

This Convocation Notice is a translation of the Japanese language original “*Teiji Kabunushisoukai Shoushugotsuchi*,” and is provided in English for reference purposes only. In the event of any discrepancy, the Japanese language original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Securities Code: 4114

June 1, 2021

To Our Shareholders

Yujiro Goto
President and Representative Member
of the Board
NIPPON SHOKUBAI CO., LTD.
4-1-1 Koraibashi, Chuo-ku, Osaka

Convocation Notice of The 109th Ordinary General Meeting of Shareholders

NIPPON SHOKUBAI CO., LTD. (the “Company”) will be holding the 109th Ordinary General Meeting of Shareholders. The meeting will be held as described below.

In order to prevent the infection and spread of the novel coronavirus, shareholders are kindly advised to refrain from attending the meeting in person on the day of the meeting, and the Company recommends that you exercise your voting rights in advance in writing or via the Internet. Please review the “Reference Materials for the Ordinary General Meeting of Shareholders” set forth below and exercise your voting rights by indicating your intention to vote “for” or “against” each agenda item by returning the enclosed Voting Rights Exercise Form or accessing the Company website to exercise your voting rights at <https://evote.tr.mufg.jp/>. The Voting Rights Exercise Form must be received by 5:00 p.m. on June 21, 2021 (Monday).

1. **Date/Time:** June 22, 2021 (Tuesday) 10:00 a.m. (reception starts: 9:00 a.m.)
2. **Venue:** Osaka Asahi Seimei Kaikan Building 8F, 4-2-16 Koraibashi, Chuo-ku, Osaka (Asahi Seimei Hall)

(The venue is different from that of last year. Please refer to the “Guide to the venue of the General Meeting of Shareholders” at the end of the document of the Japanese version and make sure to reach the correct venue.)

3. Meeting Agenda:

[Matters to be Reported]

1. Business report, consolidated financial statements, and financial statements for the 109th Term (from April 1, 2020 to March 31, 2021)
2. Report on results of the audits conducted by the accounting auditor and the board of corporate auditors with respect to the consolidated financial statements for the 109th Term

[Matters to be Resolved]

- 1st Agenda: Appropriation of Retained Earnings
2nd Agenda: Election of Nine (9) Members of the Board

Measures to be taken against the novel coronavirus disease at this Ordinary General Meeting of Shareholders

The Company would like to inform you as follows regarding the measures to be taken by the Company to prevent the infection and spread of the novel coronavirus disease at this Ordinary General Meeting of Shareholders. We ask for the kind understanding and cooperation of shareholders in advance.

<Measures to be taken by the Company>

- The Company will cancel the distribution of souvenirs and the shareholders reception at this Ordinary General Meeting of Shareholders.
- The Company will measure the body temperature of participants at the reception desk using non-contact thermometer (thermographic camera). Shareholders having a fever or appearing to be unwell may be called upon by staff and asked to refrain from entering the venue.

<Requests to shareholders>

- In order to prevent the infection and spread of the virus, you are kindly requested to call off your attendance in person, and recommended that you exercise your voting rights in advance as instructed on pages 3 and 4. Those who are not in good physical condition, and those who may be significantly affected in case of infection, such as these who are elderly, have underlying medical conditions or are pregnant, are particularly requested to call off your attendance in person.
- Shareholders attending the Ordinary General Meeting of Shareholders in person are requested to give due consideration to preventing the infection and spread of the virus by wearing face masks and other means.
- Depending on the status of the spread of the novel coronavirus disease, the meeting venue may be changed to the Company's Osaka Head Office (Kogin Building 5F, 4-1-1 Koraibashi, Chuo-ku, Osaka). In that case, a notice will be posted on the Company's website (<https://www.shokubai.co.jp/ja/>). Please check it before you come to the venue.

In accordance with the state of the spread of the novel coronavirus on the day of Ordinary General Meeting of Shareholders, the Company will take additional necessary measures in addition to the above in order to prevent the spread of the virus.

Any material changes in the operation of the Ordinary General Meeting of Shareholders that may arise due to the situation hereafter will be posted on the Company's website (<https://www.shokubai.co.jp/ja/>).

Reference Materials for the Ordinary General Meeting of Shareholders

Agenda and Reference Matters:

Agenda Item No. 1: Appropriation of Retained Earnings

The Company distributes dividends under a basic policy of aiming to improve medium- to long-term dividend levels in line with projected trends in consolidated earnings, while at the same time taking an overall view to expand the business and strengthen the corporate structure and, in consideration of the dividend payout ratio. Meanwhile, to maintain competitiveness and continue growth into the future, aggressive capital investment, strategic investment and R&D investment are essential. By taking into consideration a balance between dividends and internal reserves, appropriation of retained earnings of the Company for the fiscal year 2020 (ended March 31, 2021) is as follows.

Matters Concerning the Year-end Dividend

In consideration of the business environment, earnings and future business development, the Company proposes a year-end dividend of 45 yen per share for the fiscal year 2020, the same amount as the interim dividend. Together with the interim dividend, this would regrettably result in a dividend of 90 yen per share, a decrease of 90 yen from the 108th term.

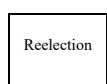
- (1) Type of Dividend: Cash
- (2) Dividend Payment and Total Amount:
 - 45.00 yen per share of common stock of the Company
 - Total amount of dividends: 1,794,406,500 yen
- (3) Effective Date of Distribution of Retained Earnings: June 23, 2021

Agenda Item No. 2: Election of Nine (9) Members of the Board

As the terms of office of all eight (8) Members of the Board will expire at the conclusion of this Ordinary General Meeting of Shareholders, we are submitting the following nine (9) candidates for election as Members of the Board in order to strengthen the management system.

The candidates for Member of the Board are as follows:

No.	Name	Positions	Responsibilities	Attendance at the Board meetings	Attribute		
1	Yujiro Goto	President and Representative Member of the Board	—	15/15	Reelection		
2	Jiro Iriguchi	Member of the Board Managing Executive Officer	Production & Technology, Engineering Division, Indonesia Project, DX Promotion Team, IONEL Construction Team	15/15	Reelection		
3	Kazuhiro Noda	Member of the Board Managing Executive Officer	Director of Corporate Planning Division	11/11	Reelection		
4	Kuniaki Takagi	Member of the Board Managing Executive Officer	Administration, HR, Finance, Accounting, Director of General Affairs & HR Division, IT Management Department ERP Innovation Project	11/11	Reelection		
5	Masahiro Watanabe	Executive Officer	Purchasing & Logistics Division	—	New election		
6	Yasutaka Sumida	Executive Officer	Director of Innovation & Business Development Division	—	New election		
7	Shinji Hasebe	Member of the Board (Outside)	—	15/15	Reelection	Outside	Independent
8	Tetsuo Setoguchi	Member of the Board (Outside)	—	15/15	Reelection	Outside	Independent
9	Miyuki Sakurai	Member of the Board (Outside)	—	11/11	Reelection	Outside	Independent



Candidate for reelection



Candidate for new election



Candidate for Outside Member of the Board



Candidate for Independent Officer

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
1	Yujiro Goto (May 4, 1957) Reelection Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 1980 Joined the Company	6,300 shares
		June 2012 Executive Officer, Plant Manager of Kawasaki Plant	
		June 2015 Member of the Board and Managing Executive Officer	
		Apr. 2017 President and Representative Member of the Board (current)	
	<p><Reasons for nominating as a candidate for Member of the Board> Mr. Yujiro Goto has achievements in playing a key role in the Company's management through his years of experience as Representative Member of the Board. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.</p>		
2	Jiro Iriguchi (Oct. 28, 1958) Reelection Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 1984 Joined the Company	1,800 shares
		Apr. 2004 General Manager of Fine & Specialty Chemicals Production Department of Himeji Plant	
		Apr. 2009 General Manager of Chemicals Production Department of Himeji Plant	
		Apr. 2011 Deputy Plant Manager of Himeji Plant	
		June 2013 Director of NIPPOH CHEMICALS CO., LTD.	
		June 2018 Member of the Board and Managing Executive Officer (current)	
	<p>(Current responsibility in the Company) Production & Technology, Engineering Division, Indonesia Project, DX Promotion Team and IONEL Construction Team</p>		
	<p><Reasons for nominating as a candidate for Member of the Board> Mr. Jiro Iriguchi has been engaging in production and technology divisions for a long time and has achievements in stably operating manufacturing sites and smoothly managing subsidiaries, etc. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.</p>		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
3	Kazuhiro Noda (Jan. 21, 1963) Reelection Attendance at the Board meetings during the current fiscal year: 11/11 meetings	Apr. 1986 Joined the Company	2,300 shares
		Apr. 2005 General Manager of Superabsorbents Sales Department	
4	Kuniaki Takagi (May 19, 1963) Reelection Attendance at the Board meetings during the current fiscal year: 11/11 meetings	Apr. 2011 General Manager of Corporate Planning Division	1,400
		Apr. 2015 Deputy Director of Corporate Planning Division and General Manager of Group Management and Project Planning Department	
		Apr. 2017 Director of Superabsorbents Business Division	
		June 2018 Executive Officer	
		June 2020 Member of the Board, Managing Executive Officer (current) Director of Corporate Planning Division (current)	
		(Current responsibility in the Company) Director of Corporate Planning Division	
		<Reasons for nominating as a candidate for Member of the Board> Mr. Kazuhiro Noda has been mostly engaging in corporate planning and sales & marketing divisions for a long time and has achievements in planning and promoting managerial measures and strengthening the competitiveness of the superabsorbent polymer business. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.	
		Apr. 1987 Joined Sumitomo Chemical Co., Ltd.	
		Apr. 2019 Joined the Company as an entrusted worker	
		May 2019 Director of General Affairs & HR Division (current)	
		June 2019 Executive Officer	
		June 2020 Member of the Board, Managing Executive Officer (current)	
		(Current responsibility in the Company) Administration, HR, Finance, Accounting, Director of General Affairs & HR Division, IT Management Department and ERP Innovation Project	
		<Reasons for nominating as a candidate for Member of the Board> Mr. Kuniaki Takagi has been mostly engaging in planning, administration and finance divisions and overseas services for a long time and has achievements in strengthening the corporate governance system and executing management strategies from a global perspective. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.	

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
5	Masahiro Watanabe (Dec. 6, 1960) New election	Apr. 1984 Joined the Company	700 shares
		Apr. 2009 General Manager of Raw Materials Purchasing Department	
		Apr. 2013 General Manager of Performance Polymers Sales & Marketing Department	
		Apr. 2016 Director of Purchasing & Logistics Division	
		Jun. 2018 Executive Officer (current) President and Representative Director of Nisshoku Butsuryu Co., Ltd. (current)	
		Apr. 2021 Purchasing & Logistics Division (current)	
	<Reasons for nominating as a candidate for Member of the Board> Mr. Masahiro Watanabe has been engaging in purchasing & logistics divisions and sales & marketing divisions for a long time and has achievements in formulation and execution of purchasing and logistics strategies and strengthening the sales foundation, etc. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to serve as Member of the Board.		
6	Yasutaka Sumida (Oct. 4, 1963) New election	Apr. 1991 Joined the Company	692 shares
		Apr. 2017 General Manager of Research Center	
		Apr. 2020 Director of Innovation & Business Development Division (current)	
		Jun. 2020 Executive Officer (current)	
	<Reasons for nominating as a candidate for Member of the Board> Mr. Yasutaka Sumida has been engaging in research and development divisions for a long time and has achievements in strengthening the research and development capabilities and promoting open innovation, etc. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to serve as Member of the Board.		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
7	Shinji Hasebe (Aug. 27, 1953)	Apr. 1993 Associate Professor of Faculty of Engineering, Kyoto University	-
	Outside Member of the Board	Aug. 2003 Professor of Graduate School of Engineering, Kyoto University	
	Independent Officer	June 2018 Outside Member of the Board at the Company (current)	
	Reelection	Apr. 2019 Program-Specific Professor of the Institute for Liberal Arts and Sciences, Kyoto University (current)	
	Attendance at the Board meetings during the current fiscal year: 15/15 meetings		
	<p><Reasons for nominating as a candidate for Outside Member of the Board and outline of expected roles></p> <p>The Company requests the reelection of Mr. Shinji Hasebe for him to serve as Outside Member of the Board in the expectation that he will offer valuable opinions and proposals that would benefit the Company's management and provide supervision from an independent position based on his expertise in chemical engineering and familiarity with the chemical industry, in addition to his past achievements as an Outside Member of the Board of the Company.</p> <p>At the close of this Ordinary General Meeting of Shareholders, Mr. Hasebe will have been an Outside Member of the Board for three years.</p>		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
8	Tetsuo Setoguchi (Feb. 17, 1957) Outside Member of the Board Independent Officer Reelection Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 1981 Joined Osaka Gas Co., Ltd.	
		Apr. 2015 Representative Director Executive Vice President of Osaka Gas Co., Ltd.	
		Apr. 2018 Director of Osaka Gas Co., Ltd. Chairman and Director of Gas and Power Co., Ltd. (currently Daigas G&P Solution CO., LTD.)	
		June 2018 Outside Member of the Board at the Company (current) Advisor to Osaka Gas Co., Ltd. (current)	
		Apr. 2020 Chairman and Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd. (current)	
	<p><Reasons for nominating as a candidate for Outside Member of the Board and outline of expected roles></p> <p>The Company requests the reelection of Mr. Tetsuo Setoguchi for him to serve as Outside Member of the Board in the expectation that he will offer valuable opinions and proposals that would benefit the Company's management and provide supervision from an independent position based on his experience in corporate management in the manufacturing industry and at a company with high public utility properties, in addition to his past achievements as an Outside Member of the Board of the Company.</p> <p>At the close of this Ordinary General Meeting of Shareholders, Mr. Setoguchi will have been an Outside Member of the Board for three years.</p>		
9	Miyuki Sakurai (Dec. 15, 1964) Outside Member of the Board Independent Officer Reelection Attendance at the Board meetings during the current fiscal year: 11/11 meetings	Apr. 1992 Registered as attorney-at-law Joined Nishimura Law and Accounting Office	
		May 2003 Partner of Hanamizuki Law Office (current)	
		Mar. 2015 Auditor of Nissay Life Foundation (current)	
		Apr. 2016 Auditor of Osaka University (current)	
		June 2017 External Director of Nippon Shinyaku Co., Ltd. (current)	
		June 2020 Outside Member of the Board at the Company (current)	
	<p><Reasons for nominating as a candidate for Outside Member of the Board and outline of expected roles></p> <p>The Company requests the election of Ms. Miyuki Sakurai for her to serve as Outside Member of the Board in the expectation that she will offer valuable opinions and proposals that would benefit the Company's management and provide supervision from an independent position based on her highly professional expertise and a wealth of experience as attorney-at-law and achievements as External Director of other companies, in addition to her past achievements as an Outside Member of the Board of the Company.</p> <p>At the close of this Ordinary General Meeting of Shareholders, Ms. Sakurai will have been an Outside Member of the Board for one year.</p>		

- (Note 1) There are no special interests between each candidate and the Company.
- (Note 2) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai are candidates for Outside Members of the Board.
- (Note 3) The Company has concluded liability limitation contracts with Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai with regard to Article 423, Paragraph 1 of the Companies Act of Japan. This contract will limit the liability to the total amount of each Item in Article 425, Paragraph 1 of the same Act. In the event Mr. Hasebe, Mr. Setoguchi and Ms. Sakurai are reelected as Outside Members of the Board, the Company plans to extend the contract with them.
- (Note 4) The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company. In the event of a claim for damages submitted by a shareholder or a third party, the said insurance shall compensate for damages to be borne by the insureds. The candidates will be insured by the said insurance. In addition, the Company plans to renew the insurance policy with the same details at the time of next renewal.
- (Note 5) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai meet the criteria of independence set out by Tokyo Stock Exchange, Inc. and the Criteria of Independence set out by the Company (stated on page 11). The Company has reported to the Tokyo Stock Exchange that Mr. Hasebe, Mr. Setoguchi and Ms. Sakurai have been appointed as independent officers, and in the event Mr. Hasebe, Mr. Setoguchi and Ms. Sakurai are reelected, the Company plans to report to the Exchange that they will continue to be independent officers.
- (Note 6) The Company has contributed funds for research activities to Kyoto University, at which Mr. Shinji Hasebe serves as a Program-Specific Professor. Compared to the University's ordinary profit, however, the average contribution amount in the recent three fiscal years is nominal (less than 0.1% and not more than 10 million yen), and the Company has determined that it will have no impact on the independence of Mr. Hasebe.
- (Note 7) The Company purchases gas from Osaka Gas Co., Ltd., at which Mr. Tetsuo Setoguchi serves as an Advisor. These and other sales transactions are for the procurement of goods essential to plant operations and the average trading amount in the recent three fiscal years is nominal (less than 0.3%) of the consolidated net sales of Osaka Gas, and, as there are no transactions between the Company and OSAKA GAS URBAN DEVELOPMENT Co., Ltd., at which he serves as Chairman and Director. The Company has therefore determined that there will be no impact on the independence of Mr. Setoguchi.

(Reference)
Criteria of Independence

The Company has established criteria of independence for Outside Members of the Board and External Statutory Corporate Auditors (hereinafter referred to as "Outside Officers" along with candidates for these positions), and Outside Officers are judged to be sufficiently independent so long as they do not fall under any of the following categories.

1. An individual from the Company or a consolidated subsidiary (hereinafter "the Company Group") (Note 1)
2. A major shareholder of the Company (Note 2) or a business executive thereof
3. A business executive of any of the following corporations or other entities
 - (1) A major business partner of the Company Group (Note 3)
 - (2) A major lender of the Company Group (Note 4)
 - (3) A corporation or other entity whose stock the Company Group possesses 10% or more of based on voting rights
4. A certified public accountant belonging to the Company Group's Accounting Auditor or Auditing Firm
5. A consultant, accountant, tax counselor, attorney, judicial scrivener, patent attorney, or other professional who has received a large amount (Note 5) of monetary or other assets from the Company Group
6. An individual who has received a large amount of donations or grants from the Company Group (Note 6)
7. A business executive of another company whose position would constitute them as having an interlocking relationship (Note 7)
8. An individual whose spouse or relative within two degrees of kinship is an individual who falls under any of criteria 1 through 7 (however, this is limited to significant persons (Note 8))
9. An individual who has fallen under any of criteria 2 through 8 in the past five years
10. Any other individual who can be reasonably judged to have concerns of constant and substantial conflict of interest with the Company

(Note 1) Defined as a current executive Member of the Board, executive, executive officer, or other corresponding individual or employee (hereinafter "business executives" in these criteria) or a business executive who has belonged to the Company Group at least once in the past.

(Note 2) "Major shareholder" is defined as a shareholder with 10% or more of voting shares in their own name or a third party's name in average of the three most recent fiscal years.

(Note 3) "Major business partner" is defined as an entity which purchases the Company Group's products and which transactions with the Company Group exceeds 2% of the Company Group's consolidated net sales in average of the three most recent fiscal years, or a supplier of products to the Company Group whose transactions with the Company Group exceeds 2% of their consolidated net sales in average of the three most recent fiscal years.

(Note 4) "Principal lender" is defined as a financial or other institution that the Company Group receives loans from and whose average loan balance over the three most recent fiscal years exceeds 2% of the Company's consolidated total assets or 2% of that financial or other institution's consolidated total assets.

(Note 5) (i) In the event that the professional is providing services to the Company Group as an individual, an individual whose compensation received from the Company Group (excluding executive compensation) exceeds 10 million yen a year in average of the three most recent fiscal years.
(ii) In the event that the professional is providing services to the Company Group as a member of a legal entity, association, or other organization, an organization whose average compensation received from the Company Group in average of the three most recent fiscal years exceeds 2% of its yearly total income.

(Note 6) Defined as an entity who has received more than 10 million yen in yearly donations or grants from the Company Group in average of the three most recent fiscal years. In the case that the recipient of these donations or grants is a legal entity, association, or other organization, an organization whose average amount received from the Company Group in average of the three most recent fiscal years exceeds 2% of its yearly total income.

(Note 7) Defined as a relationship where a business executive of the Company Group is an Outside Officer of another company and where a business executive of said other company is an Outside Officer of the Company.

(Note 8) "Significant persons" is defined as a Member of the Board, executive, executive officer, and business executive of the rank of General Manager or above.

Business Report

(April 1, 2020 through March 31, 2021)

I. Current Status of the Group

1. Progress and Results of Operations

(1) Outline of Business

The world economy in the current fiscal year saw economic activities recover in steps from the impact of the novel coronavirus (COVID-19), but degrees of economic recovery were mixed by country and industry. While there was a pickup in economy in the United States, economic activities in Europe were suppressed and remained sluggish due to another wave of infections. In China, the economy has been recovering gradually, and although harsh conditions continued in Asian emerging countries, there were some signs of bottoming out and moves toward recovery.

As for the Japanese economy, production and exports which decreased due to COVID-19 began to rise, and there was a move toward improvement in corporate earnings, despite lingering weakness in the non-manufacturing sector.

The chemicals industry has been picking up as seen in a sign of recovery in demand, although the business environment continued to be harsh.

Under these conditions, the Group's revenue in the current fiscal year decreased 9.6% year-on-year to 273,163 million yen, down 28,987 million yen. Contributing factors included a decline in sales prices on account of a fall in raw material costs and weak market conditions for products outside of Japan due to COVID-19, along with slowdown in the global economy and a decline in sales volume.

With regard to profits, operating loss of 15,921 million yen was recorded, which was a year-on-year decrease of 29,098 million yen. This was due to lower production and sales volume, as well as narrowed spreads owing to a decline in product prices in excess of the decrease in raw materials costs, 11,903 million yen posted in impairment losses of non-current assets recorded by the Company's consolidated subsidiary NIPPON SHOKUBAI EUROPE N.V. (hereinafter, "NSE"), 9,282 million yen in impairment losses of goodwill and technology-related assets, etc. associated with SIRRUS Inc., and 1,713 million yen in business integration expenses associated with the cancellation of the business integration between the Company and Sanyo Chemical Industries, Ltd.

Loss before tax was 12,926 million yen, a year-on-year decrease of 28,674 million yen, due to decreases in operating profit and share of profit of investments accounted for using equity method, despite improved foreign exchange loss.

As a result, loss attributable to owners of parent of 10,899 million yen was posted, down 21,994 million yen year-on-year.

Consolidated revenue	273.2 billion yen (down 9.6% year-on-year)
Consolidated operating loss	-15.9 billion yen (- % year-on-year)
Consolidated loss before tax	-12.9 billion yen (- % year-on-year)
Loss attributable to owners of parent	-10.9 billion yen (- % year-on-year)

Sales by business segment are as follows.

[Basic Chemicals]

Sales of acrylic acids and acrylates decreased due to declined sales prices on account of lower raw material costs accompanying a drop in domestic naphtha prices.

Sales of ethylene oxide decreased due to a decline in sales prices on account of lower raw material costs accompanying a drop in domestic naphtha prices, despite increased sales volume.

Sales of ethylene glycol decreased due to a decline in sales prices accompanying lower market conditions for products outside of Japan and decreased sales volume.

Sales of secondary alcohol ethoxylates decreased due to a decline in sales prices on account of lower raw material costs, despite increased sales volume.

As a result of the above, revenue in the basic chemicals segment decreased 8.2% year-on-year to 110,261 million yen.

Operating profit decreased 27.4% year-on-year, to 4,535 million yen. This was due to factors such as narrowed spreads, and an increase in processing costs such as inventory valuation difference.

[Functional Chemicals]

Sales of superabsorbent polymers decreased due to lower sales prices as a result of falling raw material costs and market conditions for products outside of Japan.

Sales of special acrylates decreased due to lower sales prices as a result of falling market conditions for products outside of Japan and decreased sales volume on account of sluggish demand associated with a slowdown in the world economy caused by COVID-19.

Sales of polymers for concrete admixture, ethyleneimine derivatives, water-soluble polymers for raw materials of detergents and resins for paints decreased due to decreased sales volume as a result of lower demand.

Sales of maleic anhydride decreased due to lower sales prices as a result of falling raw materials cost, despite increased sales volume.

Sales of electronic information material and adhesive products decreased due to lower sales volume, despite higher sales prices.

Sales of resin modifiers increased due to higher sales volume, despite lower sales prices.

Sales of iodine compounds increased due to higher sales prices and sales volume.

As a result, revenue in the functional chemicals segment decreased 8.9% year-on-year to 155,272 million yen.

Operating loss of 19,119 million yen was posted, a year-on-year decrease of 23,957 million yen. This was due to factors such as lower production and sales volume, narrowed spreads and impairment losses recorded associated with NSE and SIRRUS Inc.

[Environment & Catalysts]

Sales of process catalysts, De-NOx catalysts and waste gas treatment catalysts decreased due to lower sales volume.

Sales of fuel cell materials decreased due to lower sales prices.

Sales of materials for lithium-ion batteries increased due mainly to higher sales volume.

As a result of the above, revenue in the environment & catalysts segment dropped 34.8% year-on-year to 7,629 million yen.

Operating profit in the segment decreased 75.9% year-on-year to 203 million yen, on account of decreased production and sales volume.

(Revenue by Business Segment)

(Unit: Millions of yen)

	Fiscal Year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)	Fiscal Year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)	Change
Basic Chemicals	120,068	110,261	-9,807
Functional Chemicals	170,389	155,272	-15,117
Environment & Catalysts	11,693	7,629	-4,064

(Operating Profit (Loss) by Business Segment)

(Unit: Millions of yen)

	Fiscal Year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)	Fiscal Year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)	Change
Basic Chemicals	6,248	4,535	-1,714
Functional Chemicals	4,839	-19,119	-23,957
Environment & Catalysts	844	203	-641

(2) Capital Expenditures

The total amount of the Company's capital expenditures for FY 2020 was 26,726 million yen (on a construction basis), which was mainly the construction of production plant (PT. NIPPON SHOKUBAI INDONESIA) of acrylic acids.

(3) Fund Procurement

During FY 2020, the Company's requirements for funds included capital investment and repayment of borrowings, which were met by using internal resources and taking out loans from financial institutions.

Interest-bearing debt as of March 31, 2021 was 61,572 million yen, 1,802 million yen lower than the previous fiscal year primarily due to the progress in repayment of borrowings from financial institutions.

(4) Issues to Be Addressed

The business environment surrounding the Group has changed significantly, and while chemical products are becoming more global and commoditized, the functions required for them are also diversifying. Although the Group has been trying to strengthen the competitiveness of its existing business and create new products and business, we have yet to achieve significant results, which led to sluggish business performance in line with the deteriorated profitability of existing businesses.

As global competition intensifies, it is becoming increasingly necessary to be cost competitive and to flexibly respond to the needs that are required, making it difficult for us to survive with our current corporate character. In addition, it is essential to tackle climate change in order to realize a sustainable society.

Under a new long-term vision, the Group will accelerate the transformation.

【Review of the 2nd medium-term business plan “Reborn Nippon Shokubai 2020 NEXT”】

Progress during the four years (FY 2017 – 2020) includes new and additional construction of the production plants of acrylic acids and superabsorbent polymer (SAP) with the goal of strengthening competitiveness of existing business. As to the “SAP Survival project” aimed at large-scale cost reductions and gains in competitiveness in the superabsorbent polymer business, cost cutting measures have been implemented, while new SAP recycling technologies have been developed under the co-development with several other companies, among other initiatives.

Among new businesses, in the health and medical business, at Suita Research Center, we initiated commercial operation of a facility of API synthesis with one of the largest manufacturing scales in Japan. In addition, in the cosmetics ingredient business, the Company conducted co-development with several other companies and commenced the sale of products in April 2019. We continued our efforts to expand market share through delivering materials that meet customers' needs.

As targets for the fiscal year 2020, the final year of the 2nd medium-term business plan "Reborn Nippon Shokubai 2020 NEXT," the Group aimed at revenue of 400.0 billion yen, profit before tax of 40.0 billion yen, and ROA (Ratio of profit before tax to total assets) of 7.4%. However, all of these indicators fell short of the targets, due to the severe competition faced by its mainstay Superabsorbents Business, and sluggish demand due to stagnant economic activities caused by COVID-19.

【Long-Term Vision "TechnoAmenity for the future"】

In order to flexibly respond to dramatic changes in the operating environment and evolve the Group into a more resilient company, the Group formulated "The Goals in 2030," and Long-Term Vision that represents the Group's initiatives toward realizing the goals.

Resolving issues toward "realizing a sustainable society," including the pursuit of harmony with the environment is exactly what the Group upholds in the Nippon Shokubai Group Mission "Providing affluence and comfort to people and society, with our unique technology." In order to announce our commitment to the contribution to "realization of a sustainable society" through a concerted effort by the Group, we named the vision "TechnoAmenity for the future."

The Medium-term Business Plan, which is a concrete action plan inclusive of numerical targets, for the realization of the long-term vision, is scheduled to be formulated in FY 2021 and fully implemented in April 2022. However, we will start various initiatives in FY 2021 before the plan is completed.

[Outline of Long-Term Vision "TechnoAmenity for the future"]

Under the Long-Term Vision "TechnoAmenity for the future," "The Goals in 2030" are defined as "Providing materials and solutions required by people and society," "Chemical company that keeps evolving by identifying social changes," and "Growing with various stakeholders inside and outside the company," and toward achieving these goals, three transformations have been established, which are, "Business transformation," "Strategic transformation for environmental initiatives" and "Organizational transformation."

Long-Term Vision “TechnoAmenity for the future”

<The Goals for 2030>

- Providing materials and solutions required by people and society
- Chemical company that keeps evolving by identifying social changes
- Growing with various stakeholders inside and outside the company

<Three transformations toward the goals for 2030>

[1] Business transformation	<ul style="list-style-type: none">◆ Transforming portfolio from the existing areas to growing areas<ul style="list-style-type: none">• Expanding the highly profitable Solutions business• Rebuilding the Materials business fundamentally to strengthen our business foundation• Improving productivity and creating new value by promoting digital transformation (DX)
[2] Transforming ourselves for environmental initiatives	<ul style="list-style-type: none">◆ Promoting sustainability to achieve carbon neutrality in 2050
[3] Organizational transformation	<ul style="list-style-type: none">◆ Transforming ourselves to be a continuously growing organization and company where diverse human resources work energetically

[Three transformations]

i) Business transformation

Aiming to become a chemical company that keeps evolving by identifying social changes, we will be focusing on the response to carbon neutrality and expansion of the Solutions business (refer to the table below).

In the Materials business (refer to the table below), we will strengthen competitiveness through thorough cost reductions and alliances with other companies, while vigorously promoting decarbonization and recycling.

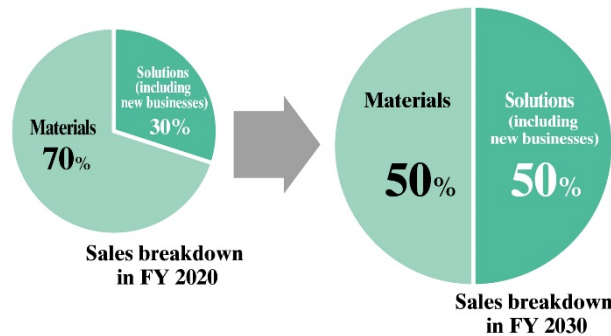
In the Solutions business, we will provide solutions to customer issues in a timely manner by combining multiple products and technologies in addition to providing a single material.

By expanding the highly profitable Solutions business, we aim to achieve ROA of 8% or more and Solutions sales ratio of 50% or more in the fiscal year 2030. Leveraging the strengths of each the Materials and Solutions businesses, the Group will transform itself into a corporate group capable of responding flexibly to changes in the business environment.

<Target business portfolio and policies for each segment>

ROA: 8% or more

Solutions sales ratio: Aiming at 50% or more



Materials business	Basic Materials (ethylene oxide, etc.)	Provide high-quality materials through high production technology
	Acrylics (acrylic acid, acrylates and superabsorbent polymers)	
Solutions business	Industrial & Household (consumer products, vehicles, construction materials areas)	To meet customer needs in various industries, we will leverage the capability of developing key materials, our strength, and provide original functions that no competitors have
	Energy & Electronics (battery, electronics areas)	
	Life Sciences (health & medical, cosmetics areas)	

ii) Strategic transformation for environmental initiatives

We will promote company-wide initiatives to contribute to realizing carbon neutrality in 2050. By the fiscal year 2030, we will develop and demonstrate recycling technology for used disposal diapers containing SAP, use bio-based raw materials for major products, and expand the sales of environmental contributing products. Concrete targets under each of the initiatives will be established in a new Medium-term Business Plan.

iii) Organizational transformation

For the early realization of the mechanism in which individuals and the organization can be developed, we will work to develop autonomous human resources, transform to an autonomous organization, and further strengthen corporate governance. Specifically, by implementing such measures as the introduction of a new personnel system, promotion of diversity and inclusion (D&I), review of approval authority, strengthening internal communication, and improving deliberation of mid- and long-term strategies and management issues by officers, the Group will aim to transform itself into a continuously developing organization and a company where diverse human resources can work to their fullest potential.

【Cancellation of business integration with Sanyo Chemical Industries, Ltd.】

The Company and Sanyo Chemical Industries, Ltd. had been engaged in discussion toward the business integration, but both companies agreed to cancel the business integration on October 21, 2020. Subsequent to the execution of the final agreement concerning the business integration on November 29, 2019, the business environment surrounding the companies has rapidly and significantly changed, such as significant changes in raw material prices and product prices as well as

heightened uncertainty about product demand in the future. The companies thus reached the conclusion that it has become difficult to conduct the business integration. Further, the companies determined that, in light of the current business environment, exerting their respective strengths as independent companies will lead to enhancing the companies' corporate value.

We would like to ask all our shareholders for your continued support for the future.

2. Financial Condition, Profit and Loss

Financial Condition, Profit and Loss of the Group

	106th Term (April 2017 - March 2018)	107th Term (April 2018 - March 2019)	108th Term (April 2019 - March 2020)	109th Term (April 2020 - March 2021)
Japanese GAAP (*)				
Net sales (¥ millions)	322,801	349,678		
Operating profit (¥ millions)	26,727	26,110		
Ordinary profit (¥ millions)	32,293	33,101		
Profit attributable to owners of parent (¥ millions)	24,280	25,012		
Basic earnings per share (¥)	608.84	627.20		
Total assets (¥ millions)	467,386	471,050		
Net assets (¥ millions)	310,762	325,371		
Net assets per share (¥)	7,705.05	8,089.98		
ROA (Return on Assets) (%)	7.2	7.1		
ROE (Return on Equity) (%)	8.1	7.9		
IFRS				
Revenue (¥ millions)		338,869	302,150	273,163
Operating profit (loss) (¥ millions)		26,170	13,178	-15,921
Profit (loss) before tax (¥ millions)		32,119	15,748	-12,926
Profit (loss) attributable to owners of parent (¥ millions)		23,849	11,094	-10,899
Basic earnings (loss) per share (¥)		598.05	278.21	-273.33
Total assets (¥ millions)		481,668	475,641	471,617
Total equity (¥ millions)		329,227	326,108	323,725
Equity attributable to owners of parent per share (¥)		8,099.97	8,017.17	7,959.07
ROA (Ratio of profit before tax to total assets) (%)		6.7	3.3	-2.7
ROE (Ratio of profit to equity attributable to owners of parent) (%)		7.5	3.5	-3.4

Note: The Company adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28; February 16, 2018) from the beginning of the 107th Term. Key management indexes for the 106th Term are presented in figures after retrospectively applying the said accounting standard.

- (1) For the fiscal year ended March 31, 2018 (106th Term), net sales increased due to a revision in sales prices on account of rising raw material prices and market conditions for products outside of Japan, as well as increased sales volume. With regard to profits, in spite of narrowed spreads owing to a hike in raw material prices in excess of the increase in sales prices, increased production and sales volume

resulting in volume effects led to higher operating profit and ordinary profit. Profit attributable to owners of parent rose due to the absence of loss on closing of laboratory.

- (2) For the fiscal year ended March 31, 2019 (107th Term), net sales increased due to a revision in sales prices on account of rising raw material prices and market conditions for products outside of Japan. With regard to profits, in spite of the volume effects resulting from increased production and sales volume, higher processing costs led to lower operating profit. Non-operating income increased due to an increase in share of profit of entities accounted for using equity method. As a result, profit attributable to owners of parent rose.
- (3) For the fiscal year ended March 31, 2020 (108th Term), revenue decreased due to a decline in sales prices on account of a fall in raw material prices and weak market conditions for products outside of Japan, and a decline in sales volume. With regard to profits, narrowed spreads owing to a decline in product prices in excess of the decrease in raw materials prices, as well as lower sales volume and increased processing costs such as depreciation associated with the introduction of additional facilities led to lower operating profit. Profit before tax decreased due to decreases in operating profit and share of profit of investments accounted for using equity method. As a result, profit attributable to owners of parent declined.
- (4) For information concerning the fiscal year ended March 31, 2021 (109th Term), please refer to “1. Progress and Results of Operation” above

(Reference) Financial Condition, Profit and Loss of the Company

	106th Term (April 2017 - March 2018)	107th Term (April 2018 - March 2019)	108th Term (April 2019 - March 2020)	109th Term (April 2020 - March 2021)
Net sales (¥ millions)	226,887	232,222	204,690	181,073
Operating profit (¥ millions)	21,540	17,356	10,178	4,884
Ordinary profit (¥ millions)	28,612	26,216	18,677	11,280
Profit (loss) (¥ millions)	21,330	20,371	14,776	-19,650
Basic earnings (loss) per share (¥)	534.86	510.83	370.54	-492.78
Total assets (¥ millions)	353,831	352,742	355,380	332,494
Net assets (¥ millions)	253,933	263,718	268,014	250,569
Net assets per share (¥)	6,367.56	6,613.17	6,721.06	6,283.76
ROA (Return on Assets) (%)	8.4	7.4	5.3	3.3
ROE (Return on Equity) (%)	8.7	7.9	5.6	-7.6

The Company adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28; February 16, 2018) from the beginning of the 107th Term. Key management indexes for the 106th Term are presented in figures after retrospectively applying the said accounting standard.

3. Significant Subsidiaries

Name	Capital (¥ millions, unless otherwise quoted)	Nippon Shokubai's Shareholding Percentage (%)	Major Businesses
Nippoh Chemicals Co., Ltd.,	517	84.47	Manufacture and sale of iodine, iodine compounds, raw materials for pharmaceuticals and agricultural chemicals, and natural gas
NIPPON NYUKAZAI CO., LTD.	1,000	100.00	Manufacture and sale of surfactants and chemical products
Nisshoku Butsuryu Co., Ltd.	100	100.00	General distribution of chemicals
Nippon Shokubai America Industries, Inc.	* (US\$ thousands) 100,000	100.00	Manufacture and sale of superabsorbent polymers, polymers for concrete admixtures, and acrylic acid detergent builders
PT. NIPPON SHOKUBAI INDONESIA	(US\$ thousands) 120,000	99.99	Manufacture and sale of acrylic acids, acrylates, and superabsorbent polymers
NIPPON SHOKUBAI EUROPE N.V.	(€ thousands) 243,000	100.00	Manufacture of acrylic acids and manufacture and sale of superabsorbent polymers
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd.	(US\$ thousands) 52,820	100.00	Manufacture and sale of superabsorbent polymers and polymers for concrete admixtures
NIPPON SHOKUBAI (ASIA) PTE. LTD.	* (US\$ thousands) 4,175	100.00	Manufacture and sale of glacial acrylic acids and sale of other chemicals
Singapore Acrylic PTE LTD	(US\$ thousands) 27,007	79.42	Manufacture and sale of crude acrylic acids

(Note 1) Asterisk mark (*) in the above list means "paid-in capital".

(Note 2) Figures listed with respect to the Company's shareholding percentage in the above list are truncated.

4. Description of Principal Businesses

The Group mainly manufactures and sells the following products:

Business	Principal Products
Basic Chemicals	Acrylic acid, acrylates, ethylene oxide, ethylene glycol, ethanolamine, secondary alcohol ethoxylates, glycol ether
Functional Chemicals	Superabsorbent polymers, special acrylates, intermediates for pharmaceuticals, polymers for concrete admixtures, electronic and information materials, iodine, maleic anhydride, resins for adhesives/paints, processed adhesive products
Environment & Catalysts	Automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, process catalysts, equipment for waste gas treatment, and fuel cell materials

5. Principal Offices and Plants

(1) The Company

Office		Location
Head Offices	Osaka Office	Osaka, Osaka Prefecture
	Tokyo Office	Chiyoda-ku, Tokyo
Plants	Kawasaki Plant	Kawasaki, Kanagawa Prefecture
	Himeji Plant	Himeji, Hyogo Prefecture
Laboratories	Suita Research Center	Suita, Osaka Prefecture
	Himeji Research Center	Himeji, Hyogo Prefecture

(2) Subsidiaries

Company name	Location
Nippon Chemicals Co., Ltd.	Head Office: Chuo-ku, Tokyo Plant: Isumi, Chiba Prefecture
NIPPON NYUKAZAI CO., LTD.	Head Office: Chuo-ku, Tokyo Plant: Kawasaki, Kanagawa Prefecture and Kamisu, Ibaraki Prefecture
Nisshoku Butsuryu Co., Ltd.	Head Office: Osaka, Osaka Prefecture
Nippon Shokubai America Industries, Inc.	Head Office & Plant: U.S.A.
PT. NIPPON SHOKUBAI INDONESIA	Head Office & Plant: Indonesia
NIPPON SHOKUBAI EUROPE N.V.	Head Office & Plant: Belgium
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd.	Head Office & Plant: China
NIPPON SHOKUBAI (ASIA) PTE. LTD.	Head Office & Plant: Singapore
Singapore Acrylic PTE LTD	Head Office & Plant: Singapore

6. Employees of the Company and Group Companies

Number of Employees	Increase / Decrease Compared to the End of the Previous Fiscal Year
4,555	Increase of 45 persons

(Note) “Number of Employees” includes those who were reemployed.

(Reference) Employees of the Company

Number of Employees	Increase / Decrease Compared to the End of the Previous Fiscal Year	Average Age	Average Length of Service
2,391	Increase of 38 persons	38.5 years old	16.4 years

(Note 1) “Number of Employees” includes employees seconded from affiliates of the Company, but excludes employees seconded to affiliates of the Company and temporary employees.

(Note 2) “Number of Employees” includes those who were reemployed.

(Note 3) Average age and average length of service do not include reemployed employees.

7. Principal Lenders

(Millions of yen)

Name of Lender	Amount Outstanding
Resona Bank, Limited	10,602
Mizuho Bank, Ltd.	7,673
MUFG Bank, Ltd.	7,372
Japan Bank for International Cooperation	6,753
The Norinchukin Bank	4,621

(Note) Figures in “Amount Outstanding” above include figures from overseas local subsidiaries of each lender.

II. Matters Concerning the Company

1. Matters Concerning the Company's Shares as of March 31, 2021

- (1) Total Number of Authorized Shares: 127,200,000 (common stock)
(2) Total Number of Issued and Outstanding Shares: 40,800,000 (common stock)
(3) Number of Shareholders: 9,453
(4) Major Shareholders (Top 10 shareholders)

Name	Number of Shares Owned (thousand shares)	Ratio of Capital Contribution (%)
Sumitomo Chemical Company, Limited	2,727	6.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,440	6.11
ENEOS Holdings, Inc.	2,129	5.33
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	2,018	5.06
Custody Bank of Japan, Ltd. (Trust Account)	1,460	3.66
Resona Bank, Limited.	1,373	3.44
Sanyo Chemical Industries, Ltd.	1,267	3.17
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	1,222	3.06
Mizuho Bank, Ltd.	948	2.37
Toyo Ink SC Holdings Co., Ltd.	904	2.26

(Note 1) In addition to the above, there are treasury shares of 924 thousand shares held by the Company, which are not included in the above table.

(Note 2) Treasury share is excluded from the calculation for "Shareholding Ratio of the Total Shares Outstanding" above.

(Note 3) Figures in "Number of Shares Owned" and "Shareholding Ratio of the Total Shares Outstanding" are truncated.

2. Executives of the Company

(1) Members of the Board and Statutory Corporate Auditors of the Company

Position	Name	Responsibility in the Company and/or Important Positions Concurrently held at Other Companies
President and Representative Member of the Board	Yujiro Goto	
Representative Member of the Board, Senior Managing Executive Officer	Koichiro Yamada	Sales, Marketing, Purchasing, Logistics Director of Superabsorbents Business Division and Business Planning & Development Department
Member of the Board, Managing Executive Officer	Jiro Iriguchi	Production & Technology, Engineering Division, Indonesia Project, DX Promotion Team and IONEL Construction Team
Member of the Board, Managing Executive Officer	Kazuhiro Noda	Director of Corporate Planning Division
Member of the Board, Managing Executive Officer	Kuniaki Takagi	Administration, HR, Finance, Accounting, Director of General Affairs & HR Division, IT Management Office and ERP Innovation Project
Member of the Board	Shinji Hasebe	Program-Specific Professor of the Institute for Liberal Arts and Sciences, Kyoto University
Member of the Board	Tetsuo Setoguchi	Advisor to Osaka Gas Co., Ltd. and Chairman and Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd.
Member of the Board	Miyuki Sakurai	Attorney-at-law, External Director of Nippon Shinyaku Co., Ltd., Auditor of Osaka University and Auditor of Nissay Life Foundation
Statutory Corporate Auditor	Yoshihiro Arita	(Full-time)
Statutory Corporate Auditor	Teruhisa Wada	(Full-time)
Statutory Corporate Auditor	Yoritomo Wada	Certified public accountant and Outside Audit & Supervisory Board Member of Sekisui House, Ltd.
Statutory Corporate Auditor	Tsukasa Takahashi	Attorney-at-law, Non-Executive Auditor of AEON DELIGHT CO., LTD., Outside Corporate Auditor of Nippon Electric Glass Co. Ltd. Part-time Lecturer of Kyoto University Law School

(Note 1) Mr. Yoichiro Komatsu resigned from Statutory Corporate Auditor at the conclusion of the 108th Ordinary General Meeting of Shareholders held on June 19, 2020 due to the expiration of his term of office.

(Note 2) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai are Outside Members of the Board.

(Note 3) Mr. Yoritomo Wada and Mr. Tsukasa Takahashi are External Statutory Corporate Auditors.

(Note 4) Statutory Corporate Auditor Mr. Yoritomo Wada has years of experience as a certified public accountant and possesses considerable knowledge in finance and accounting.

(Note 5) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai, Outside Members of the Board, and Mr. Yoritomo Wada and Mr. Tsukasa Takahashi, External Statutory

Corporate Auditors, are registered at Tokyo Stock Exchange Markets as independent officers.

(Note 6) There was a change in positions, responsibilities in the Company and/or important positions concurrently held at other companies of Members of the Board of the Company as follows:

As of April 1, 2021

Position	Name	Responsibility in the Company
Representative Member of the Board, Senior Managing Executive Officer	Koichiro Yamada	Sales, Marketing, Purchasing, Logistics and Business Planning & Development Department
Member of the Board, Managing Executive Officer	Kazuhiro Noda	Director of Corporate Planning Division
Member of the Board, Managing Executive Officer	Kuniaki Takagi	Administration, HR, Finance, Accounting, Director of General Affairs & HR Division, IT Management Department and ERP Innovation Project

(Reference)

Executive officers, except individuals who are also Members of the Board, are as follows.

(As of April 1, 2021)

Position	Name	Responsibility in the Company
Managing Executive Officer	Masaya Yoshida	Director of Energy & Electronics Solutions Division
Managing Executive Officer	Yukihiro Matsumoto	Plant Manager of Himeji Plant
Managing Executive Officer	Takashi Kobayashi	Director of Finance & Accounting Division
Executive Officer	Kazukiyo Arakawa	Director of Production Division
Executive Officer	Gun Saito	Director of Responsible Care Division
Executive Officer	Katsunori Kajii	Director of Acrylic Business Division
Executive Officer	Masahiro Watanabe	Purchasing & Logistics Division
Executive Officer	Naoki Hijikuro	Director of Basic Materials Business Division
Executive Officer	Yoshihisa Oka	Plant Manager of Kawasaki Plant
Executive Officer	Kenta Kanaida	Innovation & Business Development, Health & Medical Business Development Office, Malonates Business Development Office, Cosmetics Business Office and R&D Management Department
Executive Officer	Kazuhiro Sakuma	Director of Industrial & Household Solutions Division
Executive Officer	Yasutaka Sumida	Director of Innovation & Business Development Division

(2) Remuneration to Members of the Board and Statutory Corporate Auditors

1) Aggregate Amount of Remuneration to Members of the Board and Statutory Corporate Auditors

Category of positions	Aggregate Amount of Remuneration (¥ millions)	Aggregate Amount of Remuneration by Type (¥ millions)				Number of persons to be paid (persons)
		Fixed Remuneration	Performance-linked Remuneration			
		Basic Remuneration	Basic Remuneration	Bonuses	Aggregate Amount	
Members of the Board (Outside Members of the Board)	231 (35)	171 (35)	60 (-)	- (-)	60 (-)	12 (4)
Statutory Corporate Auditors (External Statutory Corporate Auditors)	65 (18)	65 (18)	- (-)	- (-)	- (-)	5 (3)
Total (Outside Officers)	296 (53)	236 (53)	60 (-)	- (-)	60 (-)	17 (7)

(Note) The number of persons and the amounts of remuneration above include four Members of the Board and one Statutory Corporate Auditor who stepped down during the fiscal year 2020.

2) Policy for Determination of Remuneration for Members of the Board and Statutory Corporate Auditors

a. Matters concerning Determination Policy for the Contents of Remuneration for Individual Members of the Board

The remuneration system for Members of the Board of the Company is intended to have them put the Company's mission into practice, give them an incentive to sustainably enhance the corporate value, and have them share interests with shareholders according to the Company's business results and commensurate with their responsibilities. The remuneration is, as its basic policy, set at a reasonable level in light of the Company's business results, the level of employee salary, and that of other companies. Specific components of the remuneration are basic remuneration, which consists of fixed remuneration and performance-linked remuneration, and bonuses, which are performance-linked remuneration. However, Outside Members of the Board receive only basic remuneration (in principal, fixed remuneration) because they oversee business operations from an independent standpoint.

Furthermore, the Company has established a voluntary Nomination and Remuneration Committee mainly composed of Independent Outside Members of the Board, from which the Company is to obtain advice on remuneration and bonuses for Members of the Board, thereby securing transparency and fairness.

The aggregate amount of basic remuneration for Members of the Board is determined based on resolution of the General Meeting of Shareholders. Amounts of basic remuneration for each Member of the Board are determined within such aggregate amount. Of the basic remuneration, fixed remuneration is comprised of a basic salary and a salary for duties performed, the amounts of which

are determined according to the position, work responsibility, and years of service of each Member of the Board. Policy for determination of performance-linked remuneration and bonuses as performance-linked remuneration, which are components of the basic remuneration, is as described in “b. Matters concerning Performance-linked Remuneration, etc.” The amount of basic remuneration as fixed remuneration for Outside Members of the Board is determined by comprehensively considering the level of remuneration for the Company’s officers and that of other companies. Basic remuneration is paid monthly, while bonuses are paid at certain times every year after the Board meetings, each type of which is cash.

With regard to the ratio by type of remuneration for Members of the Board (excluding Outside Members of the Board), amounts are determined based on the ratio of roughly 40:20:40 between fixed remuneration (under basic remuneration), performance-linked remuneration (under basic remuneration), and bonuses (under performance-linked remuneration). However, the ratio is subject to change according to the Company’s business results and degrees of achievement of targets by each individual as assessed by the target management system.

Determination policy for the contents of remuneration, etc. for individual Members of the Board was deliberated at the Nomination and Remuneration Committee, which received consultation from the Board meeting, and was resolved at the Board meeting held on February 26, 2021 upon receiving a report from the Nomination and Remuneration Committee. In addition, in the determination of the contents of remuneration, etc. for individual Members of the Board for the fiscal year 2020, the Nomination and Remuneration Committee discussed the contents of the remuneration, etc., including conformity of remuneration to the determination policy. The Board meeting therefore believes that the contents of the remuneration, etc. are in line with the determination policy.

b. Matters concerning Performance-linked Remuneration, etc.

Performance-linked remuneration, which is part of the basic remuneration for Members of the Board, uses ROA (ratio of profit before tax to total assets) as the index for performance-linked remuneration. The amount of performance-linked remuneration is calculated based on a predetermined formula using the actual ROA results for the target fiscal year, a variable coefficient set at certain ranges, and coefficients based on positions. The reason for selecting ROA as an index for performance-linked remuneration is that the Company belongs to the apparatus industry, and has long worked to increase ROA with an emphasis on profitability and asset efficiency. The trends in ROA including the fiscal year 2020 is as shown in “2. Financial Condition, Profit and Loss” on page 18.

The total amount of bonuses for Members of the Board is determined at the General Meeting of Shareholders each time the payment is made by taking thoroughly into account the profit for the fiscal year, status of dividend payment and other circumstances. Amounts of payments for individual Members of the Board (excluding Outside Members of the Board) are determined based on a predetermined formula according to positions and degrees of achievement of targets by each individual as assessed by the target management system.

c. Matters concerning Remuneration, etc. for Statutory Corporate Auditors

Statutory Corporate Auditors receive only basic remuneration (in principal, fixed remuneration) because they oversee business operations from an independent standpoint.

3) Matters concerning Resolution of General Meeting of Shareholders on Remuneration, etc. for Members of the Board and Statutory Corporate Auditors

The aggregate amount of remuneration for Members of the Board of the Company was resolved to be 400 million yen or less per year at the 93rd Ordinary General Meeting of Shareholders held on June 22, 2005, and the aggregate amount of remuneration for Statutory Corporate Auditors was resolved to be 70 million yen or less per year at the 93rd Ordinary General Meeting of Shareholders held on June

22, 2005. The number of Members of the Board (excluding Outside Members of the Board) and that of Statutory Corporate Auditors at the closing of the said Ordinary General Meeting of Shareholders were 16 and 4, respectively.

4) Matters concerning Delegation of Determination of Contents of Remuneration, etc. for Individual Members of the Board

With regard to the amounts of remuneration for individual Members of the Board for the fiscal year 2020, based on the policy for determination of the contents of remuneration, etc. for individual Members of the Board resolved at the Board meeting held on February 26, 2021, Yujiro Goto, who is President and Representative Member of the Board reserves the right to determine its specific contents. The scope of this right is the amounts of basic remuneration for individual Members of the Board and the allocation of bonuses. The reason for delegating this authority to President and Representative Member of the Board is because it was determined that President and Representative Member of the Board would be the most appropriate to evaluate the operations and work responsibilities of each Member of the Board, while at the same time taking into account the business results of the entire Company. In order to ensure that the authority is executed by President and Representative Member of the Board in an appropriate manner, policy for determination of remuneration for Members of the Board, remuneration systems and issues thereof, as well as appropriateness of the level of remuneration are deliberated by the Nomination and Remuneration Committee upon receiving consultation from the Board meeting, and the deliberation outcome is reported to the Board meeting before the determination is made by President and Representative Member of the Board based on such authority.

(3) Matters Concerning the Company's Outside Members of the Board and Statutory Corporate Auditors

1) Important positions held concurrently such as executive Members of the Board (*gyoumu shikko torishimariyaku*) of other companies

Name	Important Positions Concurrently Held at Other Companies
Shinji Hasebe (Outside Member of the Board)	Program-Specific Professor of the Institute for Liberal Arts and Sciences, Kyoto University
Tetsuo Setoguchi (Outside Member of the Board)	Advisor to Osaka Gas Co., Ltd., Chairman and Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd.
Miyuki Sakurai (Outside Member of the Board)	Attorney-at-law, External Director of Nippon Shinyaku Co., Ltd., Auditor of Osaka University, and Auditor of Nissay Life Foundation
Yoritomo Wada (External Statutory Corporate Auditor)	Certified public accountant and Outside Audit & Supervisory Board Member of Sekisui House, Ltd.
Tsukasa Takahashi (External Statutory Corporate Auditor)	Attorney-at-law, Non-Executive Auditor of AEON DELIGHT CO., LTD., Outside Corporate Auditor of Nippon Electric Glass Co. Ltd., and Part-time Lecturer of Kyoto University Law School

(Note) There are no special interests between the Company and either of the entities referred to above.

2) Principal activities during the fiscal year 2020

Name	Activities Undertaken as Part of Expected Roles of Outside Members of the Board
Shinji Hasebe (Outside Member of the Board)	Mr. Shinji Hasebe attended all of the 15 Board meetings that were held during the fiscal year 2020. From the perspective of a specialist in chemical engineering who is familiar with the chemical industry, he provides useful opinions and proposals that contribute to the Company's management and supervises the Company's management from an independent perspective.
Tetsuo Setoguchi (Outside Member of the Board)	Mr. Tetsuo Setoguchi attended all of the 15 Board meetings that were held during the fiscal year 2020. Based on his wealth of experience in corporate management in the manufacturing industry and at a company with high public utility properties, he provides useful opinions and proposals that contribute to the Company's management and supervises the Company's management from an independent perspective.
Miyuki Sakurai (Outside Member of the Board)	Ms. Miyuki Sakurai attended all of the 11 Board meetings that were held during the fiscal year 2020 following her election as an Outside Member of the Board. Based on her highly professional expertise and a wealth of experience as an attorney-at-law and achievements as External Director of other companies, she provides useful opinions and proposals that contribute to the Company's management and supervises the Company's management from an independent perspective.
Yoritomo Wada (External Statutory Corporate Auditor)	<p>Mr. Yoritomo Wada attended all of the 15 Board meetings that were held during the fiscal year 2020. At these meetings, he provides useful opinions that contribute to the Company's management as required from the perspective of an accounting expert and based on his achievements as External Statutory Corporate Auditor of other companies.</p> <p>Mr. Wada also attended all of the 13 Auditors meetings that were held during the fiscal year 2020, exchanged opinions with respect to the results of audits and discussed important issues regarding such audits. Furthermore, he periodically exchanged opinions with the senior management.</p>
Tsukasa Takahashi (External Statutory Corporate Auditor)	<p>Mr. Tsukasa Takahashi attended all of the 11 Board meetings that were held during the fiscal year 2020 following his election as a External Statutory Corporate Auditor. At these meetings, he provides useful opinions that contribute to the Company's management as required from the perspective of a legal expert and based on his achievements as External Statutory Corporate Auditor of other companies.</p> <p>Mr. Takahashi also attended all of the 10 Auditors meetings that were held during the fiscal year 2020 following his election as a External Statutory Corporate Auditor, exchanged opinions with respect to the results of audits and discussed important issues regarding such audits. Furthermore, he periodically exchanged opinions with the senior management.</p>

3) Summary of Contract for Limitation of Liability

The Company has signed liability limitation contracts with Outside Members of the Board and External Statutory Corporate Auditors concerning liability as prescribed in Article 423, Paragraph 1 of the Companies Act of Japan. The contracts limit liability to the total of the monetary amounts in all

items of Article 425, Paragraph 1 of this act as long as Outside Members of the Board and External Statutory Corporate Auditors perform their duties in good conscience and without any gross negligence.

3. Matters Concerning Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Remuneration Paid to Accounting Auditor

Classification	Amount Paid
(1) Total amount payable by the Company to the Accounting Auditor	¥60 million
(2) Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the Accounting Auditor	¥84 million

(Note 1) Because no distinction is made between remuneration for audit services rendered pursuant to the Companies Act and remuneration for audit services rendered pursuant to the Financial Instruments and Exchange Act of Japan under the agreement between the Company and the Accounting Auditor, the amount of remuneration paid to the Accounting Auditor listed above in “(1) Total amount payable by the Company to the Accounting Auditor” is the sum of these two.

(Note 2) Among the significant subsidiaries of the Company, Nippon Shokubai America Industries, Inc., PT. NIPPON SHOKUBAI INDONESIA, NIPPON SHOKUBAI EUROPE N.V., NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd., NIPPON SHOKUBAI (ASIA) PTE. LTD. and Singapore Acrylic PTE LTD have been audited by auditing firms other than the Accounting Auditor of the Company.

(Note 3) After receiving an explanation of this fiscal year’s audit plan from the Accounting Auditor, the Auditors meeting considered risks that would require special consideration based on the Company’s risk approach as well as methods to deal with other auditing items of importance and the auditing time and personnel scheduling they would require, audit plans and results from years past, audit quality, audit time, and changes in auditor remuneration. Upon this consideration, the remuneration for this fiscal year’s Accounting Auditor was determined to be of an amount not in conflict with retaining audit quality and conducting more in-depth audits, and was thus approved.

(3) Content of Non-auditing Services

The Company pays a fee to the Accounting Auditor for the advisory service associated with the consolidated accounting of a holding company in view of the business integration with Sanyo Chemical Industries, Ltd.

As a result of the cancellation of the final agreement concerning the business integration, the advisory service has been terminated.

(4) Policies on Dismissal or Non-reappointment of the Accounting Auditor

In the event that the Auditors meeting determines that the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Auditors meeting will dismiss the Accounting Auditor upon unanimous consent of the Statutory Corporate Auditors.

Additionally, if it is deemed that it is difficult for the Accounting Auditor to adequately execute its duties, or if it is determined that a change in Accounting Auditor would be appropriate in order to further increase auditing suitability, the Auditors meeting will determine an agenda item regarding the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

III. Systems and Policies of the Company

1. Systems to Ensure Proper Business Activities

At the Board meeting held in March 2021, the Company resolved to partially amend the basic policy with respect to the development of internal control system which would be introduced on April 1, 2021. The amended basic policy with respect to the internal control system is as follows:

The Company is guided by the Nippon Shokubai Group Mission “**TechnoAmenity**: providing affluence and comfort to people and society, with our unique technology.” Based on this mission, we have established the following fundamental policy for the creation of internal control systems. This policy reflects the understanding that the establishment and operation of a system for conducting business operations properly is vital to the continuous preservation and growth of corporate value.

- (1) Systems to ensure that Members of the Board and employees perform their duties in compliance with laws, regulations and the Articles of Incorporation
 1. The Code of Conduct serves as a norm to be observed by Members of the Board, executive officers and employees.
 2. Establish a compliance system pursuant to the Compliance Regulation and prevent the violation of laws and regulations.
 3. Officer of Administration, HR, Finance, Accounting serves as an officer in charge of compliance. Under the officer in charge of compliance, Legal Department promotes compliance activities.
 4. As an internal auditing division, establish the Internal Audit Department, which is to be independent from other executive sections.
 5. Establish the Internal Reporting System under which facts with respect to the violation of laws and regulations and other compliance-related matters will be reported internally.
- (2) Systems for storing and managing information concerning the execution of duties by the Members of the Board

Information concerning the execution of duties by Members of the Board shall be stored and managed, as the minutes of the Board meeting (*torishimariyakukai gijiroku*), internal memo to obtain approval (*ringisho*) and other documents, pursuant to the Regulations of the Board meeting (*torishimariyakukai kitei*), the Regulations of Approval (*ringi kitei*) and the Rules for Document Control (*bunsho kanri kisoku*).
- (3) Rules and systems with respect to the management of the risks of loss
 1. Clarify risk management systems, risk recognition and risk management procedures in the Risk Management Regulations (*risuku kanri kitei*), and prevent such risks from occurring.
 2. Pursuant to the Risk Management Regulations (*risuku kanri kitei*), the director of each division conducts risk management of each division on an ongoing basis. Officers responsible for each division report at the Board meetings as necessary on such matters as the contents of material risks associated with their respective divisions and the controlling status of such risks.
 3. The Board meeting identifies risks that may significantly affect the management of the entire Group. To address the risks identified by the Board meetings, the corporate management meeting determines the person in charge of control and systems for controlling such risks. In addition, an officer responsible for the division which the person in charge of controlling risks belongs to reports at the Board meetings as necessary on the controlling status of such risks.
 4. Upon the occurrence of an unexpected event, establish a special headquarters with the Company president as its head and take prompt and appropriate measures pursuant to the rules concerning measures for unexpected events.
- (4) Systems to ensure that Members of the Board execute their duties efficiently
 1. In order to deliberate and determine matters with respect to the execution of duties by Members of the Board, the Board meeting shall, in principle, be held once a month so that prompt decision-making may be carried out.

2. The Board meeting shall select executive officers. The Board meeting is responsible for reaching decisions involving management and supervising business operations, and the executive officers are responsible for conducting business operations. Separating these functions increases the efficiency of management and clearly defines accountability.
 3. The Company shall have Outside Members of the Board for the purpose of ensuring the suitability of decisions and the oversight of business operations by the Board meeting.
 4. The Company shall conduct a corporate management meeting consisting of the Company president and executive officers named by the president. In principle, this committee shall meet twice each month (including one meeting attended by all executive officers) for the purpose of discussing subjects involving fundamental management policies and actions involving important matters.
- (5) Systems to ensure proper business activities by the Group, which consists of the Company and its subsidiaries
1. In order to achieve sound management of the group companies and overall development of the Group through mutual cooperation of each company, the Corporate Planning Division requests the group companies to have prior consultation with the Company on important matters. The Corporate Planning Division also requests the group companies to obtain approval for the important matters from the corporate management meeting and the Board meeting of the Company as needed.
 2. The group companies shall report the overview of business and status of profit and loss to the Corporate Planning Division. The Corporate Planning Division shall provide advice as needed.
 3. In order to properly understand the operational status of the group companies, the Corporate Planning Division shall promptly report managerial and other issues to the corporate management meeting and the Board meeting.
 4. In order to ensure proper business activities by the group companies, the Internal Audit Department and the Responsible Care Division shall audit each group company as appropriate.
 5. Under the Officer of Administration, HR, Finance, Accounting, Legal Department shall promote compliance activities for the entire Group.
 6. The group companies manage their respective risks on an ongoing basis and report to Corporate Planning Division on such matters as contents of significant risks and the controlling status of such risks. In addition, the officer responsible for Corporate Planning Division shall report at the Board meeting as necessary on such matters as contents of significant risks associated with the group companies and the controlling status of such risks.
- (6) Matters concerning employees who are allocated to assist the Statutory Corporate Auditors, matters concerning the independence of these employees from the Members of the Board and matters concerning ensuring the effectiveness of instructions of the Statutory Corporate Auditors to the employees who assist the Statutory Corporate Auditors
1. The Auditor Office, which shall be established under the direct control of the Statutory Corporate Auditors of the Company, and the employees thereof shall assist the Statutory Corporate Auditors in their duties.
 2. The Auditor Office shall be independent from the Board meeting, and the employees assigned thereto shall, pursuant to the Business Segregation Rules (*gyoumu bunshou*) and instructions of the Statutory Corporate Auditors, perform their duties independent from the Board meeting, the respective Members of the Board and executive officers. The personnel affairs of the employees who belong to the Auditor Office shall be determined after obtaining the consent of the Statutory Corporate Auditors.
- (7) Systems for submitting reports from Members of the Board and employees to the Statutory Corporate Auditors, for posting other reports to Statutory Corporate Auditors and for ensuring effective of audits by the Statutory Corporate Auditors
1. In order to understand important decision-making processes and the status of executing operations executed/to be executed, the Statutory Corporate Auditors shall attend important

meetings such as the corporate management meetings and budget meetings, in addition to the Board meetings.

2. Members of the Board, executive officers, and employees shall report to Statutory Corporate Auditors important information associated with the status of the Company's and its group companies' internal audits, compliance, risk management and internal reporting.
3. The director of each division shall report the status of executing operations in accordance with the audit plan (annual plan) prepared by Statutory Corporate Auditors.
4. Members of the Board, Statutory Corporate Auditors and employees of the group companies shall immediately report to the Statutory Corporate Auditors when the Statutory Corporate Auditors request them to report matters concerning the execution of business, internal audit status, compliance, risk control and internal reporting.
5. Those who reported to the Statutory Corporate Auditors shall not receive any disadvantageous treatment due to their reporting.
6. In the case that Statutory Corporate Auditors make claims to the Company regarding costs incurred during the execution of their duties, the Company shall bear those costs excluding cases where those costs are assessed as not necessary for the execution of the Statutory Corporate Auditor's duties.

(8) Basic policy on the elimination of anti-social forces

No relations, including those for business transactions, shall be had with anti-social forces that serve to disturb the order and safety of civil society and threaten wholesome corporate activities, and these anti-social forces shall be firmly dealt with in cooperation with outside specialists such as the police, etc.

Outline of the State of Operations of Internal Control Systems

(1) Legal Compliance

The Corporate Ethics Committee has implemented activities such as holding educational activities, corporate ethics training, as well as legal training on company newsletter and creating a legal compliance manual and a Corporate Ethics Guidebook, thereby strengthening the Company and group companies' legal compliance structures.

Additionally, steps in order to disseminate this information are being taken, such as printing the Code of Conduct and distributing it in the Corporate Ethics Guidebook and TechnoAmenity Report, and through database records and internal notices.

(2) Execution of Duties by Members of the Board

The Board meeting convened a total of 15 times throughout this fiscal year, and by reporting, deliberating, and deciding on items regarding to the execution of their duties, the Board meeting supervises the execution of its members' duties.

By separating the Board meeting, which is responsible for reaching decisions involving management and supervising business options, with executive officers, who are responsible for conducting business operations, attempts are being made to establish efficient management and clear definition of accountability.

Additionally, three Outside Members of the Board were elected, and through their opinions and proposals benefitting the Company's management based on their wealth of experience and specialized knowledge as managers, as well as their supervision from a position independent of management, the Board meeting decision-making process and the executive officers' appropriateness is being ensured.

During the fiscal year, the corporate management meeting convened 24 times to deliberate on matters regarding basic management policies and the execution of items of importance. Attempts are being made to realize more efficient business operations, and measures are being taken regarding the execution of important business duties.

(3) Management of Risks of Loss

The Risk Management Committee discovers Company and group companies' risks, evaluates them, and analyzes them, centrally managing risk information. Additionally, the Committee creates policies to minimize risks upon the results of this risk analysis such as by revising a business continuation plan.

In addition, regular comprehensive earthquake response drills and more are held so that a swift and appropriate response can be made in the case of an unexpected emergency by establishing a countermeasures headquarters.

(4) Ensuring Suitability of the Company Group's Business Activities

Group companies issue regular reports to the Corporate Planning Division on the overview of business and status of profit and loss, and the Corporate Planning Division provides advice as needed. Additionally, the Corporate Planning Division reports to the corporate management meeting and the Board meeting regarding managerial and other issues as necessary.

Also, the Internal Audit Office and the Responsible Care Office each audit group companies based on their auditing plans.

(5) Ensuring the Efficacy of Auditor Audits

The Auditors meeting convened a total of 13 times over the course of this fiscal year to report, deliberate, and decide on matters of importance related to audit.

Statutory Corporate Auditors also attend important meetings such as the corporate management meetings and budget meetings, in addition to the Board meeting in order to understand important decision-making processes and the status of executing operations, and also receive reports from the Accounting Auditor, Members of the Board, and other individuals in order to deliberate and present auditing opinions.

Also, Statutory Corporate Auditor interview locations are determined according to audit plans where Statutory Corporate Auditors receive reports on the execution of business duties from General Managers of each department as well as from management executives of subsidiary companies.

(6) The Elimination of Anti-Social Forces

Information is regularly gathered from the police and other external specialist agencies so that no relations are had with anti-social forces, and internal calls for caution are also made by taking action based on the manual for responding to unreasonable demands. Additionally, contracts formed with major clients include items stating that no relations shall be had with anti-social forces.

Note: The Outline of the State of Operations of Internal Control Systems is described in accordance with the basic policy with respect to the internal control system before the amendment.

2. Basic Policies Concerning Control of the Company

The Group is guided by the Nippon Shokubai Group Mission “**TechnoAmenity**: providing affluence and comfort to people and society, with our unique technology.” Based on this mission, we devise and execute management strategies and work on becoming more competitive and profitable. The objective of these activities is to increase corporate value and the common interests of shareholders.

When there is a proposal by a third party for a large-scale purchase of the Company’s stock, the Company believes that its shareholders at that time should be entrusted with reaching the final decision about whether or not to accept the proposed acquisition. However, it is assumed that, in large-scale purchases of the Company’s stock, there are those that may distort the Company’s mission and management strategies, such as these that solely in pursue the purchaser’s interests without concern for the corporate value and common interests of its shareholders, or those that may effectively force shareholders to sell their shares, or those that do not provide sufficient time and information for shareholders or the Board meeting to consider the terms of the large-scale purchase, or for the Board meeting to offer an alternative proposal, and ultimately impair the corporate value of the Company and the common interests of its shareholders.

For the benefit of common interests of shareholders by maintaining and increasing corporate value in a stable and consistent manner, the Company strives to request those who conducting or intending to conduct a large-scale purchase of the Company’s stock to provide sufficient information necessary for the shareholders to properly judge whether or not to accept such a large-scale purchase. In addition, the Company will disclose the opinions of its Board meeting and secure time and information to enable the shareholders’ examination, while taking appropriate measures pursuant to the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations.

Note: Unless otherwise noted in this business report, amounts and ratios are rounded off to the nearest unit.

Consolidated Statements of Financial Position

(As of March 31, 2021)

(Unit: Millions of yen)

[Assets]	
Current assets	191,806
Cash and cash equivalents	36,341
Trade receivables	82,053
Inventories	57,612
Other financial assets	9,661
Other current assets	6,140
Non-current assets	279,811
Property, plant and equipment	193,197
Intangible assets	5,989
Investments accounted for using equity method	20,108
Other financial assets	44,285
Retirement benefit asset	11,571
Deferred tax assets	3,093
Other non-current assets	1,568
Total assets	471,617

[Liabilities]	
Current liabilities	90,750
Trade payables	45,912
Bonds and borrowings	23,981
Other financial liabilities	8,671
Income taxes payable	1,422
Provisions	4,734
Other current liabilities	6,030
Non-current liabilities	57,142
Bonds and borrowings	28,887
Other financial liabilities	8,023
Retirement benefit liability	14,162
Provisions	2,157
Deferred tax liabilities	3,914
Total liabilities	147,891
[Equity]	
Total equity attributable to owners of parent	317,373
Share capital	25,038
Capital surplus	22,472
Treasury shares	-6,286
Retained earnings	267,729
Other components of equity	8,420
Non-controlling interests	6,352
Total equity	323,725
Total liabilities and equity	471,617

Consolidated Statements of Profit or Loss
(April 1, 2020 to March 31, 2021)

(Unit: Millions of yen)

Revenue	273,163
Cost of sales	225,116
Gross profit	48,047
Selling, general and administrative expenses	41,486
Other operating income	2,297
Other operating expenses	24,778
Operating loss	-15,921
Finance income	1,922
Finance costs	369
Share of profit of investments accounted for using equity method	1,441
Loss before tax	-12,926
Income tax expense	-2,635
Loss	-10,291
Loss attributable to	
Owners of parent	-10,899
Non-controlling interests	608
Loss	-10,291

Consolidated Statements of Changes in Equity
(April 1, 2020 to March 31, 2021)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,472	-6,281	280,555	126	—
Loss	—	—	—	-10,899	—	—
Other comprehensive income	—	—	—	—	7,823	3,199
Comprehensive income	—	—	—	-10,899	7,823	3,199
Purchase of treasury shares	—	—	-6	—	—	—
Disposal of treasury shares	—	-0	0	—	—	—
Dividends	—	—	—	-5,383	—	—
Transfer from other components of equity to retained earnings	—	—	—	3,457	-258	-3,199
Total transactions with owners	—	-0	-6	-1,926	-258	-3,199
Balance at end of period	25,038	22,472	-6,286	267,729	7,691	—

	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	-2,212	-2,086	319,699	6,410	326,108
Loss	—	—	-10,899	608	-10,291
Other comprehensive income	2,942	13,963	13,963	65	14,028
Comprehensive income	2,942	13,963	3,064	674	3,737
Purchase of treasury shares	—	—	-6	—	-6
Disposal of treasury shares	—	—	0	—	0
Dividends	—	—	-5,383	-731	-6,115
Transfer from other components of equity to retained earnings	—	-3,457	—	—	—
Total transactions with owners	—	-3,457	-5,389	-731	-6,121
Balance at end of period	730	8,420	317,373	6,352	323,725

(Reference)

Consolidated Statements of Cash Flows
(April 1, 2020 to March 31, 2021)

(Unit: Millions of yen)

I	Cash flows from operating activities	
	Loss before tax	-12,926
	Depreciation and amortization	29,470
	Impairment loss	21,185
	Decrease (increase) in retirement benefit asset	71
	Increase (decrease) in retirement benefit liability	145
	Interest and dividend income	-1,385
	Interest expenses	340
	Share of loss (profit) of investments accounted for using equity method	-1,441
	Decrease (increase) in trade receivables	-6,415
	Decrease (increase) in inventories	4,092
	Increase (decrease) in trade payables	360
	Other	3,503
	Subtotal	36,999
	Interest and dividends received	2,656
	Interest paid	-424
	Income taxes paid	-3,954
	Net cash provided by (used in) operating activities	35,277
II	Cash flows from investing activities	
	Purchase of property, plant and equipment	-29,658
	Proceeds from sale of property, plant and equipment	9
	Purchase of intangible assets	-1,728
	Purchase of investments	-525
	Proceeds from sale and redemption of investments	496
	Acquisition of shares of subsidiaries and affiliates	-2
	Other	785
	Net cash provided by (used in) investing activities	-30,623
III	Cash flows from financing activities	
	Net increase (decrease) in short-term borrowings	-6,834
	Proceeds from long-term borrowings	8,191
	Repayments of long-term borrowings	-6,305
	Repayments of lease liabilities	-1,682
	Purchase of treasury shares	-6
	Dividends paid	-5,383
	Dividends paid to non-controlling interests	-731
	Other	0
	Net cash provided by (used in) financing activities	-12,750
IV	Effect of exchange rate changes on cash and cash equivalents	569
V	Net increase (decrease) in cash and cash equivalents	-7,529
VI	Cash and cash equivalents at beginning of period	43,869
VII	Cash and cash equivalents at end of period	36,341

Notes to Consolidated Financial Statements

◆ Significant Accounting Policies

1. Basis of Preparation for Consolidated Financial Statements

The consolidated financial statements of the Company and its subsidiaries (hereinafter the “Group”) are prepared in accordance with the International Financial Reporting Standards (hereinafter “IFRS”), pursuant to the provisions of Article 120, Paragraph 1 of the Regulation on Corporate Accounting. In compliance with the second sentence of the said Paragraph, certain disclosures and notes required by IFRS are omitted.

2. Scope of Consolidation

Consolidated subsidiaries are as follows:

(1) Number of consolidated subsidiaries: 16 companies (8 in Japan and 8 overseas)

- (Japan) NIPPOH CHEMICALS CO., LTD.
Nisshoku Butsuryu Co., Ltd.
Tokyo Fine Chemical Co., Ltd.
CHUGOKU KAKO CO., LTD.
NIPPON SHOKUBAI TRADING CO., LTD.
NISSHOKU TECHNO FINE CHEMICAL CO., LTD.
NIPPON NYUKAZAI CO., LTD.
NIPPON POLYMER INDUSTRIES CO., LTD.
- (Overseas) Nippon Shokubai America Industries, Inc.
NIPPON SHOKUBAI (ASIA) PTE. LTD.
PT. NIPPON SHOKUBAI INDONESIA
NIPPON SHOKUBAI EUROPE N.V.
SINGAPORE ACRYLIC PTE LTD
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.
SINO-JAPAN CHEMICAL CO., LTD.
SIRRUS Inc.

(2) Associates accounted for by the equity method: 12 companies

Name of the principal company: Umicore Shokubai S.A.

3. Accounting Policies

(1) Basis and methods of valuation of financial assets

1) Non-derivative financial assets

(i) Initial recognition and measurement and subsequent measurement

The Group initially recognizes trade receivables and other receivables on the date of occurrence. All other non-derivative financial assets are recognized at the transaction date, on which the Group becomes a party to the contract.

(a) Financial assets measured at amortized cost

Financial assets are classified as “financial assets measured at amortized cost” if they meet the following two conditions:

- The financial assets are held with a business model of the Group whose objective is to collect contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value (including transaction cost directly attributable to the acquisition of such financial assets). These financial assets are subsequently measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value through profit or loss or other comprehensive income

Financial assets that fail to meet either of the above two conditions are classified as “financial assets measured at fair value through profit or loss” or “financial assets measured at fair value through other comprehensive income.” In addition, the Group has made an irrevocable decision and changes in fair value of equity financial instruments, such as shares held with the purpose to maintain and strengthen business relationships with investees, which are recognized through other comprehensive income instead of profit or loss.

Debt instruments are classified as “financial assets measured at fair value through other comprehensive income” when the following two conditions are met.

- The debt instruments are held with a business model of the Group whose objective is to both collect contractual cash flows and sell such instruments.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at fair value. The Group includes in fair value any transaction costs directly attributable to the acquisition of such financial assets, with the exception of financial assets measured at fair value through profit or loss.

Regarding equity financial instruments measured at fair value through other comprehensive income, loss or gain attributable to changes in realized fair value is not reclassified to profit or loss. However, dividend income from such investments is recognized as “financial income” as a part of profit or loss, except in cases where it is clear that such dividends are the repayment of the investment principal.

(ii) Derecognition

When the rights to the cash flows from a financial asset expire or when a financial asset is transferred and substantially all of the risks and rewards of ownership of such financial asset are transferred, the Group derecognizes such financial asset.

(iii) Impairment of financial assets

When recognizing the impairment of financial assets measured at amortized cost, the Group evaluates whether or not credit risk associated with such financial assets has increased significantly since the initial recognition at the end of each reporting period.

When credit risk has increased significantly, the Group measures provisions for such financial assets at an amount equivalent to lifetime expected credit losses. When credit risk has not increased significantly, the Group measures provisions for such financial assets at an amount equivalent to the 12-month expected credit losses. However, the Group always measures provisions for trade receivables at an amount equivalent to lifetime expected credit losses. Furthermore, the Group measures expected credit losses of financial instruments by considering the time value of the difference between contractual cash flows and the expected cash flows and recognizes it in profit or loss.

The Group determines whether or not credit risk associated with such financial assets has increased significantly since the initial recognition by basing the judgment on changes in the risk of a default occurring. When determining such changes, the Group mainly considers past due information.

When measuring expected credit losses, the Group estimates in a way that reflects the following elements.

(a) Unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes

- (b) Time value of money
- (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

2) Derivatives and hedge accounting

The Group designates certain derivative instruments as cash flow hedges to hedge foreign exchange risk, interest rate risk, or other risks.

At the inception of a transaction, the Group documents the relationship between the hedging instrument and hedged item and the risk management objectives and strategies for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group also documents its assessment of whether derivatives used for hedge transactions can be highly effective in offsetting changes in cash flows of the hedged item. Furthermore, the Group verifies that such forecast transactions are highly probable to apply cash flow hedge accounting.

Changes in fair value of derivative instruments are recognized in profit or loss. The effective portion of changes in fair value of derivative instruments that are designated as cash flow hedges and meet the qualifying criteria is recognized in other components of equity. The ineffective portion is recognized in profit or loss in the consolidated statement of income.

Any amount incurred with respect to hedging instruments that is recognized in other components of equity is reclassified to profit or loss in the period when hedged items affect profit or loss. When hedged forecast transactions result in the recognition of non-financial assets, any amount that has been recognized in other comprehensive income is reclassified and included in the initial carrying amount of such assets.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting. Any amount incurred with respect to hedging instruments that have already been recognized in other components of equity is further recognized until forecast transactions are eventually recognized in profit or loss. When forecast transactions are no longer expected to occur, any amount incurred with respect to hedging instruments that has been recognized in other components of equity is immediately recognized in profit or loss.

(2) Basis and methods of valuation of inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is principally calculated based on the moving-average method. In addition, net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

(3) Basis and methods of valuation of and methods of depreciation or amortization of property, plant and equipment, goodwill and intangible assets

1) Property, plant and equipment

Property, plant and equipment are measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes cost directly attributable to the acquisition of assets, dismantling and removal costs, restoration costs, and borrowing costs that meet requirements for asset capitalization.

Each asset (excluding assets that are not subject to depreciation such as land) is depreciated using the straight-line method over its estimated useful life. The estimated useful lives of main asset items are as follows:

- Buildings and structures: 3 to 50 years
- Machinery and vehicles: 2 to 15 years

Estimated useful lives and the method of depreciation are reviewed at the end of each fiscal year. Any change in estimated useful lives and the depreciation method is accounted for on a prospective basis as a change in accounting estimate.

2) Goodwill and intangible assets

(i) Goodwill

The Group accounts for business combinations using the acquisition method. If the consideration exceeds the net of the fair value of identifiable assets acquired and liabilities assumed, the Group records it as goodwill in the consolidated statement of financial position.

The Group does not amortize goodwill but conducts impairment tests every fiscal year or whenever there is an indication of impairment. The impairment loss on goodwill is recognized in profit or loss and is not subsequently reversed.

Furthermore, goodwill is stated at cost less accumulated impairment losses in the consolidated statement of financial position.

(ii) Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

Individually acquired intangible assets are measured at a cost at the time of initial recognition, while intangible assets acquired through business combination are measured at fair value at the date of the acquisition. Intangible assets are amortized using the straight-line method over their estimated useful lives. The estimated useful lives of main asset items are as follows:

- Technology-related assets: 15 years
- Software: 5 years

3) Leases

Lease liabilities in lease transactions are measured at the discounted present value of the residual amount of total lease payments at the lease commencement date. Right-of-use assets are initially measured based on the initially measured amount of the lease liability adjusted for initial direct costs and prepaid lease payments, etc., and added costs such as obligations of restoration to original conditions requested by lease contracts. Right-of-use assets are depreciated regularly over the estimated useful lives of the respective assets or lease terms, whichever is shorter.

The discount rate that shall be used in calculating the discounted present value of the residual amount of total lease payments is the interest rate implicit in the lease, if this is practicably possible, and if not, the lessee's incremental borrowing rate.

Lease payments are distributed between finance costs and repayment of lease liabilities so that interest rates will be constant on the remaining balance of the lease liability. Finance costs are presented separately from the depreciation and amortization of right-of-use assets in the consolidated statements of profit or loss.

Whether or not a contract is, or contains, a lease is determined based on the substance of a contract, even when it does not take the legal form of a lease.

Lease payments for leases that have a lease term of twelve months or less and leases for which the underlying assets are of low value are recognized as expenses on either a straight-line basis over the lease term or another systematic basis.

(4) Impairment of non-financial assets

Every fiscal year, the Group assesses non-financial assets for any indications of impairment. In case there is an indication of impairment or in case the impairment test is required every fiscal year, the recoverable amount of the asset is estimated. When the recoverable amount of an asset cannot be estimated, the recoverable amount of the cash-generating unit to which such assets are allocated is estimated. The Group conducts impairment tests of goodwill every fiscal year or whenever there is an indication of impairment. Goodwill is allocated to each cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the business combination.

(5) Method of providing major allowances and provisions

Provisions are recognized when the Group has present obligations (legal or constructive) as a result of past events, it is probable that the outflow of economic resources will be required to settle the obligations, and the amounts of the obligations can be reliably estimated.

1) Provision for bonuses

To provide for payment of bonuses to employees, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

2) Asset retirement obligations

To provide for obligations to restore plant and equipment and premises that the Group uses and removal of hazardous materials, the Group records asset retirement obligations based on estimated amounts to be paid in the future based on past results. Although these expenses are estimated to be mainly paid after one year or more, they may be affected by future business plans.

(6) Method of accounting for post-employment benefits

Defined benefit plans

The Company and some of its subsidiaries have defined benefit pension plans and severance lump-sum payment plans as defined benefit plans. Under the defined benefit plans, the net present value of defined benefit obligations less the fair value of plan assets is recognized in assets or liabilities in the consolidated statement of financial position. The present value of defined benefit obligations is calculated using the projected unit credit method.

The difference in the remeasurement of net defined benefit assets or obligations is recognized in other comprehensive income in the fiscal year as incurred. Furthermore, past service cost is recognized in profit or loss in the fiscal year it is incurred.

Defined contribution plans

Some of the Company's subsidiaries have defined contribution pension plans. Defined contribution pension plans are post-employment benefit plans, under which the employer pays a certain amount of contributions to another independent entity and will have no legal or constructive obligations to pay further contributions. Contributions to the defined contribution pension plans are expensed in the period in which employees render services.

(7) Revenue recognition

The Group recognizes revenue in accordance with the following five-step approach, except interest and dividend income under IFRS 9.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations in the contract

Step 5: Recognize revenue when, or as, the entity satisfies a performance obligation

The Group's main business includes manufacturing and sales of products in the Basic Chemicals, Functional Chemicals, and Environment & Catalysts businesses. The Group recognizes revenue from the sale of these products upon delivery of the products to the customer, since the performance obligation is fulfilled because the customer obtains control over such products upon delivery of the products. Revenue is measured at the amount obtained after deducting price reductions, rebates, and sales returns from the transaction price in the contract with the customer.

Meanwhile, as the performance obligation for the sale of equipment for waste gas treatment in the Environment & Catalysts business is satisfied over time, progress towards satisfaction is measured based on the cost-to-cost method (an amount in proportion to the ratio of accumulated actual costs incurred to the estimated total costs at end of current period).

(8) Foreign currency translation

1) Foreign currency transactions

The Group measures items included in the financial statements of each group company using the currency used in the main economic environment where each group company conducts its operating activities (functional currency).

Foreign currency transactions are converted into the functional currency using the exchange rates at the date of the transactions. When remeasuring items included in the financial statements, the Group converts them into the functional currency using the exchange rates at the date of the remeasurement. Exchange differences arising from the settlement of these transactions or the translation of monetary assets or liabilities in a foreign currency using the exchange rates at the date of the settlement are recognized in profit or loss. However, translation differences arising from equity financial instruments measured at fair value through other comprehensive income or cash flow hedges are recognized in other comprehensive income.

2) Foreign operations

Regarding foreign operations using a functional currency that differs from the presentation currency, assets and liabilities (including goodwill arising from the acquisition and revision of fair value) are translated to Japanese yen using the exchange rates at the end of the reporting period, while income and expenses are translated to Japanese yen at the average rate during the period unless the exchange rates fluctuate significantly during that period.

Exchange differences arising from the translation of financial statements of a foreign operation are recognized in other comprehensive income. When a foreign operation is disposed of, the cumulative translation differences related to the foregoing operation are recognized in profit or loss at the time of the disposal.

(9) Consumption taxes and other local consumption taxes

Consumption taxes and other local consumption taxes are excluded from the sales and expense accounts.

◆ Changes in Presentation

Starting from the current fiscal year, Notes to Accounting Estimates” and “Notes to Revenue Recognition” are provided in Notes to Consolidated Financial Statements in accordance with the enforcement of the Partial Revision of the Regulation on Corporate Accounting (Ordinance of the Ministry of Justice No. 45; August 12, 2020). “

◆ Notes to Accounting Estimates

In preparing consolidated financial statements, the management applies accounting policies, and makes judgement, estimates and assumptions that affect the reporting amounts of assets, liabilities, revenue and costs. Actual results may differ from these estimates. We review estimates and assumptions that serve as the basis for the estimates on an ongoing basis. The impact from reviews in accounting estimates is recognized over the accounting period in which the estimate was reviewed, and future accounting periods.

In the current fiscal year, the Group has appropriately examined the uncertainties that the spread of novel coronavirus infection may pose to these estimates and assumptions. Despite these increasingly uncertain conditions, the Group judges that it is unlikely to require material revisions to the carrying amount of assets or liabilities and related revenue and costs in the following fiscal year.

The Group also expects that the impact of the novel coronavirus infection on the business results will diminish in steps toward the end of the following fiscal year, although the impact will remain to a certain extent in the following fiscal year.

Material estimates and judgements made by the management are as described below.

1. Impairment of non-financial assets

The Group posted impairment loss of the property, plant and equipment owned by NIPPON SHOKUBAI EUROPE N.V. (hereinafter, “NSE”), a consolidated subsidiary of the Company under the Functional Chemicals segment during the current fiscal year.

The business environment for superabsorbent polymers in Europe where NSE operates has worsened, particularly from the fourth quarter of the current fiscal year, due to decreased demand as a result of COVID-19 along with the pressure for price reduction on superabsorbent polymer manufacturers, including NSE, remains strong due to intensifying competition among disposable diaper manufacturers. Although we remain of the view that the supply-demand balance will improve in the medium to long term, the situation is expected to remain severe in the short term. In light of these circumstances, we reexamined NSE’s management plan and examined the future recoverability of property, plant and equipment owned by NSE, and as a result, reduced book value of machinery and vehicles to the recoverable value during the current fiscal year.

(1) Amount recorded on the consolidated financial statements for the current fiscal year

i) Consolidated Statements of Financial Position

The book value of property, plant and equipment owned by NSE after the recoding of impairment loss is 26,168 million yen.

ii) Consolidated Statements of Profit or Loss

Impairment loss of 11,903 million yen is posted under other operating expenses.

(2) Calculation method

Recoverable amount has been calculated based on fair value after deducting disposal costs. The fair value after deducting disposal costs has been calculated based on the management plan that reflects past experiences and external information, by discounting the estimated future cash flows over 10 years to the present value, with a terminal value taken into account. This fair value measurement is categorized as level 3 fair value, on the basis of the inputs to the valuation method used.

(3) Major assumptions

Major assumptions used in the measurement of fair value after deducting disposal costs are sales volume, sales price, discount rate and long-term growth rate. Discount rate has been calculated based on weighted average capital cost, which was predetermined by cash-generating unit, and is 8.2%. Long-term

growth rate of cash flows for the periods after the coverage of the management plan is set at 2.0% (an inflation rate in the EU market).

If the supply-demand balance of superabsorbent polymers shows fluctuations different from our projections, sales volume and sales price may fluctuate, which may affect the fair value measurement.

2. Measurement of defined benefit obligations

To provide for retirement benefits to employees, the Group has defined benefit plans and defined contribution plans which are funded and unfunded schemes. The present value of defined benefit obligations and relevant service cost, etc. are calculated based on actuarial assumptions. Actuarial assumptions necessitate estimates and judgements in discount rates, retirement rates, mortality rates and other various coefficients. The Group obtains advice of external pension actuaries regarding the appropriateness of the actuarial assumptions including those coefficients.

Actuarial assumptions are determined based on the best estimates and judgements of the management, but the results of fluctuations in future uncertain economic conditions as well as revisions or promulgation of applicable laws and regulations may have an impact on these assumptions. If it becomes necessary to review the assumptions, amounts to be recognized in the consolidated financial statements in the following fiscal year onward may be significantly affected.

(1) Reconciliation of the ending balance of defined benefit obligations and plan assets and amounts recorded on Consolidated Statements of Financial Position

Amounts recorded on Consolidated Statements of Financial Position are as follows.

Present value of defined benefit obligations	-41,753
Fair value of plan assets	39,162
Net amount of liability and asset recorded on Consolidated Statements of Financial Position	-2,591
Amounts recorded on Consolidated Statements of Financial Position	
Retirement benefit liability	-14,162
Retirement benefit asset	11,571
Net amount of liability and asset recorded on Consolidated Statements of Financial Position	-2,591

(2) Major actuarial assumptions

Major actuarial assumption used in the calculation of the present value of defined benefit obligations is as follows.

Discount rate	0.71%
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(3) Sensitivity analysis of defined benefit obligations

Sensitivity analysis of defined benefit obligations to the fluctuations in weighted-average major actuarial assumptions is as follows.

Discount rate	In case of 0.5% increase	-2,804
	In case of 0.5% decrease	3,185

Sensitivity analysis shown above is the result of fluctuation in one assumption, assuming that all other assumptions are invariable. In actuality, multiple assumptions may change by interacting each other.

In the calculation of sensitivity of defined benefit obligations to major actuarial assumptions, the same method for calculating the defined benefit obligations to be recognized in the Consolidated Statements of

Financial Position (present value of defined benefit obligations calculated using the projected unit credit method as of the end of the reporting period) has been applied.

◆ **Notes to Consolidated Statements of Financial Position**

(Unit: Millions of yen)

1.	Accumulated depreciation and accumulated impairment losses on property, plant and equipment:	459,989
2.	Collateral assets and secured liabilities:	
	Assets pledged as collateral:	288
	Cash and cash equivalents	8
	Property, plant and equipment:	280
	Obligations corresponding to the above items:	479
	Trade payables:	9
	Bonds and borrowings:	470
3.	Allowance for doubtful accounts directly deducted from assets	70
4.	Balance of guaranteed debt, etc.	
	Balance of guaranteed debt:	1,343
	Balance of guaranteed debt includes 672 million yen of debt that has been re-guaranteed by other companies.	

◆ **Notes to Consolidated Statements of Profit or Loss**

1. NIPPON SHOKUBAI EUROPE N.V.

The Group posted impairment loss of the property, plant and equipment owned by NIPPON SHOKUBAI EUROPE N.V. (hereinafter, “NSE”), a consolidated subsidiary of the Company under the Functional Chemicals segment during the current fiscal year. For details, please refer to “Notes to Consolidated Financial Statements ◆ Notes to Accounting Estimates.”

2. SIRRUS Inc.

The Group posted 9,282 million yen of impairment loss of goodwill and technology-related assets, etc. associated with SIRRUS Inc., a consolidated subsidiary of the Company under the Functional Chemicals segment during the current fiscal year.

SIRRUS Inc. has seen delays in process development and customer evaluations, and capital expenditure is also expected to increase from the initial projection. In light of these factors, we reexamined SIRRUS Inc.’s management plan and examined the future recoverability of the assets, and as a result, based on values in use, reduced their book values to memorandum values during the current fiscal year. Impairment losses were recorded in other operating expenses of Consolidated Statements of Profit or Loss. The following shows the assets to which impairment losses were recorded.

(Unit: Millions of yen)

Segment	Type	Amount
Functional Chemicals	Goodwill	4,195
	Technology-related assets	4,582
	Other	505
	Total	9,282

◆ Notes to Consolidated Statements of Changes in Equity

1. Number of issued and outstanding shares of the Company's stock at end of the fiscal year 2020

Common stock: 40,800,000 shares

2. Matters related to distribution of retained earnings

- (1) Dividend payment

Resolution	Class of Shares	Total Amount of Dividends (¥ millions)	Dividend Per Share (¥)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 19, 2020	Common Stock	3,589	90.00	March 31, 2020	June 22, 2020
The Board meeting held on November 6, 2020	Common Stock	1,794	45.00	September 30, 2020	December 7, 2020

- (2) Dividends with a record date in the fiscal year 2020 but an effective date in the following fiscal year

Resolution	Class of Shares	Source of Dividends	Total Amount of Dividends (¥ millions)	Dividend Per Share (¥)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 22, 2021	Common Stock	Retained Earnings	1,794	45.00	March 31, 2021	June 23, 2021

◆ Notes to Financial Instruments

1. Conditions of financial instruments

The Group's business activities may be affected by various risks, including market risk, credit risk, and liquidity risk. While recognizing the possibility of occurrence of such risks, the Group makes every possible effort to prevent their occurrence and to manage them if they occur. Furthermore, at the Board meetings, the Group implements company-wide measures as appropriate in response to its exposure to various risks.

(1) Market risk

1) Foreign exchange risk

As the Group operates its business globally, it owns trade receivables and payables denominated in foreign currencies. These trade receivables and payables are exposed to the risk of fluctuations of foreign exchange rates. The Group enters into forward exchange contracts to hedge the risk of the trade receivables and the payables denominated in foreign currencies.

2) Interest rate risk

The Group covers working capital and capital expenditures using its own capital, bonds, and borrowings. As certain interest rates on its borrowings are floating rates, the Group is exposed to the risk of changes in interest rates. The Group enters into interest rate swap contracts to reduce such risk as necessary.

The effect of changes in market interest rates on the Group's operating profit is immaterial.

3) Share price fluctuation risk

As the Group owns shares of business partners for reinforcing business collaboration or capital tie-ups, it is exposed to the risk of market price fluctuations. To reduce such risk, the Group periodically assesses the market value and financial condition of issuers (business partners) and continually reviews the shareholding status by considering its relationships with business partners.

4) Derivative transactions

The Group enters into forward exchange contracts to hedge the risk of fluctuation in foreign exchange rates pertaining to trade receivables and payables denominated in foreign currencies, and interest rate swap contracts to hedge the risk of fluctuation in interest rates related to borrowings. The Finance & Accounting Division, etc. is responsible for managing derivative contracts and report the status of such transactions to directors in charge every month.

(2) Credit risk

Credit risk is the risk of incurring losses where an obligor, an issuer of financial assets owned by the Group, fails to honor its obligations. With regard to trade receivables, each business division regularly monitors the condition of major business partners, manages due dates and balances for each business partner, and assesses the credit condition of major business partners every six months. The consolidated subsidiaries also manage their credit risk in accordance with the above-mentioned procedures.

With regard to derivative transactions, the Group judges that credit risk is minimal since the counterparties are financial institutions with high credit ratings.

There is no excessive concentration of the credit risk that requires special management.

The carrying amount of financial assets after deducting provisions for doubtful accounts in the consolidated statement of financial position is the maximum exposure to the credit risk of the Company's financial assets that does not take into account collateral held and other credit enhancements.

(3) Liquidity risk

Liquidity risk is the risk that the Group will be unable to perform its repayment obligations for financial liabilities on the due date. Each group company manages liquidity risk by preparing their funding plans in a timely manner.

2. Fair value of financial instruments

The carrying amount and fair value of financial assets and liabilities measured at amortized cost are as follows:

Financial assets whose carrying values approximate their fair values are not included in the table below.

(Unit: Millions of yen)

	Carrying amount	Fair value
Financial liabilities measured at amortized		
Bonds and long-term borrowings	48,545	48,832
Total financial liabilities	48,545	48,832

The fair value of long-term borrowings is calculated by discounting the total amounts of principal and interest to the present value using the incremental borrowing rate.

The fair value of bonds is determined based on their market prices.

◆ Per Share Information

Equity attributable to owners of parent per share: ¥7,959.07

Basic loss per share: -¥273.33

◆ Notes to Significant Subsequent Events

Not applicable.

◆ Notes to Revenue Recognition

1. Revenue disaggregation

The Group's organization consists of divisions by business, which are Basic Chemicals, Functional Chemicals and Environment & Catalysts, of which operating results are reviewed regularly by the Board meetings of the Company in order to allocate management resources and assess performance of operations. Earnings to be recorded from these businesses are presented as revenue. Revenue is disaggregated by region, according to the customers' locations. The relationship between disaggregated revenue and revenue posted under each of the reporting segments is as follows.

(Unit: Millions of yen)

	Japan	Asia	Europe	North America	Others	Total
Basic Chemicals	67,906	37,641	1,279	1,913	1,522	110,261
Functional Chemicals	51,358	35,213	40,375	17,302	11,024	155,272
Environment & Catalysts	3,342	1,802	603	1,881	—	7,629
Total	122,606	74,657	42,258	21,096	12,546	273,163

Notes: 1. Revenue is classified by the customer's location, and country and regional segmentation is based on geographical proximity.

2. Major countries and regions of each area:

(1) Asia: East and South East Asian countries

(2) Europe: European countries

(3) North America: North American countries

(4) Others: Countries and regions except Asia, Europe, North America, and Japan

(1) Basic Chemicals

Basic Chemicals business is engaged in sales of chemicals including acrylic acids and acrylates, ethylene oxide and their derivatives, whose main customers are product users.

In the sales of products in the Basic Chemicals business, when the control of product is transferred to the customer, that is, when the product is delivered to the customer, the legal and physical ownership of the product and material risks and rewards of ownership of such product are transferred to the customer, and the Group becomes entitled to receive payment from customer. Therefore, revenue is recognized at that timing. Revenue from the sales of these products is measured at the transaction price according to the contract with customers. In addition, consideration for transactions are received within a year after satisfying performance obligations, and do not involve significant financial elements.

(2) Functional Chemicals

Functional Chemicals business is engaged in sales of chemicals including superabsorbent polymers, polymers for concrete admixture and electronic information material, whose main customers are product users.

In the sales of products in the Functional Chemicals business, when the control of product is transferred to the customer, that is, when the product is delivered to the customer, the legal and physical ownership of the product and material risks and rewards of ownership of such product are transferred to the customer, and the Group becomes entitled to receive payment from customer. Therefore, revenue is recognized at that timing. Revenue from the sales of these products is measured at the transaction price according to the

contract with customers. In addition, consideration for transactions are received within a year after satisfying performance obligations, and do not involve significant financial elements.

(3) Environment & Catalysts

Environment & Catalysts business is engaged in sales of chemicals including process catalysts, De-NOx catalysts, dioxin decomposition catalysts and fuel cell materials, whose main customers are product users.

In the sales of products in the Environment & Catalysts business, when the control of product is transferred to the customer, that is, when the product is delivered to the customer, the legal and physical ownership of the product and material risks and rewards of ownership of such product are transferred to the customer, and the Group becomes entitled to receive payment from customer. Therefore, revenue is recognized at that timing. As the performance obligation for the sale of equipment for waste gas treatment is satisfied over time, progress towards satisfaction is measured based on the cost-to-cost method (an amount in proportion to the ratio of accumulated actual costs incurred to the estimated total costs at end of current period). Revenue from the sales of these products is measured at the transaction price according to the contract with customers. In addition, consideration for transactions are received mainly within a year after satisfying performance obligations, and do not involve significant financial elements.

2. Contract balance outstanding

(Unit: Millions of yen)

Receivables arising from contract with customers	
Notes and accounts receivable - trade	82,061
Contract liability	177

For the current fiscal year, there is no materiality in the amount of revenue recognized from the performance obligation satisfied in past periods.

Nonconsolidated Financial Statements

(As of March 31, 2021)

(Unit: Millions of yen)

[Assets]	
Current assets	122,929
Cash and deposits	18,391
Notes receivable - trade	94
Accounts receivable - trade	59,907
Merchandise and finished goods	15,752
Work in process	4,246
Raw materials and supplies	13,251
Prepaid expenses	311
Short-term loans receivable from subsidiaries and associates	4,848
Accounts receivable - other	2,646
Other	3,484
Non-current assets	209,565
Property, plant and equipment	88,730
Buildings	19,745
Structures	9,222
Machinery and equipment	30,759
Vehicles	71
Tools, furniture and fixtures	2,642
Land	25,094
Construction in progress	3,790
Accumulated depreciation	-2,592
Intangible assets	3,242
Patent right	23
Leasehold right	120
Software	535
Telephone subscription right	16
Right of using facilities	8
Other	2,540
Investments and other assets	117,592
Investment securities	40,741
Shares of subsidiaries and associates	51,228
Investments in capital of subsidiaries and associates	5,646
Long-term loans receivable	34
Long-term loans receivable from employees	1
Long-term loans receivable from subsidiaries and associates	8,863
Long-term prepaid expenses	988
Deferred tax assets	1,187
Lease and guarantee deposits	472
Prepaid pension cost	8,249
Other	232
Allowance for doubtful accounts	-49
Total assets	332,494

[Liabilities]	
Current liabilities	61,753
Accounts payable - trade	33,438
Short-term loans payable	1,329
Current portion of long-term loans payable	4,629
Current portion of bonds payable	10,000
Accounts payable - other	4,492
Accrued expenses	1,990
Income taxes payable	102
Advances received	50
Deposits received	332
Provision for bonuses	1,986
Provision for repairs	2,837
Other	569
Non-current liabilities	20,172
Long-term loans payable	10,663
Provision for retirement benefits	8,804
Other	705
Total liabilities	81,925
[Net assets]	
Shareholders' equity	235,790
Capital stock	25,038
Capital surplus	22,071
Legal capital surplus	22,071
Other capital surplus	0
Retained earnings	194,966
Legal retained earnings	3,920
Other retained earnings	191,047
Reserve for dividends	760
Reserve for advanced depreciation of non-current assets	485
General reserve	157,665
Retained earnings brought forward	32,137
Treasury shares	-6,286
Valuation and translation adjustments	14,779
Valuation difference on available-for-sale securities	14,779
Total net assets	250,569
Total liabilities and net assets	332,494

Nonconsolidated Statements of Income

(April 1, 2020 to March 31, 2021)

(Unit: Millions of yen)

Net sales	181,073
Cost of sales	146,487
Gross profit	34,586
Selling, general and administrative expenses	29,702
Operating profit	4,884
Non-operating income	7,843
Interest and dividend income	4,204
Miscellaneous income	3,639
Non-operating expenses	1,447
Interest expenses	345
Miscellaneous loss	1,102
Ordinary profit	11,280
Extraordinary income	358
Gain on sales of investment securities	358
Extraordinary losses	34,191
Loss on valuation of shares of subsidiaries and associates	28,731
Transfer of money for price adjustment to subsidiaries and associates	2,434
Business integration expenses	1,713
Loss associated with abnormal operations	744
Loss on removal of non-current assets	371
Loss on abandonment of non-current assets	199
Loss before income taxes	-22,554
Income taxes	- 2,903
Income taxes - current	832
Income taxes - deferred	-3,735
Loss	-19,650

Nonconsolidated Statements of Changes in Equity
(April 1, 2020 to March 31, 2021)

(Unit: Millions of yen)

	Shareholders' equity										
	Capital stock	Capital Surplus			Legal retained earnings	Retained earnings					Total Retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other Retained earnings					
						Reserve for dividends	Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	25,038	22,071	1	22,072	3,920	760	1	486	150,665	64,168	220,000
Changes of items during period											
Dividends of surplus										-5,383	-5,383
Loss										-19,650	-19,650
Reversal of reserve for special depreciation							-1			1	—
Reversal of reserve for advanced depreciation of non-current assets								-1		1	—
Provision of general reserve									7,000	-7,000	—
Purchase of treasury shares											
Disposal of treasury shares			-0	-0							
Net changes of items other than shareholders' equity											
Total changes of items during period	—	—	-0	-0	—	—	-1	-1	7,000	-32,031	-25,034
Balance at end of current period	25,038	22,071	0	22,071	3,920	760	—	485	157,665	32,137	194,966

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	-6,281	260,830	7,184	7,184	268,014
Changes of items during period					
Dividends of surplus		-5,383			-5,383
Loss		-19,650			-19,650
Reversal of reserve for special depreciation		—			—
Reversal of reserve for advanced depreciation of non-current assets		—			—
Provision of general reserve		—			—
Purchase of treasury shares	-6	-6			-6
Disposal of treasury shares	0	0			0
Net changes of items other than shareholders' equity			7,595	7,595	7,595
Total changes of items during period	-6	-25,040	7,595	7,595	-17,445
Balance at end of current period	-6,286	235,790	14,779	14,779	250,569

(Reference)

Nonconsolidated Statements of Cash Flows
(April 1, 2020 to March 31, 2021)

(Unit: Millions of yen)

I	Cash flows from operating activities	
	Loss before income taxes	-22,554
	Depreciation	10,267
	Loss (gain) on sales of investment securities	-358
	Loss on valuation of shares of subsidiaries and associates	28,731
	Loss on removal of non-current assets	371
	Loss on abandonment of non-current assets	199
	Increase (decrease) in provision for retirement benefits	298
	Decrease (increase) in prepaid pension costs	-472
	Interest and dividend income	-4,204
	Interest expenses	345
	Decrease (increase) in notes and accounts receivable - trade	-2,273
	Decrease (increase) in inventories	3,957
	Increase (decrease) in notes and accounts payable - trade	-848
	Other, net	2,619
	Subtotal	16,077
	Interest and dividend income received	4,208
	Interest expenses paid	-363
	Income taxes (paid) refund	-2,915
	Net cash provided by (used in) operating activities	17,007
II	Cash flows from investing activities	
	Purchase of property, plant and equipment	-12,428
	Purchase of intangible assets	-1,629
	Purchase of shares of subsidiaries and associates	-6,562
	Payments of loans receivable	-3,910
	Collection of loans receivable	4,141
	Other, net	314
	Net cash provided by (used in) investing activities	-20,073
III	Cash flows from financing activities	
	Net increase (decrease) in short-term loans payable	-3,446
	Repayments of long-term loans payable	-209
	Cash dividends paid	-5,383
	Other, net	-6
	Net cash provided by (used in) financing activities	-9,044
IV	Translation adjustments of cash and cash equivalents	65
V	Net increase (decrease) in cash and cash equivalents	-12,045
VI	Cash and cash equivalents at beginning of period	30,350
VII	Cash and cash equivalents at end of period	18,305

Notes to Nonconsolidated Financial Statements

◆ Significant Accounting Policies

1. Basis and methods of valuation of assets

(1) Basis and methods of valuation of securities

1) Shares of subsidiaries and associates:

Stated at cost, determined by the moving- average method.

2) Other securities:

Marketable securities:

Carried at fair value, based on market prices at fiscal year-end. (Unrealized holding gain or loss, net of the applicable income taxes, is reported as a separate component of net assets. Cost of securities sold is primarily determined by the moving average method).

Nonmarketable securities:

Primarily stated at cost, determined mainly by the moving average method.

(2) Basis and methods of valuation of inventories:

Inventories held for sale in the ordinary course:

Valued at cost, determined by the moving-average method (The book values are written down due to decreased profitability).

2. Depreciation methods applicable to depreciable assets

(1) Property, plant and equipment:

By the straight-line method. Useful lives and residual values are calculated based on the same criteria as those stipulated under the Corporate Income Tax Law of Japan.

(2) Intangible assets:

By the straight-line method. Software (for internal use) is amortized by the straight-line method over the estimated useful life for internal use (five years).

3. Method of providing allowances and provisions

(1) Allowance for doubtful accounts:

To provide for losses on doubtful accounts, the Company reserves an amount based on the historical write-off ratio for normal accounts and amounts projected to be unrecoverable based on assessments for specific doubtful accounts such as claims with default possibility.

(2) Provision for bonuses:

To provide for payment of bonuses to employees, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

(3) Provision for directors' bonuses:

To provide for payment of bonuses to directors, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

(4) Provision for repairs:

The Company provides an allowance for the cost of periodic repairs to large-scale production equipment based on estimates of the future cost of such repairs.

(5) Provision for retirement benefits:

The Company provides an allowance for accrued retirement benefits to employees based on the retirement benefit obligation and the fair value of the pension plan assets as of the end of the fiscal year.

1) Regarding determination of retirement benefit obligations, the benefit formula basis is adopted as the way of attributing expected benefit to the periods up to this fiscal year-end.

2) Prior service cost is amortized by the straight-line method over a period (mostly over five years) which is within the estimated average remaining years of service of the eligible employees. Actuarial gain or loss is amortized and charged to income in the year following the year in which such gain or loss is recognized by the straight-line method over a period (mostly over ten years) which is within the estimated average remaining years of service of the eligible employees.

4. Standards for booking net sales and cost of sales of completed construction contracts

“Percentage of completion standard” (estimates of percentage of completion are based on the cost-to-cost method) is applied to the portion of contracted work deemed to have been completed by the end of the fiscal year, and the “construction completion standard” is applied to other contracted work.

5. Other significant matters pertaining to the preparation of the financial statements

(1) Provision for retirement benefits

Methods of accounting for unrecognized actuarial differences for retirement benefits and unrecognized prior service costs differ from those employed in the consolidated financial statements.

(2) Method of material hedge accounting

1) Hedging method:

Deferred hedge treatment is adopted.

2) Hedging instruments and risks hedged:

Hedging methods to which hedge accounting is applied and hedge targets are as follows.

a. Hedging instruments : Forward exchange contracts

Hedged risk: Foreign currency-denominated monetary assets and liabilities

b. Hedging instruments : Interest rate swaps

Hedged risk: Borrowing

3) Hedging policy:

Our policy is to establish hedges for risks associated with movements in foreign exchange rates and interest rates. Derivatives are not used for more than the actual amount of the associated transactions and are never used for speculation.

4) Evaluation method for the effectiveness of hedges:

The Company evaluates the effectiveness of hedges by directly linking the hedging instruments with market changes in hedging methods or changes in cash flows.

(3) Consumption taxes:

Consumption taxes are excluded from the sales and expense accounts.

(4) Translation of assets and liabilities denominated in foreign currencies into Japanese Yen:

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate in effect at the consolidated balance sheet date, and any gains and losses resulting from the translation are credited or charged to income.

◆ Changes in Presentation

Starting from the current fiscal year, “Notes to Accounting Estimates” is provided in Notes to Nonconsolidated Financial Statements in accordance with the enforcement of the Partial Revision of the Regulation on Corporate Accounting (Ordinance of the Ministry of Justice No. 45; August 12, 2020).

◆ Notes to Accounting Estimates

The Company posted impairment loss of the property, plant and equipment owned by NIPPON SHOKUBAI EUROPE N.V. (hereinafter, “NSE”), a consolidated subsidiary of the Company during the current fiscal year. In association with this, actual values of the shares in NSE owned by the Company has significantly declined, and thus loss on valuation was recorded.

(1) Amount recorded in Nonconsolidated Financial Statements for the current fiscal year

i) Nonconsolidated Balance Sheet

The book value of NSE shares after the posting of loss on valuation is 13,634 million yen.

ii) Nonconsolidated Statements of Income

Loss on valuation of shares of subsidiaries and associates of 16,791 million yen was recorded under extraordinary losses.

(2) Calculation method

The actual value of NSE shares has been calculated based on the net asset value after the posting of impairment loss of property, plant and equipment owned by NSE. For the calculation method of estimates concerning the impairment loss of property, plant and equipment owned by NSE, and major assumptions, please refer to “Notes to Consolidated Financial Statements ◆ Notes to Accounting Estimates 1. Impairment of non-financial assets.”

◆Notes to Nonconsolidated Balance Sheet

1. Monetary claims and liabilities relating to subsidiaries and associates	
Short-term monetary claims:	30,635 million yen
Long-term monetary claims:	8,874 million yen
Short-term monetary liabilities:	9,289 million yen
Long-term monetary liabilities:	17 million yen
2. Accumulated depreciation on property, plant and equipment:	285,981 million yen
3. Guarantee obligations and guarantee reservations and obligations	
Outstanding balance of guarantee obligations:	8,096 million yen
Outstanding balance of guarantee reservations and obligations:	4,673 million yen

With regard to 672 million yen within the guarantee obligations, reinsurance from another company has been secured.

◆Notes to Nonconsolidated Statements of Income

1. Transfer of money for price adjustment to subsidiaries and associates
The accounting item is a transfer of money for price adjustment pursuant to the transfer pricing taxation concerning transactions with overseas subsidiaries.
2. Business integration expenses
The Company and Sanyo Chemical Industries, Ltd. have aborted the business integration and cancelled the final agreement concerning the business integration. The Company posted business integration expenses associated with the cancellation of the business integration.
3. Balance of transactions with subsidiaries and associates
Balance of operating transactions
 Net sales: 57,069 million yen
 Total purchase of goods: 41,585 million yen
Balance of non-operating transactions: 5,449 million yen

◆Notes to Nonconsolidated Changes in Shareholder's Equity

Class and number of shares of treasury stock at end of current period	
Common stock:	924,300 shares

◆Notes to Tax Effect Accounting

Major factors for deferred tax assets and liabilities

Deferred tax assets	
Shares of subsidiaries and associates	10,905 million yen
Depreciation (including impairment loss)	898 million yen
Land	886 million yen
Provision for repairs	868 million yen
Provision for bonuses	608 million yen
Investment securities	568 million yen
Provision for retirement benefits	170 million yen
Other:	973 million yen
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Deferred tax assets subtotal:	15,876 million yen
Valuation allowance:	-8,732 million yen
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Total deferred tax assets:	7,144 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	-5,743 million yen
Reserve for advanced depreciation of non-current assets	-214 million yen
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Total deferred tax liabilities	-5,957 million yen
Deferred tax assets, net	1,187 million yen

◆Notes with Regard to Business Partners

Subsidiaries and associates

Type	Subsidiary						Associates				
Name	Nippon Shokubai America Industries, Inc.			NIPPON SHOKUBAI EUROPE N.V.		PT. NIPPON SHOKUBAI INDONESIA		Umicore Shokubai Japan Co., Ltd.			
Location	Texas, United States of America			Antwerp, Kingdom of Belgium		Banten, Indonesia		Tokoname City, Aichi Prefecture, Japan			
Paid-in capital or equity stake	US\$100,000,000 (Note 1)			€243,000,000		US\$120,000,000		750 million yen			
Business description	Manufacturing of chemicals			Manufacturing of chemicals		Manufacturing of chemicals		Wholesale of chemicals			
Holding/held ratio of voting rights	Ownership Direct 100.0%			Ownership Direct 100.0%		Ownership Direct 99.9%		Ownership Indirect 40.0%			
Relationship	Guarantor of obligations Financial assistance Concurrent director (1 director)			Investment Guarantor of obligations Concurrent director (2 directors)		Guarantor of obligations Financial assistance Concurrent director (2 directors)		Supply of Nippon Shokubai Products (automotive catalysts) and related transactions Concurrent director (1 director)			
Transactions	Loans (Note 2)	Collection of loans	Contingent obligations (Note 3)	Transfer of money for price adjustment (Note 4)	Underwriting of capital increase (Note 5)	Contingent obligations (Note 6)	Collection of loans	Contingent obligations (Note 7)	Sale of automotive catalysts (Note 8)	Procurement of raw materials (Note 8)	
Amount (millions of yen)	2,538	3,133	1,343	2,434	6,042	4,673	209	6,753	16,459	14,873	
Category	Short-term loans receivable from subsidiaries and associates		—	—	—	—	Short-term loans receivable from subsidiaries and associates	Long-term loans receivable from subsidiaries and associates	—	Accounts receivable-trade	Accounts payable-trade
Amount at end of term (millions of yen)	1,329		—	—	—	—	2,629	8,663	—	9,601	5,701

(Note 1) Paid-in capital.

(Note 2) Funding has been determined in light of market interest rates.

(Note 3) Debt guarantees have been made for loan obligations from financial institutions. With regard to 672 million yen within the loan guarantee amount, reinsurance from another company has been secured.

(Note 4) Transfer of money for price adjustment has been made pursuant to the transfer pricing taxation.

(Note 5) Underwriting of capital increase has been made to underwrite the entirety of the capital increase conducted by the company.

(Note 6) Debt guarantees have been made for loan obligations from financial institutions.

(Note 7) Debt guarantees have been made for loan obligations from financial institutions.

(Note 8) Sales of products and procurement of raw materials have been determined with negotiated prices in light of market prices and costs.

(Note 9) In the above amount, consumption tax and other taxes are not included in the transaction amount or loans at the end of the fiscal period. Consumption tax and other taxes are included in accounts receivable-trade and accounts payable-trade in the amount at the end of the fiscal period.

◆Notes with regard to information per share

Net assets per share: 6,283.76 yen

Basic loss per share: -492.78 yen

◆Notes to significant subsequent events

Not applicable.