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To Our Shareholders:

Disclosed Information on the Internet at the Time of Notifying Convocation of the 98th Ordinary General Meeting of Shareholders

Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

Notes to Consolidated Financial Statements

Non-consolidated Financial Statements

Non-consolidated Statements of Changes in Net Assets

Notes to Non-consolidated Financial Statements

SANYO CHEMICAL INDUSTRIES, LTD.

The Consolidated Statements of Changes in Net Assets and the Notes to Consolidated Financial Statements of the Consolidated Financial Statements, and the Non-consolidated Statements of Changes in Net Assets and the Notes to Non-consolidated Financial Statements of the Non-consolidated Financial Statements are provided to shareholders on the Company’s website (https://www.sanyo-chemical.co.jp/) in accordance with provisions of laws and regulations as well as Article 16 of the Company’s Articles of Incorporation.

Consolidated Statements of Changes in Net Assets

(from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,051	13,243	106,662	(5,848)	127,109
Changes during period					
Dividends of surplus			(3,649)		(3,649)
Profit attributable to owners of parent			6,699		6,699
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		0		72	72
Net changes in items other than shareholders' equity					
Total changes during period	–	0	3,050	66	3,117
Balance at end of period	13,051	13,243	109,713	(5,781)	130,226

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	11,069	1,802	493	13,364	2,477	142,951
Changes during period						
Dividends of surplus						(3,649)
Profit attributable to owners of parent						6,699
Purchase of treasury shares						(5)
Disposal of treasury shares						72
Net changes in items other than shareholders' equity	(1,446)	2,290	43	888	75	963
Total changes during period	(1,446)	2,290	43	888	75	4,080
Balance at end of period	9,623	4,093	537	14,253	2,552	147,032

Notes to Consolidated Financial Statements

Important matters forming the basis for preparation of consolidated financial statements

1. Scope of consolidation

Consolidated subsidiaries	Thirteen companies SDP Global Co., Ltd., San Chemical Co., Ltd., SAN NOPCO LIMITED, SANAM Corporation, San-Dia Polymers (Nantong) Co., Ltd., Sanyo Kasei (Nantong) Co., Ltd., SDP GLOBAL (MALAYSIA) SDN. BHD., and six other companies
Non-consolidated subsidiaries	Seven companies Sanliving Ltd., DaXiang International Trading (Shanghai) Co., Ltd., San Nopco (Shanghai) Trading Co., Ltd., Sanyo Kasei (Taiwan) Ltd., Sanyo Kasei Korea, Ltd., Sanyo Chemical Manufacturing Korea, Ltd., and one other company

All of the above non-consolidated subsidiaries are excluded from the scope of consolidation because they are small in scale, and their total assets, net sales, profit or loss (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest), etc. do not have a material impact on the consolidated financial statements.

2. Application of the equity method

Non-consolidated subsidiaries accounted for using equity method	One company Sanliving Ltd.
Associates accounted for using equity method	Four companies SAN-PETROCHEMICALS CO., LTD., Shiohama Chemicals Warehouse Co., Ltd., Sunrise Chemical LLC, APB Corporation
Non-consolidated subsidiaries that are not accounted for using equity method	Six companies DaXiang International Trading (Shanghai) Co., Ltd., San Nopco (Shanghai) Trading Co., Ltd., Sanyo Kasei (Taiwan) Ltd., Sanyo Kasei Korea, Ltd., Sanyo Chemical Manufacturing Korea, Ltd., and one other company
Associates that are not accounted for using equity method	One company San Nopco (Korea) Ltd.

All of the companies that are not accounted for using equity method above have been excluded from the scope of the equity method because they are small in scale, and their impact on the consolidated financial statements is negligible even if they are excluded from the equity method in terms of profit or loss (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest), etc., and they are not significant as a whole.

3. Fiscal periods of consolidated subsidiaries

Of the consolidated subsidiaries, Sanyo Kasei (Thailand) Ltd., SANAM Corporation, Sanyo Chemical & Resins, LLC, Sanyo Chemical Texas Industries, LLC, Sanyo Kasei (Nantong) Co., Ltd., San-Dia Polymers (Nantong) Co., Ltd., and Sanyo Chemical (Shanghai) Trading Co., Ltd. use December 31 as their closing date.

In preparing the consolidated financial statements, the above companies are based on the tentative closing on March 31, the consolidated closing date.

4. Accounting policies

(1) Standards and methods for evaluating significant assets

1) Securities

Available-for-sale securities

- Securities other than stocks and others without a quoted market price

  Stated at fair value (Unrealized gains or losses are reported as a component of net assets. Cost of securities sold is determined by the moving-average method).

- Stocks and others without a quoted market price

Stated at cost determined by the moving-average method

2) Derivatives	Fair market value
3) Inventories	Stated at cost determined by the monthly average method (Carrying amount is calculated by writing down the book value based on a decline in profitability).

(2) Depreciation methods for significant depreciable assets

1) Property, plant and equipment

The straight-line method is applied.

Major ranges of useful lives are as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	4 to 8 years

2) Intangible assets

The straight-line method is applied.

Software for internal use is amortized using the straight-line method over its estimated useful life of five years.

(3) Accounting standards for significant provisions and allowances

1) Allowance for doubtful accounts

To provide for possible losses on trade receivables, loans, and other receivables, an allowance is recorded at an amount calculated based on the historical write-off ratio for general receivables and an estimate of uncollectible receivables based on a review of the collectability of specific doubtful receivables on an individual basis.

2) Provision for bonuses

To provide for bonuses for employees, an allowance is recorded based on the estimated amount of bonus to be paid.

3) Provision for bonuses for directors (and other officers)

To provide for bonuses for directors (and other officers), an allowance is recorded based on the estimated amount of bonus to be paid.

4) Provision for stock-based compensation

To prepare for the delivery of the Company's shares by the stock delivery trust, an allowance is recorded at the estimated amount of shares to be delivered in accordance with the points granted to Directors, etc. is recorded in accordance with the Regulations on Stock Delivery.

5) Provision for loss on factory closing

To provide for possible losses on the closure of factories, an allowance is recorded at an estimated amount of losses.

(4) Accounting method for retirement benefits

1) Period attribution method of the expected amount of retirement benefits

In calculating retirement benefit obligations, the benefit formula basis is used to attribute expected retirement benefit amounts to the period up to the end of the fiscal year under review.

2 Amortization method of actuarial differences and prior service costs

Prior service cost is amortized on a straight-line basis over a certain number of years (14 years) within the average remaining years of service of employees at the time of occurrence.

Actuarial differences are prorated on a straight-line basis over a certain number of years (14 years) within the average remaining years of service of employees at the time of occurrence in each fiscal year, and amortized from the following fiscal year.

(5) Standards for recognizing revenues and expenses

The main business of the Group is manufacturing and selling products in the Toiletries and Health Care segment, Petroleum and Automotives segment, Plastics and Textiles segment, Information and Electrics/Electronics segment and Environmental Protection, Construction and Others segment. With regard to sales of these products, we recognize revenues at the time of delivery of products, as we judge that customers obtain control of the products and the performance obligations are satisfied at the time of delivery of products.

Revenues are measured by deducting returns, discounts and rebates, etc. from consideration contracted with customers.

Consideration for transactions is received within one year of satisfying performance obligations and does not include a significant financial component.

(6) Standards for translating significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary claims and obligations denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the consolidated closing date and translation differences are treated as profit or loss. Assets and liabilities of overseas subsidiaries, etc. are translated into Japanese yen at the spot exchange rate on the closing date of the overseas subsidiaries, etc. Revenues and expenses are translated into Japanese yen at the average exchange rate for the period. Translation differences are included in foreign currency translation adjustment and non-controlling interests in net assets.

Changes in accounting policies

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the fiscal year under review, and it has applied the new accounting policy set forth by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The application of this standard, etc. does not have an effect on the consolidated financial statements.

In addition, notes on matters regarding the breakdown by level of the fair value of financial instruments are provided in “Notes to financial instruments.”

Changes in presentations

“Compensation expenses,” which were included in “Other” under “Non-operating expenses” in the previous fiscal year, are listed separately from the current fiscal year due to an increase in quantitative materiality. “Compensation expenses” for the previous fiscal year were ¥149 million.

Notes to accounting estimates

Impairment of non-current assets

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

Non-current assets ¥2,621 million

(2) Other information contributing to the understanding of users of the consolidated financial statements

1) Calculation method

SDP GLOBAL (MALAYSIA) SDN. BHD. (hereinafter, “SDPM”), one of the Company’s consolidated subsidiaries, conducts impairment tests when there are signs of impairment. In calculating the recoverable amount in the impairment test, use value or fair value less costs of disposal, whichever is higher, shall be applicable. If the recoverable amount falls below book value, impairment loss is recorded. Operating profit for SDPM is continuously negative due to intensifying competitive environment and unstable production conditions. As there are signs of impairment, impairment tests are conducted. However, impairment loss is not recognized as fair value less costs of disposal exceeded book value.

2) Main assumptions

Fair value less costs of disposal for SDPM is estimated based on key assumptions of management such as current costs of replacement for buildings, estimated sales value of leaseholds, and disposal value for machinery and equipment.

3) Impact on the consolidated financial statements for the next financial year

As of March 31, 2022, book value of property, plant and equipment, and intangible assets held by SDPM of ¥2,621 million are included in the consolidated financial statements. Key assumptions, such as current costs of replacement for buildings, estimated sales value of leaseholds, and disposal value of machinery and equipment, have high estimation uncertainty, and therefore this may cause impairment loss for the next fiscal year.

Additional information

Stock-based compensation plan for Directors, etc.

Based on a resolution at the 94th Ordinary General Meeting of Shareholders held on June 22, 2018, the Company has introduced a stock-based compensation plan for Directors (excluding outside Directors) and executive officers (hereinafter collectively, “Directors, etc.”).

The purpose of this plan is to motivate Directors, etc. to contribute to the improvement of business performance and the increase of corporate value over the medium- to long-term by further clarifying the linkage between the compensation of Directors, etc. and the value of the Company’s shares, and having them share the benefits and risks arising from stock price fluctuations with shareholders.

(1) Overview of transactions

The plan is a stock-based compensation plan under which a trust (hereinafter, the “Trust”) established by the Company upon contributing money acquires the Company’s shares and delivers them in a number corresponding to the number of points the Company has granted to Directors, etc. In principle, the Directors, etc. receive the delivery of the Company’s shares at the time of their retirement.

(2) The Company’s shares remaining in the Trust

The Company’s shares remaining in the Trust are recorded as treasury shares in net assets at book value (excluding the amount of incidental expenses) in the Trust. The book value and number of shares of the said treasury shares were 56,600 shares worth ¥292 million at the end of the fiscal year under review.

Effects of the spread of COVID-19 on accounting estimates

The Group makes accounting estimates for impairment of non-current assets and collectability of deferred tax assets based on information available at the time of preparation of consolidated financial statements. In making accounting estimates, we judge that the effects of COVID-19 on the consolidated financial statements will be minor based on the assumption that it will be mitigated within a certain time.

Notes to consolidated balance sheets

Accumulated depreciation for property, plant and equipment ¥176,713 million

Notes to consolidated statements of income

Loss on suspension of operations

Fixed costs, etc. related to a period of suspended operations due to an accident that occurred on January 15, 2022, at the plant of SDP Global Co., Ltd., a consolidated subsidiary of the Company.

Notes to consolidated statements of changes in net assets

1. Class and total number of shares issued and class and number of treasury shares

	Beginning balance (shares)	Increase during the fiscal year (shares)	Decrease during the fiscal year (shares)	Ending balance (shares)
Shares issued				
Common stock	23,534,752	–	–	23,534,752
Total	23,534,752	–	–	23,534,752
Treasury shares				
Common stock (Notes)	1,488,441	932	13,956	1,475,417
Total	1,488,441	932	13,956	1,475,417

Notes: 1. Treasury shares increased due to requests for purchase of odd-lot shares.

2. Treasury shares decreased by 56 shares due to requests for additional purchase of odd-lot shares and by 13,900 shares for use in the stock-based compensation plan for Directors, etc.

3. The ending balance of treasury shares includes 56,600 shares held by a trust whose beneficiaries are Directors, etc. established through the introduction of the stock-based compensation plan for Directors, etc.

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends paid	Cash dividends per share	Record date	Effective date
Board Meeting on May 20, 2021	Common stock	¥1,769 million	¥80.0	March 31, 2021	June 2, 2021
Board Meeting on November 5, 2021	Common stock	¥1,879 million	¥85.0	September 30, 2021	December 1, 2021

Notes: 1. The total dividends paid by resolution of the Board Meeting on May 20, 2021 includes ¥5 million of dividends on shares held by a trust whose beneficiaries are Directors, etc. established through the introduction of the stock-based compensation plan for Directors, etc.

2. The total dividends paid by resolution of the Board Meeting on November 5, 2021 includes ¥4 million of dividends on shares held by a trust whose beneficiaries are Directors, etc. established through the introduction of the stock-based compensation plan for Directors, etc.

(2) Dividend with record date falling in the fiscal year under review and the effective date falling after the end of the fiscal year under review

Resolution	Class of shares	Total dividends paid	Source of funds	Cash dividends per share	Record date	Effective date
Board Meeting on May 19, 2022	Common stock	¥1,879 million	Retained earnings	¥85.0	March 31, 2022	June 1, 2022

Notes to financial instruments

1. Status of financial instruments

   The Group's basic stance on fund management is to balance liquidity and financial advantages with a top priority on safety, with the policy of procuring funds mainly through bank borrowings for the foreseeable future.

   Trade receivables, such as notes and accounts receivable - trade and electronically recorded monetary claims - operating, are exposed to customer credit risk. Customer credit risk is managed by due dates and outstanding balances per business partner and systematically reviewing the credit status of all business partners once a year, mainly in accordance with the sales regulations of each of the Group companies. In addition, receivables denominated in foreign currencies related to export transactions are exposed to the risk of fluctuations in foreign currency exchange rates, but risks are avoided through the use of forward foreign exchange contracts and other means.

   Investment securities are stocks of companies with which the Company has business relationships and are exposed to the risk of fluctuations in market prices.

   Trade payables, such as accounts payable - trade and electronically recorded obligations - operating are all due within one year.

   Of the borrowings, short-term borrowings are mainly financing for operating transactions, while long-term borrowings are mainly financing for capital investment. Variable-rate borrowings are exposed to the risk of fluctuations in interest rates. Accordingly, for financing through long-term borrowings at variable interest rates, the Company closely examines its performance forecasts to determine the amounts and periods of the borrowings.

   In addition, trade payables and borrowings are exposed to liquidity risk, but the Group manages them through methods such as having each company prepare monthly cash flow plans.

2. Fair value, etc. of financial instruments

The carrying amount in the consolidated balance sheet, fair values and their differences as of March 31, 2022, were as stated below. Stocks and others without a quoted market price are excluded from the table (See note). In addition, cash has been omitted, as have deposits, notes and accounts receivable – trade, electronically recorded monetary claims – operating, accounts payable – trade, electronically recorded obligations – operating, and short-term borrowings as they are settled in a short-term period, and thus their fair values approximate their carrying amount.

(Millions of yen)

	Carrying amount	Fair value	Difference
Investment securities Available-for-sale securities	22,064	22,064	–
Total assets	22,064	22,064	–
Long-term borrowings (*1)	1,000	999	(0)
Total liabilities	1,000	999	(0)

(*1) The carrying amount and fair value of long-term borrowings include the current portion of long-term borrowings.

Note: Stocks and others without a quoted market price

(Millions of yen)

Category	Carrying amount
Unlisted equity securities	7,209

3. Matters regarding the breakdown by level of the fair value of financial instruments

The fair value of financial instruments is classified into the three levels below based on the observability and significance of the inputs used in the measurement of fair value.

Level 1: Fair value measured using quoted market prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value measured using directly or indirectly observable inputs, other than those included in Level 1

Level 3: Fair values measured using significant unobservable inputs

In cases where multiple inputs which have a significant effect on the measurement of the fair value are used, among the levels to which the respective inputs belong, the fair value is classified to the level with the lowest position of hierarchy in the measurement of fair value.

(1) Financial assets and financial liabilities with the carrying amount in the consolidated balance sheet recorded using the fair value

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities	22,064	–	–	22,064
Total assets	22,064	–	–	22,064

(2) Financial assets and financial liabilities with the carrying amount in the consolidated balance sheet not recorded using the fair value

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	–	999	–	999
Total liabilities	–	999	–	999

Note: Explanation of the valuation methods and inputs used in measuring fair values

Investment securities

The fair value of listed equity securities is valued using the quoted market price. As listed equity securities are traded in active markets, the fair value is classified as Level 1.

Long-term borrowings

The fair value of borrowings with variable interest rates is stated at the carrying amount as it is deemed to approximate the carrying value since it reflects market interest rates in the short term and because the credit status of the Company has not changed significantly since it implemented these borrowings. It is classified as Level 2. The fair value of borrowings with fixed interest rates is calculated by discounting the sum of principal and interest of such long-term borrowings divided by a certain period by the interest rate that would be applied to similar borrowings. It is classified as Level 2.

Notes on per share information

Net assets per share	¥6,549.60
Basic earnings per share	¥303.76

Notes on revenue recognition

1. Breakdown of revenue from contracts with customers

(Millions of yen)

	Reportable Segment					
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electrics/Electronics	Environmental Protection, Construction and Others	Total
Japan	27,050	32,430	22,731	19,790	18,340	120,342
US	–	6,188	434	131	140	6,894
China	18,324	3,039	1,305	849	39	23,558
Other	9,547	881	995	218	86	11,730
Revenue from contracts with customers	54,922	42,540	25,466	20,989	18,607	162,526
Other revenues	–	–	–	–	–	–
Sales to external customers	54,922	42,540	25,466	20,989	18,607	162,526

Note: The above figures are based on location of distributor and represent amounts after offsetting internal transactions among segments.

2. Basic information for understanding revenue

Basic information for understanding revenue is as stated in “Important matters forming the basis for preparation of consolidated financial statements, 4. Accounting policies (5) Standards for recognizing revenues and expenses.”

3. Information for understanding the amount of revenue for the fiscal year under review and the following fiscal year

Contract liabilities consist mainly of consideration received from customers before delivery of products and are included in “Other” of current liabilities on the consolidated balance sheets.

Receivables from contracts with customers and contract liabilities are as follows:

(Millions of yen)

	FY2021
Receivables from contracts with customers	46,358
Contract liabilities	240

Of revenue recognized during the fiscal year under review, the amount that includes the balance of contract liabilities at beginning of period was not significant. In the fiscal year under review, the amount of revenue recognized from the performance obligations satisfied in the past period was not significant.

Non-consolidated Statements of Changes in Net Assets

(from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Voluntary retained earnings	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	13,051	12,191	99	12,290	2,775	80,775	8,698	92,249
Changes during period								
Provision of general reserve						3,100	(3,100)	
Dividends of surplus							(3,649)	(3,649)
Profit							6,405	6,405
Purchase of treasury shares								
Disposal of treasury shares			0	0				
Net changes in items other than shareholders' equity								
Total changes during period	–	–	0	0	–	3,100	(343)	2,756
Balance at end of period	13,051	12,191	99	12,290	2,775	83,875	8,354	95,005

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at beginning of period	(5,848)	111,742	11,061	122,803
Changes during period				
Provision of general reserve		–		–
Dividends of surplus		(3,649)		(3,649)
Profit		6,405		6,405
Purchase of treasury shares	(5)	(5)		(5)
Disposal of treasury shares	72	72		72
Net changes in items other than shareholders' equity			(1,443)	(1,443)
Total changes during period	66	2,823	(1,443)	1,379
Balance at end of period	(5,781)	114,565	9,617	124,183

Notes to Non-consolidated Financial Statements

Notes on matters related to significant accounting policies

1. Standards and methods for evaluating assets
   (1) Standards and methods for evaluating securities
      1) Shares of subsidiaries and associates Stated at cost determined by the moving-average method
      2) Available-for-sale securities
         - Securities other than stocks and others without a quoted market price
           Stated at fair value (Unrealized gains or losses are reported as a component of net assets. Cost of securities sold is determined by the moving-average method).
         - Stocks and others without a quoted market price
           Stated at cost determined by the moving-average method
   (2) Standards and methods for evaluating inventories
      Stated at cost determined by the monthly average method (Carrying amount is calculated by writing down the book value based on a decline in profitability).

2. Depreciation method of non-current assets
   (1) Property, plant and equipment
      The straight-line method is applied.
   (2) Intangible assets
      The straight-line method is applied.
      Software for internal use is amortized using the straight-line method over its estimated useful life of five years.

3. Accounting standards for provisions and allowances
   (1) Allowance for doubtful accounts
      To provide for possible losses on trade receivables, loans, and other receivables, an allowance is recorded at an amount calculated based on the historical write-off ratio for general receivables and an estimate of uncollectible receivables based on a review of the collectability of specific doubtful receivables on an individual basis.
   (2) Provision for bonuses
      To provide for bonuses for employees, an allowance is recorded at an amount based on the estimated amount of bonus to be paid.
   (3) Provision for bonuses for directors (and other officers)
      To provide for bonuses for directors (and other officers), an allowance is recorded at an amount based on the estimated amount of bonuses to be paid.

(4) Provision for retirement benefits (prepaid pension cost)

To provide for the payment of retirement benefits to employees, an allowance is provided based on the estimated amounts of retirement benefit obligations and pension plan assets at the end of the fiscal year under review. At the end of the fiscal year under review, the estimated amount of pension assets exceeds the estimated amount of retirement benefit obligations adjusted for unrecognized prior service costs and unrecognized actuarial differences. Accordingly, the excess amount is recorded as prepaid pension cost in investments and other assets.

1) Period attribution method of the expected amount of retirement benefits

In calculating retirement benefit obligations, the benefit formula basis is used to attribute expected retirement benefit amounts to the period up to the end of the fiscal year under review.

2) Amortization method of actuarial differences and prior service costs

Prior service cost is amortized by the straight-line method over a certain number of years (14 years) within than the average remaining years of service of the employees at the time of occurrence.

Actuarial differences are prorated on a straight-line basis over a certain number of years (14 years) within the average remaining years of service of employees at the time of occurrence in each fiscal year, and amortized from the following fiscal year.

(5) Provision for stock-based compensation

In order to prepare for the delivery of the Company's shares by the stock delivery trust, the estimated amount of shares to be delivered in accordance with the points granted to Directors, etc. is recorded in accordance with the Regulations on Stock Delivery.

4. Standards for recognizing revenues and expenses

The main business of the Company is manufacturing and selling products in the Toiletries and Health Care segment, Petroleum and Automotives segment, Plastics and Textiles segment, Information and Electrics/Electronics segment and Environmental Protection, Construction and Others segment. With regard to sales of these products, we recognize revenues at the time of delivery of products, as we judge that customers obtain control of the products and the performance obligations are satisfied at the time of delivery of products.

Revenues are measured by deducting returns, discounts and rebates, etc. from consideration contracted with customers.

Consideration for transactions is received within one year of satisfying performance obligations and does not include a significant financial component.

5. Other significant matters forming the basis for preparation of non-consolidated financial statements
   (1) Standards for translating assets and liabilities denominated in foreign currencies into Japanese yen
       Monetary claims and obligations denominated in foreign currencies are translated into Japanese yen at the spot exchange rate of the closing date and translation differences are treated as profit or loss.
   (2) Accounting for retirement benefits
       The method of accounting for unrecognized actuarial differences and unrecognized prior service costs related to retirement benefits differs from the method of accounting in the consolidated financial statements.

Changes in accounting policies

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the fiscal year under review, and it has applied the new accounting policy set forth by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The application of this standard, etc. does not have an effect on the financial statements.

Notes to accounting estimates

1. Estimates of allowance for doubtful accounts for long-term loans receivable from subsidiaries and associates
   (1) Amount recorded in the non-consolidated financial statements for the fiscal year under review

Long-term loans receivable from subsidiaries and associates	¥11,930 million
Allowance for doubtful accounts	¥(2,713) million

   (2) Other information contributing to the understanding of users of the non-consolidated financial statements
      1) Calculation method

      With regard to allowance for doubtful accounts for long-term loans receivable from SDP Global Co., Ltd. (hereinafter, "SDP"), one of the Company's consolidated subsidiaries, an estimate of uncollectible receivables is calculated based on a review of the collectability of specific doubtful receivables on an individual basis.

      The estimate of uncollectible receivables is determined mainly based on financial condition of SDP and a future business plan in the whole superabsorbent polymers business including SDP.

      2) Main assumptions

      In preparing the future business plan, we have adopted key management assumptions such as prices of domestic naphtha and sales volume based on expected demand.

      3) Impact on the non-consolidated financial statements for the next financial year

      As of March 31, 2022, long-term loans receivable from SDP of ¥11,930 million and an allowance for doubtful accounts of ¥2,713 million are included in the non-consolidated financial statements. Key assumptions, such as prices of domestic naphtha and sales volume based on expected demand, have high estimation uncertainty, and therefore this may cause additional allowance for doubtful accounts for the next fiscal year.

Additional information

<u>Stock-based compensation plan for Directors, etc.</u>

Statement is omitted as the same details are provided in "Additional information, Stock-based compensation plan for Directors, etc." in the Notes to Consolidated Financial Statements.

<u>Effects of the spread of COVID-19 on accounting estimates</u>

Statement is omitted as the same details are provided in "Additional information, Effects of the spread of COVID-19 on accounting estimates" in the Notes to Consolidated Financial Statements.

Notes to non-consolidated balance sheets

1. Accumulated depreciation for property, plant and equipment	¥130,736 million
2. Monetary claims and obligations to subsidiaries and associates	
Short-term monetary claims to subsidiaries and associates	¥10,030 million
Long-term monetary claims to subsidiaries and associates	¥8 million
Short-term monetary obligations to subsidiaries and associates	¥11,862 million
Long-term monetary obligations to subsidiaries and associates	¥107 million
3. Debt guarantee	
Debt guarantee to transactions of subsidiaries and associates	¥3,625 million

Notes to non-consolidated statements of income

Transactions with subsidiaries and associates

Net sales	¥13,451 million
Cost of purchase	¥33,188 million
Other operating transactions	¥13,799 million
Non-operating transactions	¥3,495 million

Notes to non-consolidated statements of changes in net assets

Class and number of treasury shares

	Beginning balance (shares)	Increase during the fiscal year (shares)	Decrease during the fiscal year (shares)	Ending balance (shares)
Common stock (Notes)	1,488,441	932	13,956	1,475,417
Total	1,488,441	932	13,956	1,475,417

Notes:
1. Treasury shares increased due to requests for purchase of odd-lot shares.
2. Treasury shares decreased by 56 shares due to requests for additional purchase of odd-lot shares and by 13,900 shares for use in the stock-based compensation plan for Directors, etc.
3. Balance of treasury shares at the end of the fiscal year under review includes 56,600 shares held by a trust whose beneficiaries are Directors, etc. established through the introduction of the stock-based compensation plan for Directors, etc.

Notes on tax effect accounting

Breakdown of deferred tax assets and deferred tax liabilities by major causes

<u>Deferred tax assets</u>

Accrued enterprise tax	¥108 million
Provision for bonuses	¥510 million
Social insurance premiums on accrued bonuses	¥70 million
Loss on valuation of inventories	¥149 million
Allowance for doubtful accounts	¥843 million
Loss on valuation of investment securities	¥700 million
Loss on valuation of shares of subsidiaries and associates	¥4,342 million
Loss on valuation of investments in capital of subsidiaries and associates	¥471 million
Other	¥712 million
Subtotal of deferred tax assets	¥7,910 million
Valuation allowance	¥(6,532) million
Total deferred tax assets	¥1,377 million

<u>Deferred tax liabilities</u>

Valuation difference on available-for-sale securities	¥(3,460) million
Prepaid pension cost	¥(477) million
Total deferred tax liabilities	¥(3,938) million
Net deferred tax assets (liabilities)	¥(2,560) million

Notes on transactions with related parties

The status of transactions with related parties is as follows:

1. Subsidiaries, etc.

Type	Name of Company, etc.	Voting right holdings (held)	Relationship with related party	Nature of transaction	Transaction value (¥ million)	Item	Balance at end of fiscal year (¥ million)
Subsidiary	SDP Global Co., Ltd.	(Holding) Direct 100%	Resale of raw materials (Note 1) Provision of service Concurrent officers	Lending of funds (Note 2)	2,479	Long-term loans receivable from subsidiaries and associates	11,930
Subsidiary	SDP GLOBAL (MALAYSIA) SDN. BHD. (hereinafter, "SDPM")	(Holding) Indirect 100%	Debt guarantee	Debt guarantee (Note 3)	3,625		

Transaction terms and method of determining transaction terms

(Note 1) Details of transactions, etc. are not stated because they are conducted at arms-length conditions.

(Note 2) An allowance for doubtful accounts of ¥2,713 million was recorded for long-term loans receivable from SDP Global Co., Ltd. In addition, a provision of allowance for doubtful accounts of ¥606 million was recorded in the fiscal year under review.

(Note 3) The Company guarantees debt arising from transactions of SDPM and receive an annual guarantee commission of 0.2%.

Notes on per share information

Net assets per share	¥5,629.52
Basic earnings per share	¥290.44

Notes on revenue recognition

Statement is omitted as the same details are provided in “Notes on revenue recognition” in the Notes to Consolidated Financial Statements on basic information for understanding revenue.