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To Our Shareholders:

Disclosed Information on the Internet
at the Time of Notifying Convocation
of the 97th 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, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,051	11,246	103,033	(5,858)	121,473
Changes during period					
Dividends of surplus			(3,096)		(3,096)
Profit attributable to owners of parent			7,282		7,282
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares				12	12
Changes in the fiscal year-end of consolidated subsidiaries			8		8
Change in scope of consolidation		1,997	(565)		1,432
Net changes in items other than shareholders' equity					
Total changes during period	—	1,997	3,629	9	5,635
Balance at end of period	13,051	13,243	106,662	(5,848)	127,109

	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	6,122	471	(431)	6,161	2,462	130,097
Changes during period						
Dividends of surplus						(3,096)
Profit attributable to owners of parent						7,282
Purchase of treasury shares						(3)
Disposal of treasury shares						12
Changes in the fiscal year-end of consolidated subsidiaries						8
Change in scope of consolidation						1,432
Net changes in items other than shareholders' equity	4,947	1,331	924	7,203	14	7,217
Total changes during period	4,947	1,331	924	7,203	14	12,853
Balance at end of period	11,069	1,802	493	13,364	2,477	142,951

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

In the fiscal year under review, Nagoya Sanyo Warehouse Co., Ltd., one of the Company's non-consolidated subsidiaries accounted for using equity method, and Sanyo Transport Co., Ltd., one of the Company's consolidated subsidiaries, conducted an absorption-type merger with Nagoya Sanyo Warehouse Co., Ltd. becoming the surviving company, and the trade name was changed to Sanyo Chemical Logistics Co., Ltd. Sanyo Chemical Logistics Co., Ltd has been included in the scope of consolidation due to its increased importance as a result of the merger. As Sanyo Transport Co., Ltd. became the absorbed company in the merger, it has been removed from the scope of consolidation.

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.

APB Corporation has been included in the scope of consolidation due to its increased importance from the fiscal year under review.

As Nagoya Sanyo Warehouse Co., Ltd. increased in importance and was included in the scope of consolidation as the surviving company in the absorption-type merger, it has been excluded from the scope of application of equity method from the fiscal year under review.

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.

In the past, with regard to Sanyo Kasei (Thailand) Ltd., a consolidated subsidiary with a closing date of December 31, the Company used its financial statements prepared as of that date and made necessary consolidation adjustments for important transactions occurring in the period through the consolidated closing date. However, to ensure more proper disclosure of consolidated financial statements, the Company has changed to a consolidation method in which a tentative closing is made on March 31, the consolidated closing date.

Furthermore, profit or loss of the said consolidated subsidiary from January 1, 2020 through March 31, 2020 has been directly recorded in retained earnings. As a result of this change, retained earnings increased by ¥8 million.

4. Accounting policies

(1) Standards and methods for evaluating significant assets

1) Securities

Available-for-sale securities

- With market value

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

- Without market value

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 payments.

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) which is shorter than 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.

(7) Other significant matters forming the basis for preparation of consolidated financial statements

All accounting transactions are booked exclusive of any national or local consumption taxes.

[Changes in accounting policies]

[Application of accounting standard for revenue recognition and its implementation guidance]

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020) from the start of the fiscal year under review, and it has recognized promised goods or services as revenue at the amount expected to be received upon exchange of said goods or services at the time the control of said promised goods or services is transferred to the customer.

The application of the Accounting Standard for Revenue Recognition and its Implementation Guidance is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the fiscal year under review, was added to or subtracted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the fiscal year under review, were subject to the previous treatment by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the fiscal year under review, net sales decreased by ¥932 million and cost of sales decreased by ¥716 million, while operating profit, ordinary profit and profit before income taxes each decreased by ¥216 million.

[Changes in presentations]

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the consolidated financial statements for the fiscal year under review and has provided disclosure in “Notes to accounting estimates.”

[Notes to accounting estimates]

1. Impairment of non-current assets

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

Non-current assets ¥2,374 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, 2021, book value of property, plant and equipment, and intangible assets held by SDPM of ¥2,374 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 70,500 shares worth ¥364 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]

1. Accumulated depreciation for property, plant and equipment ¥170,927 million

[Notes to consolidated statements of income]

1. Impairment loss

Impairment loss for the following asset group was recorded:

Location	Use	Category
Kyoto City, Kyoto Prefecture	Manufacturing equipment of petroleum and automotives related products	Machinery and equipment, etc.

In principle, the Group organizes assets by factory.

Following discontinuation of production of some products related to the Petroleum and Automotives segment due to changes in sales strategy, the total book value of the portion that cannot be used for other purposes was recorded as a loss of ¥347 million, including ¥6 million for buildings and structures and ¥340 million for machinery, equipment and vehicles.

2. Gain on change in ownership

Gain resulting from a third-party allocation of shares of APB Corporation.

3. Loss on cancellation of integration

Loss resulting from the cancellation of the business integration by way of joint share transfer between the Company and Nippon Shokubai Co., Ltd.

[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 (Note)	1,490,245	596	2,400	1,488,441
Total	1,490,245	596	2,400	1,488,441

- Notes:
1. Treasury shares increased due to requests for purchase of odd-lot shares.
 2. Treasury shares decreased by 2,400 shares for use in the stock-based compensation plan for Directors, etc.
 3. The ending balance of treasury shares includes 70,500 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 June 3, 2020	Common stock	¥1,548 million	¥70.0	March 31, 2020	June 5, 2020
Board Meeting on November 6, 2020	Common stock	¥1,548 million	¥70.0	September 30, 2020	December 1, 2020

- Notes:
1. The total dividends paid by resolution of the Board Meeting on June 3, 2020 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 6, 2020 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 20, 2021	Common stock	¥1,769 million	Retained earnings	¥80.0	March 31, 2021	June 2, 2021

[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 amounts, fair values and their differences as of March 31, 2021 were as stated below. The following table does not include financial instruments whose fair values are deemed extremely difficult to determine. [See (Note 2).]

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	23,647	23,647	-
(2) Notes and accounts receivable - trade	40,144	40,144	-
(3) Electronically recorded monetary claims - operating	1,370	1,370	-
(4) Investment securities			
1) Available-for-sale securities	23,844	23,844	-
Total assets	89,007	89,007	-
(1) Accounts payable - trade	17,903	17,903	-
(2) Electronically recorded obligations - operating	4,448	4,448	-
(3) Short-term borrowings	6,874	6,874	-
(4) Long-term borrowings (*1)	2,400	2,401	1
Total liabilities	31,626	31,627	1

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

(Note 1) Calculation method of fair value of financial instruments and matters related to securities

Assets

(1) Cash and deposits, (2) Notes and accounts receivable - trade, (3) Electronically recorded monetary claims - operating

Due to the short-term nature of these instruments, their fair values approximate their carrying amounts, and are therefore stated at their carrying amounts.

(4) Investment securities

The fair values of these instruments are based on prices quoted at the stock exchange.

Liabilities

(1) Accounts payable - trade, (2) Electronically recorded obligations - operating, (3) Short-term borrowings

Due to the short-term nature of these instruments, their fair values approximate their carrying amounts, and are therefore stated at their carrying amounts.

(4) Long-term borrowings

The interest rates of those with variable interest rates are reviewed based on market interest rates. Accordingly, their fair values approximate their carrying amounts and are therefore stated at their carrying amounts. Those with fixed interest rates are calculated based on the present value of the sum of principal and interest discounted by the interest rate that would be applied to similar new borrowings.

(Note 2) Financial instruments whose fair value is deemed extremely difficult to determine

(Millions of yen)

Category	Carrying amount
Unlisted equity securities	7,954

These securities are not included in “(4) Investment securities” because they do not have quoted market prices and their fair value is deemed extremely difficult to determine.

[Notes on per share information]

Net assets per share ¥6,371.77

Basic earnings per share ¥330.34

[Notes on revenue recognition]

1. Breakdown of revenue from contracts with customers

(Millions of yen)

Reportable Segment						Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electrics/Electronics	Environmental Protection, Construction and Others	
Japan	26,002	28,988	18,184	16,233	15,060	104,469
US	-	5,264	505	54	83	5,908
China	22,599	2,289	957	658	16	26,521
Other	5,701	774	1,154	150	78	7,858
Revenue from contracts with customers	54,302	37,316	20,802	17,096	15,239	144,757
Other revenues	-	-	-	-	-	-
Sales to external customers	54,302	37,316	20,802	17,096	15,239	144,757

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 “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)

	FY2020
Receivables from contracts with customers	41,515
Contract liabilities	274

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, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings	Retained earnings brought forward	
Balance at beginning of period	13,051	12,191	99	12,290	2,775	80,775	6,452	90,003
Changes during period								
Dividends of surplus							(3,096)	(3,096)
Profit							5,341	5,341
Purchase of treasury shares								
Disposal of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	—	2,245	2,245
Balance at end of period	13,051	12,191	99	12,290	2,775	80,775	8,698	92,249

	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	(5,858)	109,487	6,117	115,605
Changes during period				
Dividends of surplus		(3,096)		(3,096)
Profit		5,341		5,341
Purchase of treasury shares	(3)	(3)		(3)
Disposal of treasury shares	12	12		12
Net changes in items other than shareholders' equity			4,943	4,943
Total changes during period	9	2,254	4,943	7,198
Balance at end of period	(5,848)	111,742	11,061	122,803

[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 At cost determined by the moving-average method

2) Available-for-sale securities

- With market value

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

- Without market value

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) which is shorter 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 consumption taxes, etc.

All accounting transactions are booked exclusive of any national or local consumption taxes.

(3) 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 revenue recognition and its implementation guidance]

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020) from the start of the fiscal year under review, and it has recognized promised goods or services as revenue at the amount expected to be received upon exchange of said goods or services at the time the control of said promised goods or services is transferred to the customer.

The application of the Accounting Standard for Revenue Recognition and its Implementation Guidance is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the fiscal year under review, was added to or subtracted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the fiscal year under review, were subject to the previous treatment by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the fiscal year under review, net sales decreased by ¥1,119 million and cost of sales decreased by ¥877 million, while operating profit, ordinary profit and profit before income taxes each decreased by ¥241 million.

[Changes in presentations]

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the consolidated financial statements for the fiscal year under review and has provided disclosure in “Notes to accounting estimates.”

[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	¥9,451 million
Allowance for doubtful accounts	¥(2,107) 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, 2021, long-term loans receivable from SDP of ¥9,451 million and an allowance for doubtful accounts of ¥2,107 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]

[Stock-based compensation plan for Directors, etc.]

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.

[Effects of the spread of COVID-19 on accounting estimates]

Statement is omitted as the same details are provided in “[Additional information]” in the Notes to Consolidated Financial Statements.

[Notes to non-consolidated balance sheets]

1. Accumulated depreciation for property, plant and equipment	¥127,857 million
2. Monetary claims and obligations to subsidiaries and associates	
Short-term monetary claims to subsidiaries and associates	¥9,982 million
Long-term monetary claims to subsidiaries and associates	¥10 million
Short-term monetary obligations to subsidiaries and associates	¥11,391 million
Long-term monetary obligations to subsidiaries and associates	¥108 million
3. Debt guarantee	
Debt guarantee to transactions of subsidiaries and associates	¥3,249 million

[Notes to non-consolidated statements of income]

Transactions with subsidiaries and associates

Net sales	¥11,244 million
Cost of purchase	¥23,929 million
Other operating transactions	¥12,968 million
Non-operating transactions	¥3,416 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 (Note)	1,490,245	596	2,400	1,488,441
Total	1,490,245	596	2,400	1,488,441

- Notes:
1. Treasury shares increased due to requests for purchase of odd-lot shares.
 2. Treasury shares decreased by 2,400 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 70,500 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

[Deferred tax assets]

Accrued enterprise tax	¥76 million
Provision for bonuses	¥524 million
Social insurance premiums on accrued bonuses	¥72 million
Loss on valuation of inventories	¥227 million
Allowance for doubtful accounts	¥657 million
Loss on valuation of investment securities	¥438million
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	¥743 million
Subtotal of deferred tax assets	¥7,554 million
Valuation allowance	¥(6,097) million
Total deferred tax assets	¥1,456 million

[Deferred tax liabilities]

Valuation difference on available-for-sale securities	¥(3,953) million
Prepaid pension cost	¥(476) million
Total deferred tax liabilities	¥(4,429) million
Net deferred tax assets (liabilities)	¥(2,973) 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) (Note 1)	Item	Balance at end of fiscal year (¥ million) (Note 1)
Subsidiary	SDP Global Co., Ltd.	(Holding) Direct 100%	Resale of raw materials (Note 2) Provision of service Concurrent officers	Lending of funds (Note 3)	1,343	Long-term loans receivable from subsidiaries and associates	9,451
Subsidiary	SDP GLOBAL (MALAYSIA) SDN. BHD. (hereinafter, "SDPM")	(Holding) Indirect 100%	Debt guarantee	Debt guarantee (Note 4)	3,249		

Transaction terms and method of determining transaction terms

- (Note 1) Consumption taxes, etc. are not included in the transaction amount.
- (Note 2) Details of transactions, etc. are not stated because they are conducted at arms-length conditions.
- (Note 3) An allowance for doubtful accounts of ¥2,107 million was recorded for long-term loans receivable from SDP Global Co., Ltd. In addition, a reversal of allowance for doubtful accounts of ¥295 million was recorded in the fiscal year under review.
- (Note 4) 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	¥5,570.27
Basic earnings per share	¥242.31

[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.