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To Our Shareholders:

Informational Materials for the
99th Ordinary General Meeting of Shareholders

Matters not included in paper-based documents delivered based
on a request for delivery of documents among matters subject to
measures for electronic provision

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SANYO CHEMICAL INDUSTRIES, LTD.

In accordance with provisions of laws and regulations as well as Article 16, Paragraph 2 of the Company's Articles of Incorporation, the above matters are omitted from the paper-based documents delivered to shareholders from whom we have received requests for delivery of documents.

Business Report

Systems and Policies of the Company

(1) Systems to Ensure that Directors Perform their Duties in Compliance with Laws, Regulations, and the Articles of Incorporation, and Systems to Ensure Proper Business Operations of the Group

We, Sanyo Chemical Group, aim to become a unique and excellent corporate group globally based on our company motto “Let us contribute to building a better society through our corporate activities.” We will contribute to the realization of a sustainable society as a good corporate citizen by implementing the “Code of Corporate Ethics.”

To this end, upholding our motto that “we cannot become an excellent corporate group without ensuring compliance” as well as “we must act by taking corporate social responsibility to heart,” and with the aim of enhancing corporate governance, the following basic policy has been resolved at the Board Meeting as systems to ensure proper business operations (internal control system).

- 1) Systems to ensure that Directors and employees perform their duties in compliance with laws, regulations, and the Articles of Incorporation
 - (a) The Company shall formulate the Code of Corporate Ethics, the Employee’s Action Guidelines, the CSR Guidelines, and the Advice on Compliance in order for Directors and employees to comply with matters stipulated in laws, regulations, and the Articles of Incorporation, social norms, and internal regulations, etc.
In addition, a Director in charge of corporate ethics shall be appointed to establish and implement corporate ethics, as well as ensure compliance through activities such as education and training concerning compliance.
 - (b) The Board of Directors shall hold a meeting, in principle, once a month in accordance with the Regulations of the Board of Directors. It shall resolve matters specified in laws, regulations, and the Articles of Incorporation, as well as important matters concerning the execution of business, and supervise the execution of duties by Directors.
Audit & Supervisory Board Members shall audit the operational status of the Board of Directors and report it to the Board of Directors.
 - (c) The Company shall establish the Sustainable Management Committee, the Compliance Committee, and the Internal Control Committee as organizations under the direct control of the Board of Directors, and the Corporate Social Responsibility Committee under the direct control of the Management Council to enhance corporate governance.
 - (d) The Company shall formulate the Rules of Employment, and the Operational Responsibilities Regulations, etc. in order to perform duties in compliance with laws, regulations, and the Articles of Incorporation.
 - (e) The Auditing Division under the direct control of the President shall audit the status of compliance with laws, regulations, the Articles of Incorporation, and internal regulations, pursuant to the Internal Audit Regulations.
 - (f) The Company shall establish a hotline internally and externally as a contact point for consultation or reporting concerning compliance from employees of the Company and the Group, and take appropriate measures pursuant to the Internal Reporting Regulations.
 - (g) The Company shall firmly confront anti-social forces and organizations that pose a threat to civil society and sever any relations with them.
- 2) Systems for storing and managing information concerning the execution of duties by Directors and employees
 - (a) In order to prevent improper use, disclosure and leakage of the Company’s confidential information or personal information, the Company shall formulate the Confidentiality Management Regulations, and the Regulations for Personal Information Protection, etc. to manage information properly.

- (b) The Company shall formulate the Document Management Regulations and, pursuant to such regulations, properly store and manage important documents related to the execution of duties, such as minutes of the Board Meetings and important meetings including the Management Council, approval documents concerning the execution of duties such as internal memo to obtain approval, and various contract documents certifying companies' rights and obligations.
 - (c) The Company shall timely, properly, actively, and fairly disclose corporate information required to be disclosed pursuant to the Companies Act, the Financial Instruments and Exchange Act of Japan, the Timely Disclosure Rules established by stock exchanges, as well as important information not subject to the Timely Disclosure Rules, in accordance with the Disclosure Policy.
- 3) Rules and systems with respect to the management of risk of loss
- (a) For important risks that would affect the attainment of managerial strategies, business purposes, etc., the Internal Control Department shall play a central role in reducing such risks, assessing the state of operations to improve the situation.
 - (b) In order to address risks surrounding the Company and the Group, internal regulations such as the Operational Responsibilities Regulations, the Basic Regulations for Product Liabilities (PL), and the Information System Security Regulations shall be formulated, and the departments in charge shall manage the risks.
 - (c) Upon the occurrence of an unexpected event, a local response headquarters shall be established to take prompt and accurate measures pursuant to the Regulations of BC (Business Continuity) Measures Headquarters, the Basic Regulations for Environment and Security, and the Basic Regulations for Overseas Crisis Management. In addition, drills assuming unexpected events shall be systematically conducted.
 - (d) To ensure the reliability of financial reporting, the Company shall promote the maintenance, operation, assessment, and improvement activities of the internal control system regarding financial reporting. The Internal Control Committee shall give guidance on and supervise the status of these activities.
 - (e) The Auditing Division shall audit the status of risk management by each department executing businesses.
- 4) Systems to ensure that Directors and employees execute their duties efficiently
- (a) The Board of Directors shall conduct supervision to ensure that Directors execute their duties efficiently.
Furthermore, the Executive Officer System shall be established to separate managerial decision-making and business execution by having executive officers execute businesses in accordance with the managerial policy, etc. determined at the Board Meetings.
 - (b) In order to deliberate in advance matters to be resolved at the Board Meetings, as well as to deliberate and determine details of the execution of important duties by executive officers, the Management Council shall meet once a month, in principle, to realize more efficient business operations.
 - (c) The medium-term management plans and annual comprehensive plans shall be formulated to clearly define managerial goals, manage financial results and clarify the results of business execution.
 - (d) To clarify the authorities and responsibilities of each organization, the Operational Responsibilities Regulations and the Regulations for Business Execution Managers and Procedures shall be formulated to improve the efficiency of business operations.
 - (e) In order to build a structure for executing businesses efficiently, a department in charge of IT systems shall be established to develop, maintain, and improve systems.
- 5) Systems to ensure proper business operations at the Company and the Group
- (a) In order for Directors, etc. and employees of the Group to comply with matters stipulated in laws, regulations, and the Articles of Incorporation, social norms, and internal regulations, etc., the Code of Corporate Ethics, the Employee's Action Guidelines, the CSR Guidelines, and the Advice on Compliance shall be shared and observed across the entire Group.
 - (b) Pursuant to the Regulations for Operation of Associates, authorities shall be allocated rationally. In addition, the Company's Directors or executive officers shall serve as officers in charge of the Group and give guidance.

- (c) The Group's Directors, etc. shall report the details of their execution of duties to the Company through dispatching Directors and/or Audit & Supervisory Board Members to the Group, holding president's meetings and/or consolidated sales meetings at the Company and the Group, as well as submitting monthly reports.
 - (d) The Company's Audit & Supervisory Board Members shall regularly audit the status of the execution of duties by the Group's Directors.
As for domestic group companies, the effectiveness of audit shall be secured by exchanging information, etc. through Audit & Supervisory Board Members' liaison meetings of domestic group companies.
 - (e) The Company's Auditing Division shall regularly audit the actual circumstances of the Group's internal control.
- 6) Matters concerning employees who assist the Audit & Supervisory Board Members in their duties, and matters concerning the independence and effectiveness of these employees
- (a) The Auditors Staff Division shall be established as an organization under the direct control of the Audit & Supervisory Board, and employees thereof shall assist Audit & Supervisory Board Members in their duties.
 - (b) Transfers and personnel evaluations of the employees who belong to the Auditors Staff Division shall be subject to the Audit & Supervisory Board Members' consent.
- 7) Systems for reporting to Audit & Supervisory Board Members and systems for ensuring effective audits by the Audit & Supervisory Board Members
- (a) Directors and executive officers, etc. of the Company and the Group shall report the status of their execution of duties, etc. to Audit & Supervisory Board Members through regular meetings with Audit & Supervisory Board Members of the Company.
 - (b) In order for Audit & Supervisory Board Members to understand the Company's important decision-making process and the status of execution of operations, Audit & Supervisory Board Members' attendance at Board Meetings and important meetings such as the Management Council, the Sustainable Management Committee, the Corporate Social Responsibility Committee, the Compliance Committee, and the Internal Control Committee shall be secured. Furthermore, all documents to be approved by general managers or above shall be circulated to Audit & Supervisory Board Members and all documents requested from Audit & Supervisory Board Members shall be available for perusal.
 - (c) The results of internal audit shall be reported from the Auditing Division directly to the Representative Director and Audit & Supervisory Board Members.
 - (d) The content of internal reports made to the hotline shall be consulted with the Director in charge of corporate ethics and reported to Audit & Supervisory Board Members. Important content shall be reported to the Compliance Committee, and then corrective actions shall be determined and measures shall be taken. In order to prevent whistleblowers and those who cooperate in the investigation from being treated unfavorably, the Company shall stipulate that in the Internal Reporting Regulations and take appropriate measures. Informers to Audit & Supervisory Board Members and cooperators thereof shall be treated in the same manner.
 - (e) Audit & Supervisory Board Members shall take part in the preparation of audit plans by the Auditing Division and the Accounting Auditor, and attend audits as necessary.
In addition, Audit & Supervisory Board Members shall work closely with the Auditing Division and the Accounting Auditor through reporting of audit results and regular exchange of information, etc.
 - (f) For audits by Audit & Supervisory Board Members, the Auditing Division shall cooperate therein at the request of Audit & Supervisory Board Members.
 - (g) The Company shall properly handle the processing of expenses for Audit & Supervisory Board Members' execution of duties.

(2) Outline of Status of Operations of Systems to Ensure Proper Business Operations

The Company has a system where the Internal Control Department evaluates the status of development and operation of the internal control system and reports it to the Internal Control Committee (held twice in total in the fiscal year under review), which is under the direct control of the Board Meeting, every year. The Committee gives guidance on and supervises the status of activities.

Major efforts implemented in the fiscal year under review which are deemed important in terms of internal control are as follows:

1) Efforts concerning compliance

- In order to comply with laws, regulations, the Articles of Incorporation, social norms, and internal regulations, etc., we have formulated and shared within the Group the Code of Corporate Ethics, the Employee's Action Guidelines, the CSR Guidelines, and the Advice on Compliance. By carrying leaflets containing these, employees and officers of the Group work to act with social common sense and integrity in every aspect of its business operations.
- Based on decisions made by the Compliance Committee under the direct control of the Board of Directors, we held a study session by conducting a group discussion and completing surveys after viewing a mini-drama based on the theme of "a workplace where bad news can be reported" in order to further increase awareness of "prevention of occurrence of corporate misconduct."
- At the Responsible Care Division in the Corporate Strategy Department, the Environmental and Safety Administration Department formulated and promoted specific measures based on basic policies regarding security & disaster prevention, safety & health, and environment & security. The Quality Administration Department conducted supervision and audits on the "status of compliance with laws and regulations, performance status of fulfillment of contracts with users, and validity of quality control systems and regulations, etc." regarding quality and the "proper implementation of operations and their effectiveness, efficiency and reliability," and offered useful suggestions for improvement. These were confirmed by the Technical Auditing Department.
- With regard to the details of report and consultation to the hotline (point of internal contact is General Manager of Auditing Division; point of external contact is the legal advisor) as well as response measures, the Compliance Committee received reports on all results and confirmed the state of operations.

2) Efforts concerning risk management

- We select important risks affecting the attainment of managerial strategies, business purposes, etc., and the Internal Control Department plays a central role in building, monitoring, and improving the internal control system. The Internal Control Committee gives guidance on and supervise the status of these activities.
- We conducted internal audits of 2 out of 11 the important risks established by the internal control system, which had been in operation during the 8th and 9th Medium-Term Management Plans, and reported the results to the Internal Control Committee.

3) Efforts related to the improvement of efficiency of execution of duties by Directors, etc.

- Directors analyzed the effectiveness of the Board Meetings and conducted mutual evaluations. The results of such evaluations (fiscal 2021) were disclosed in the Corporate Governance Report.
- We formulated the "Management Policy Toward the 2030 Vision" and the fiscal 2022 annual comprehensive plan, clearly define managerial goals and disclose them on the Company's website, and manage financial results. In addition, we follow up on the results of business execution at the Management Council and in other forums.
- We have set up Active Directory (AD) at all sites, replaced hard disk drives (HDDs) with solid-state drives (SSDs), and set up internal Wi-Fi local area networks (LANs) at all sites, and improved business efficiency through stable computer operations and speeding up operations.

4) Efforts to ensure proper business operations by subsidiaries

- Pursuant to the Regulations for Operation of Associates, the Company's Directors or executive officers served as officers in charge of subsidiaries and gave guidance on the operation of the subsidiary they were in charge of. Furthermore, subsidiaries' Directors, etc. reported the details of their execution of duties to the Company by dispatching the Company's Directors and/or Audit & Supervisory Board Members to subsidiaries, holding president's meetings, etc.
- One associate in Thailand and one associate in Malaysia were audited by Audit & Supervisory Board

Members.

- One associate in Thailand, two associates in China, one associate in Malaysia, and one associate in the United States of America were audited by the Responsible Care Division. The Technical Audit Department confirmed the audit results.
- 5) Efforts concerning ensuring the effectiveness of audits by Audit & Supervisory Board Members
- Audit & Supervisory Board Members conducted audits based on audit plans formulated at Audit & Supervisory Board Meetings (held 12 times in total in the fiscal year under review). They also met with the Representative Director, executive directors, directors of major subsidiaries and other members to exchange opinions on the status of their execution of duties.
 - Audit & Supervisory Board Members, by attending the Board Meetings, and Full-time Audit & Supervisory Board Members, by attending the Management Council (held monthly in principle) and other important meetings, gained an understanding of the Company's important decision-making process and the status of execution of operations.
 - Full-time Audit & Supervisory Board Members took part in the preparation of audit plans by the Accounting Auditor and/or the Company's Auditing Division, and attended audits as necessary. Furthermore, they strengthened cooperation through two-way information exchange, such as receiving reports on audit results from the Accounting Auditor and/or the Company's Auditing Division.
 - The Auditors Staff Division has been established as an organization under the direct control of the Audit & Supervisory Board, and the members of the Auditors Staff Division executed duties based on Audit & Supervisory Board Members' instructions.

Consolidated Statements of Changes in Net Assets

(from April 1, 2022 to March 31, 2023)

(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	109,713	(5,781)	130,226
Changes during period					
Dividends of surplus			(3,759)		(3,759)
Profit attributable to owners of parent			5,684		5,684
Purchase of treasury shares				(323)	(323)
Disposal of treasury shares		26		374	401
Change in scope of consolidation			124		124
Net changes in items other than shareholders' equity					
Total changes during period	–	26	2,049	51	2,127
Balance at end of period	13,051	13,270	111,762	(5,730)	132,353

	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	9,623	4,093	537	14,253	2,552	147,032
Changes during period						
Dividends of surplus						(3,759)
Profit attributable to owners of parent						5,684
Purchase of treasury shares						(323)
Disposal of treasury shares						401
Change in scope of consolidation						124
Net changes in items other than shareholders' equity	(806)	486	(219)	(539)	374	(164)
Total changes during period	(806)	486	(219)	(539)	374	1,962
Balance at end of period	8,816	4,579	317	13,714	2,927	148,994

Notes to Consolidated Financial Statements

Important matters forming the basis for preparation of consolidated financial statements

1. Scope of consolidation

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

Having been a non-consolidated subsidiary during the previous consolidated fiscal year, Sanyo Kasei Korea, Ltd., is being included in the scope of consolidation from the current consolidated fiscal year due to its increased importance.

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

APB Corporation was excluded from the scope of equity-method application due to a decrease in the Company's equity ratio for the company resulting from the sale of a portion of its shares.

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., Sanyo Chemical America Incorporated, 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 share-based payments

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.

(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.

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	¥530 million
Impairment loss	¥1,328 million

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

1) Calculation method

In the current consolidated fiscal year, the Company determined that there were signs of impairment at our consolidated subsidiary SDP Global Co., Ltd. due to deterioration of the business environment and expected decline in profitability. Since the book value of fixed assets held by the company exceeded the recoverable amount, the book value was reduced to the recoverable amount and the amount of the reduction was recorded as an impairment loss.

The recoverable amount is measured by net sales value, which is evaluated based on professional appraisal, etc.

2) Main assumptions

Net sales value is based on appraisal, and the key assumption for appraisal calculations is the replacement cost of the building.

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

If the recoverable amount changes for reasons such as a decline in the appraised value, an impairment loss may be recorded in the subsequent consolidated 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 116,700 shares worth ¥531 million at the end of the fiscal year under review.

Notes to consolidated balance sheets

Accumulated depreciation for property, plant and equipment ¥180,403 million

Notes to consolidated statements of income

1. Impairment losses

The Group recorded impairment losses on the following asset groups.

Location	Use	Type
SDP Global Inc. Tokai City, Aichi Prefecture Kyoto City, Kyoto Prefecture, etc.	Manufacturing facilities for products related to health/living, etc.	Machinery, equipment, buildings, etc.

In principle, the Group classifies its assets by plant.

Due to the deterioration of the business environment and expected decline in profitability, the book value of this asset group was reduced to the recoverable amount, and a loss of ¥1,328 million was recorded.

The breakdown is as follows: buildings and structures ¥59 million, machinery and equipment ¥1,225 million, software ¥14 million, and others ¥28 million.

The recoverable amount is measured by net sales value, which is evaluated based on professional appraisal.

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)	1,475,417	864	15,778	1,460,503
Total	1,475,417	864	15,778	1,460,503

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

2. Treasury shares decreased by 78 shares due to requests for additional purchase of odd-lot shares and by 15,700 shares for use in the stock-based compensation plan for Directors, etc.

3. The ending balance of treasury shares includes 116,700 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 19, 2022	Common stock	¥1,879 million	¥85.0	March 31, 2022	June 1, 2022
Board Meeting on November 10, 2022	Common stock	¥1,879 million	¥85.0	September 30, 2022	December 2, 2022

Notes: 1. The total dividends paid by resolution of the Board Meeting on May 19, 2022 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. The total dividends paid by resolution of the Board Meeting on November 10, 2022 includes ¥3 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 24, 2023	Common stock	¥1,886 million	Retained earnings	¥85.0	March 31, 2023	June 7, 2023

Note: The total dividends paid by resolution of the Board Meeting on May 24, 2023 include ¥9 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.

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, 2023, 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	20,718	20,718	–
Total assets	20,718	20,718	–
Long-term borrowings (*1)	2,384	2,384	(0)
Total liabilities	2,384	2,384	(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	6,856

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	20,718	–	–	20,718
Total assets	20,718	–	–	20,718

- (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	–	2,384	–	2,384
Total liabilities	–	2,384	–	2,384

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	¥6,617.11
Basic earnings per share	¥257.57

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	27,899	35,776	24,147	21,975	17,866	127,664
US	0	7,940	1,054	107	174	9,277
China	18,247	2,971	1,336	715	35	23,306
Other	10,921	1,591	1,638	365	207	14,724
Revenue from contracts with customers	57,068	48,279	28,177	23,163	18,284	174,973
Other revenues	–	–	–	–	–	–
Sales to external customers	57,068	48,279	28,177	23,163	18,284	174,973

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)

	FY2022
Receivables from contracts with customers	46,244
Contract liabilities	100

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.

Statements of Changes in Net Assets

(from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					Voluntary retained earnings	Retained earnings brought forward		
Balance at beginning of period	13,051	12,191	99	12,290	2,775	83,875	8,354	95,005
Changes during period								
Provision of general reserve						2,700	(2,700)	
Dividends of surplus							(3,759)	(3,759)
Profit							5,931	5,931
Purchase of treasury shares								
Disposal of treasury shares			26	26				
Net changes in items other than shareholders' equity								
Total changes during period	–	–	26	26	–	2,700	(527)	2,172
Balance at end of period	13,051	12,191	126	12,317	2,775	86,575	7,826	97,177

	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	(5,781)	114,565	9,617	124,183
Changes during period				
Provision of general reserve		–		–
Dividends of surplus		(3,759)		(3,759)
Profit		5,931		5,931
Purchase of treasury shares	(323)	(323)		(323)
Disposal of treasury shares	374	401		401
Net changes in items other than shareholders' equity			(802)	(802)
Total changes during period	51	2,249	(802)	1,446
Balance at end of period	(5,730)	116,815	8,814	125,630

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 share-based payments

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.

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	¥12,142 million
Allowance for doubtful accounts	¥(3,014) 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 primarily based on the financial condition of SDP.

2) Main assumptions

The financial condition of SDP, which is the basis for the estimated uncollectible receivables, can have a significant impact on the estimates of impairment of fixed assets. The details of such estimates are omitted since the same information is presented in the Notes to Consolidated Financial Statements under “Notes to accounting estimates.”

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

As of March 31, 2023, in regard to affiliated companies, long-term loans receivable from SDP of ¥12,142 million and an allowance for doubtful accounts of ¥3,014 million are included in the financial statements. In the event of a change in the estimated impairment of fixed assets, additional allowance for doubtful accounts may be recorded in the following 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.

Notes to non-consolidated balance sheets

1. Accumulated depreciation for property, plant and equipment	¥131,418 million
2. Monetary claims and obligations to subsidiaries and associates	
Short-term monetary claims to subsidiaries and associates	¥11,954 million
Long-term monetary claims to subsidiaries and associates	¥6 million
Short-term monetary obligations to subsidiaries and associates	¥9,224 million
Long-term monetary obligations to subsidiaries and associates	¥90 million
3. Debt guarantee	
Debt guarantee to transactions of subsidiaries and associates	¥208 million

Notes to non-consolidated statements of income

Transactions with subsidiaries and associates	
Net sales	¥21,262 million
Cost of purchase	¥37,927 million
Other operating transactions	¥15,612 million
Non-operating transactions	¥4,445 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)	1,475,417	864	15,778	1,460,503
Total	1,475,417	864	15,778	1,460,503

- Notes:
1. Treasury shares increased due to requests for purchase of odd-lot shares.
 2. Treasury shares decreased by 78 shares due to requests for additional purchase of odd-lot shares and by 15,700 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 116,700 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	¥94 million
Provision for bonuses	¥431 million
Social insurance premiums on accrued bonuses	¥61 million
Loss on valuation of inventories	¥144 million
Allowance for doubtful accounts	¥1,066 million
Loss on valuation of investment securities	¥762 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
Loss on valuation of investments	¥210 million
Other	¥626 million
Subtotal of deferred tax assets	¥8,211 million
Valuation allowance	¥(7,022) million
Total deferred tax assets	¥1,189 million

Deferred tax liabilities

Valuation difference on available-for-sale securities	¥(3,054) million
Prepaid pension cost	¥(497) million
Total deferred tax liabilities	¥(3,551) million
Net deferred tax assets (liabilities)	¥(2,361) 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)	211	Long-term loans receivable from subsidiaries and associates	12,142

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 ¥3,014 million was recorded for long-term loans receivable from SDP Global Co., Ltd. In addition, a provision of allowance for doubtful accounts of ¥301 million was recorded in the fiscal year under review.

Notes on per share information

Net assets per share	¥5,691.27
Basic earnings per share	¥268.79

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.