847	803	266,866	274,253	7,378
Total liabilities	¥ 161,809	¥ 162,654	¥ 845	$1,486,805	$1,494,570	$ 7,764
Derivative transactions (*):						
Hedge accounting not applied	¥ (364)	¥ (364)	¥ —	$ (3,345)	$ (3,345)	$ —
Hedge accounting applied	6	4	(1)	55	37	(9)
Total derivative transactions	¥ (358)	¥ (359)	¥ (1)	$ (3,290)	$ (3,299)	$ (9)

	Millions of yen		
March 31, 2019	Balance sheet amount	Fair value	Differences
Assets:			
(1) Cash	¥ 91,130	¥ 91,130	¥ —
(2) Trade notes and accounts receivable	155,507	155,507	—
(3) Short-term investments and investments in securities	45,692	44,976	(716)
Total assets	¥ 292,330	¥ 291,614	¥ (716)
Liabilities:			
(1) Trade notes and accounts payable	¥ 80,089	¥ 80,089	¥ —
(2) Short-term borrowings	58,749	58,749	—
(3) Accrued expenses	20,493	20,493	—
(4) Bonds	10,000	10,058	58
(5) Long-term borrowings	26,615	27,513	898
Total liabilities	¥ 195,947	¥ 196,904	¥ 956
Derivative transactions (*):			
Hedge accounting not applied	¥ (19)	¥ (19)	¥ —
Hedge accounting applied	1	(3)	(4)
Total derivative transactions	¥ (17)	¥ (22)	¥ (4)

*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 Trade notes and accounts receivable
  The carrying amount approximates fair value because of the short maturity of these instruments.
- Short-term investments 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 Short-term Investments and Investments in Securities for information by category.

Liabilities:

- Trade notes and accounts payable, Short-term borrowings, and Accrued expenses
  The carrying amount approximates fair value because of the short maturity of these instruments.
- Current portion of bonds payable
  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 debt 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
	2020	2019	**2020**
Unlisted equity securities	**¥ 116,699**	¥ 131,342	**$1,072,305**

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

<3> Projected future redemption of monetary claim and securities with maturities as of March 31, 2020

	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	¥ 78,227	¥ —	¥ —	¥ —
(2) Trade notes and accounts receivable	141,279	—	—	—
(3) Short-term investments and investments in securities:				
Held-to-maturity securities:				
Government bonds	0	0	—	—
Certificates of deposit	3,000	—	—	—
Other securities with maturity (bonds)	—	—	—	10
Total	¥ 222,507	¥ 0	¥ —	¥ 10

	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	$ 718,800	$ —	$ —	$ —
(2) Trade notes and accounts receivable	1,298,162	—	—	—
(3) Short-term investments and investments in securities:				
Held-to-maturity securities:				
Government bonds	0	0	—	—
Certificates of deposit	27,566	—	—	—
Other securities with maturity (bonds)	—	—	—	92
Total	$ 2,044,537	$ 0	$ —	$ 92

<4> The annual maturities of the bonds and long-term borrowings as of 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
Bonds	¥ 10,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	5,853	9,733	4,190	3,744	2,169	9,206

	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	$ 91,886	$ —	$ —	$ —	$ —	$ —
Long-term borrowings	53,781	89,433	38,500	34,402	19,930	84,591

21. Derivative Financial Instruments

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2020 and 2019 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, 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)
March 31, 2019			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 14,668	¥ (29)	¥ (29)
Euro	2,068	2	2
Thai Baht	93	(0)	(0)
New Taiwan dollar	533	4	4
To buy foreign currency:			
U.S. dollar	529	(3)	(3)
Canadian dollar	986	(18)	(18)
New Taiwan dollar	0	(0)	(0)
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	545	8	8
Receive/U.S. dollar, Pay/Thai Baht	554	(7)	(7)
	¥ 19,981	¥ (43)	¥ (43)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2020			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	$ 106,974	$ (156)	$ (156)
Euro	21,400	(248)	(248)
Thai Baht	542	(0)	(0)
New Taiwan dollar	3,400	(92)	(92)
Chinese Yuan	8,104	(0)	(0)
Korean Won	5,642	46	46
To buy foreign currency:			
U.S. dollar	2,738	(101)	(101)
Canadian dollar	12,827	(625)	(625)
New Taiwan dollar	18	(0)	(0)
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	5,008	(0)	(0)
Receive/U.S. dollar, Pay/Thai Baht	5,026	(184)	(184)
	$ 171,727	$ (1,378)	$ (1,378)

* 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, 2020			
Interest rate swap agreements:			
Receive/floating and pay/fixed	¥ 4,430	¥ (214)	¥ (214)
March 31, 2019			
Interest rate swap agreements:			
Receive/floating and pay/fixed	¥ 4,588	¥ 24	¥ 24

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2020			
Interest rate swap agreements:			
Receive/floating and pay/fixed	$ 40,706	$ (1,966)	$ (1,966)

*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

		Millions of yen	
	Hedged items	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
March 31, 2019			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable		
U.S. dollar		¥ 1,519	¥ (20)
To buy foreign currency:	Accounts payable		
U.S. dollar		20	0
To sell foreign currency:	Forecasted transactions		
U.S. dollar		5	0
To buy foreign currency:	Forecasted transactions		
U.S. dollar		1,038	1
		¥ 2,583	¥ (18)

		Thousands of U.S. dollars	
	Hedged items	Contract or notional amounts	Fair value
March 31, 2020			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable		
U.S. dollar		$ 11,853	$ 9
Chinese Yuan		597	(0)
To buy foreign currency:	Accounts payable		
U.S. dollar		5,201	28
To sell foreign currency:	Forecasted transactions		
U.S. dollar		2,150	18
To buy foreign currency:	Forecasted transactions		
U.S. dollar		4,934	37
		$ 24,763	$ 101

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

(b) Interest rate swap agreements

		Millions of yen	
	Hedged items	Contract or notional amounts	Fair value
March 31, 2020			
Interest rate swap agreements:			
Receive/floating and pay/fixed	Long-term borrowings	¥ 360	¥ (1)
March 31, 2019			
Interest rate swap agreements:			
Receive/floating and pay/fixed	Long-term borrowings	¥ 980	¥ (5)

		Thousands of U.S. dollars	
	Hedged items	Contract or notional amounts	Fair value
March 31, 2020			
Interest rate swap agreements:			
Receive/floating and pay/fixed	Long-term borrowings	$ 3,308	$ (9)

* 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, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Consolidated balance sheet amount:			
Balance at beginning of the year	¥ 15,150	¥ 11,642	$ 139,208
Increase/(decrease)	(4,357)	3,507	(40,035)
Balance at end of the year	¥ 10,793	¥ 15,150	$ 99,173
Fair value	¥ 14,117	¥ 18,096	$ 129,716

Notes:
1. Consolidated balance sheet amount is its cost minus accumulated depreciation and accumulated impairment loss.
2. Decrease for the year ended March 31, 2020 was mainly due to a loss of ¥4,381 million ($40,257 thousand) on reduction of property, plant and equipment located in QQL Innovation Center Shirakawa. Increase for the year ended March 31, 2019 was mainly due to new rents executed by the Company of ¥3,778 million.
3. Fair value is based on roadside value, etc.

Rent income from the rental property is ¥438 million ($4,025 thousand) and ¥400 million for the years ended March 31, 2020 and 2019, respectively.

23. Business Combination

Business combination through acquisition

TOHO EARTHTECH,INC.

1. Summary of the combination
   1) Name and business of the company acquired
      Name: TOHO EARTHTECH,INC.
      Business: Manufacturing and sales of natural gas and iodine and seismic reinforcement work
   2) Reason for the combination
      The Company aims to enhance business capabilities of natural gas chemicals.
   3) Date of combination
      June 27, 2019
   4) Legal form of the combination
      Acquisition of equity shares for cash consideration
   5) Post-combination name of the acquired company
      TOHO EARTHTECH,INC.
   6) Percentage of voting rights acquired
      Voting rights held immediately before stock acquisition: 47.55%
      Percentage of additional voting rights acquired on the date of business combination: 2.56%
      Voting rights after stock acquisition: 50.11%
   7) Basis for determining acquiring company
      The Company acquired shares for cash consideration and obtained majority of voting rights.

2. Period of the acquired company's financial results included in the consolidated financial statements
   From April 1, 2019 to March 31, 2020

3. Acquisition cost and type of consideration paid
   Stock acquisition cost is not disclosed due to confidentiality with the seller.

4. Difference between acquisition cost of the acquired company and sum of acquisition costs of individual transactions

	Millions of yen	Thousands of U.S. dollars
Gain on step acquisition	¥1,016	$ 9,336

5. Amount of goodwill recognized, reason for the recognition, and amortization method and period
   1) Goodwill recognized
      ¥1,849 million ($16,990 thousand)
   2) Reason for the recognition
      Goodwill was recognized as the excess of acquisition cost over the Company's interest in net assets of the acquired company.
   3) Amortization method and period
      Straight-line method over 15 years

6. Details of the assets acquired and the liabilities assumed at the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 6,568	$ 60,351
Non-current assets	4,907	45,089
Total assets	¥11,475	$105,440
Current liabilities	¥ 1,579	$ 14,509
Non-current liabilities	1,509	13,866
Total liabilities	¥ 3,088	$ 28,375

Japan U-PiCA Company, Ltd.

1. Summary of the combination
   1) Name and business of the company acquired
      Name: Japan U-PiCA Company, Ltd.
      Business: Manufacturing and sales of unsaturated polyester resins
   2) Reason for the combination
      The Company aims to utilize operating resources such as manufacturing facilities and know-how mutually and efficiently by means of making the acquired company consolidated and unlisted based on prompt and flexible decision by management.
   3) Date of combination
      March 30, 2020
   4) Legal form of the combination
      Acquisition of equity shares for cash consideration
   5) Post-combination name of the acquired company
      Japan U-PiCA Company, Ltd.
   6) Percentage of voting rights acquired
      Voting rights held immediately before stock acquisition: 46.14%
      Percentage of additional voting rights acquired on the date of business combination: 20.26%
      Voting rights after stock acquisition: 66.40%
   7) Basis for determining acquiring company
      The Company acquired shares for cash consideration and obtained majority of voting rights.

2. Period of the acquired company's financial results included in the consolidated financial statements
   Financial results of the acquired company from April 1, 2019 to March 31, 2020 were recorded in equity in earnings (losses) of affiliates in the consolidated statement of income because this company was accounted for by equity method.

3. Acquisition cost and type of consideration paid

		Millions of yen	Thousands of U.S. dollars
Consideration paid for acquisition	Cash	¥ 2,338	$ 21,483
Acquisition cost		¥ 2,338	$ 21,483

4. Difference between acquisition cost of the acquired company and sum of acquisition costs of individual transactions up to the acquisition date

	Millions of yen	Thousands of U.S. dollars
Loss on step acquisition	¥ 197	$ 1,810

5. Principal acquisition related expenses

	Millions of yen	Thousands of U.S. dollars
Advisory fees	¥ 63	$ 579

6. Amount of negative goodwill recognized and reason for the recognition
   1) Negative goodwill recognized
      ¥492 million ($4,521 thousand)
   2) Reason for the recognition
      Negative goodwill was recognized as the excess of the Company's interest in net assets of the acquired company over the acquisition cost.

7. Details of the assets acquired and the liabilities assumed at the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 9,227	$ 84,784
Non-current assets	3,485	32,022
Total assets	¥12,713	$116,815
Current liabilities	¥ 2,559	$ 23,514
Non-current liabilities	1,059	9,731
Total liabilities	¥ 3,618	$ 33,245

8. Estimated impact on the consolidated statement of income for the year ended March 31, 2020 on the assumption that the business combination had been completed at the beginning of the year ended March 31, 2020 and the calculation method

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 8,973	$ 82,450
Operating income	222	2,040
Net loss	85	781

(Calculation method of estimated impact)
Net sales and profit and loss information calculated on the assumption that the business combination was completed at the beginning of the year ended March 31, 2020 are used at the estimated impact.
This note has not been audited.

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. "Natural gas chemicals business," "Aromatic chemicals business," "Specialty chemicals business" and "Information and advanced materials business" are the Company's reported segments.

Natural gas chemicals business mainly produces and sells methanol, ammonia, amines, methacrylates, polyols, functional food materials and crude oil.

Aromatic chemicals business mainly produces and sells meta-xylenediamine, MX-Nylon, meta-xylene, purified isophthalic acid and foaming plastics.

Specialty chemicals business mainly produces and sells inorganic chemicals and engineering plastics.

Information and advanced materials business mainly produces and sells printed circuit board materials and oxygen absorber (AGELESS™).

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, 2020 and 2019 is summarized as follows:

	Millions of yen						
	2020						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	¥ 157,158	¥ 200,174	¥ 200,396	¥ 54,716	¥ 898	¥ —	¥ 613,344
Inter-segment sales	6,632	952	1,621	165	123	(9,495)	—
	¥ 163,790	¥ 201,127	¥ 202,017	¥ 54,881	¥ 1,021	¥ (9,495)	¥ 613,344
Segment profit	¥ (5,711)	¥ 10,470	¥ 22,329	¥ 5,846	¥ 8	¥ (1,827)	¥ 31,116
Segment assets	¥ 194,091	¥ 204,126	¥ 235,638	¥ 75,080	¥ 34,569	¥ 28,226	¥ 771,733
Others:							
Depreciation and amortization	¥ 6,352	¥ 9,588	¥ 8,724	¥ 3,853	¥ 19	¥ 1,052	¥ 29,591
Amortization of goodwill	123	256	—	—	1	—	380
Interest income	59	218	236	27	9	14	565
Interest expenses	112	710	562	72	5	(494)	968
Equity in earnings (losses) of affiliates	(4,973)	49	3,357	344	(60)	—	(1,282)
Investments in affiliates accounted for by the equity method	64,623	499	20,002	10,537	—	(149)	95,513
Capital expenditures	7,294	15,022	14,677	2,635	1	2,759	42,389

	Millions of yen						
	2019						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	¥ 180,554	¥ 211,123	¥ 204,634	¥ 51,986	¥ 686	¥ —	¥ 648,986
Inter-segment sales	7,770	593	1,099	9	127	(9,601)	—
	¥ 188,325	¥ 211,717	¥ 205,734	¥ 51,996	¥ 814	¥ (9,601)	¥ 648,986
Segment profit	¥ 22,665	¥ 13,961	¥ 28,206	¥ 4,480	¥ 480	¥ (594)	¥ 69,199
Segment assets	¥ 204,278	¥ 211,795	¥ 238,546	¥ 72,484	¥ 30,606	¥ 46,326	¥ 804,038
Others:							
Depreciation and amortization	¥ 5,512	¥ 8,734	¥ 8,710	¥ 3,616	¥ 19	¥ 858	¥ 27,451
Amortization of goodwill	—	260	—	—	—	—	260
Interest income	81	218	265	38	0	36	642
Interest expenses	76	772	633	109	7	(582)	1,018
Equity in earnings (losses) of affiliates	19,402	7	7,875	783	340	—	28,408
Investments in affiliates accounted for by the equity method	74,222	464	22,230	10,520	4,178	800	112,417
Capital expenditures	5,792	14,630	14,406	2,303	0	2,146	39,279

	Thousands of U.S. dollars						
	2020						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	$ 1,444,069	$ 1,839,327	$ 1,841,367	$ 502,766	$ 8,251	$ —	$ 5,635,799
Inter-segment sales	60,939	8,748	14,895	1,516	1,130	(87,246)	—
	$ 1,505,008	$ 1,848,084	$ 1,856,262	$ 504,282	$ 9,382	$ (87,246)	$ 5,635,799
Segment profit	$ (52,476)	$ 96,205	$ 205,173	$ 53,717	$ 74	$ (16,788)	$ 285,914
Segment assets	$ 1,783,433	$ 1,875,641	$ 2,165,193	$ 689,883	$ 317,642	$ 259,359	$ 7,091,179
Others:							
Depreciation and amortization	$ 58,366	$ 88,101	$ 80,162	$ 35,404	$ 175	$ 9,666	$ 271,901
Amortization of goodwill	1,130	2,352	—	—	9	—	3,492
Interest income	542	2,003	2,169	248	83	129	5,192
Interest expenses	1,029	6,524	5,164	662	46	(4,539)	8,895
Equity in earnings (losses) of affiliates	(45,695)	450	30,846	3,161	(551)	—	(11,780)
Investments in affiliates accounted for by the equity method	593,798	4,585	183,791	96,821	—	(1,369)	877,635
Capital expenditures	67,022	138,032	134,862	24,212	9	25,351	389,497

Notes:

1. Other includes listed affiliates and real estate 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
	2020	2019	2020
Elimination of intersegment transactions	¥ (165)	¥ 95	$ (1,516)
Unallocated company-wide expenses	(1,661)	(689)	(15,262)
	¥ (1,827)	¥ (594)	$ (16,788)

* 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
	2020	2019	2020
Elimination of intersegment balances	¥ (39,758)	¥ (39,154)	$ (365,322)
Unallocated company-wide assets	67,985	85,480	624,690
	¥ 28,226	¥ 46,326	$ 259,359

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

(3) "Adjustments in depreciation and amortization" of ¥1,052 million ($9,666 thousand) and ¥858 million are depreciation and amortization of company-wide assets which are not allocated to reported segments for the years ended March 31, 2020 and 2019, respectively.

(4) "Adjustments in interest income" of ¥14 million ($129 thousand) and ¥36 million are mainly elimination of intersegment transactions for the years ended March 31, 2020 and 2019, respectively.

(5) "Adjustments in interest expenses" of ¥(494) million ($(4,539) thousand) and ¥(582) million are mainly elimination of intersegment transactions for the years ended March 31, 2020 and 2019, respectively.

(6) "Adjustments in investments in affiliates accounted for by the equity method" of ¥(149) million ($(1,369) thousand) and ¥800 million are mainly investments which are not allocated to reported segments for the years ended March 31, 2020 and 2019, respectively.

(7) "Adjustments in capital expenditures" of ¥2,759 million ($25,351 thousand) and ¥2,146 million are related to company-wide assets which are not allocated to reported segments for the years ended March 31, 2020 and 2019, 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
	2020	2019	2020
Japan	¥ 276,706	¥ 298,538	$ 2,542,553
Asia:			
China	89,653	79,518	823,789
Other	162,630	171,965	1,494,349
U.S.A.	37,196	51,086	341,781
Other	47,157	47,876	433,309
Total	¥ 613,344	¥ 648,986	$ 5,635,799

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

(2) Property, plant and equipment

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥ 172,804	¥ 167,089	$ 1,587,834
Asia	35,079	35,086	322,328
U.S.A.	26,675	22,930	245,107
Other	5,278	3,385	48,498
Total	¥ 239,838	¥ 228,492	$ 2,203,786

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 2020 Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Impairment loss	¥ 0	¥ 381	¥ —	¥ —	¥ —	¥ —	¥ 381

	Thousands of U.S. dollars 2020 Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Impairment loss	$ 0	$ 3,501	$ —	$ —	$ —	$ —	$ 3,501

There was no impairment loss on fixed assets for the year ended March 31, 2019.

Information of balance of goodwill by reported segments

	Millions of yen 2020 Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Goodwill	¥ 1,726	¥ 3,549	¥ —	¥ —	¥ 17	¥ —	¥ 5,293

	Millions of yen 2019 Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Goodwill	¥ —	¥ 3,841	¥ —	¥ —	¥ —	¥ —	¥ 3,841

	Thousands of U.S. dollars 2020 Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Goodwill	$ 15,860	$ 32,610	$ —	$ —	$ 156	$ —	$ 48,635

Information of negative goodwill by reported segments

Negative goodwill of ¥492 million ($4,521 thousand) was recognized in the other segment because Japan U-PiCA Company, Ltd. became a subsidiary during the year ended March 31, 2020. No negative goodwill was recognized for the year ended March 31, 2019.

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 2020	2019	Thousands of U.S. dollars 2020
Sales	¥ 613,344	¥ 648,986	$ 5,635,799
Gross profit	131,394	136,129	1,207,333
Operating income	34,260	41,386	314,803
Ordinary income	31,116	69,199	285,914
Profit before income taxes	34,343	69,066	315,566
Profit	24,487	59,979	225,002

Crowe

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Independent Auditor's Report

To the Board of Directors of
Mitsubishi Gas Chemical Company, Inc.

Opinion

We have audited the consolidated financial statements of Mitsubishi Gas Chemical Company, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Audit and Supervisory Board and its Members

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern using the going concern basis of accounting, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Board and its Members are responsible for overseeing the execution of the duties of Directors related to designing and operating the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for our opinion.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosure of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board and its Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the Audit and Supervisory Board and its Members with a statement that we have complied with relevant ethical requirements regarding independence in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation
Our audit also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Crowe Toyo & Co.

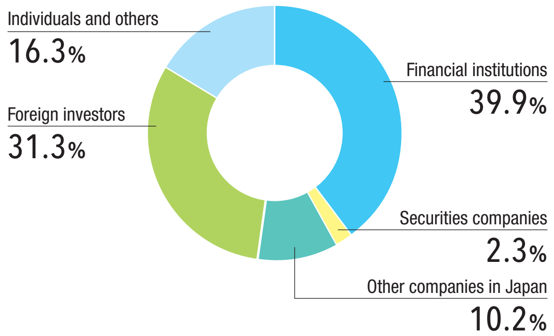
Crowe Toyo & Co.
Tokyo, Japan
June 25, 2020

Shareholder Information

Information for Shareholders (As of March 31, 2020)

Listing
First Section of the Tokyo Stock Exchange
Ticker symbol
4182
Total number of authorized shares
492,428,000
Number of outstanding shares
225,739,199
Stock transaction units
100 - shares
Number of shareholders
24,777

Composition of shareholders

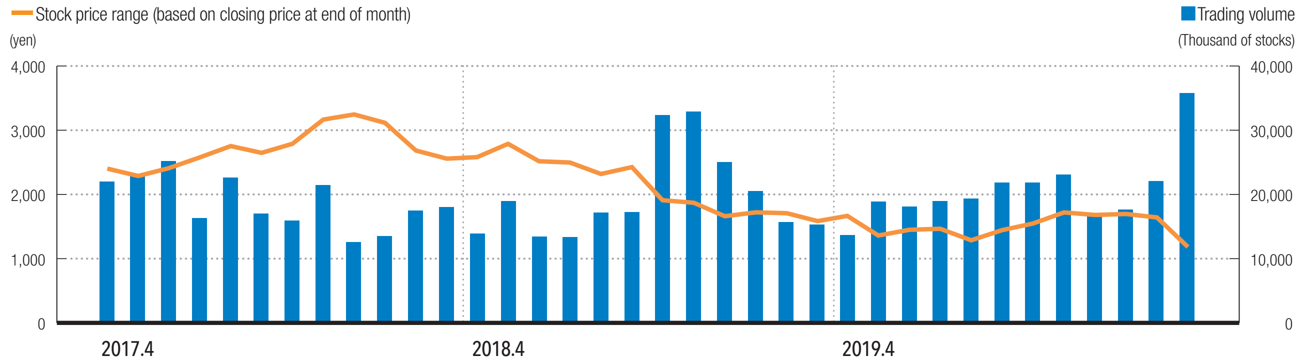


Major shareholders

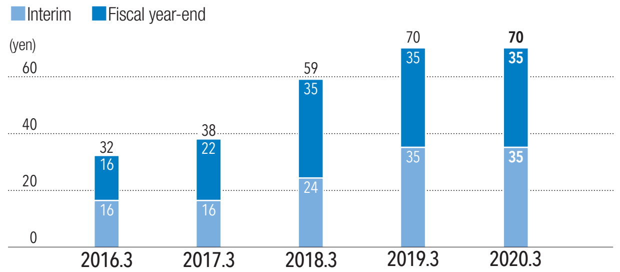
Name of shareholder	Number of shares held (thousands)	Percentage of total outstanding shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,260	7.3%
Japan Trustee Services Bank, Ltd. (Trust Account)	9,346	4.5%
Meiji Yasuda Life Insurance Company	8,797	4.2%
Nippon Life Insurance Company	8,795	4.2%
The Norinchukin Bank	5,026	2.4%
AGC Inc.	4,835	2.3%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,711	1.8%
JP MORGAN CHASE BANK 385151	3,183	1.5%
The Bank of Yokohama,Ltd.	3,085	1.5%
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	2,794	1.3%

1. MGC holds 17,758 thousand shares of treasury stock, which is not included in the above list of major shareholders.
2. Percentage of total outstanding shares does not include treasury stock.

Monthly stock price range and trading volume



Dividend per share



Note: With an effective date of October 1, 2016, MGC conducted a reverse stock split for MGC's ordinary shares on a 2:1 basis. As a result, the share price, market trading volume and dividend per share in the graphs are calculated assuming that the reverse stock split had been conducted at the beginning of April, 2015.