Financial Factbook 2021

TOAGOSEI

Management's Discussion & Analysis

The financial section was translated into English based on some disclosed documents including the securities report of the Japanese version and is provided for information purpose only.

Overview of Fiscal 2021

During the period under review (January 1 to December 31, 2021), the global economy generally remained on a recovery path, although it did also suffer some turbulence. Most notably, the pandemic caused parts shortages and supply chain disruption. Additionally, prices for raw materials rose.

The Japanese economy entered a recovery path despite feeling the effects of the above factors, particularly the global chip shortage. Around the end of the year, however, economic uncertainty returned after a fresh surge in Covid infections caused by a new variant.

Against that backdrop, Toagosei recorded the following financial results for the period under review.

Net sales: ¥156,313 million (+17.2% YOY)
Operating income: ¥17,676 million (+43.3% YOY)
Ordinary income: ¥18,983 million (+45.4% YOY)
Net income attributable to owners of parent: ¥13,771 million (+69.1% YOY)

Outlined below are the results for our reportable segments.

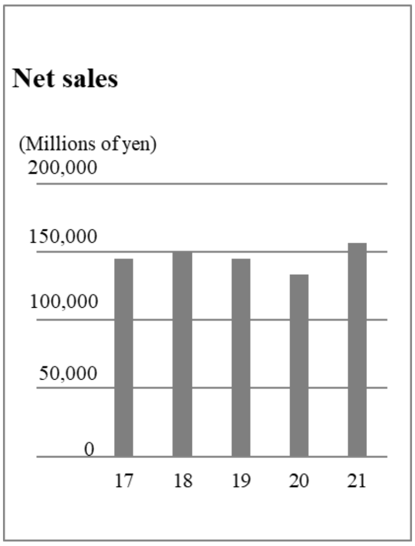
Sales by Segment

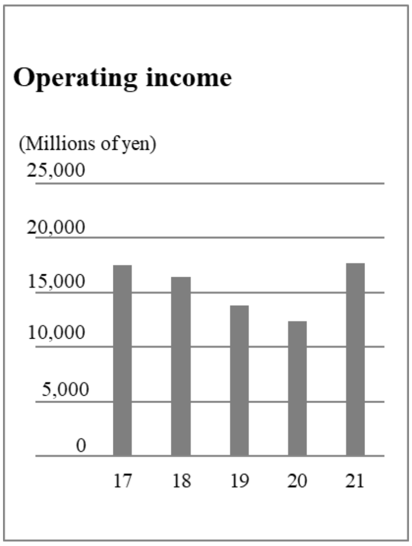
Commodity Chemicals

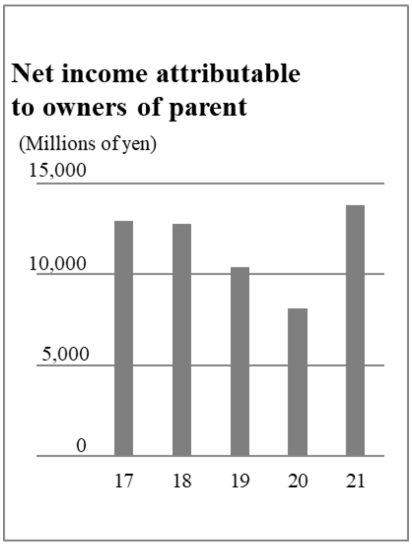
This segment posted net sales of ¥70,312 million (+20.2% YOY) and an operating income of ¥7,992 million (+75.7% YOY).
The result for operating income reflects an increase in sales volume and sales price corrections, which more than offset higher raw material costs.
Electrolysis and sulfuric acid products: Sales volume and revenue increased on the whole as economies reopened.
Acrylic monomer products: Sales revenue increased amid a recovery in demand among makers of acrylic rubber and paint.
Industrial gas: Sales revenue increased amid a demand recovery.

Polymer & Oligomer

This segment posted net sales of ¥34,904 million (+29.5% YOY). Despite higher raw material costs, the segment posted an operating income of ¥5,276 million (+68.0% YOY).
Acrylic polymers: Sales revenue increased on the whole with demand among auto parts makers remaining strong throughout the year and with brisk shipments to cosmetics makers.
Acrylic oligomers: Sales revenue increased with higher volume of sales to paint makers and electronics makers in Japan and other markets.
Polymer flocculants: Sales revenue increased, partly because we inherited a sales business from another company.







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Adhesive Material

This segment posted net sales of ¥11,364 million (+13.0% YOY). It posted an operating income of ¥666 million (-14.7% YOY). This decrease was attributable to higher advertising and R&D costs.

Instant glues for consumers: Sales revenue increased. Although sales volume in Japan remained largely unchanged from the previous year, it increased in the US and Chinese markets.

Industrial instant glues: Sales revenue increased amid a demand recovery among auto parts makers.

Functional adhesives: As above, sales revenue increased amid a demand recovery among auto parts makers.

Performance Chemicals

This segment posted net sales of ¥9,752 million (+8.6% YOY). It posted an operating income of ¥2,627 million (-2.4% YOY). This decrease was attributable to higher depreciation following active capital spending.

High-purity inorganic chemicals: Sales revenue increased amid brisk demand among chip makers.

Inorganic functional materials: Sales revenue increased with a higher volume of sales of ion-trapping agents and deodorants to electronics makers.

Plastics

This segment posted net sales of ¥26,131 million (+3.3% YOY). It posted an operating income of ¥1,433 million (+20.6% YOY) thanks to an increase in sales volume, which more than offset higher raw materials costs.

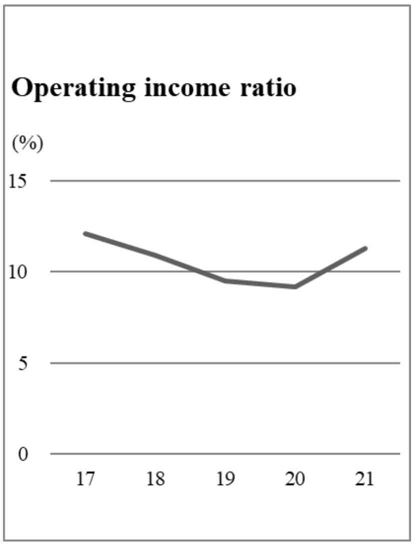
Piping equipment and products for construction and civil engineering: Shipment volume remained largely unchanged from the previous year.

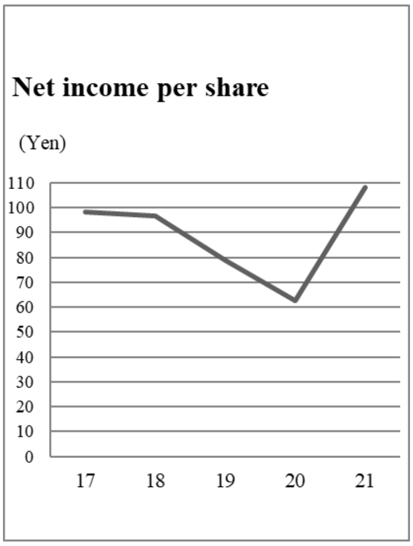
Nursing care products: Sales revenue increased with a large volume of shipments of bathing-related care products.

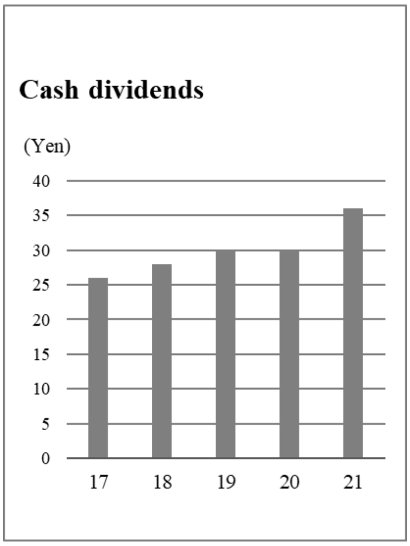
Elastomer compounds: Sales revenue increased with brisk shipments to overseas clients.

Other Businesses

This segment covers product development, goods transportation, and trading-house operations. The segment posted net sales of ¥3,847 million (+5.9% YOY) and an operating loss of ¥299 million.







Management's Discussion & Analysis

Cash Flows

Cash and cash equivalents at end of the year stood at ¥46,504 million, an increase of ¥2,703 million from the previous term-end.

Net cash provided by operating activities increased by ¥548 million year on year to ¥21,219 million due to an increase in income before income taxes, despite an increase in the working capital burden.

Net cash used in investing activities decreased by ¥1,123 million year on year to ¥10,239 million due to increased income from the sale of investment securities.

Net cash used in financing activities increased by ¥153 million year on year to ¥8,644 million due to an increase in dividend payments.

Business Performance Prospects for Fiscal 2022

For the current term ending December 31, 2022, we forecast net sales of ¥153.8 billion, operating income of ¥18.0 billion, and net income attributable to owners of parent of ¥13.5 billion.

Economic Prospects for Fiscal 2022

The outlook for social and economic activity appears promising amid government actions to curb the spread of the coronavirus, such as bringing forward booster doses. However, fears remain that more variants will emerge.

Meanwhile, the auto industry is shifting faster toward electric vehicles as part of a global effort to reduce carbon emissions. This trend will stimulate the development of products that will meet the demand of tomorrow.

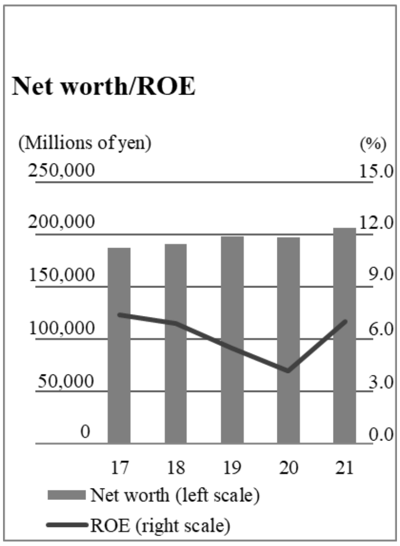
Basic Policy on Shareholder Returns and Dividends for Fiscal 2021 and 2022

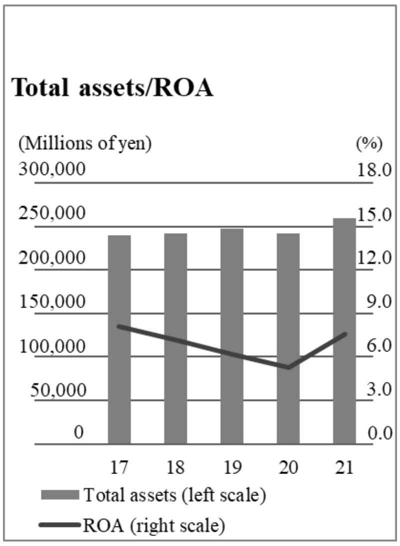
Basic policy on shareholder returns: We aim for sustainable dividends that deliver growth in consolidated total shareholder returns. Our benchmark for consolidated payout ratio is 30%, and our benchmark for consolidated total shareholder returns is 50%. When deciding the dividend for a given period, we consider:

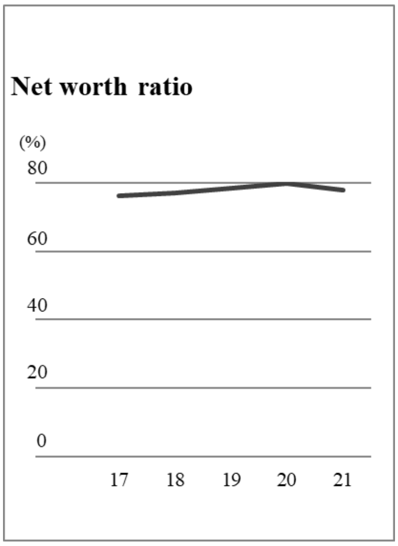
· the above policy,

· the need to reinvest earnings in projects that will increase our growth prospects, and

· the need to retain a portion of earnings to cover risks such as fluctuations in future earnings and business risks.







Management's Discussion & Analysis

Share buyback: Under our medium-term management plan ("Stage up for the Future," fiscal 2020–2022), we have set aside ¥10 billion for buying back shares. The purpose of this buyback program is to improve consolidated payout ratio and EPS.

Dividend for fiscal 2021: For fiscal 2021, the full-year dividend will amount to ¥36 per share (payout ratio: 33.3%). This is the sum of the forecasted year-end dividend of ¥19 per share and the already-paid interim dividend of ¥17 per share. Consolidated total shareholder return will amount to 62.1%. This figure reflects the impact of a share buyback in fiscal 2021: Specifically, in that period, we bought back 3,169,000 shares at a total price of ¥3,999 million and retired 3,100,000 of them.

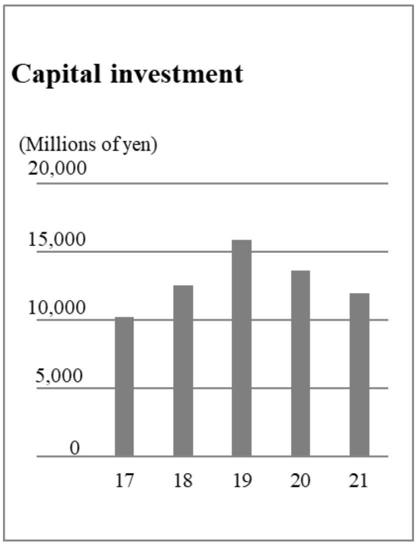
Dividend for fiscal 2022: For fiscal 2022, we will pay a full-year dividend of ¥36 per share (payout ratio of 33.0%, interim dividend of ¥18 per share, year-end dividend of ¥18 per share). Consolidated total shareholder return will amount to 58.7%. This figure reflects our plan to buy back ¥3,500 million worth of shares. The buyback will accord with the above basic policy, and it will help us improve shareholders returns, improve our capital efficiency, improve our enterprise value, and facilitate a dynamic capital strategy.

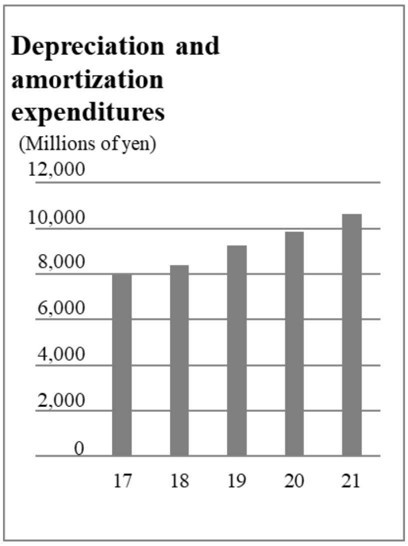
Business Risks

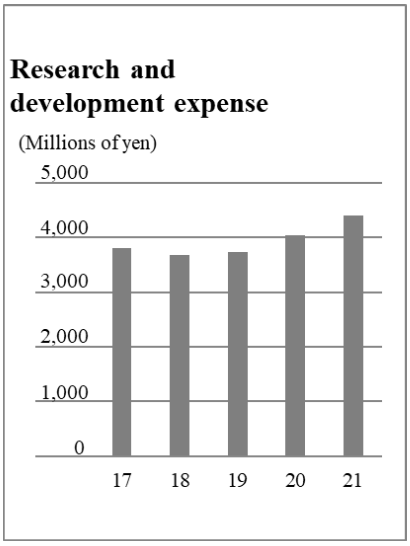
Of the matters concerning "Management's Discussion & Analysis," and "Consolidated Financial Statements and Others" contained in this report, major risks deemed to have the potential of significantly impacting the Group's financial position, business performance, and cash flows are stated below, provided, risks that may significantly impact investors' decisions are not limited to those described herein.

The Group established a Risk Management Committee as a mechanism for the routine identification and assessment of potential risks. Based upon this, risk countermeasures are formulated and the status of those countermeasures is checked, while measures are taken for the risks stated below. However, these countermeasures are not able to completely control the probability of risks emerging and the impact of risks if they emerge.

Forward-looking information stated herein is based on judgement by the Group as of the end of the fiscal year under review.







Management's Discussion & Analysis

(1) Natural disasters

The Group has production and sales bases in Japan and overseas. If these bases are hit by natural disasters such as earthquakes, typhoons, heavy rains, tornadoes, gusts of wind, floods, tsunamis, and storm surges, this may result in damage to buildings and equipment, suspension of operations and business activities, and other losses.

In particular, in the event of a Tokai, Tonankai, or Nankai earthquake, there may be substantial damage to the Group's production and sales bases located in and around the Tokai, Kinki, and Shikoku regions, including the Nagoya Plant, the Group's main production base. Similarly, in the event of an earthquake directly hitting the Tokyo metropolitan area, there may be substantial damage to the Group's head office as well as production and sales bases located in and around the Kanto region.

Each base takes measures such as seismic retrofitting, regular disaster prevention drills simulating earthquakes and fires, and insurance coverage in case of fires, storms, and floods.

(2) Factory accidents

The main business of the Group is the manufacturing of chemical products. Accidents such as fires, explosions, and leaks of chemical substances may occur at the Group's domestic and overseas plants due to equipment trouble and human errors, resulting in damage to buildings and equipment, the suspension of operations and business activities, and compensation for victims and local communities.

Each plant takes measures such as installing automatic stopping devices for emergencies, holding disaster prevention meetings to discuss safety and disaster prevention when equipment is newly constructed or replaced, regular disaster prevention drills, and taking out insurance coverage in case of accidents.

(3) Changing market needs and intensifying competition

The Group's business consists of five segments and supplies a wide variety of products ranging from commodity chemicals including basic industrial materials to finished products for general consumers, enabling the Group to build a well-balanced business structure that is not easily affected by economic fluctuations. However, as the Group supplies its products to a wide range of industries and regions, the sales volumes and prices of its products may fluctuate significantly due to changes in the global or regional supply and demand environment, the emergence of alternative materials, changes in the purchasing policies of customers, and the sales prices of competitors.

In particular, many commodity chemicals, mainly in the Commodity Chemicals segment, are difficult to differentiate from other companies' products in terms of their function and performance. Given the present trend of intensifying price competition, there is a possibility that the Group may not be able to maintain its competitive edge over rival companies that are able to sell products with the same qualities at lower prices.

Meanwhile, the sales volumes and prices of high value-added products, mainly in the Polymer & Oligomer, Adhesive Material, and Performance Chemicals segments, may fluctuate significantly depending on the demand of customers and the Group's priority fields such as mobility and electronics.

In the Medium-Term Management Plan "Stage up for the Future," the Group established "the expansion of high-value-added products businesses" as one of its basic policies, and aims to increase the high-value-added product to net sales ratio from 41.9% in 2019 to 47% in 2022.

(4) Violation of laws and regulations, tax and legal system reforms, deregulation, greater regulatory controls, and trade restrictions

The Group has production and sales bases not only in Japan but also in the U.S., China, Taiwan, Hong Kong, Singapore, Thailand, and South Korea and is engaged in sales and procurement activities on a global scale. Therefore, the suspension of operations and business activities, criminal penalties and surcharges, and litigations may arise in the event of a violation and change in interpretation of, and a differing view from authorities on Japan's Antimonopoly Act, Unfair Competition Prevention Act, Subcontract Act, Financial Instruments and Exchange Act, Foreign Exchange and Foreign Trade Act, export trading regulations, labor law, tax law, and regulations related to chemical substances, as well as various laws and regulations of relevant foreign countries and regions.

Furthermore, these laws and regulations may change due to institutional reforms, deregulation, greater regulatory controls, and trade restrictions, leading to the incurring of counter-measure costs and increased risk of violations.

The Group places particular importance on regulations related to chemical substances and has a system in place where the Environment & Safety Department and the Quality Assurance Department at the head office and manufacturing sites coordinate with each other to prevent violations. In addition, the Compliance Committee oversees and examines group-wide compliance practices for other laws and regulations.

(5) Impairment of fixed assets

The Group owns a large amount of fixed assets, including land, machinery and equipment mainly for the manufacture of chemical products. In order to achieve sustainable growth and increase corporate value over the medium- to long-term, the Group may, while making aggressive capital investment, engage in joint ventures, strategic alliances and business acquisitions with third parties. Under the Medium-Term Management Plan "Stage up for the Future," the Group aims to make a total of ¥44 billion in capital investment over the three years from 2020 to 2022.

Decisions on such capital investment and other investment programs will be made subject to careful assessment of profitability, but impairment losses may arise due to a decline in profitability resulting from a significant deterioration in the business environment, falling market prices, a decrease in synergies, and other factors.

(6) Product liability, recall, and inferior quality

If a defect or inferior quality of products manufactured and sold by the Group causes damage to customers or third parties, compensation for damages and recall costs may be incurred, and sales of the said products may decrease.

The Group conducts quality inspections at each manufacturing site and has a system in place to adapt to requirements in order to supply products that meet customer requirements as well as applicable legal and regulatory requirements. The Group also takes measures to reduce the impact of any potential damage by arranging product liability insurance.

(7) Information leakage

The Group holds important managerial, operational, and technological information as well as personal information on its employees, etc. If a business partner or employee leaks such information intentionally or through negligence, or if a third party with malicious intentions breaks into the Group's information management server and illegally obtains the information, there may be damages such as deterioration of managerial, operational, and technological advantage, sanctions and compensation for information leakage, and costs required for retrieving the information.

To prevent information leaks, the Group concludes non-disclosure agreements with business partners with whom it shares important information, and instills awareness of information management and information handling rules among its employees through education programs. In addition, the Group works to continually improve its information security measures, including measures against computer viruses.

(8) Soaring prices of raw materials, fuel, and other materials and changes in the prices of crude oil and naphtha

Soaring prices of raw materials, fuel, and other materials will lead to an increase in the Group's manufacturing costs. In particular, higher prices of crude oil and naphtha will result in a rise in the manufacturing costs of acrylic monomer products in the Commodity Chemicals segment and other products, and if the Group is unable to sufficiently raise its sales prices and rationalize its operations to offset these changes, it may put pressure on the Group's profits.

On the other hand, falling prices of crude oil and naphtha may cause the Group's sales prices to decline and may result in valuation losses on inventories.

A price formula has been established mainly with domestic business partners to ensure appropriate manufacturing costs and sales prices linked to crude oil and naphtha prices. However, these measures may not work in situations where prices are volatile or in competitive overseas markets.

(9) Infectious and communicable diseases

In the event of a widespread outbreak of an infectious or communicable disease that requires quarantine and movement restrictions, in addition to a general stagnation of economic activities, the business activities and distribution of the Group's customers and suppliers may be disrupted, potentially restricting the Group's operations and business activities. Furthermore, if the infection spreads to employees of the Group, operations may be temporarily suspended.

As of December 2021, COVID-19 continues to spread. The Group is building a system that enables safe and continuous operations and business activities by installing infection prevention goods such as disinfectants, and formulating COVID-19-related action guidelines to prevent infection and creating an environment for telework.

(10) Suspension of raw material and fuel supplies and supply chain interruption

The Group conducts business keeping in mind the balance between cost reduction and stable procurement, but if the raw materials and fuel essential for manufacturing cannot be procured due to accidents at suppliers, production suspension, bankruptcy, and other reasons, the Group's operations may be suspended.

The Group strives to build a stable supply system by purchasing from multiple sources and maintaining constant communication with its suppliers.

(11) Environmental pollution and calls for sustainability

While complying with laws and regulations related to environmental conservation, the Group carries out environmentally conscious business activities by announcing its reduction targets for carbon dioxide emissions and maintaining thorough control of environmentally hazardous substances with the establishment of voluntary control values. However, as the Group operates chemical plants, soil, air, or water pollution may be discovered, resulting in the interruption of production activities and compensation costs. Furthermore, the chemical business, which is an energy-intensive industry, is being strongly urged to meet social demands such as further reduction of carbon dioxide emissions for sustainable social development, as exemplified by the SDGs and the ESG investment movement.

The Group will take further steps to reduce greenhouse gas emissions, energy consumption, waste, and environmentally hazardous substances mainly through the Sustainability Promotion Committee, which is chaired by the President. In particular, with regard to the reduction of greenhouse gases, the Group increased our reduction target in 2021 from the existing target, and created a roadmap toward the targets of "a 50% reduction in 2030 compared to 2013 (205,000 tons)" and "carbon neutral (virtually zero emissions) in 2050." In addition, the Group calculated greenhouse gas emissions in three categories (Scope 1-3), including supply chains, and conducted a scenario analysis in accordance with TCFD guidelines in order to understand the risks and opportunities that climate change has on our business and to clarify future measures.

(12) Foreign exchange fluctuations

The Group imports raw materials from overseas and also exports products manufactured in Japan to other countries, but the volume of raw materials it imports exceeds the volume of products it exports. Therefore, if the yen depreciates against foreign currencies, overall costs will increase. However, when the yen weakens, the export industry in Japan generally becomes more competitive internationally, and the demand for products sold by the Group becomes easier to stimulate.

Meanwhile, in the Medium-Term Management Plan "Stage up for the Future," the Group aims to raise its overseas net sales ratio from 15.6% in 2019 to over 20% in 2022 through aggressive overseas expansion. Therefore, the nature of the risk may change depending on the progress of the plan.

To mitigate the risk, the Group takes measures such as making financial plans to use foreign currencies earned through exports and dividends from overseas affiliates for import payments.

(13) Stock market fluctuations

The Company will acquire and hold the shares of a relevant business partner if it determines that doing so will contribute to the improvement of the Company's corporate value over the mediumto long-term in terms of maintaining and strengthening business relationships and building business alliances. If these shares are marketable listed shares, significant losses may be incurred due to fluctuations in the stock market.

The Company regularly reports to the Board of Directors every year after verifying the effectiveness of holding such shares, by comprehensively reviewing whether maintaining and strengthening the comprehensive relationship with the relevant business partners, and the benefits and risks of holding their shares, are commensurate with the cost of capital. The Company is selling stocks that are deemed not to contribute to the improvement of corporate value over the medium- to long-term.

[Accounting Practices]

1. Method of preparing consolidated financial statements and non-consolidated financial statements
   (1) The Company's consolidated financial statements are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).
   (2) The Company's non-consolidated financial statements are prepared in accordance with the Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter "Ordinance on Financial Statements, etc.").
   The Company falls under the category of a special company submitting financial statements, and prepares financial statements in accordance with the provisions of Article 127 of the Ordinance on Financial Statements, etc.

2. Audit certification
   In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, Ernst & Young ShinNihon LLC has audited the Company's Consolidated Financial Statements for the current fiscal year (January 1 to December 31, 2021) and the Company's Non-consolidated Financial Statements for the current fiscal year (January 1 to December 31, 2021).

3. Special efforts to ensure the appropriateness of the consolidated financial statements, etc.
   The Company makes special efforts to ensure the appropriateness of the consolidated financial statements, etc. Specifically, we have joined the Financial Accounting Standards Foundation in order to appropriately understand the details of accounting standards, etc. and to establish a system that enables us to appropriately prepare the consolidated financial statements, etc.
   The Company also participates in seminars, etc. held by the Financial Accounting Standards Foundation.

1. [Consolidated Financial Statements and Others]

(1) [Consolidated Financial Statements]

i) [Consolidated Balance Sheets]

(Millions of yen)

December 31,		2020		2021
Assets				
Current assets				
Cash and deposits		48,564		52,457
Notes and accounts receivable	*5	39,757	*5	48,456
Securities		25,000		23,000
Inventories	*1	17,094	*1	19,387
Other current assets		996		1,913
Allowance for doubtful receivables		(36)		(46)
Total current assets		131,376		145,168
Fixed assets				
Property, plant and equipment				
Buildings and structures, net		24,661		28,034
Machinery, equipment and other, net		25,919		26,392
Tools, furniture and fixtures, net		2,508		3,076
Land		17,679		17,969
Leased assets, net		136		122
Construction in progress		7,396		2,599
Total property, plant and equipment	*3, *4	78,301	*3, *4	78,193
Intangible fixed assets		783		1,669
Investments and other assets				
Investment securities	*2	26,844	*2	28,722
Net defined benefit asset		2,441		3,165
Deferred tax assets		67		124
Other assets	*2	2,032		1,920
Allowance for doubtful receivables		(14)		(8)
Total investments and other assets		31,370		33,924
Total fixed assets		110,456		113,787
Total assets		241,832		258,955

See accompanying notes to consolidated financial statements.

(Millions of yen)

December 31,		2020		2021
Liabilities				
Current liabilities				
Notes and accounts payable	*5	12,130	*5	18,391
Short-term bank loans		6,903		2,477
Lease obligations		177		148
Accrued income taxes		1,618		3,728
Accrued bonuses for employees		15		13
Other current liabilities	*5	12,492	*5	11,977
Total current liabilities		33,337		36,737
Long-term liabilities				
Long-term debt		4,473		8,730
Lease obligations		227		140
Deferred tax liabilities		2,808		3,306
Net defined benefit liability		151		140
Other long-term liabilities		3,191		3,288
Total long-term liabilities		10,852		15,605
Total liabilities		44,190		52,343
Net Assets				
Shareholders' equity				
Common stock		20,886		20,886
Capital surplus		15,046		15,046
Retained earnings		147,893		153,693
Treasury stock		(207)		(230)
Total shareholders' equity		183,619		189,396
Accumulated other comprehensive income				
Unrealized holding gain on available-for-sale securities		7,891		9,749
Translation adjustments		1,287		2,199
Remeasurements of defined benefit plans		86		419
Total accumulated other comprehensive income		9,265		12,367
Non-controlling interests		4,757		4,848
Total net assets		197,642		206,612
Total liabilities and net assets		241,832		258,955

See accompanying notes to consolidated financial statements.

ii) [Consolidated Statements of Income and Consolidated Statements of Comprehensive Income]
[Consolidated Statements of Income]

(Millions of yen)

Years ended December 31,		2020		2021
Net sales		133,392		156,313
Cost of sales	*1	95,328	*1	110,974
Gross profit		38,064		45,339
Selling, general and administrative expenses				
Selling expenses	*2	15,056	*2	16,023
General and administrative expenses	*3, *4	10,671	*3, *4	11,639
Total selling, general and administrative expenses		25,728		27,663
Operating income		12,336		17,676
Non-operating income				
Interest income		55		32
Dividend income		809		962
Equity in earnings of affiliates		168		145
Rent income on non-current assets		278		245
Foreign currency exchange gains		—		50
Other		194		263
Total non-operating income		1,506		1,700
Non-operating expenses				
Interest expenses		94		94
Environment readiness fee		149		127
Inactive facilities expenses		31		33
Foreign currency exchange losses		401		—
Other		110		138
Total non-operating expenses		787		393
Ordinary profit		13,054		18,983
Extraordinary gains				
Gain on sales of investment securities		253		1,706
Subsidy income		—		134
Total extraordinary gains		253		1,840
Extraordinary losses				
Loss on disposal of non-current assets	*5	434	*5	722
Impairment loss	*6	183	*6	1,032
Expenses of soil pollution measures		—	*7	264
Loss on valuation of investment securities		433		3
Total extraordinary losses		1,051		2,022
Income before income taxes		12,256		18,801
Income taxes -- Current		3,628		5,286
Income taxes -- Deferred		262		(465)
Total income taxes		3,890		4,821
Net income		8,365		13,979
Net income attributable to non-controlling interests		223		208
Net income attributable to owners of parent		8,142		13,771

See accompanying notes to consolidated financial statements.

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

Years ended December 31,	2020		2021	
Net income		8,365		13,979
Other comprehensive income				
Unrealized holding gain on available-for-sale securities		(1,076)		1,858
Translation adjustments		(285)		978
Remeasurements of defined benefit plans, net of tax		126		333
Total other comprehensive income	*1	(1,236)	*1	3,170
Comprehensive income		7,129		17,150
Comprehensive income attributable to:				
Owners of the parent		6,891		16,873
Non-controlling interests		237		276

See accompanying notes to consolidated financial statements.

iii) [Consolidated Statements of Changes in Net Assets]

(Millions of yen)

Year ended December 31, 2020	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	20,886	16,411	146,252	(302)	183,247
Changes during the year:					
Cash dividends			(3,934)		(3,934)
Net income attributable to owners of parent			8,142		8,142
Purchase of treasury stock				(3,886)	(3,886)
Gain on sales of treasury stock		4		75	79
Cancellation of treasury stock		(3,906)		3,906	—
Transfer from retained earnings to capital surplus		2,566	(2,566)		—
Change in ownership interest of parent due to transactions with non-controlling interests		(28)			(28)
Net changes in items other than shareholders' equity					
Total changes during the year	—	(1,364)	1,640	95	371
Balance at end of the year	20,886	15,046	147,893	(207)	183,619

Year ended December 31, 2020	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain on available-for-sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the year	8,974	1,581	(40)	10,516	4,815	198,579
Changes during the year:						
Cash dividends						(3,934)
Net income attributable to owners of parent						8,142
Purchase of treasury stock						(3,886)
Gain on sales of treasury stock						79
Cancellation of treasury stock						—
Transfer from retained earnings to capital surplus						—
Change in ownership interest of parent due to transactions with non-controlling interests						(28)
Net changes in items other than shareholders' equity	(1,083)	(293)	126	(1,250)	(58)	(1,308)
Total changes during the year	(1,083)	(293)	126	(1,250)	(58)	(936)
Balance at end of the year	7,891	1,287	86	9,265	4,757	197,642

See accompanying notes to consolidated financial statements.

(Millions of yen)

Year ended December 31, 2021	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	20,886	15,046	147,893	(207)	183,619
Changes during the year:					
Cash dividends			(4,100)		(4,100)
Net income attributable to owners of parent			13,771		13,771
Purchase of treasury stock				(4,006)	(4,006)
Gain on sales of treasury stock		20		92	112
Cancellation of treasury stock		(3,891)		3,891	—
Transfer from retained earnings to capital surplus		3,870	(3,870)		—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity					
Total changes during the year	—	—	5,800	(22)	5,777
Balance at end of the year	20,886	15,046	153,693	(230)	189,396

Year ended December 31, 2021	Accumulated other comprehensive income					
	Unrealized holding gain on available-for-sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of the year	7,891	1,287	86	9,265	4,757	197,642
Changes during the year:						
Cash dividends						(4,100)
Net income attributable to owners of parent						13,771
Purchase of treasury stock						(4,006)
Gain on sales of treasury stock						112
Cancellation of treasury stock						—
Transfer from retained earnings to capital surplus						—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes in items other than shareholders' equity	1,857	911	333	3,102	91	3,193
Total changes during the year	1,857	911	333	3,102	91	8,970
Balance at end of the year	9,749	2,199	419	12,367	4,848	206,612

See accompanying notes to consolidated financial statements.

iv) [Consolidated Statements of Cash Flows]

(Millions of yen)

Years ended December 31,	2020	2021
Operating activities		
Income before income taxes	12,256	18,801
Depreciation and amortization	9,848	10,623
Impairment loss	183	1,032
Increase or decrease in allowance for doubtful receivables (Minus means decrease.)	(1)	3
Increase or decrease in other provisions (Minus means decrease.)	0	(2)
Increase or decrease in net defined benefit asset (Minus means increase.)	(213)	(244)
Increase or decrease in net defined benefit liability (Minus means decrease.)	(9)	(11)
Interest and dividend income	(864)	(995)
Interest expense	94	94
Foreign currency exchange gains or losses (Minus means gains.)	301	(57)
Gain or loss on sales of investment securities (Minus means gain.)	(253)	(1,706)
Gain or loss on valuation of investment securities (Minus means gain.)	433	3
Equity in earnings or losses of affiliates (Minus means earnings.)	(168)	(145)
Subsidy income	—	(134)
Gain or loss on disposal of non-current assets (Minus means gain.)	434	722
Increase or decrease in receivables (Minus means increase.)	2,743	(8,480)
Increase or decrease in inventories (Minus means increase.)	1,001	(2,125)
Increase or decrease in payables (Minus means decrease.)	(2,268)	6,143
Other, net	228	(113)
Subtotal	23,744	23,406
Interest and dividends received	958	1,192
Interest paid	(91)	(96)
Subsidy income received	—	19
Income taxes paid	(3,939)	(3,301)
Net cash provided by operating activities	20,671	21,219
Investing activities		
Increase or decrease in time deposits (Minus means increase.)	(10,005)	(890)
Net increase or decrease in short-term investment securities (Minus means increase.)	14,000	2,000
Purchases of investment securities	(161)	(438)
Proceeds from sales of investment securities	293	2,910
Purchases of property, plant and equipment	(14,478)	(11,516)
Other, net	(1,010)	(2,304)
Net cash used in investing activities	(11,362)	(10,239)

See accompanying notes to consolidated financial statements.

(Millions of yen)

Years ended December 31,		2020		2021
Financing activities				
Net increase or decrease in short-term borrowings (Minus means decrease.)		—		(10)
Proceeds from long-term borrowings		—		4,400
Repayment of long-term debt		(158)		(4,558)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(185)		—
Proceeds from sales of treasury stock		0		0
Purchases of treasury stock		(3,886)		(4,006)
Repayment of lease obligations		(190)		(185)
Cash dividends to shareholders		(3,932)		(4,098)
Repayments to non-controlling interests		(4)		—
Cash dividends paid to non-controlling interests		(135)		(185)
Net cash used in financing activities		(8,491)		(8,644)
Effect of exchange rate changes on cash and cash equivalents		(131)		368
Net increase or decrease in cash and cash equivalents (Minus means decrease.)		686		2,703
Cash and cash equivalents at beginning of the year		43,113		43,800
Cash and cash equivalents at end of the year	*1	43,800	*1	46,504

See accompanying notes to consolidated financial statements.

[Notes]

(Basis for Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries: 18
Oita Chemical Co., Ltd., which was a consolidated subsidiary, has been excluded from the scope of consolidation due to its absorption-type merger by the Company on January 1, 2021.

(2) Unconsolidated subsidiaries: 3
A major unconsolidated subsidiary is Toa Kenso Co., Ltd. The unconsolidated subsidiaries have an immaterial effect on the Company's consolidated financial statements as a whole in terms of the sum of total assets, the sum of net sales, the sum of net income/loss, and the sum of retained earnings.

2. Application of equity method

(1) Unconsolidated subsidiaries and affiliates which are accounted for by the equity method
Affiliates: 1 Partnership: 1
Chubu Liquid Oxygen Co., Ltd.
Elmer's & Toagosei Co.

(2) Unconsolidated subsidiaries and affiliates which are not accounted for by the equity method
Unconsolidated subsidiaries: 3
Affiliates: 11
Toyo Denka Kogyo Co., Ltd., etc.

(3) Reason for exclusion from application of equity method accounting:
Because the effect of their net income/loss and retained earnings on the Company's consolidated financial statements is immaterial and they are not important as a whole in accounting terms.

3. Fiscal year-end of consolidated subsidiaries
The fiscal year-end of consolidated subsidiaries is the same as the Company's consolidated fiscal year-end.

4. Accounting policies

(1) Basis and method for valuation of major assets

1) Securities
Available-for-sale securities
Marketable securities classified as available-for-sale securities
Marketable securities classified as available-for-sale securities are carried at fair value determined based on the average of quoted prices (or their equivalent) in the one-month period prior to the balance sheet date with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets.
Non-marketable securities classified as available-for-sale securities
Non-marketable securities classified as available-for-sale securities are carried at cost. Cost of securities sold is determined by the moving average method.

2) Derivative
Derivative financial instruments are carried at fair value.

3) Inventories
Inventories are stated at the lower of cost or net selling value, cost being determined by the moving average method. (The balance sheet amounts are written down if there is any decrease in profitability.)

(2) Depreciation and amortization of major depreciable and amortizable assets

1) Property, plant and equipment (excluding leased assets)
Depreciation of property, plant and equipment is calculated by the straight-line method based on the estimated useful lives of the respective assets and their residual value.
The useful lives for major property, plant and equipment are as follows:

Buildings and structures	2–75 years
Machinery, equipment and other	2–17 years
Tools, furniture and fixtures	2–20 years

2) Intangible fixed assets (excluding leased assets)
Amortization of intangible fixed assets, primarily consisting of software, is calculated by the straight-line method based on the estimated useful lives of the respective assets in this category (primarily 5 years for software).

3) Leased assets (leased assets relating to finance lease transactions that do not transfer ownership)
Depreciation of leased assets shall be calculated based on the assumption that the useful lives equal the lease term and the residual value is zero.

(3) Posting standards for providing major allowance

1) Allowance for doubtful receivables
The allowance for bad debts and doubtful receivables in respect of individual bad debts is provided in an amount sufficient to cover credit losses based on the collectability of individual receivables. The allowance for receivables other than those described above is based on past credit loss experience.

2) Accrued bonuses for employees
Accrued bonuses for employees are provided at the estimated amounts expected to be paid to employees for one consolidated subsidiary.

(4) Accounting methods relating to retirement benefits

1) Periodic allocation of estimated retirement benefits
In calculating retirement benefit obligation, the benefit formula basis is applied for allocation of projected retirement benefit to the periods until the end of the current fiscal year.

2) Amortization of actuarial gain or loss and prior service costs
Actuarial gain or loss of the Company is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the average remaining years of service of the eligible employees (primarily 10 years) when incurred in each fiscal year.
Prior service costs are expensed using the straight-line method over the average remaining years of service of the eligible employees (primarily 10 years) when incurred.

3) Adoption of the simplified method in SMEs
In calculating net defined benefit liability and retirement benefit expenses, some consolidated subsidiaries adopt the simplified method where the projected benefit obligation is an estimated amount of retirement benefits, assuming that all employees terminate their services on the balance sheet date for their own convenience.

(5) Foreign currency translation
Receivables and payables in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and the resulting translation gain or loss is charged or credited to income.
Assets and liabilities of the foreign consolidated subsidiaries are translated at the same exchange rates. Revenue and expense accounts of the foreign consolidated subsidiaries are translated at periodical average rates during

the fiscal year. The resulting translation gain or loss is included in “Translation adjustments” and “Non-controlling interests” under “Net assets.”

(6) Goodwill amortization method and amortization period
The amortization of goodwill is determined on an individual basis, and goodwill is amortized evenly over a reasonable number of years within a period of 20 years.

(7) Scope of funds in the consolidated statements of cash flows
Funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash on hand, bank deposits available for withdrawal on demand and readily available short-term investments with maturities of three months or less, which are exposed to minor risk of fluctuation in value.

(8) Other important items concerning the preparation of consolidated financial statements
Consumption taxes and others
Consumption taxes are excluded from the transaction accounts.

(Significant Accounting Estimates)
Impairment of fixed assets

(1) Amounts recognized in the consolidated financial statements for the fiscal year under review

Property, plant and equipment	¥78,193 million
Intangible fixed assets	¥1,669 million
Impairment loss	¥1,032 million

(2) Information on significant accounting estimates pertaining to identified items

The Group regularly assesses signs of impairment for each asset group and estimates the recoverable amount in the event of such signs. Future cash flows expected to be obtained from the relevant asset group are used to estimate the recoverable amount. Future cash flow forecasts are formulated in consideration of future market trends and the state of business activities but in the event that future cash flow forecasts are amended, or if it is determined that the amount is unrecoverable, an impairment loss may be recognized.

(New Accounting Pronouncements)
“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 revised on March 31, 2020)
“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 revised on March 26, 2021)

(1) Outline
The standards, etc. listed above are comprehensive accounting standards for revenue recognition. Revenue is to be recognized by applying the five steps below.
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Planned date of application
The Company plans to apply the above standards, etc. from the beginning of the year ending December 31, 2022.

(3) Effect of the application of the above standards, etc.
The Company is currently assessing the effects at the time of preparation of these consolidated financial statements.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019)
“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021)
“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on July 4, 2019)
“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 revised on March 31, 2020)

(1) Outline
In order to improve comparability with provisions in international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter, “Accounting Standards for Fair Value Measurement, etc.”) were developed, and guidance, etc. regarding the method for measuring fair values were stipulated. Accounting Standards for Fair Value Measurement, etc. will be applied to the fair values of the following items.
Financial instruments set forth in “Accounting Standard for Financial Instruments”
In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised, and items of notes such as the breakdown by the fair value level of financial instruments were stipulated.

(2) Planned date of application
The Company plans to apply the above standards, etc. from the beginning of the year ending December 31, 2022.

(3) Effect of the application of the above standards, etc.
The Company is currently assessing the effects at the time of preparation of these consolidated financial statements.

(Changes in Presentation Method)
Application of “Accounting Standard for Disclosure of Accounting Estimates”
“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31 issued on March 31, 2020) is applied from the consolidated financial statements pertaining to the end of the current fiscal year, and notes regarding significant accounting estimates are included in the consolidated financial statements.
However, in accordance with the transitional treatment stipulated in the proviso to Paragraph 11 of this accounting standard, these notes do not contain details relating to the previous fiscal year.

(Additional Information)
Accounting estimates pertaining to the impact of the spread of COVID-19
Although it is uncertain and unpredictable when COVID-19 is brought under control, the Company has made accounting estimates such as impairment of non-current assets and collectability of deferred tax assets, based on an assumption that demand will recover gradually, despite the impact on demand continuing in 2022.

(Notes to Consolidated Balance Sheets)

*1. Components of inventories:

(Millions of yen)

December 31,	2020	2021
Merchandise and finished products (including semi-finished products)	11,796	12,949
Work in process	506	531
Raw materials and supplies	4,790	5,907
Total	17,094	19,387

*2. Investments in unconsolidated subsidiaries and affiliates were as follows:

(Millions of yen)

December 31,	2020	2021
Investment securities (stocks)	1,646	1,647
Other (investments and other assets)	9	—

*3. Assets pledged as collateral:

December 31, 2020

Assets pledged as collateral		
Classification	Book value (Millions of yen)	Type of security interests
Buildings and structures	7,792	Plant foundation
Machinery, equipment and other	11,605	ditto
Tools, furniture and fixtures	1,338	ditto
Land	4,448	ditto
Total	25,186	

(Note) The assets described above are pledged as collateral, but there are no corresponding secured obligations.

December 31, 2021

Assets pledged as collateral		
Classification	Book value (Millions of yen)	Type of security interests
Buildings and structures	9,800	Plant foundation
Machinery, equipment and other	14,111	ditto
Tools, furniture and fixtures	1,791	ditto
Land	4,448	ditto
Total	30,152	

(Note) The assets described above are pledged as collateral, but there are no corresponding secured obligations.

*4. Accumulated depreciation of property, plant and equipment:

(Millions of yen)

December 31,	2020	2021
	200,179	205,319

*5. Notes matured at the balance sheet date and cash settlement payable as of the balance sheet date (method of cash settlement payable at due date with the same terms as notes) are treated as if they were settled on the maturity date. Because the balance sheet date of the current fiscal year fell on a holiday for financial institutions, the notes matured and cash settlement payable at the balance sheet date were excluded from the balance as of the end of the current fiscal year.

(Millions of yen)

December 31,	2020	2021
Notes and accounts receivable	3,765	4,772
Notes and accounts payable	1,233	1,750
Other (Current liabilities)	1,389	541

6. Contingent liabilities and secured liabilities:

(Millions of yen)

December 31,		2020	2021
Employees	Guarantees against loans from financial institutions	168	89
Hokuriku Liquid Oxygen Co., Ltd.	ditto	20	12
Total		188	102

(Notes to Consolidated Statements of Income)

*1. Inventories as at the fiscal year-end represent the book value written-down due to a decrease in profitability. The following losses on devaluation of inventories were included in cost of sales (the amount stated is the amount after offset by reversal):

Years ended December 31,	2020	2021
	(Millions of yen)	
	114	(38)

*2. Major items of selling expenses:

Years ended December 31,	2020	2021
	(Millions of yen)	
Transportation expenses	8,060	8,825
Salaries	2,003	2,066
Bonuses	752	895
Retirement benefit expenses	138	131
Depreciation and amortization	153	154

*3. Major items of general and administrative expenses:

Years ended December 31,	2020	2021
	(Millions of yen)	
Salaries	2,574	2,537
Bonuses	1,064	1,319
Retirement benefit expenses	220	215
Depreciation and amortization	1,071	1,139

*4. Research and development cost included in general and administrative expenses and manufacturing cost:

Years ended December 31,	2020	2021
	(Millions of yen)	
	4,037	4,391

*5. Components of loss on disposal of non-current assets:

Years ended December 31,	2020	2021
	(Millions of yen)	
Machinery, equipment and other	41	55
Disposal costs	366	553
Buildings and structures, etc.	26	113

*6. Impairment loss:

Year ended December 31, 2020

The Company and its consolidated subsidiaries have recognized impairment loss on the following class of assets:

Location	Major use	Category	Impairment loss (Millions of yen)
Singapore	Facilities for manufacturing acrylate esters, etc.	Leased assets, etc.	183

(Outline and grouping method)

The Company operates multiple businesses and has grouped business-use assets according to the minimum unit in each of the Commodity Chemicals, Polymer & Oligomer, Adhesive Material, and Performance Chemicals segments. In addition, consolidated subsidiaries mainly operate a single business, and the companies themselves form the minimum asset group.

The Company wrote down the book values of facilities for manufacturing acrylate esters, etc. that experienced drops in profitability to their respective recoverable amounts. Accordingly, ¥183 million of impairment loss was recognized under extraordinary losses in the statement of income.

(Components of impairment loss)

The impairment loss was ¥50 million for machinery, ¥1 million for tools and furniture, ¥24 million for software and ¥107 million for leased assets.

(Calculation of recoverable amounts, etc.)

The recoverable amounts applicable to assets for which impairment losses were recognized for the corresponding year ended December 31, 2020 were measured using the value in use, which was assessed as zero as future cash flows were negative.

Year ended December 31, 2021

The Company and its consolidated subsidiaries have recognized impairment loss on the following class of assets:

Location	Major use	Category	Impairment loss (Millions of yen)
Kawasaki-ku, Kawasaki-shi	Facilities for manufacturing synthetic resins	Machinery, etc.	1,032

(Outline and grouping method)

The Company operates multiple businesses and has grouped business-use assets according to the minimum unit in each of the Commodity Chemicals, Polymer & Oligomer, Adhesive Material, and Performance Chemicals segments. In addition, consolidated subsidiaries mainly operate a single business, and the companies themselves form the minimum asset group.

The Company wrote down the book values of facilities for manufacturing synthetic resins, which are unlikely to be used by the Company in the future, to their respective recoverable amounts. Accordingly, ¥1,032 million of impairment loss was recognized under extraordinary losses in the statement of income.

(Components of impairment loss)

The impairment loss was ¥940 million for machinery, ¥51 million for buildings, ¥21 million for structures, ¥17 million for construction in progress and ¥1 million for tools, furniture and fixtures.

(Calculation of recoverable amounts, etc.)

The recoverable amounts applicable to assets for which impairment losses were recognized for the corresponding year ended December 31, 2021 were measured using the value in use, which was calculated by discounting future cash flows at 14.30%.

*7. Expenses of soil pollution measures:

Year ended December 31, 2021

Expenses related to the removal, etc. of soil and contaminated groundwater associated with the construction of a warehouse at the Company's Nagoya Plant are recognized under extraordinary losses.

(Notes to Consolidated Statements of Comprehensive Income)

*1. Reclassification adjustment and tax effect of other comprehensive income:

Years ended December 31,	2020	2021
	(Millions of yen)	
Unrealized holding gain on available-for-sale securities		
Amount arising during the fiscal year	(1,314)	4,369
Reclassification adjustment	(253)	(1,706)
Amount before tax effect	(1,568)	2,663
Tax effect	491	(804)
Unrealized holding gain on available-for-sale securities	(1,076)	1,858
Translation adjustments		
Amount arising during the fiscal year	(285)	978
Amount before tax effect	(285)	978
Tax effect	—	—
Translation adjustments	(285)	978
Remeasurements of defined benefit plans, net of tax		
Amount arising during the fiscal year	124	445
Reclassification adjustment	57	33
Amount before tax effect	182	479
Tax effect	(55)	(146)
Remeasurements of defined benefit plans, net of tax	126	333
Total other comprehensive income	(1,236)	3,170

(Notes to Consolidated Statements of Changes in Net Assets)

Year ended December 31, 2020

1. Matters related to the type and total number of issued shares and the type and total number of shares of treasury stock:

(Thousands of shares)

Type of shares	Number of shares at beginning of the year	Increase in the number of shares in the year	Decrease in the number of shares in the year	Number of shares at end of the year
Issued shares				
Common stock (Note 1)	131,996	—	3,696	128,300
Total	131,996	—	3,696	128,300
Treasury stock				
Common stock (Notes 2, 3)	371	3,603	3,779	196
Total	371	3,603	3,779	196

(Notes) 1. The decrease in the number of issued shares (common stock) is due to cancellation of treasury stock.
2. The increase in the number of treasury stock (common stock) consists of the increase of 3,600 thousand shares due to treasury stock acquisition and the increase of 3 thousand shares due to purchase of less-than-one-unit shares.
3. The decrease in the number of treasury stock (common stock) consists of the decrease of 3,696 thousand shares due to cancellation of treasury stock, the decrease of 82 thousand shares due to disposal of treasury stock as the restricted share-based remuneration and the decrease of 0 thousand shares due to sales of less-than-one-unit shares.

2. Matters related to dividends

(1) Amount of dividends paid

Resolution	Type of shares	Gross amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 27, 2020 107th Annual Shareholders' Meeting	Common stock	1,974	15.00	December 31, 2019	March 30, 2020
July 31, 2020 Board of Directors	Common stock	1,959	15.00	June 30, 2020	September 4, 2020

(Note) Dividend per share of ¥15.00 pursuant to the resolution of the 107th Annual Shareholders' Meeting on March 27, 2020 includes a commemorative dividend of ¥1.00 for the 75th anniversary of the Company's foundation.

(2) Dividends whose record date was in the year ended December 31, 2020 but whose effective date is in the year ending December 31, 2021

Resolution	Type of shares	Gross amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 30, 2021 108th Annual Shareholders' Meeting	Common stock	1,921	Retained earnings	15.00	December 31, 2020	March 31, 2021

Year ended December 31, 2021

1. Matters related to the type and total number of issued shares and the type and total number of shares of treasury stock:

(Thousands of shares)

Type of shares	Number of shares at beginning of the year	Increase in the number of shares in the year	Decrease in the number of shares in the year	Number of shares at end of the year
Issued shares				
Common stock (Note 1)	128,300	—	3,100	125,200
Total	128,300	—	3,100	125,200
Treasury stock				
Common stock (Notes 2, 3)	196	3,174	3,186	183
Total	196	3,174	3,186	183

(Notes) 1. The decrease in the number of issued shares (common stock) is due to cancellation of treasury stock.
2. The increase in the number of treasury stock (common stock) consists of the increase of 3,169 thousand shares due to treasury stock acquisition and the increase of 5 thousand shares due to purchase of less-than-one-unit shares.
3. The decrease in the number of treasury stock (common stock) consists of the decrease of 3,100 thousand shares due to cancellation of treasury stock, the decrease of 86 thousand shares due to disposal of treasury stock as the restricted share-based remuneration and the decrease of 0 thousand shares due to sales of less-than-one-unit shares.

2. Matters related to dividends

(1) Amount of dividends paid

Resolution	Type of shares	Gross amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 30, 2021 108th Annual Shareholders' Meeting	Common stock	1,921	15.00	December 31, 2020	March 31, 2021
July 30, 2021 Board of Directors	Common stock	2,179	17.00	June 30, 2021	September 6, 2021

(2) Dividends whose record date was in the year ended December 31, 2021 but whose effective date is in the year ending December 31, 2022

Resolution	Type of shares	Gross amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 30, 2022 109th Annual Shareholders' Meeting	Common stock	2,375	Retained earnings	19.00	December 31, 2021	March 31, 2022

(Notes to Consolidated Statements of Cash Flows)

*1. Reconciliation of the balance of cash and cash equivalents in the consolidated statement of cash flows to cash and deposits included in the consolidated balance sheet:

(Millions of yen)

Years ended December 31,	2020	2021
Cash and deposits	48,564	52,457
Securities	25,000	23,000
Time deposits with terms in excess of 3 months	(25,763)	(26,952)
Negotiable certificate of deposit with terms in excess of 3 months	(4,000)	(2,000)
Cash and cash equivalents	43,800	46,504

(Lease Transactions)

1. Finance leases (lessee)

Finance lease transactions that do not transfer ownership

1) Leased assets

Property, plant and equipment

Consists of buildings and structures, machinery, equipment and other, and tools, furniture and fixtures

2) Depreciation of leased assets

As described in “4. Accounting policies (2) Depreciation and amortization of major depreciable and amortizable assets.”

2. Operating leases

Future minimum lease payments under noncancelable operating leases:

(Millions of yen)

December 31,	2020	2021
Due within one year	14	16
Due after one year	—	—
Total	14	16

(Impairment loss)

An impairment loss which was allocated to leased assets was ¥107 million for the year ended December 31, 2020.

(Financial Instruments)

1. Matters related to the status of financial instruments

(1) Policies on financial instruments
When managing surplus funds, the Group limits the application of such funds to highly secure financial assets, mainly short-term bank deposits, and it procures funds mainly through bank borrowings. Derivative transactions are used to hedge interest fluctuation risk present in borrowings, but are not used for speculative or trading purposes.

(2) Description of financial instruments and associated risks
Notes and accounts receivable, which represent trade receivables, are exposed to client-based credit risk. Furthermore, foreign currency denominated trade receivables are also subject to exchange rate fluctuation risks. In order to counter such risk, foreign currency borrowings are used when necessary as a means of hedging the net position of foreign currency denominated trade payables. Securities and investment securities are primarily negotiable certificate of deposits and shares related to businesses, and are thus exposed to risk stemming from fluctuations in market value.
Notes and accounts payable, which represent trade payables, are due within one year. A portion of these are foreign currency denominated items related to payment for raw material imports, which are subject to exchange rate fluctuation risk. These are constantly maintained within the balance of receivables denominated in the same foreign currencies. Borrowings are used to procure funds necessary for operational transactions and capital expenditures. A portion of these borrowings bearing variable interest rates are exposed to interest rate fluctuation risk. Derivative transactions (interest rate swap transactions) are used as when necessary a means of hedging.

(3) Risk management systems related to financial instruments

1) Management of credit risk (risk associated with non-performance of a contract by a business partner etc.)
The departments in charge of Company operations regularly monitor the trade receivable status of all business partners in accordance with the Regulations on Selling in order to identify business partner-based credit risk associated with the deterioration of financial circumstances or other causes at an early stage and reduce it. In case of the consolidated subsidiaries, their divisions or accounting departments also manage the financial and credit status of their business partners pursuant to their own regulations. Derivative transactions are entered into only with highly rated financial institutions.
The maximum credit risk value as of the date of closing of consolidated accounts for the current term is expressed by the value of financial assets in the consolidated balance sheet which are subject to credit risk.

2) Management of market risk (risk associated with exchange rate and interest rate fluctuations)
When necessary, the Company uses borrowings denominated in foreign currencies to hedge its foreign currency denominated trade receivables and trade payables. Interest rate swaps are used when necessary to reduce risk associated with fluctuations in interest expenses related to borrowings.
The Company regularly confirms the fair value of securities and investment securities and the financial condition of the issuers (its business partners) and continually reviews its shareholdings with a view to maintaining and strengthening comprehensive relations with its business partners and in consideration of the economic rationality of holding their shares.
Derivative transactions are executed and managed in accordance with internal regulations that stipulate transaction authority.

3) Management of liquidity risk associated with procuring funds (the risk of being unable to execute a payment on the due date)
The Company and its consolidated subsidiaries have formulated cash flow management plans and manage liquidity risk by, for example, keeping a certain amount of cash reserves on hand.

(4) Supplementary information regarding the fair value of financial instruments
The fair value of financial instruments consists of their market price-based value, and, if a market price is not available, their logically calculated value. Variable factors are incorporated into the calculations of the fair value, and different fair values are possible depending on the differing assumptions used.

2. Fair value of financial instruments
The fair value and carrying value of financial instruments and the difference between both values are shown below. Financial instruments whose fair value is extremely difficult to determine, are not included in the table below. (Please refer to Note 2.)

(Millions of yen)

December 31, 2020	Carrying value	Fair value	Difference
(1) Cash and deposits	48,564	48,564	—
(2) Notes and accounts receivable	39,757	39,757	—
(3) Securities and investment securities:			
Available-for-sale securities	49,297	49,297	—
Total assets	137,618	137,618	—
(1) Notes and accounts payable	12,130	12,130	—
(2) Short-term bank loans	6,903	6,903	—
(3) Long-term debt	4,473	4,512	39
Total liabilities	23,506	23,546	39

(Millions of yen)

December 31, 2021	Carrying value	Fair value	Difference
(1) Cash and deposits	52,457	52,457	—
(2) Notes and accounts receivable	48,456	48,456	—
(3) Securities and investment securities:			
Available-for-sale securities	48,763	48,763	—
Total assets	149,676	149,676	—
(1) Notes and accounts payable	18,391	18,391	—
(2) Short-term bank loans	2,477	2,477	—
(3) Long-term debt	8,730	8,746	16
Total liabilities	29,599	29,616	16

(Note 1)
Valuation method of financial instruments and matters related to securities

Assets

(1) Cash and cash equivalents, and (2) Notes and accounts receivable

As all of these are settled within a short span of time, the fair value is virtually identical to the carrying value. Therefore, the carrying value is used.

(3) Securities and investment securities

In the case of the fair value of securities and investment securities, shares are stated at the exchange-listed price and securities are stated at the exchange-listed price or the price quoted by the correspondent financial institution. In the case of those available-for-sale securities which are settled within a short span of time, the fair value is virtually identical to the carrying value. Therefore, the carrying value is used. With regard to notes to securities by purpose of holding, please refer to the note entitled “Securities.”

Liabilities

(1) Notes and accounts payable, and (2) Short-term bank loans

As all of these are settled within a short span of time, the fair value is virtually identical to the carrying value. Therefore, the carrying value is used.

(3) Long-term debt

The fair value of long-term debt is calculated as the present value by discounting the total principal and interest on the borrowings by the interest rate which would be assumed if new, similar borrowings were made.

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

(Millions of yen)

December 31,	2020	2021
Investments in subsidiaries and affiliates		
Investments in unconsolidated subsidiaries and affiliates	1,646	1,647
Available-for-sale securities:		
Unlisted securities	769	1,096
Investment limited partnership	130	216
Total	2,546	2,959

It is extremely difficult to determine the fair value of these items, as they do not have market prices and future cash flow cannot be estimated. Therefore, they are not included in “Assets: (3) Securities and investment securities.”

(Note 3)
The redemption schedule for monetary claims, held-to-maturity securities and available-for-sale securities with maturities subsequent to the consolidated balance sheet date:

(Millions of yen)

December 31, 2020	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	48,558	—	—	—
Notes and accounts receivable	39,757	—	—	—
Securities and investment securities:				
Available-for-sale securities with maturities (negotiable certificate of deposit)	25,000	—	—	—
Total	113,316	—	—	—

(Millions of yen)

December 31, 2021	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	52,453	—	—	—
Notes and accounts receivable	48,456	—	—	—
Securities and investment securities:				
Available-for-sale securities with maturities (negotiable certificate of deposit)	23,000	—	—	—
Total	123,909	—	—	—

(Note 4)
The repayment schedule for long-term debt, lease obligations, and other interest-bearing debt subsequent to the consolidated balance sheet date:

(Millions of yen)

December 31, 2020	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Short-term bank loans	2,345	—	—	—	—	—
Long-term debt	4,558	143	140	140	3,840	210
Lease obligations	177	122	47	29	14	13
Total	7,080	265	187	169	3,854	223

(Millions of yen)

December 31, 2021	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Short-term bank loans	2,334	—	—	—	—	—
Long-term debt	143	140	140	3,840	4,540	70
Lease obligations	148	60	41	21	12	4
Total	2,626	200	181	3,861	4,552	74

(Securities)

1. Marketable securities classified as available-for-sale securities:

(Millions of yen)

December 31, 2020	Type	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	(1) Stock	19,354	7,022	12,331
Securities whose acquisition cost exceeds their carrying value or more	(1) Stock	4,942	6,326	(1,383)
	(2) Other	25,000	25,000	—
	Subtotal	29,942	31,326	(1,383)
Total		49,297	38,349	10,947

(Millions of yen)

December 31, 2021	Type	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	(1) Stock	23,760	9,248	14,512
Securities whose acquisition cost exceeds their carrying value or more	(1) Stock	2,002	2,475	(472)
	(2) Other	23,000	23,000	—
	Subtotal	25,002	25,475	(472)
Total		48,763	34,723	14,039

2. Marketable securities classified as available-for-sale securities sold during the fiscal year ended:

December 31, 2020 (Millions of yen)

Classification	Sales amount	Total gain on sales	Total loss on sales
Stock	293	253	—

December 31, 2021 (Millions of yen)

Classification	Sales amount	Total gain on sales	Total loss on sales
Stock	2,910	1,706	—

3. Other securities for which impairment loss was recognized:
   An impairment loss of investment securities in an amount of ¥433 million (marketable securities classified as available-for-sale securities of ¥433 million) was recognized for the previous fiscal year.
   An impairment loss of investment securities in an amount of ¥3 million (marketable securities classified as available-for-sale securities of ¥3 million) was recognized for the current fiscal year.
   In the accounting for impairment, an impairment loss is recognized for all securities of which the fair values as of the consolidated balance sheet date decline more than 50% from the acquisition cost, and at an amount deemed necessary for securities of which the fair values as of the same date decline between 30% and 50% in consideration of recoverability and other factors.

(Retirement Benefit Plans)

1. Outline of adopted retirement benefit plans for employees
   The Company and its consolidated subsidiaries adopt a defined benefit plan and a defined contribution plan, either funded or unfunded, to provide for retirement benefits for employees.
   Under defined benefit corporate pension plans (all the plans are funded), a lump-sum or annuity is paid based on accumulated points according to a qualification grade.
   Under defined contribution pension plans, a premium calculated by the qualification grade is expensed when contributed.
   Under retirement lump-sum payment plans (consisting of funded plans and unfunded plans), salaries and lump-sum payments based on length of service are paid as retirement benefits.
   In addition, under the retirement lump-sum payment plans adopted by some of the consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated in accordance with the simplified plan.

2. Defined benefit plan

(1) Reconciliation of opening and closing balance of retirement benefit obligation (excluding plans using the simplified method)

	(Millions of yen)	
Years ended December 31,	2020	2021
Balance of retirement benefit obligation at beginning of year	11,648	11,611
Service cost	555	550
Actuarial gain or loss	(16)	(7)
Retirement benefits paid	(575)	(729)
Balance of retirement benefit obligation at end of year	11,611	11,425

(2) Reconciliation of opening and closing balance of plan assets (excluding plans using the simplified method)

	(Millions of yen)	
Years ended December 31,	2020	2021
Balance of plan assets at beginning of year	13,693	14,052
Expected return on plan assets	136	140
Actuarial gain or loss	107	438
Contribution from employer	690	688
Retirement benefits paid	(575)	(729)
Balance of plan assets at end of year	14,052	14,590

(3) Reconciliation of opening and closing balance of net defined benefit liability under the plans using the simplified method

	(Millions of yen)	
Years ended December 31,	2020	2021
Balance of net defined benefit liability at beginning of year	161	151
Retirement benefit expenses	16	25
Retirement benefits paid	(21)	(31)
Contribution to plan	(4)	(4)
Other	(0)	(0)
Balance of net defined benefit liability at end of year	151	140

(4) Reconciliation of the ending balance of retirement benefit obligations and plan assets and the net defined benefit liability and the net defined benefit asset included in the consolidated balance sheets

	(Millions of yen)	
December 31,	2020	2021
Funded retirement benefit obligations	11,810	11,620
Plan assets	(14,146)	(14,683)
	(2,336)	(3,063)
Unfunded projected benefit obligations	46	38
Net amount of relevant liabilities and assets on the consolidated balance sheets	(2,289)	(3,024)
Net defined benefit liability	151	140
Net defined benefit asset	(2,441)	(3,165)
Net amount of relevant liabilities and assets on the consolidated balance sheets	(2,289)	(3,024)

(Note) Includes the plans using the simplified method.

(5) Retirement benefit expenses and components thereof

	(Millions of yen)	
Years ended December 31,	2020	2021
Service cost	555	550
Expected return on plan assets	(136)	(140)
Amortization of actuarial gain or loss	79	55
Amortization of prior service cost	(21)	(21)
Retirement benefit expenses calculated using the simplified method	16	25
Retirement benefit expenses related to the defined benefit plan	493	469

(6) Remeasurements of defined benefit plans, net of tax
The components of items (before tax) reported under remeasurements of the defined benefit plans, net of tax were as follows:

(Millions of yen)

Years ended December 31,	2020	2021
Prior service cost	(21)	(21)
Actuarial gain or loss	203	501
Total	182	479

(7) Remeasurements of defined benefit plans
The components of items (before tax) reported under remeasurements of the defined benefit plans were as follows:

(Millions of yen)

December 31,	2020	2021
Unrecognized prior service cost	(194)	(172)
Unrecognized actuarial gain or loss	70	(431)
Total	(124)	(603)

(8) Matters regarding plan assets
1) Major components of the plan assets
The percentages of the major asset types accounting for the total plan assets were as follows:

December 31,	2020	2021
Bonds	39.6%	40.1%
Stocks	18.5	19.9
General accounts of life insurance companies	37.5	36.0
Other	4.4	4.0
Total	100.0	100.0

2) Method for setting the long-term rate of the expected return on plan assets
To determine the long-term rate of the expected return on plan assets, we take into account the current and projected distribution of plan assets and the current and anticipated long-term yield rates of the various assets that constitute the plan assets.

(9) Matters regarding the assumptions for actuarial calculations
Key assumptions for actuarial calculations (representing weighted averages)

Years ended December 31,	2020	2021
Discount rate	0.0%	0.0%
Long-term rate of the expected return on plan assets	1.0	1.0

3. Defined contribution plan
The amounts required to be contributed by the Company and consolidated subsidiaries are ¥310 million for the previous fiscal year and ¥306 million for the current fiscal year.

(Stock Options, etc.)
Not applicable.

(Tax Effect Accounting)
1. Significant components of deferred tax assets and liabilities:

(Millions of yen)

December 31,	2020	2021
Deferred tax assets		
Elimination of unrealized profit	1,398	1,398
Net operating loss carry forwards	792	793
Depreciation	541	591
Accrued costs of removing facilities	466	514
Impairment loss	184	484
Accrued enterprise tax	147	253
Loss on valuation of investment securities	179	181
Valuation loss on inventories	107	115
Expenses of soil pollution measures	—	80
Net defined benefit liability	45	42
Loss on valuation of golf club membership	42	41
Other	295	522
Gross deferred tax assets	4,201	5,020
Valuation allowance	(1,277)	(1,290)
Total deferred tax assets	2,923	3,730
Deferred tax liabilities		
Unrealized holding gain on available-for-sale securities	(3,462)	(4,266)
Reserve for reduction entry	(982)	(973)
Net defined benefit asset	(745)	(966)
Undistributed earnings of subsidiaries and affiliates	(230)	(275)
Securities returned from retirement benefit trust	(221)	(221)
Other	(23)	(208)
Total deferred tax liabilities	(5,664)	(6,912)
Net deferred tax assets (liability)	(2,740)	(3,182)

2. Major reasons for which the effective tax rates reflected in the consolidated statements of income differ from the statutory tax rates:

December 31,	2020	2021
Statutory tax rate	30.53%	30.53%
Effect of:		
Permanent difference – entertainment expenses	0.14	0.07
Permanent difference – dividend income	(0.47)	(0.48)
Inhabitants' per capita taxes	0.60	0.40
Equity in earnings of affiliates	(0.42)	(0.26)
Valuation allowance	1.70	(0.99)
Different tax rates applied to income of foreign consolidated subsidiaries	0.31	(1.02)
Tax deduction of experiment and research expenses	(2.23)	(2.35)
Other, net	1.59	(0.26)
Effective tax rates.	31.74	25.65

(Business Combinations, etc.)

Common control transactions, etc.

(1) Overview of transaction

a. Names of parties to the business combination and business description

Name of combining company	Toagosei Co., Ltd.
Business description	Manufacturing and sales, etc. of chemical industry products
Name of combined company	Oita Chemical Co., Ltd.
Business description	Manufacturing of chemical industry products, such as acrylic acids

b. Date of business combination

January 1, 2021

c. Legal form of business combination

An absorption-type merger, in which the Company became a surviving company and Oita Chemical Co., Ltd. was dissolved.

d. Name following business combination

Toagosei Co., Ltd.

e. Other matters related to the overview of transaction

The Company has merged Oita Chemical Co., Ltd. into the Company for the purpose of further consolidating the management resources within the Group and increasing efficiency of the business operation management.

(2) Outline of accounting treatment

The merger will be accounted for as a common control transaction pursuant to "Accounting Standard for Business Combinations" (ASBJ Statement No. 21) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10).

(Asset Retirement Obligations)

Not applicable.

(Rental properties, etc.)

Disclosure on rental properties, etc. is not required because rental properties, etc. are not significant in the Group.

(Segment Information, etc.)
[Segment Information]
1. Outline of Reportable Segments
(1) Methods for Determining Reportable Segments
The reportable segments of the Company and its consolidated subsidiaries are defined as operating segments for which discrete financial information is available and reviewed by the Board of Directors regularly in order to make decisions about resources to be allocated to individual segments and assess performance.
Group operating divisions are organized based on products and services and the operating divisions are responsible for comprehensive domestic and overseas comprehensive plans as to the products and services. The five reportable segments of the Company are “Commodity Chemicals,” “Polymer & Oligomer,” “Adhesive Material,” “Performance Chemicals,” and “Plastics” based on similarity of economic characteristics, and nature of products and services.

(2) Major products attributable to each reportable segment

Reportable segment	Major products
Commodity Chemicals	Caustic soda, caustic potash, sodium hypochlorite and other electrolytic products, sulfuric acid, industrial gases, acrylic acids, acrylate esters and other acrylic monomers
Polymer & Oligomer	Acrylic polymers, polymer flocculants, UV-Curable Resins and other acrylic oligomers, etc.
Adhesive Material	Instant glues, functional adhesives, etc.
Performance Chemicals	High purity inorganic chemicals, inorganic functional materials, etc.
Plastics	Piping equipment products, products for construction and civil engineering, nursing care products, elastomer compounds, etc.

2. Method of calculating net sales, income and loss, assets, liabilities and others
The accounting method applied to the reportable segments is the same as described in “Basis for Preparation of Consolidated Financial Statements.”
Segment income of the reportable segments is based on operating income.
Intersegment sales or transfer amounts are determined chiefly on the basis of market prices.

3. Information about the amounts of net sales, profit (loss), assets and other items for each reportable segment

(Millions of yen)

Year ended December 31, 2020	Reportable segments						Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Commodity Chemicals	Polymer & Oligomer	Adhesive Material	Performance Chemicals	Plastics	Total				
Sales										
Sales to third parties	58,495	26,944	10,054	8,980	25,285	129,759	3,633	133,392	—	133,392
Intersegment sales	3,157	1,283	77	76	28	4,623	1,473	6,096	(6,096)	—
Net sales	61,652	28,228	10,131	9,056	25,313	134,382	5,106	139,489	(6,096)	133,392
Segment income	4,550	3,141	781	2,690	1,188	12,352	(45)	12,306	29	12,336
Segment assets	55,666	30,264	14,163	12,461	43,490	156,047	1,454	157,502	84,330	241,832
Other items										
Depreciation	4,442	1,722	488	698	1,707	9,058	136	9,194	653	9,848
Investment in associates accounted for using equity method	715	—	9	—	—	725	—	725	—	725
Increase in tangible and intangible fixed assets	4,295	2,211	2,291	2,003	2,269	13,072	195	13,268	343	13,612

(Notes)
1. The Others segment includes business operations relative to research and development, transportation and trading firm business.
2. "Adjustments" were as follows:
   (1) The adjustments to segment income include intersegment eliminations.
   (2) The adjustments to segment assets include corporate assets of ¥111,761 million that are not allocated to any reportable segments, and intersegment eliminations.
   (3) The adjustments to depreciation include mainly corporate expenses that are not allocated to any reportable segments.
   (4) The adjustments to increase in tangible and intangible fixed assets include mainly capital investment in corporate assets that are not allocated to any reportable segments.
3. Segment income is reconciled with operating income on the consolidated statements of income.
4. Depreciation in the table above includes amortization of long-term prepaid expense.

(Millions of yen)

Year ended December 31, 2021	Reportable segments: Commodity Chemicals	Polymer & Oligomer	Adhesive Material	Performance Chemicals	Plastics	Total	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales										
Sales to third parties	70,312	34,904	11,364	9,752	26,131	152,465	3,847	156,313	—	156,313
Intersegment sales	3,559	1,463	89	207	278	5,598	1,480	7,078	(7,078)	—
Net sales	73,872	36,367	11,453	9,959	26,410	158,063	5,328	163,391	(7,078)	156,313
Segment income	7,992	5,276	666	2,627	1,433	17,996	(299)	17,696	(20)	17,676
Segment assets	63,083	33,379	16,043	12,833	44,591	169,930	1,521	171,452	87,503	258,955
Other items										
Depreciation	4,395	1,907	605	1,084	1,795	9,788	195	9,984	639	10,623
Investment in associates accounted for using equity method	721	—	—	—	—	721	—	721	—	721
Increase in tangible and intangible fixed assets	4,537	2,328	1,441	1,096	1,612	11,015	311	11,327	624	11,951

(Notes)

1. The Others segment includes business operations relative to research and development, transportation and trading firm business.
2. “Adjustments” were as follows:
   (1) The adjustments to segment income include intersegment eliminations.
   (2) The adjustments to segment assets include corporate assets of ¥115,766 million that are not allocated to any reportable segments, and intersegment eliminations.
   (3) The adjustments to depreciation include mainly corporate expenses that are not allocated to any reportable segments.
   (4) The adjustments to increase in tangible and intangible fixed assets include mainly capital investment in corporate assets that are not allocated to any reportable segments.
3. Segment income is reconciled with operating income on the consolidated statements of income.
4. Depreciation in the table above includes amortization of long-term prepaid expense.

[Related Information]

Year ended December 31, 2020
1. Information related to geographic region
(1) Net sales

(Millions of yen)

Japan	Asia	North America	Other	Total
111,225	16,440	3,174	2,552	133,392

(Note) Net sales are classified into countries and regions based on geographic location of the customer.

(2) Information related to property, plant and equipment
This information is not required to be disclosed because the amount of property, plant and equipment in Japan exceeded 90% of the amount on the consolidated balance sheet.

2. Information on major customer
This information is not required to be disclosed because net sales to any particular customer are less than 10% of the net sales on the consolidated statements of income.

Year ended December 31, 2021
1. Information related to geographic region
(1) Net sales

(Millions of yen)

Japan	Asia	North America	Other	Total
127,302	20,830	4,540	3,639	156,313

(Note) Net sales are classified into countries and regions based on geographic location of the customer.

(2) Information related to property, plant and equipment
This information is not required to be disclosed because the amount of property, plant and equipment in Japan exceeded 90% of the amount on the consolidated balance sheet.

2. Information on major customer
This information is not required to be disclosed because net sales to any particular customer are less than 10% of the net sales on the consolidated statements of income.

[Impairment loss on non-current assets by reportable segment]

Year ended December 31, 2020 (Millions of yen)

Commodity Chemicals	Polymer & Oligomer	Adhesive Material	Performance Chemicals	Plastics	Others	Adjustment	Total
183	—	—	—	—	—	—	183

Year ended December 31, 2021 (Millions of yen)

Commodity Chemicals	Polymer & Oligomer	Adhesive Material	Performance Chemicals	Plastics	Others	Adjustment	Total
1,032	—	—	—	—	—	—	1,032

[Balance of goodwill by reportable segment]
This information is not required to be disclosed due to its immateriality.

[Gain on negative goodwill by reportable segment]
Not applicable.

[Related party information]
Not applicable.

(Per Share Information)

Years ended December 31,	2020	2021 (Yen)
Net assets per share	1,505.69	1,613.90
Net income per share	62.43	108.14

(Notes)

1. Diluted net income per share is not disclosed because no potential shares exist.
2. The basis for calculation of "net income per share" is as follows:

Years ended December 31,	2020	2021
Net income per share		
Net income attributable to owners of parent (Millions of yen)	8,142	13,771
Amounts not belonging to shareholders of common stock (Millions of yen)	—	—
Net income attributable to owners of parent relating to common stock (Millions of yen)	8,142	13,771
Average number of common shares during the fiscal year (Thousands of shares)	130,412	127,347

3. The basis for calculation of "net assets per share" is as follows:

December 31,	2020	2021
Total amount of net assets (Millions of yen)	197,642	206,612
Amount deducted from the total amount of net assets (Millions of yen)	4,757	4,848
(including non-controlling interests)	(4,757)	(4,848)
Amount of net assets at the end of the fiscal year attributable to common stock (Millions of yen)	192,885	201,764
Number of common shares used for calculating net assets per share (Thousands of shares)	128,103	125,016

(Subsequent Events)

Treasury stock acquisition

At the Board of Directors meeting held on January 31, 2022, the Company resolved to acquire its treasury stock in accordance with provisions of Article 156 of the Companies Act, as applied by replacing terms pursuant to the provisions of Article 165, Paragraph 3 of the said Act.

1. Reasons for treasury stock acquisition

To strengthen returns to shareholders, improve capital efficiency, raise the corporate value and implement flexible capital policies.

2. Details of matters regarding the acquisition

(1) Type of stock to be acquired	Common stock of the Company
(2) Total number of shares that can be acquired	Up to 3,200,000 shares (2.56% of total number of shares issued [excluding treasury stock])
(3) Total acquisition cost	Up to ¥3,500 million
(4) Acquisition period	February 14, 2022 to December 31, 2022
(5) Acquisition method	Market purchase on the Tokyo Stock Exchange based on a discretionary investment agreement on the treasury stock acquisition

v) [Supplementary Financial Schedules]

[Schedule of bonds and debentures]
Not applicable.

[Schedule of borrowings, etc.]

Classification	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average interest rate (%)	Due date of repayment
Short-term bank loans	2,345	2,334	0.485	—
Long-term debt scheduled to be repaid within one year	4,558	143	1.352	—
Lease obligations scheduled to be repaid within one year	177	148	—	—
Long-term debt (excluding debt scheduled to be repaid within one year)	4,473	8,730	0.540	From 2023 to 2027
Lease obligations (excluding obligations scheduled to be repaid within one year)	227	140	—	From 2023 to 2027
Other interest-bearing debt	—	—	—	—
Total	11,781	11,497	—	—

(Notes)
1. "Average interest rate" presents the weighted average interest rate against the term-end balance of borrowings.
2. "Average interest rate" for lease obligations is not required to be disclosed because lease obligations are stated in the consolidated balance sheets in the amount before deducting the amount equivalent to related interest expenses, which are included in the total lease payments.
3. The projected repayment amounts of long-term debt and lease obligations (excluding debt and obligations scheduled to be repaid within one year) within five years after the consolidated balance sheet date are as follows.

(Millions of yen)

	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term debt	140	140	3,840	4,540
Lease obligations	60	41	21	12

[Schedule of asset retirement obligations]
Not applicable.

(2) [Other]

Quarterly data for the current fiscal year ended December 31, 2021

Cumulative periods	First quarter (From January 1 to March 31, 2021)	Second quarter (From January 1 to June 30, 2021)	Third quarter (From January 1 to September 30, 2021)	Current fiscal year (From January 1 to December 31, 2021)
Net sales (Millions of yen)	35,953	74,164	113,395	156,313
Income before income taxes (Millions of yen)	5,181	9,777	14,839	18,801
Net income attributable to owners of parent (Millions of yen)	3,656	7,015	10,661	13,771
Net income per share (Yen)	28.54	54.76	83.35	108.14

Accounting period	First quarter (From January 1 to March 31, 2021)	Second quarter (From April 1 to June 30, 2021)	Third quarter (From July 1 to September 30, 2021)	Fourth quarter (From October 1 to December 31, 2021)
Net income per share (Yen)	28.54	26.22	28.57	24.73