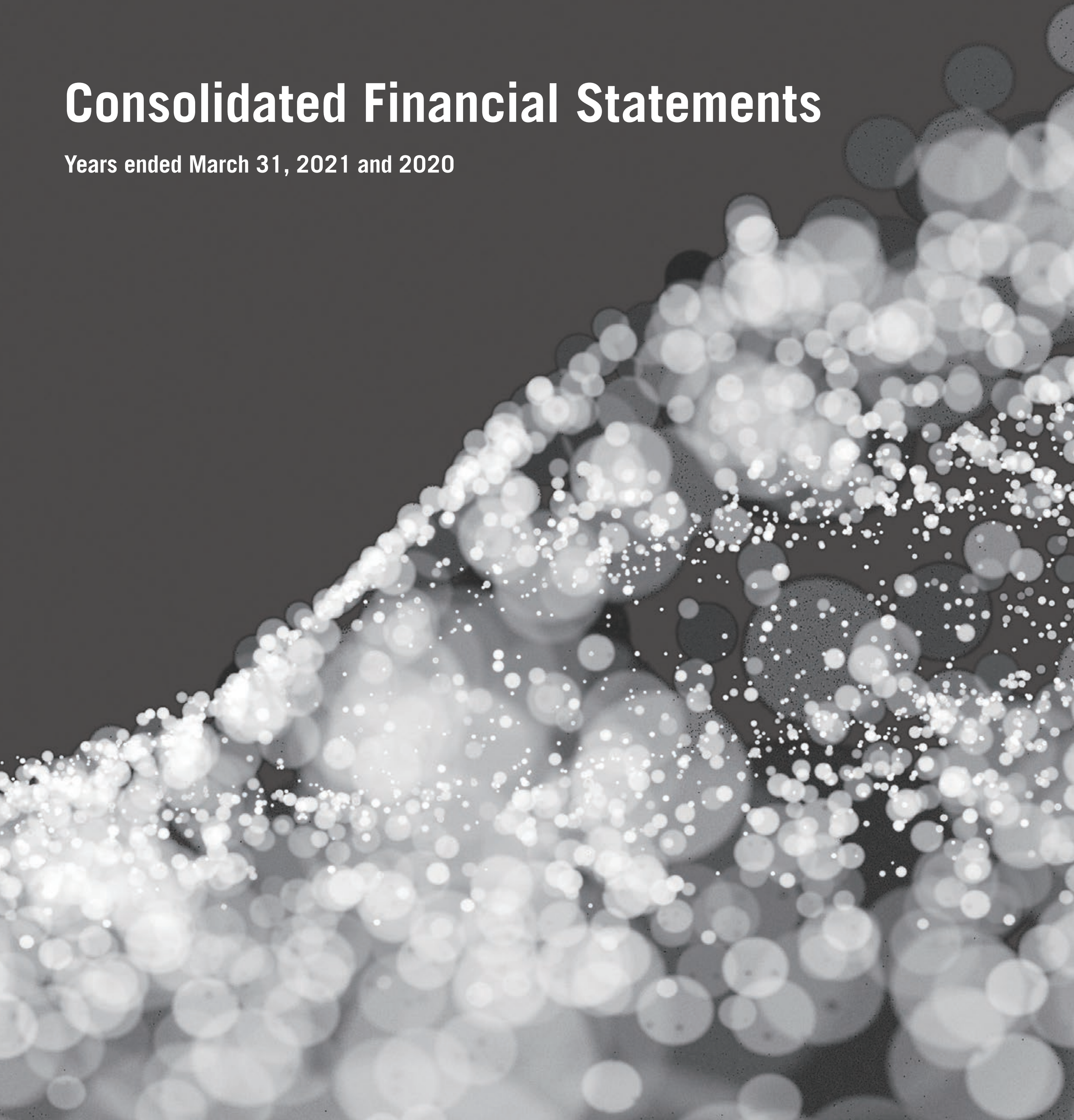
SUMITOMO CHEMICAL

Consolidated Financial Statements

Years ended March 31, 2021 and 2020



Consolidated Statement of Financial Position

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
March 31, 2021 and 2020

		Millions of yen		Thousands of US dollars (Note 2)
	Note	March 31, 2021	March 31, 2020	March 31, 2021
Assets				
Current assets:				
Cash and cash equivalents	8	¥ 360,918	¥ 180,648	$ 3,260,031
Trade and other receivables	9	652,616	570,413	5,894,824
Other financial assets	10	12,814	8,945	115,744
Inventories	11	511,529	492,391	4,620,441
Other current assets	12	46,552	54,204	420,486
subtotal		1,584,429	1,306,601	14,311,526
Assets held for sale	13	42	4,305	379
Total current assets		1,584,471	1,310,906	14,311,905
Non-current assets:				
Property, plant and equipment	14	793,500	778,417	7,167,374
Goodwill	15	220,295	200,416	1,989,838
Intangible assets	15	450,172	465,646	4,066,227
Investments accounted for using the equity method	17	243,803	264,054	2,202,177
Other financial assets	10	528,826	488,645	4,776,678
Retirement benefit assets	24	80,455	61,229	726,718
Deferred tax assets	18	41,406	47,191	374,004
Other non-current assets	12	47,326	37,583	427,478
Total non-current assets		2,405,783	2,343,181	21,730,494
Total assets		¥3,990,254	¥3,654,087	$36,042,399

See accompanying notes.

	Note	Millions of yen March 31, 2021	March 31, 2020	Thousands of US dollars (Note 2) March 31, 2021
Liabilities and equity				
Liabilities				
Current liabilities:				
Bonds and borrowings	19, 21	¥ 250,389	¥ 466,527	$ 2,261,666
Trade and other payables	23	522,887	436,070	4,723,033
Other financial liabilities	20, 21, 22	55,913	48,769	505,040
Income taxes payable		38,410	32,116	346,942
Provisions	25	106,968	89,862	966,200
Other current liabilities	26	116,125	88,984	1,048,912
Total current liabilities		1,090,692	1,162,328	9,851,793
Non-current liabilities:				
Bonds and borrowings	19, 21	1,100,677	838,139	9,941,984
Other financial liabilities	20, 21, 22	81,117	92,056	732,698
Retirement benefit liabilities	24	37,179	45,770	335,823
Provisions	25	25,115	21,491	226,854
Deferred tax liabilities	18	101,854	79,528	920,007
Other non-current liabilities	26	71,501	22,183	645,841
Total non-current liabilities		1,417,443	1,099,167	12,803,207
Total liabilities		2,508,135	2,261,495	22,655,000
Equity				
Share capital	27	89,699	89,699	810,216
Capital surplus	27	26,882	20,784	242,815
Retained earnings	27	854,538	807,959	7,718,707
Treasury shares	27	(8,334)	(8,329)	(75,278)
Other components of equity	27	56,445	13,877	509,845
Equity attributable to owners of the parent		1,019,230	923,990	9,206,305
Non-controlling interests		462,889	468,602	4,181,094
Total equity		1,482,119	1,392,592	13,387,399
Total liabilities and equity		¥3,990,254	¥3,654,087	$36,042,399

See accompanying notes.

Consolidated Statement of Profit or Loss

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

		Millions of yen		Thousands of US dollars (Note 2)
	Note	2021	2020	2021
Sales revenue	6, 29	¥2,286,978	¥2,225,804	$20,657,375
Cost of sales		(1,515,782)	(1,519,047)	(13,691,464)
Gross profit		771,196	706,757	6,965,911
Selling, general and administrative expenses	30	(631,270)	(575,135)	(5,702,014)
Other operating income	31	26,673	11,590	240,926
Other operating expenses	31	(17,025)	(14,928)	(153,780)
Share of profit or loss of investments accounted for using the equity method	17	(12,459)	9,233	(112,537)
Operating income		137,115	137,517	1,238,506
Finance income	32	19,868	13,178	179,460
Finance expenses	32	(19,180)	(20,215)	(173,246)
Income before taxes		137,803	130,480	1,244,720
Income tax expenses	18	(69,729)	(76,081)	(629,834)
Net income		¥ 68,074	¥ 54,399	$ 614,886
Net income attributable to:				
Owners of the parent		46,043	30,926	415,888
Non-controlling interests		22,031	23,473	198,998
Net income		¥ 68,074	¥ 54,399	$ 614,886
		Yen		US dollars (Note 2)
Earnings per share:	34			
Basic earnings per share		¥28.16	¥18.91	$0.254
Diluted earnings per share		—	—	—

See accompanying notes.

Consolidated Statement of Comprehensive Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Note	Millions of yen 2021	Millions of yen 2020	Thousands of US dollars (Note 2) 2021
Net income		¥ 68,074	¥ 54,399	$ 614,886
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurements of financial assets measured at fair value through other comprehensive income	33	13,405	(13,397)	121,082
Remeasurements of defined benefit plans	24, 33	18,867	(8,323)	170,418
Share of other comprehensive income of investments accounted for using the equity method	17, 33	3,440	(4,812)	31,072
Total items that will not be reclassified to profit or loss		35,712	(26,532)	322,572
Items that may be subsequently reclassified to profit or loss:				
Cash flow hedge	33, 37	(3,015)	1,871	(27,234)
Exchange differences on translation of foreign operations	33	36,890	(45,048)	333,213
Share of other comprehensive income of investments accounted for using the equity method	17, 33	(1,701)	(2,050)	(15,364)
Total items that may be subsequently reclassified to profit or loss		32,174	(45,227)	290,615
Other comprehensive income, net of taxes		67,886	(71,759)	613,187
Total comprehensive income		135,960	(17,360)	1,228,073
Total comprehensive income attributable to:				
Owners of the parent		108,727	(39,081)	982,088
Non-controlling interests		27,233	21,721	245,985
Total comprehensive income		¥135,960	¥(17,360)	$1,228,073

See accompanying notes.

Consolidated Statement of Changes in Equity

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
		Millions of yen											
		Equity attributable to owners of the parent											
						Other components of equity							
Balance as at April 1, 2019		¥89,699	¥20,438	¥ 820,454	¥ (8,322)	¥ 98,776	¥ —	¥(1,851)	¥ (20,492)	¥ 76,433	¥ 998,702	¥ 353,184	¥ 1,351,886
Net income		—	—	30,926	—	—	—	—	—	—	30,926	23,473	54,399
Other comprehensive income	33	—	—	—	—	(20,740)	(9,372)	2,035	(41,930)	(70,007)	(70,007)	(1,752)	(71,759)
Total comprehensive income		—	—	30,926	—	(20,740)	(9,372)	2,035	(41,930)	(70,007)	(39,081)	21,721	(17,360)
Purchase of treasury shares	27	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Disposal of treasury shares	27	—	0	—	0	—	—	—	—	—	0	—	0
Dividends	28	—	—	(35,970)	—	—	—	—	—	—	(35,970)	(16,722)	(52,692)
Changes resulting from additions to consolidation		—	—	—	—	—	—	—	—	—	—	109,826	109,826
Change in interest due to transactions with non-controlling interests		—	346	—	—	—	—	—	—	—	346	593	939
Transfer from other components of equity to retained earnings		—	—	(7,465)	—	(1,907)	9,372	—	—	7,465	—	—	—
Others, net		—	—	14	—	(14)	—	—	—	(14)	—	—	—
Total transactions with owners		—	346	(43,421)	(7)	(1,921)	9,372	—	—	7,451	(35,631)	93,697	58,066
Balance as at March 31, 2020		¥89,699	¥20,784	¥ 807,959	¥ (8,329)	¥ 76,115	¥ —	¥ 184	¥ (62,422)	¥ 13,877	¥ 923,990	¥ 468,602	¥ 1,392,592
Balance as at April 1, 2020		¥89,699	¥20,784	¥807,959	¥(8,329)	¥76,115	¥ —	¥ 184	¥(62,422)	¥13,877	¥ 923,990	¥468,602	¥1,392,592
Net income		—	—	46,043	—	—	—	—	—	—	46,043	22,031	68,074
Other comprehensive income	33	—	—	—	—	19,029	15,562	(3,050)	31,143	62,684	62,684	5,202	67,886
Total comprehensive income		—	—	46,043	—	19,029	15,562	(3,050)	31,143	62,684	108,727	27,233	135,960
Purchase of treasury shares	27	—	—	—	(5)	—	—	—	—	—	(5)	—	(5)
Disposal of treasury shares	27	—	0	—	0	—	—	—	—	—	0	—	0
Dividends	28	—	—	(19,620)	—	—	—	—	—	—	(19,620)	(16,779)	(36,399)
Changes resulting from additions to consolidation		—	—	—	—	—	—	—	—	—	—	4	4
Change in interest due to transactions with non-controlling interests	38	—	6,098	—	—	—	—	—	—	—	6,098	(16,171)	(10,073)
Transfer from other components of equity to retained earnings		—	—	20,116	—	(4,554)	(15,562)	—	—	(20,116)	—	—	—
Others, net		—	—	40	—	—	—	—	—	—	40	—	40
Total transactions with owners		—	6,098	536	(5)	(4,554)	(15,562)	—	—	(20,116)	(13,487)	(32,946)	(46,433)
Balance as at March 31, 2021		¥89,699	¥26,882	¥854,538	¥(8,334)	¥90,590	¥ —	¥(2,866)	¥(31,279)	¥56,445	¥1,019,230	¥462,889	¥1,482,119
		Thousands of US dollars (Note 2)											
Balance as at April 1, 2020		$810,216	$187,734	$7,297,977	$(75,233)	$687,517	$ —	$ 1,662	$(563,833)	$125,346	$8,346,040	$4,232,698	$12,578,738
Net income		—	—	415,889	—	—	—	—	—	—	415,889	198,997	614,886
Other comprehensive income	33	—	—	—	—	171,881	140,565	(27,549)	281,302	566,199	566,199	46,988	613,187
Total comprehensive income		—	—	415,889	—	171,881	140,565	(27,549)	281,302	566,199	982,088	245,985	1,228,073
Purchase of treasury shares	27	—	—	—	(45)	—	—	—	—	—	(45)	—	(45)
Disposal of treasury shares	27	—	0	—	0	—	—	—	—	—	0	—	0
Dividends	28	—	—	(177,220)	—	—	—	—	—	—	(177,220)	(151,559)	(328,779)
Changes resulting from additions to consolidation		—	—	—	—	—	—	—	—	—	—	36	36
Change in interest due to transactions with non-controlling interests	38	—	55,081	—	—	—	—	—	—	—	55,081	(146,066)	(90,985)
Transfer from other components of equity to retained earnings		—	—	181,700	—	(41,135)	(140,565)	—	—	(181,700)	—	—	—
Others, net		—	—	361	—	0	—	—	—	—	361	—	361
Total transactions with owners		—	55,081	4,841	(45)	(41,135)	(140,565)	—	—	(181,700)	(121,823)	(297,589)	(419,412)
Balance as at March 31, 2021		$810,216	$242,815	$7,718,707	$(75,278)	$818,263	$ —	$(25,887)	$(282,531)	$509,845	$9,206,305	$4,181,094	$13,387,399

See accompanying notes.

Consolidated Statement of Cash Flows

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Note	Millions of yen		Thousands of US dollars (Note 2)
		2021	2020	2021
Cash flows from operating activities:				
Income before taxes		¥137,803	¥130,480	$1,244,720
Depreciation and amortization		136,017	131,741	1,228,588
Impairment loss	16	40,833	37,328	368,828
Reversal of impairment loss	16	—	(61)	—
Share of (profit) loss of investments accounted for using the equity method		12,459	(9,233)	112,537
Interest and dividend income		(8,440)	(10,904)	(76,235)
Interest expenses		16,091	12,513	145,344
Business structure improvement expenses		6,323	7,806	57,113
Changes in fair value of contingent consideration		(22,463)	(48,475)	(202,899)
(Gain) loss on sale of property, plant and equipment		(18,730)	(931)	(169,181)
(Increase) decrease in trade receivables		(22,426)	(10,938)	(202,565)
(Increase) decrease in inventories		12,644	(11,713)	114,208
Increase (decrease) in trade payables		48,270	(22,048)	436,004
Increase (decrease) in unearned revenue		47,976	4,881	433,348
Increase (decrease) in provisions		16,513	(8,060)	149,155
Others, net		28,094	(57,184)	253,763
Subtotal		430,964	145,202	3,892,728
Interest and dividends received		15,968	27,033	144,233
Interest paid		(15,860)	(12,733)	(143,257)
Income taxes paid		(54,401)	(48,688)	(491,383)
Business structure improvement expenses paid		(2,207)	(4,802)	(19,935)
Net cash provided by operating activities		374,464	106,012	3,382,386
Cash flows from investing activities:				
Payments of deposit	35	—	(61,028)	—
Net (increase) decrease in securities		(2,644)	—	(23,882)
Purchase of property, plant and equipment, and intangible assets		(120,812)	(120,449)	(1,091,248)
Proceeds from sale of property, plant and equipment, and intangible assets		24,371	1,974	220,134
Purchase of investments in subsidiaries	7	(3,355)	(204,592)	(30,304)
Purchase of other financial assets		(8,074)	(122,493)	(72,929)
Proceeds from sales and redemption of other financial assets		20,935	6,763	189,098
Increase in loans receivable		(81,760)	(1,734)	(738,506)
Others, net		(6,050)	1,889	(54,648)
Net cash used in investing activities		(177,389)	(499,670)	(1,602,285)
Cash flows from financing activities:				
Net (decrease) increase in short-term borrowings	21	(237,585)	237,592	(2,146,012)
Net (decrease) of commercial paper	21	(2,000)	(28,000)	(18,065)
Proceeds from long-term borrowings	21	202,403	67,689	1,828,227
Repayments of long-term borrowings	21	(58,517)	(85,657)	(528,561)
Proceeds from issuance of bonds	21	158,734	282,575	1,433,782
Redemption of bonds	21	(45,000)	(30,500)	(406,467)
Repayments of lease liabilities	21, 22	(15,149)	(14,778)	(136,835)
Cash dividends paid	28	(19,620)	(35,970)	(177,220)
Cash dividends paid to non-controlling interests		(16,775)	(16,717)	(151,522)
Proceeds from sale of subsidiaries' interests to non-controlling interests		10,841	—	97,923
Payments for acquisition of subsidiaries' interests from non-controlling interests		(19,396)	(2,622)	(175,196)
Others, net		2,090	(70)	18,877
Net cash provided by (used in) financing activities		(39,974)	373,542	(361,069)
Effect of exchange rate changes on cash and cash equivalents		23,169	(914)	209,276
Net increase (decrease) in cash and cash equivalents		180,270	(21,030)	1,628,308
Cash and cash equivalents at beginning of year	8	180,648	201,678	1,631,723
Cash and cash equivalents at end of year	8	¥360,918	¥180,648	$3,260,031

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
For the Years ended March 31, 2021 and 2020

1 Reporting Entity

Sumitomo Chemical Company, Limited (hereinafter, the "Company") is a company domiciled in Japan. The address of the Company's registered Head Office and main places of business are presented on the Company's website (URL https://www.sumitomo-chem.co.jp/).

The consolidated financial statements of the Company and its subsidiaries (hereinafter, the "Group") have a closing date as of March 31 and comprise the financial statements of the Group and the interests in associates and jointly controlled entities of the Group.

The Group is primarily involved in the manufacturing and sale of "Petrochemicals & Plastics," "Energy & Functional Materials," "IT-related Chemicals," "Health & Crop Sciences" and "Pharmaceuticals." Details of these businesses are presented in Note 6 Segment Information.

2 Basis of Preparation

(1) Compliance with IFRS

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements applies, as the Company meets the requirements for a "Specified Company applying Designated International Financial Reporting Standards" prescribed in Article 1-2 of said ordinance.

The Group's consolidated financial statements were approved on June 23, 2021 by Keiichi Iwata, Representative Director & President.

(2) Basis of Measurement

The Group's consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments measured at fair value presented in Note 3 Significant Accounting Policies.

(3) Functional Currency and Presentation Currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, rounded to the nearest million yen.

The translations of Japanese yen amounts into US dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to US$1.00.

Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into US dollars at this or any other rate of exchange.

3 Significant Accounting Policies

(1) Basis of Consolidation

① Subsidiaries

Subsidiaries are entities controlled by the Group. The Group has control over an entity if it has exposure or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Accordingly, even in cases where the Group does not own the majority of voting rights of an entity, if the Group is deemed to effectively control its decision-making body, the entity is treated as a subsidiary.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which it is lost.

Subsidiaries' financial statements are adjusted, if necessary, when their accounting policies differ from those of the Group. All intergroup balances, transactions, income and expenses and unrealized gains and losses arising from intergroup transactions are eliminated in preparing the consolidated financial statements.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Differences between adjusted non-controlling interest amounts and fair value of the considerations are recognized directly as equity attributed to owners of the parent. In the event of a loss of control, any gain or loss arising from a loss of control is recognized in profit or loss.

In the case when the closing date of a subsidiary is different from that of the Group, financial statements that are prepared provisionally as of the consolidated closing date are used for such subsidiaries.

② Associates and Joint Arrangements

Associates are those entities in which the Group has significant influence over the financial and operating policies but does not have control or joint control. The Group is presumed to have significant influence over another when it holds at least 20% of the voting rights of that entity.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as Joint operations or Joint ventures depending on the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and equity interests in joint ventures are initially recognized at acquisition cost, and subsequently accounted for using the equity method. Investments in associates and joint ventures include goodwill identified on acquisition.

If the Group holds an interest in a joint operation, the Group recognizes its share of the assets, liabilities, revenues and expenses generated from joint operation.

Financial statements of associates, joint ventures and joint operations are adjusted, if necessary, when their accounting policies differ from those of the Group.

When it is impracticable to unify the closing date of associates, joint ventures and joint operations due to certain reasons such as relationships with other shareholders, significant transactions or events between the closing date of the Group and that of the said entities' financial statements are reflected in the consolidated financial statements.

(2) Business Combinations

The Group uses the acquisition method to account for business combinations. The consideration of acquisition is measured as the aggregate of the acquisition-date fair value of the assets transferred, liabilities assumed and equity securities issued by the Group in exchange for control of the acquiree.

Identifiable assets and liabilities of the acquiree, excluding the following items, are measured at their acquisition-date fair values.

- Deferred tax assets/liabilities, and assets/liabilities related to employee benefits;
- Share-based payment contracts of the acquiree; and
- Non-current assets and disposal groups classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Goodwill is recognized as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree; over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. Conversely, any shortfall is immediately recognized as gain in profit or loss.

Non-controlling interests are initially measured either at fair value or at proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Acquisition-related costs associated with business combinations, such as advisory fees, attorney fees and due diligence costs, are expensed as incurred.

If the initial accounting for business combination is incomplete by the reporting date in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts recognized at the acquisition date are retrospectively adjusted if new information obtained within one year from the acquisition date ("measurement period") would have affected the measurement of the amounts recognized on the acquisition date.

If a business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss or other comprehensive income.

Some changes in the fair value of contingent consideration after the acquisition are adjusted against the recognized consideration if it is regarded as the above-mentioned measurement period adjustment; otherwise, it will be recognized as a change in fair value in profit or loss.

Additional acquisition of non-controlling interests is accounted for as an equity transaction, and therefore goodwill is not recognized with respect to such a transaction.

(3) Foreign Currency Translations

① Foreign Currency Transactions

Foreign currency transactions are translated into the respective functional currencies at the spot exchange rate at the date of transaction.

Foreign currency monetary assets and liabilities at the reporting date are translated into the functional currency using the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the spot exchange rate at the date of transaction.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rate at the date when the fair value is determined.

Exchange differences arising from translations and settlements are recognized in profit or loss. However, exchange differences arising from equity instruments measured at fair value through other comprehensive income and cash flow hedges to the extent that the hedge is effective are recognized in other comprehensive income.

② Financial Statements of Foreign Operations

Assets and liabilities of foreign operations are translated into Japanese yen at the spot exchange rate at the reporting date. Income and expenses are translated into Japanese yen at the average exchange rate, except when the exchange rate fluctuates significantly.

Exchange differences arising from translation of financial statements of the foreign operations are recognized in other comprehensive income.

In the case of disposal of foreign operations, the cumulative amount of the exchange differences related to that foreign operation, which is recognized in other comprehensive income and accumulated in equity, is reclassified from equity to profit or loss when the gains or losses on disposal are recognized.

(4) Financial Instruments

① Non-derivative Financial Assets

(i) Initial Recognition and Measurement

The Group initially recognizes trade receivables and other receivables at the date of occurrence. All other financial assets are recognized initially on the transaction date on which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial assets as follows upon initial recognition:

(a) Financial Assets Measured at Amortized Cost

A financial asset is classified as financial asset measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial Assets Measured at Fair Value through Other Comprehensive Income (financial assets measured at FVTOCI)

- Debt instruments Measured at Fair Value through Other Comprehensive Income

  A debt instrument meeting both of the following conditions is classified as financial asset measured at fair value through other comprehensive income.

  a. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
  b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Equity Instruments Measured at Fair Value through Other Comprehensive Income

  For certain equity instruments held primarily for the purpose of maintaining or strengthening the business relationships with investees, the Group elects these instruments as fair value through other comprehensive income at initial recognition.

(c) Financial Assets Measured at Fair Value through Profit or Loss (financial assets measured at FVTPL)

Financial assets designated as measured at fair value through profit or loss and other than financial assets mentioned in (a) and (b), are classified as financial assets measured at fair value through profit or loss.

Except for financial assets measured at fair value through profit or loss, financial assets are initially measured at fair value plus transaction costs.

(ii) Subsequent Measurement

After initial recognition, financial assets are measured based on the following classifications:

(a) Financial Assets Measured at Amortized Cost

These financial assets are measured at amortized cost using the effective interest method. Interest income from these financial assets measured at amortized cost is included in finance income in the consolidated statement of profit or loss.

(b) Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income are measured at fair value, and subsequent changes in fair value are recognized in other comprehensive income.

However, dividends from the equity instruments that are designated as measured at fair value through other comprehensive income are recognized in profit or loss when the Group's right to receive payment of the dividends is established. Also, accumulated other comprehensive income in 'Other components of equity' is transferred to retained earnings when the fair value of financial assets declines significantly or when financial assets are derecognized.

Interests accrued on debt instruments are recognized in finance income in the consolidated statement of profit or loss. Also, accumulated other comprehensive income in 'Other components of equity' is transferred to profit or loss as reclassification adjustments when such instruments are derecognized.

(c) Financial Assets Measured at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss are measured at fair value, and subsequent changes in fair value are recognized in profit or loss.

(iii) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(iv) Impairment

At each reporting date, the Group assesses whether the credit risk on a financial asset measured at amortized cost, a debt instrument measured at fair value through other comprehensive income or a financial guarantee contract has increased significantly since the initial recognition.

The Group measures an allowance for doubtful accounts for financial assets at an amount equal to the lifetime expected credit losses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk on the financial assets has not significantly increased since the initial recognition, the Group measures an allowance for doubtful accounts for financial assets at an amount equal to 12-month expected credit losses. However, the Group always measures an allowance for doubtful accounts at an amount equal to lifetime expected credit losses for trade and other receivables without a significant financial component. When determining whether the credit risk of the financial asset has significantly increased since initial recognition, the Group evaluates by comparing the risk of a default occurring on the financial assets at each reporting date with the risk of a default occurring on the financial assets at the date of initial recognition. The Group considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available, without excessive cost or effort. The following is this information.

(a) Internal credit rating
(b) External credit rating (if available)
(c) Actual or expected significant change in the results of the borrower's performance
(d) Actual or anticipated significant adverse change in the regulatory environment, economic environment or technological environment that causes a significant change in the borrower's ability to fulfill its obligation
(e) Significant increase in credit risk of the other financial instruments of the same borrower
(f) Significant change in the value of collateral underlying debt, third-party guarantee or credit enhancement

The Group measures a credit loss using the difference between the discounted present value of the contractual amount receivable and the estimated amount receivable, and recognizes it in profit or loss.

② Non-derivative Financial Liabilities

(i) Initial Recognition and Measurement

The Group initially recognizes financial liabilities when the Group becomes a contractual party. Financial liabilities, excluding the following items, are classified as financial liabilities measured at amortized cost at the initial recognition.
(a) Financial liabilities measured at fair value through profit or loss (financial liabilities measured at FVTPL)
(b) Financial guarantee contracts
(c) Contingent consideration associated with business combination

All financial liabilities are initially measured at fair value. Financial liabilities measured at amortized cost are measured at fair value after deducting transaction costs that are directly attributable to the financial liabilities.

(ii) Subsequent Measurement

After initial recognition, financial liabilities are measured based on the following classifications:

(a) Financial Liabilities Measured at Fair Value through Profit or Loss
These financial liabilities are measured at fair value and subsequent changes in fair value are recognized in profit or loss.

(b) Financial guarantee contracts
Financial guarantee contracts are measured at the higher of the following.
- The amount of allowance for doubtful accounts calculated based on the above (iv) Impairment
- The amount initially recognized less accumulated amortization

(c) Contingent consideration associated with business combination
Contingent consideration associated with business combination is measured at fair value and its fair value changes are recognized in profit or loss.

(d) Financial Liabilities Measured at Amortized Cost
These financial liabilities are measured at amortized cost using the effective interest method. Interest expenses from these financial liabilities measured at amortized cost are included in finance expenses in the consolidated statement of profit or loss.

(iii) Derecognition

The Group derecognizes financial liabilities when they are extinguished; i.e. when the obligation specified in the contract is discharged, canceled, or expires.

③ Derivative Financial Instruments and Hedge Accounting

The Group uses derivatives such as foreign exchange forward contracts, interest rate swaps contracts and commodity futures contracts to hedge foreign exchange fluctuation risk, interest rate fluctuation risk and commodity price fluctuation risk, respectively. For certain forward sales transactions, the Group makes an irrevocable designation as financial instruments to be measured at fair value through profit or loss at the inception of contracts only when it removes or significantly reduces accounting mismatch; they are included in financial instruments as derivatives. These derivatives are initially measured at the fair value when contracts are entered into and are subsequently remeasured at fair value.

Changes in the fair value of derivatives are recognized in profit or loss. However, gains or losses on cash flow hedges to the extent that the hedges are effective are recognized in other comprehensive income.

At the inception of the hedge, the Group formally designates and documents hedging relationships to which hedge accounting applies and the risk management objectives and strategies for undertaking the hedges. The documentation includes identifying hedging instruments, the hedged items or transaction, the nature of the risk being hedged, and how the effectiveness of hedging instruments is assessed in offsetting the exposures to the changes in fair value or cash flows of hedged items attributable to hedged risks. The Group evaluates whether a derivative used to hedge a transaction is effective to offset the change in the fair value or the cash flow of a hedged item at the inception of the hedge and on an ongoing basis.

(i) Fair Value Hedges

Changes in the fair value of hedging instruments are recognized in profit or loss. Changes in the fair value of hedged items attributable to the hedged risks adjust carrying amounts of hedged items and are recognized in profit or loss.

(ii) Cash Flow Hedges

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income as cash flow hedges and the ineffective portion is recognized in profit or loss.

After that, accumulated gains and losses recognized in other comprehensive income are reclassified to profit or loss as reclassification adjustments in the same period when cash flows arising from the hedged items affect profit or loss. When the hedged items result in recognition of a non-financial asset, the accumulated gains and losses through other comprehensive income are reclassified and included directly in the initial cost of the non-financial asset.

Hedge accounting is discontinued when a forecast transaction is not highly probable to occur. Furthermore, if a forecast transaction is no longer expected to occur, the accumulated amount recognized in other comprehensive income is transferred immediately to profit or loss.

(5) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments that are readily convertible to cash and are subjected to insignificant risks of changes in value, and whose maturities are three months or less from the date of acquisition.

(6) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated cost necessary to make a sale. Costs of inventories are mainly calculated by the periodic average method and comprise purchase costs, processing costs, and all other costs incurred in bringing the inventories to their present location and condition.

(7) Property, Plant and Equipment (except for Right-of-use Assets)

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The acquisition cost includes direct costs of acquisition, estimated costs of dismantlement, land removal and restoration, and borrowing costs to be capitalized.

Depreciation of assets other than land and construction in progress is calculated on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of major asset classes are as follows:

- Buildings and structures 5-60 years
- Machinery, equipment and vehicles 4-12 years

Estimated useful lives, residual values and depreciation method are reviewed at each fiscal year-end, and any revisions are applied prospectively as changes in accounting estimate.

(8) Goodwill and Intangible Assets

① Goodwill

Goodwill arising on the acquisition of business is recognized and initially measured as stated in (2) Business Combinations. Goodwill is not amortized and is tested for impairment annually and whenever there is an indication that it may be impaired.

An impairment loss on goodwill is recognized in profit or loss and is not reversed in subsequent periods.

Goodwill is presented in the consolidated statement of financial position at the amount calculated by deducting accumulated impairment losses from acquisition cost.

As for investee accounted for by using the equity method, goodwill is included in the carrying amount of the investment.

② Intangible Assets

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

Separately acquired intangible assets are initially recognized at acquisition cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Research expenditures of an internal project are recognized as expenses when they are incurred. Development expenditures of an internal project that satisfy all the recognition criteria are recognized as intangible assets.

Intangible assets are amortized on a straight-line basis over their useful lives. Intangible assets recorded as in-process research and development that are not yet available for use are not amortized, and are tested for impairment at every reporting period or whenever there is an indication of impairment. In case of in-process research and development, they are reclassified to patent, marketing rights, or other related accounts when marketing approval from regulatory authorities is obtained and are amortized when they become available for use. Estimated useful lives of major categories of assets are as follows;

- Patents 3-20 years
- Software 3-10 years

Estimated useful lives, residual values and amortization method are reviewed at each fiscal year-end, and any revisions are applied prospectively as changes in accounting estimate.

(9) Leases

The Group determines whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right-of-use asset and a corresponding lease liability at the commencement date of the lease, when it has determined whether a contract is, or contains, a lease.

① Right-of-use assets

Right-of-use assets are measured at cost, less accumulated depreciation and accumulated impairment losses. The cost comprises the amount of the initial measurement of the lease liability adjusted for initial direct costs, plus any costs including restoration obligations of the underlying assets. Right-of-use assets are depreciated over the shorter of their useful lives and lease terms. Right-of-use assets are included in "Property, plant and equipment" in the consolidated statement of financial position.

② Lease liabilities

Lease liabilities are measured at the present value of the lease payments that are not paid as of the lease commencement date. The lease payments are discounted using the interest rate implicit in the lease. If interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate is used. After the commencement date, lease liabilities are measured by increasing the carrying amounts to reflect interests on the lease liabilities and by reducing the carrying amounts to reflect lease payment made. The lease liabilities are included in "Other financial liabilities" in the consolidated statement of financial position.

In addition, the Group has applied IFRS 16 paragraph 6 for short-term leases and leases of low-value assets, and recognized these lease payments as expenses using the straight-line basis over the lease terms.

(10) Impairment of Non-Financial Assets

The Group assesses whether there is any indication that a non-financial asset may be impaired at the end of each reporting date. If there is an indication of impairment, the recoverable amount of the asset is estimated. For goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated annually at a consistent time in each year, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset or its cash-generating unit is the higher of its value in use or its fair value less disposal costs. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. If it is not possible to estimate the recoverable amount of each asset individually for the impairment test, such assets are integrated into the smallest cash-generating unit that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets. For the purposes of goodwill impairment testing, cash-generating units to which goodwill would be allocated are aggregated when necessary so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored. Goodwill acquired in a business combination is allocated to the (group of) cash-generating unit (units) that is expected to benefit from the synergies of the business combination.

Group corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, the recoverable amount of the (group of) cash-generating unit (units) to which the corporate assets belong is measured.

If the carrying amount of assets or the (group of) cash-generating unit (units) exceeds the recoverable amount, an impairment loss is recognized in profit or loss for the period. The impairment loss recognized for the (group of) cash-generating unit (units) is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and subsequently to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill cannot be reversed. In respect of assets other than goodwill, impairment losses recognized in prior periods are assessed at the end of each reporting date as to whether there is any indication that the losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset or the (group of) cash-generating unit (units) is estimated. In cases in which the recoverable amount exceeds the carrying amount of the asset or the (group of) cash-generating unit (units), the impairment loss is reversed up to the carrying amount less depreciation or amortization that would have been determined if no impairment losses had been recognized in prior periods.

(11) Employee Benefits

① Post-retirement Benefits

The Group sponsors defined benefit plans and defined contribution plans as post-retirement benefits.

The Group uses the projected unit credit method to determine the present value of its defined benefit obligation and the related current and past service costs.

The discount rates are determined by referring to the market yield at the fiscal year-end on high-quality corporate bonds for the corresponding periods in which the retirement benefits are to be paid.

The amount of the net defined benefit liability (asset) is calculated by deducting the fair value of plan assets from the present value of defined benefit obligation.

Remeasurements of defined benefit plans are recognized in other comprehensive income and immediately reclassified to retained earnings in the periods in which they occur.

Past service costs are recognized in profit or loss for the periods in which they are incurred.

Payments to defined contribution plans are recognized as expense in the periods that employees render services.

② Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis, and are recognized as expense when the related service is rendered.

For bonuses and paid absence expenses, when there is a legal or constructive obligation to make payments of these, and a reliable estimate of the obligation can be made, the estimated amount to be paid based on these plans is accounted for as a liability.

③ Other Long-term Employee Benefits

Long-term benefit obligations other than post-retirement benefit plans include special paid leaves and bonuses granted conditional on a certain period of employment. Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future benefits that are expected to be paid by the Group in exchange for the services rendered by employees up to the reporting date.

(12) Provisions

Provisions are recognized when the Group has a present legal obligation or constructive obligation arising as a result of a past event; it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made. Provisions are stated at the present value of the estimated future cash flows that are discounted using a pre-tax discount rate reflecting the time value of money and the specific risks of the liability. Where discounting is used, the increase in the provision to reflect the passage of time is recognized as finance expense.

① Provisions for sales rebates

Provisions for sales rebates mainly related to public programs and contracts with wholesalers are provided based on the amounts expected to be paid subsequent to the year-end date.

② Provisions for asset retirement obligations

Provisions for asset retirement obligations are provided based on estimated future expenditures when the Group has a legal, contractual or similar obligation associated with the retirement of property, plant and equipment.

③ Provisions for sales returns

Provisions for sales returns are provided based on estimated amounts of sales returns of merchandise and finished goods.

④ Provisions for removal cost of property, plant and equipment

Provisions for removal cost of property, plant and equipment for which removal policy has been determined are provided based on the estimated amount of removal expenditures.

(13) Revenue

① Revenue from contracts with customers

The Group recognizes revenue when the Group transfers promised goods or services to a customer and the customer obtains control of those goods or services based on the following five-step model.

Step 1: Identify the contract 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 the entity satisfies a performance obligation

The Group mainly engages in manufacturing and sale of Petrochemicals & Plastics, Energy & Functional Materials, IT-related Chemicals, Health & Crop Sciences, and Pharmaceuticals. For sales of such products, the performance obligation is judged to have been satisfied and revenue is recognized upon delivery of the products, because the customer obtains control over the products upon delivery. Revenue is measured at the consideration promised in a contract with a customer, less product returns, discounts, rebates and other items to the extent that it is highly probable that a significant reversal will not occur.

As for certain parts of the performance obligation related to providing services for the design, engineering, and construction management of chemical plants, the Group transfers control of products and services over time, and therefore recognizes revenue over time according to the percentage of completion of the performance obligation. The Group measures the percentage of completion based on the percentage of actual cost to the total amount of estimated cost. (input method)

② Interest Income

Interest income is recognized using the effective interest method.

③ Dividends

Dividends are recognized when a right to receive dividend payments is established.

(14) Income Taxes

Income taxes consist of current taxes and deferred taxes. They are recognized as income or expense and included in profit or loss, except for those related to business combinations and items that are recognized directly in equity or in other comprehensive income.

Current tax liabilities (assets) are measured in the amount of the expected tax payable to or receivable from the taxation authorities. Calculation of the amount of tax is based on the tax rates and tax laws enacted or substantively enacted by the reporting date in countries where the Group conducts business and earns taxable income.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of assets or liabilities and their tax bases, tax loss carryforwards and tax credits at the reporting date.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Temporary difference arising from initial recognition of goodwill.
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting income nor taxable income.
- Taxable temporary differences on investments in subsidiaries and associates, and interests in joint arrangements, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are recognized, in principle, for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, the carryforwards of unused tax losses and the carryforwards of unused tax credits to the extent that it is probable that they will be utilized against future taxable income.

The carrying amount of deferred tax assets is reviewed each period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to realize benefits from all or part of the assets. Unrecognized deferred tax assets are reassessed each period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to apply to the period when the assets are realized or the liabilities are settled based on the statutory tax rates and tax laws enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority and on the same taxable entity.

The Company and certain consolidated subsidiaries have adopted the consolidated tax system.

(15) Earnings per Share

Basic earnings per share are calculated by dividing net income attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. When there are dilutive potential shares that have an antidilutive effect, such potential shares are not included in the calculation of diluted earnings per share.

(16) Capital

Ordinary shares are classified as capital.

Treasury shares are recognized at cost and deducted from equity. No gains or losses are recognized on the purchase, sale or retirement of the Company's treasury shares. Any differences between the carrying amount and consideration received on the sale of treasury shares are recognized in capital surplus.

(17) Share-Based Payment

A part of the Group subsidiaries has adopted a stock option scheme as equity-settled share-based payment plans.

In the plans, services received and the corresponding increase in equity are measured at the fair value of the equity instruments at the grant date, and are recognized as expenses over the vesting periods with corresponding increases to equity.

(18) Assets Held for Sale

The Group classifies a non-current asset or disposal group that will be recovered principally through a sales transaction rather than through continuing use as assets held for sale only when it is highly probable that the sale will occur and the asset or asset group is available for immediate sale in its present condition.

Non-current assets or asset group classified as assets held for sale are measured at the lower of its carrying amount and the fair value less costs to sell.

The fixed asset and intangible asset classified assets held for sale are not depreciated or amortized. Assets and liabilities held for sale are presented separately from other assets and liabilities as current items in the consolidated statement of financial position.

(19) Change in presentation

(Consolidated statement of cash flows)

"Increase (decrease) in unearned revenue" that was included in "Others, net" in cash flows from operating activities in the previous fiscal year is presented separately from this fiscal year due to the increased quantitative materiality. The consolidated statement of cash flows in the previous fiscal year is reclassified to reflect such changes.

As a result, "Others, net" of ¥4,881 million in the previous fiscal year has been reclassified as "Increase (decrease) in unearned revenue."

"Increase in loans receivable" that was included in "Others, net" in cash flows from investing activities in the previous fiscal year is presented separately from this fiscal year due to the increased quantitative materiality. The consolidated statement of cash flows in the previous fiscal year is reclassified to reflect such changes.

As a result, "Others, net" of ¥(1,734) million in the previous fiscal year has been reclassified as "Increase in loans receivable."

4 Significant Accounting Estimates and Judgments

Management has made a number of judgments, estimates and assumptions relating to the application of accounting policies, and reporting of revenues, expenses, assets and liabilities in the preparation of these consolidated financial statements in accordance with IFRS. Actual results may materially affect the Company's consolidated financial statements for the next fiscal year due to the uncertainties in these estimates and judgments.

Estimates and underlying assumptions are continually evaluated. The effect of changes to accounting estimates is recognized in the reporting period in which the changes are made and in future periods.

Judgments, estimates and assumptions made by the management that could materially affect the Company's consolidated financial statements are included in the following notes:

- Impairment of non-financial assets (Note 16 Impairment of Non-financial Assets);
- Recoverability of deferred tax assets (Note 18 Income Taxes);
- Measurement of provisions (Note 25 Provisions); and
- Fair value of financial instruments (Note 37 Financial Instruments).

The spread of Coronavirus Disease 2019 ("COVID-19") has a certain impact on business field such as automotive-related market for the first half of the fiscal year ended March 31, 2021. However, the impact was gradually reduced to the end of the current fiscal year. Although it is difficult to predict when the spread of COVID-19 will come to an end, the management makes estimates based on the assumption that the impact of COVID-19 will be limited to the Group's results for future periods.

5 New Standards and Interpretations Not Yet Applied

Standards and interpretations that have not been applied by the Group as of March 31, 2021 because application was not mandatory among new or revised major standards and interpretations issued by the date of approval of the consolidated financial statements are as follows:

The effects on the Group's consolidated financial statements from applying IFRS 7 and IFRS 9 are being evaluated, and an estimate is currently not available.

Standard		Mandatory Application (Hereinafter, Starting Year)	Application by the Group	Overview of Introduction or Revision
IFRS 7	Financial Instruments: Disclosure	January 1, 2021	Fiscal year ending March 31, 2022	Interest Rate Benchmark Reform—Phase 2
IFRS 9	Financial Instruments			Amendments to replace an existing interest rate benchmark with an alternative benchmark rate

6 Segment Information

(1) Summary (or outline / overview) of reportable segments

The reportable segments of the Group refer to business units for which separate financial information is available and that are reviewed regularly at the Board of Directors meeting in order to determine allocation of management resources and evaluate business performances by each business unit.

The Group divides its operations into business sectors identified by products and services, which manage manufacturing, sales, and research in an integrated manner. Each business sector is responsible for developing comprehensive domestic and overseas strategies with respect to its products and services, and operates its business activities.

Accordingly, the Group has five reportable segments based on its products and services in accordance with its business sectors, including "Petrochemicals & Plastics," "Energy & Functional Materials," "IT-related Chemicals," "Health & Crop Sciences," and "Pharmaceuticals."

The major products and services of each reportable segment are as follows:

Reportable Segment	Major Products and Services
Petrochemicals & Plastics	Petrochemical products, inorganic chemicals, raw materials for synthetic fibers, organic chemicals, synthetic resins, methyl methacrylate products, synthetic resin processed products, etc.
Energy & Functional Materials	Alumina products, aluminum, specialty chemicals, additives, dyestuffs, synthetic rubber, engineering plastics, battery materials, etc.
IT-related Chemicals	Optical products, semiconductor processing materials, compound semiconductor materials, touch-screen panels, etc.
Health & Crop Sciences	Crop protection chemicals, fertilizers, agricultural materials, household and public hygiene insecticides, materials for protection against tropical diseases, feed additives, pharmaceutical chemicals, etc.
Pharmaceuticals	Pharmaceuticals for medical treatment, radiopharmaceuticals, etc.

(2) Reportable Segment Information

The accounting methods for each reportable segment are, in principle, identical to those set forth in Note 3 Significant Accounting Policies. The segment profit is core operating income, which is calculated from operating income after excluding effects from non-recurring factors.

Inter-segment sales revenue is based on market prices.

Fiscal year ended March 31, 2021

Millions of yen

	Reportable segments								
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Total	Others (Note 1)	Adjustments (Note 2)	Consolidated
Sales revenue:									
Sales revenues from external customers	¥589,323	¥245,249	¥431,819	¥423,011	¥ 546,450	¥2,235,852	¥51,126	¥ —	¥2,286,978
Inter-segment sales revenues	4,470	9,287	570	4,976	13	19,316	52,546	(71,862)	—
Total sales revenue	593,793	254,536	432,389	427,987	546,463	2,255,168	103,672	(71,862)	2,286,978
Segment profit (loss) (core operating income)	(11,991)	20,265	39,733	31,547	71,672	151,226	12,752	(16,363)	147,615
Segment assets	793,892	322,265	431,151	734,674	1,364,461	3,646,443	320,762	23,049	3,990,254
Other items:									
Depreciation and amortization	26,632	17,825	25,512	26,887	25,617	122,473	7,657	5,887	136,017
Share of profit (loss) of investments accounted for using the equity method	(22,019)	(60)	(20)	701	(27)	(21,425)	8,549	417	(12,459)
Impairment loss	965	1,322	2,532	294	35,720	40,833	—	—	40,833
Reversal of impairment loss	—	—	—	—	—	—	—	—	—
Investments accounted for using the equity method	119,399	131	435	8,045	681	128,691	117,978	(2,866)	243,803
Capital expenditures	19,896	23,029	12,222	16,287	14,012	85,446	18,583	8,675	112,704

Note 1: "Others" represents businesses such as supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis, which were not included in reportable segments.

Note 2: Amounts in "Adjustments" are as follows:

(1) ¥(16,363) million for segment profit (loss) in "Adjustments" includes inter-segment elimination of ¥350 million and corporate expenses of ¥(16,713) million unallocated to each reportable segment. Corporate expenses are mainly R&D expenses for company-wide research, which were not attributed to reportable segments.

(2) Segment assets in "Adjustments" are ¥23,049 million, which includes ¥(183,129) million in eliminations of inter-segment receivables and other assets, and ¥206,178 million of corporate assets unallocated to each reportable segment. Corporate assets mainly consist of cash and cash equivalents, investment securities, and the assets related to R&D activities for company-wide research.

(3) Depreciation and amortization in "Adjustments" is ¥5,887 million, mainly related to the assets arising from R&D activities for company-wide research unallocated to each reportable segment.

(4) Investments accounted for using the equity method in "Adjustments" is ¥(2,866) million, which is eliminations of inter-segment transactions.

(5) Capital expenditures in "Adjustments" amounting to ¥8,675 million was mainly contributed by company-wide research activities that are not allocated to each reportable segment.

Fiscal year ended March 31, 2020

	Millions of yen								
	Reportable segments								
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Total	Others (Note 1)	Adjustments (Note 2)	Consolidated
Sales revenue:									
Sales revenues from external customers	¥656,929	¥255,034	¥404,871	¥343,666	¥ 515,845	¥2,176,345	¥ 49,459	¥ —	¥2,225,804
Inter-segment sales revenues	5,828	9,533	1,013	5,600	49	22,023	58,844	(80,867)	—
Total sales revenue	662,757	264,567	405,884	349,266	515,894	2,198,368	108,303	(80,867)	2,225,804
Segment profit (core operating income)	14,485	20,343	25,084	2,083	75,266	137,261	8,770	(13,379)	132,652
Segment assets	725,697	305,523	387,907	656,470	1,316,474	3,392,071	280,831	(18,815)	3,654,087
Other items:									
Depreciation and amortization	27,850	15,852	28,973	26,081	20,020	118,776	7,468	5,497	131,741
Share of profit (loss) of investments accounted for using the equity method	3,179	(23)	1	(1,150)	(5)	2,002	7,240	(9)	9,233
Impairment loss	1,108	781	225	18	35,196	37,328	—	—	37,328
Reversal of impairment loss	—	—	61	—	—	61	—	—	61
Investments accounted for using the equity method	152,410	191	455	7,374	1,060	161,490	105,847	(3,283)	264,054
Capital expenditures	23,834	21,383	21,581	19,677	17,012	103,487	5,020	7,841	116,348

Note 1: "Others" represents businesses such as supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis, which were not included in reportable segments.

Note 2: Amounts in "Adjustments" are as follows:

(1) ¥(13,379) million for segment profit in "Adjustments" includes inter-segment elimination of ¥(56) million and corporate expenses of ¥(13,323) million unallocated to each reportable segment. Corporate expenses are mainly R&D expenses for company-wide research, which were not attributed to reportable segments.

(2) Segment assets in "Adjustments" are ¥(18,815) million, which includes ¥(172,904) million in eliminations of inter-segment receivables and other assets, and ¥154,089 million of corporate assets unallocated to each reportable segment. Corporate assets mainly consist of cash and cash equivalents, investment securities, and the assets related to R&D activities for company-wide research.

(3) Depreciation and amortization in "Adjustments" is ¥5,497 million, mainly related to the assets arising from R&D activities for company-wide research unallocated to each reportable segment.

(4) Investments accounted for using the equity method in "Adjustments" is ¥(3,283) million, which is eliminations of inter-segment transactions.

(5) Capital expenditures in "Adjustments" amounting to ¥7,841 million was mainly contributed by company-wide research activities that are not allocated to each reportable segment.

Adjustments from Segment profit to Income before taxes are as follows:

	Millions of yen	
	2021	2020
Segment profit	**¥147,615**	¥132,652
Impairment loss	**(40,833)**	(37,328)
Business structure improvement expenses	**(6,323)**	(7,806)
Changes in fair value of contingent consideration	**22,463**	48,475
Gain on sale of property, plant and equipment, and intangible assets	**18,730**	931
Others, net	**(4,537)**	593
Operating income	**137,115**	137,517
Finance income	**19,868**	13,178
Finance expenses	**(19,180)**	(20,215)
Income before taxes	**¥137,803**	¥130,480

(3) Geographic Information

The breakdown of sales revenues and non-current assets is as follows:

Sales revenues from external customers

Fiscal year ended March 31, 2021

Millions of yen				
Japan	China	North America (U.S.A)	Others	Total
¥725,580	¥438,182	¥404,447 (393,447)	¥718,769	¥2,286,978

Note: Sales revenues are classified by country and region based on the location of customers.

Fiscal year ended March 31, 2020

Millions of yen				
Japan	China	North America (U.S.A)	Others	Total
¥765,055	¥433,779	¥383,977 (373,209)	¥642,993	¥2,225,804

Note: Sales revenues are classified by country and region based on the location of customers.

Non-current assets

As of March 31, 2021

Millions of yen			
Japan	North America (U.S.A)	Others	Total
¥607,803	¥618,277 (616,791)	¥285,213	¥1,511,293

Note: Classification of non-current assets is based on the location of the assets. Financial instruments, deferred tax assets and retirement benefit assets are not included in non-current assets.

As of March 31, 2020

Millions of yen			
Japan	North America (U.S.A)	Others	Total
¥591,639	¥647,429 (645,865)	¥242,994	¥1,482,062

Note: Classification of non-current assets is based on the location of the assets. Financial instruments, deferred tax assets and retirement benefit assets are not included in non-current assets.

(4) Information about major customers

No information is shown because no customer accounts for over 10% of the amount of consolidated sales revenues from external customers.

7 Business Combinations

(1) Significant business combinations

Fiscal year ended March 31, 2021

(a) Overview of business combinations

(i) Name of acquired company and business description

Name of acquired company: Nufarm Indústria Química e Farmacêutica S.A. and three other companies

Business description: Manufacturing and sales of agricultural pesticides

(ii) Percentage of voting rights acquired: 100%

(b) Acquisition date

April 1, 2020

(c) Method for gaining control of acquired company

Acquisition of shares by cash consideration

(d) Main reason for business combinations

On April 1, 2020, the Company acquired 100% of the shares of Nufarm Indústria Química e Farmacêutica S.A. and three other companies, owned by of Nufarm Ltd. via the Company's wholly owned subsidiaries (Sumitomo Chemical do Brasil Representações Ltda and Sumitomo Chemical Chile S.A.), based on a resolution of the Board of Directors enacted on September 27, 2019, and made them consolidated subsidiaries of the Company.

The Company aims to build its own sound sales network for its crop protection business in South America, which is the largest global market for crop protection products, and is expected to achieve high growth. The Company also aims to establish a series of global footprints (building its own business network) for which the Company has been expanding.

(e) Details of acquisition cost of acquired company and consideration transferred by type

Millions of yen

Acquisition cost		¥55,689
Consideration transferred	Cash	55,689

(f) Acquisition-related costs

Acquisition-related costs are ¥1,011 million, of which ¥704 million is recognized under selling, general and administrative expenses in the consolidated statement of profit or loss for the fiscal year ended March 31, 2021.

(g) Details of fair value of assets acquired and liabilities assumed, and goodwill

Millions of yen

Account	Amount
Current Assets:	
Cash and cash equivalents	¥ 3,015
Trade and other receivables	46,147
Inventories	20,694
Others	6,788
Non-current Assets:	
Property, plant and equipment	2,890
Intangible assets	20,677
Others	1,403
Current liabilities	54,696
Non-current liabilities	7,017
Net Assets	39,901
Goodwill	15,788

Note 1: The considerations transferred are allocated to assets acquired and liabilities assumed based on their fair values as of acquisition date.

2: The goodwill is mainly constituted by and reflects future excess earning power expected to be generated from future business development.

3: The fair values of assets acquired and liabilities assumed were provisional amounts as of December 31, 2020, and the purchase price allocation was completed as of March 31, 2021. Accordingly, the provisional amounts have been adjusted to reflect new information about facts and conditions that existed at the acquisition date as follows:

Millions of yen

Account	Amount
Goodwill before the adjustments	¥ 35,086
Amounts of the adjustments:	
Increase (decrease) in intangible assets	(18,474)
Increase (decrease) in property, plant and equipment	(701)
Others	(123)
Total	¥(19,298)
Goodwill after the adjustments	¥ 15,788

(h) Cash outflows arising from acquisition of subsidiaries

Millions of yen

Account	Amount
Cash consideration	¥55,689
Cash and cash equivalents owned by acquired company on acquisition date	(3,015)
Cash outflows arising from acquisition of subsidiaries	¥52,674

The impact on the consolidated statement of cash flows arising from the acquisition of these subsidiaries for the fiscal year ended March 31, 2021 are presented in "Purchase of investments in subsidiaries." The impact on the consolidated statement of cash flows for the fiscal year ended March 31, 2020 is presented in "Payments of deposit."

Also, conversion adjustments arising from acquisition of these subsidiaries are included in "Effect of exchange rate changes on cash and cash equivalents."

(i) The impact on the consolidated statement of profit or loss

The revenue and net profit or loss of acquired companies after the acquisition date recognized in the consolidated statement of profit or loss for the year ended March 31, 2021 are as follows:

	Millions of yen
Revenue	¥72,143
Net profit (loss)	(2,241)

Fiscal year ended March 31, 2020

(a) Overview of business combinations

① Sumitovant Biopharma Ltd.

(i) Name of acquired company and business description
Name of acquired company: Sumitovant Biopharma Ltd.
Business description: Holding company

(ii) Percentage of voting rights acquired: 100%

② Sumitovant Biopharma, Inc.

(i) Name of acquired company and business description
Name of acquired company: Sumitovant Biopharma, Inc.
Business description: Management of group companies, business and sales development, promotion of utilization of healthcare technology platforms, etc.

(ii) Percentage of voting rights acquired: 100%

③ Myovant Sciences Ltd.

(i) Name of acquired company and business description
Name of acquired company: Myovant Sciences Ltd.
Business description: Research and development of pharmaceuticals including relugolix and MVT-602, etc.

(ii) Percentage of voting rights acquired: 50%

④ Urovant Sciences Ltd.

(i) Name of acquired company and business description
Name of acquired company: Urovant Sciences Ltd.
Business description: Research and development of pharmaceuticals including vibegron and URO-902, etc.

(ii) Percentage of voting rights acquired: 75%

⑤ Enzyvant Therapeutics Ltd.

(i) Name of acquired company and business description
Name of acquired company: Enzyvant Therapeutics Ltd.
Business description: Research and development of pharmaceuticals including RVT-802 and RVT-801, etc.

(ii) Percentage of voting rights acquired: 100%

⑥ Altavant Sciences Ltd.

(i) Name of acquired company and business description
Name of acquired company: Altavant Sciences Ltd.
Business description: Research and development of pharmaceuticals including rodatristat ethyl, etc.

(ii) Percentage of voting rights acquired: 100%

⑦ Spirovant Sciences Ltd.

(i) Name of acquired company and business description
Name of acquired company: Spirovant Sciences Ltd.
Business description: Research and development of pharmaceuticals including SPIRO-2101 and SPIRO-2102, etc.

(ii) Percentage of voting rights acquired: 100%

(b) Acquisition date

December 27, 2019

(c) Method for gaining control of acquired company

Acquisition of shares by cash consideration

(d) Main reason for business combinations

Sumitomo Dainippon Pharma Co., Ltd. (hereinafter, “Sumitomo Dainippon Pharma”), the Company’s subsidiary, has completed the share transfer and other procedures in accordance with the strategic alliance agreement with Roivant Sciences Ltd. (hereinafter, “Alliance”) as of December 27, 2019. In order to achieve sustainable growth even after the expiration of the term of market exclusivity for LATUDA® (atypical antipsychotic) in North America, which has been the primary source of Sumitomo Dainippon Pharma Group’s earnings, Sumitomo Dainippon Pharma established “establishment of growth engines” and “building of a flexible and efficient organization” as its basic policies in its “Mid-term Business Plan 2022” and reshaped its business foundation.

Roivant Sciences Ltd. aims to contribute to health by providing innovative medicines and healthcare technologies rapidly to patients through building multiple Vants, which are biopharmaceutical companies focusing on business agility and entrepreneurship. Each Vant conducts research and development and sales efficiently through a unique method of talent employment and the introduction of technologies.

Under the Alliance, Sumitomo Dainippon Pharma aims to achieve medium-to long-term growth through the acquisition of many pipelines with products under development that are expected to launch before fiscal year ending March 31, 2022, and which are anticipated to become blockbuster products in the future, as well as through improving the R&D productivity of the whole Sumitomo Dainippon Pharma Group and accelerating digital transformation.

Through the Alliance, Roivant Sciences Ltd. transferred its ownership share of interests in five subsidiaries (Myovant Sciences Ltd., Urovant Sciences Ltd., Enzyvant Therapeutics Ltd., Altavant Sciences Ltd., and Spirovant Sciences Ltd.) to a new company, Sumitovant Biopharma Ltd.(hereinafter, “Sumitovant”), and Sumitomo Dainippon Pharma has acquired all the shares of Sumitovant. As a result, the subsidiaries of the Sumitovant and its five subsidiaries have become consolidated subsidiaries of the Company.

(e) The details of acquisition cost of acquired company and consideration transferred by type

		Millions of yen
Acquisition cost		¥224,555
Consideration transferred	Cash	224,555

(f) Acquisition-related costs

Acquisition-related costs are ¥3,856 million, recognized under selling, general and administrative expenses in the consolidated statement of profit or loss.

(g) The details of fair value of assets acquired and liabilities assumed, non-controlling interests and goodwill

The fair values of assets acquired and liabilities assumed were provisional amounts as of March 31, 2020, and the purchase price allocation was completed as of December 31, 2020. Accordingly, the provisional amounts have been adjusted that reflect new information about facts and conditions that existed at the acquisition date as follows:

Account	Amount	Adjustments	Final Fair Value
		Millions of yen	
Current Assets:			
Cash and cash equivalents	¥ 18,781	¥ —	¥ 18,781
Others	6,172	—	6,172
Non-current Assets:			
Intangible assets	291,643	(768)	290,875
Others	3,661	—	3,661
Current liabilities	19,307	—	19,307
Non-current liabilities	40,840	(100)	40,740
Net Assets	260,110	(668)	259,442
Non-controlling interests (Note 2)	107,783	3,785	111,568
Goodwill (Note 3)	72,228	4,453	76,681

Note 1: The considerations transferred are allocated to assets acquired and liabilities assumed based on their fair values as of acquisition date.

2: Non-controlling interests are measured by multiplying the provisional fair value of identifiable net assets of acquired company as of the acquisition date by the percentage of non-controlling shareholders' share of interests in the acquirer after business combinations, excluding the portion specifically attributable to non-controlling shareholders.

3: The goodwill is mainly constituted by and reflects future excess earning power expected to be generated from future business development. Such goodwill is not deductible for tax purposes.

(h) Cash outflows arising from acquisition of subsidiaries

Account	Amount
	Millions of yen
Cash consideration	¥224,555
Cash and cash equivalents owned by acquired company on acquisition date	(18,781)
Cash outflows arising from acquisition of subsidiaries	¥205,774

(2) Contingent consideration

As for the acquisitions of Elevation Pharmaceuticals, Inc. (currently: Sunovion Respiratory Development Inc.) (hereinafter "Elevation"), and Tolero Pharmaceuticals, Inc. (currently: Sumitomo Dainippon Pharma Oncology, Inc.) (hereinafter "Tolero"), contingent considerations are to be additionally paid to former shareholders upon the achievement of predetermined milestones.

As for the acquisition of Elevation, consideration for the acquisition amounting to US$ 189 million (¥17,800 million) has been paid thorough the fiscal year ended March 31, 2021. In addition, a maximum amount of US$ 210 million (¥23,249 million) may possibly be paid, before considering time value of money, upon the achievement of commercial milestones determined based on sales revenue earned after commencement of sales.

As for the acquisition of Tolero, consideration for the acquisition amounting to US$ 195 million (¥22,165 million) has been paid through the fiscal year ended March 31, 2021, and a maximum amount of US$ 430 million (¥47,605 million) may possibly be paid, before considering the time value of the money upon the achievement of the development milestones for chemical compounds under development by Tolero. In addition, a maximum amount of US$ 150 million (¥16,607 million) may possibly be paid, before considering time value of money, upon the achievement of commercial milestones determined based on sales revenue earned after commencement of sales.

The Group recognizes these contingent considerations in other financial liabilities in the consolidated statement of financial position after considering the time value of the money.

The fair value hierarchy of contingent consideration and its sensitivity analysis are disclosed in Note 37 Financial Instruments.

The total amount that is possible for the Group to pay in the future based on the contingent consideration contracts is ¥87,461 million (undiscounted) and ¥237,206 million (undiscounted) as of March 31, 2021 and 2020, respectively. The amounts payable by the due dates of the contingent consideration are not presented because of the uncertainty.

During the fiscal year ended March 31, 2021 the Group reversed all contingent considerations associated with the acquisition of Boston Biomedical, Inc. following discontinuation of development of napabucasin (development code: BBI608), for which the Group conducted a Phase 3 global clinical study for colorectal cancer.

8 Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

Millions of yen

	March 31, 2021	March 31, 2020
Cash and deposits	¥325,740	¥166,197
Short-term investments	35,178	14,451
Total	¥360,918	¥180,648

9 Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

Millions of yen

	March 31, 2021	March 31, 2020
Trade notes and accounts receivable	¥576,341	¥495,109
Other receivables	70,187	68,541
Others	6,088	6,763
Total	¥652,616	¥570,413

Trade and other receivables are classified as financial assets measured at amortized cost.

Also, contract assets are included in "Others."

10 Other Financial Assets

The breakdown of other financial assets is as follows:

Millions of yen

	March 31, 2021	March 31, 2020
Financial assets measured at fair value through OCI:		
Shares and investments	¥359,683	¥347,935
Others	1,155	2,001
Financial assets measured at fair value through profit or loss:		
Loan receivables	150,958	66,091
Long-term accrued interests	17,000	15,706
Derivative assets	2,965	5,481
Others	6,233	6,834
Financial assets measured at amortized cost:		
Loan receivables	1,723	2,069
Deposits	—	49,971
Others	1,923	1,502
Total	¥541,640	¥497,590
Current assets	12,814	8,945
Non-current assets	528,826	488,645
Total	¥541,640	¥497,590

The fair value of the investment in equity instruments measured at fair value through other comprehensive income is as follows:

Millions of yen

	March 31, 2021	March 31, 2020
Marketable	¥171,763	¥148,330
Non-marketable	189,075	201,606
Total	¥360,838	¥349,936

The fair values of the major issues included in the above are as follows:

Millions of yen

Issue	March 31, 2021	March 31, 2020
Roivant Sciences Ltd.	¥123,110	¥142,650
Nufarm Limited	26,999	20,315
Nippon Shokubai Co., Ltd.	17,294	13,503

Investments held for the purpose of expanding its revenue base by maintaining and strengthening business relationships with the investees are designated as financial assets measured at fair value through other comprehensive income.

The Group disposed and derecognized some investments in equity instruments measured at fair value through other comprehensive income to improve the efficiency of assets by reassessing the business relationships.

Their fair value and accumulated gains or losses (before tax) at the time of disposal in the fiscal years ended March 31, 2021 and 2020 were as follows:

Millions of yen			
2021		2020	
Fair Value	Cumulative gains (losses)	Fair Value	Cumulative gains (losses)
¥14,068	¥10,788	¥6,987	¥5,281

Accumulated gains or losses recorded as other components of equity are reclassified to retained earnings when the fair value is significantly declined or derecognized. Accumulated gains or losses (after tax) reclassified to retained earnings are ¥4,554 million and ¥1,907 million for the fiscal years ended March 31, 2021 and 2020, respectively.

11 Inventories

The breakdown of Inventories is as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
Merchandise and finished goods	¥348,399	¥342,665
Raw materials and supplies	140,190	128,437
Work in process	22,940	21,289
Total	¥511,529	¥492,391

For the fiscal years ended March 31, 2021 and 2020, write-downs of inventories recognized as expenses are ¥22,467 million and ¥22,695 million, respectively.

12 Other Assets

The breakdown of other assets is as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
Prepaid expenses	¥31,337	¥31,252
Income taxes receivable	9,548	14,201
Advance payment	5,085	4,001
Others	47,908	42,333
Total	¥93,878	¥91,787
Current assets	46,552	54,204
Non-current assets	47,326	37,583
Total	¥93,878	¥91,787

13 Assets Held for Sale

The breakdown of assets held for sale is as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
Assets Held for Sale:		
Property, plant and equipment	¥42	¥4,305
Total	¥42	¥4,305

The balance of assets classified as non-current assets held for sale as of March 31, 2021 was immaterial.

Property, plant and equipment of Ibaraki factory held by a consolidated subsidiary, Sumitomo Dainippon Pharma, are classified as non-current assets held for sale as of March 31, 2020. Sumitomo Dainippon Pharma completed the sale of these assets during the fiscal year ended March 31, 2021.

14 Property, Plant and Equipment

(1) Changes in Property, Plant and Equipment

Changes in the carrying amount, balances of acquisition cost, accumulated depreciation and impairment losses of property, plant and equipment are as follows:

Carrying Amount

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
April 1, 2019	¥86,979	¥246,810	¥322,960	¥26,956	¥ —	¥52,213	¥735,918
Cumulative effects of changes in accounting policies	—	(276)	(5,136)	(39)	66,433	—	60,982
Restated balance as at April 1, 2019	86,979	246,534	317,824	26,917	66,433	52,213	796,900
Additions	—	—	—	—	14,299	115,251	129,550
Acquisitions through business combinations	841	3,355	2,014	563	2,507	9	9,289
Sales and disposals	(39)	(432)	(1,918)	(233)	(717)	(376)	(3,715)
Transfer to assets held for sale	(250)	(4,055)	—	—	—	—	(4,305)
Reclassification	249	17,252	64,039	10,673	—	(92,213)	—
Depreciation	—	(17,069)	(76,252)	(10,059)	(13,407)	—	(116,787)
Impairment losses	—	(53)	(1,726)	(76)	(79)	(815)	(2,749)
Reversal of impairment losses	—	7	54	—	—	—	61
Exchange differences on translation of foreign operations	(1,424)	(5,090)	(6,996)	(488)	(979)	(855)	(15,832)
Others	132	(1)	(2,794)	(111)	4,049	(15,270)	(13,995)
March 31, 2020	¥86,488	¥240,448	¥294,245	¥27,186	¥72,106	¥57,944	¥778,417
Additions	—	—	—	—	24,184	107,738	131,922
Acquisitions through business combinations	447	1,195	694	79	306	169	2,890
Sales and disposals	(430)	(905)	(1,040)	(167)	(1,026)	(187)	(3,755)
Transfer to assets held for sale	—	—	(42)	—	—	—	(42)
Reclassification	67	20,223	56,749	11,230	—	(88,269)	—
Depreciation	—	(17,510)	(72,039)	(10,528)	(14,582)	—	(114,659)
Impairment losses	—	(911)	(3,310)	(118)	(78)	(718)	(5,135)
Exchange differences on translation of foreign operations	1,122	6,057	5,892	488	1,408	810	15,777
Others	(286)	(1,180)	(30)	23	(8)	(10,434)	(11,915)
March 31, 2021	¥87,408	¥247,417	¥281,119	¥28,193	¥82,310	¥67,053	¥793,500

Note 1: Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
Note 2: Cumulative effects of changes in accounting policies represents the financial impact of the adoption of IFRS16.

Acquisition Cost

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
April 1, 2019	¥87,880	¥692,416	¥1,808,838	¥191,589	¥ —	¥58,840	¥2,839,563
Cumulative effects of changes in accounting policies	—	(322)	(17,909)	(164)	79,377	—	60,982
Restated balance as at April 1, 2019	87,880	692,094	1,790,929	191,425	79,377	58,840	2,900,545
March 31, 2020	87,388	687,174	1,781,388	190,954	96,078	64,059	2,907,041
March 31, 2021	¥88,244	¥704,983	¥1,829,545	¥195,674	¥117,283	¥73,768	¥3,009,497

Accumulated Depreciation and impairment losses

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
April 1, 2019	¥901	¥445,606	¥1,485,878	¥164,633	¥ —	¥6,627	¥2,103,645
Cumulative effects of changes in accounting policies	—	(46)	(12,773)	(125)	12,944	—	—
Restated balance as at April 1, 2019	901	445,560	1,473,105	164,508	12,944	6,627	2,103,645
March 31, 2020	900	446,726	1,487,143	163,768	23,972	6,115	2,128,624
March 31, 2021	**¥836**	**¥457,566**	**¥1,548,426**	**¥167,481**	**¥34,973**	**¥6,715**	**¥2,215,997**

(2) Right-of-use Assets

The carrying amount of right-of-use assets (lease assets classified as finance lease for the fiscal year ended March 31, 2019) included in property, plant and equipment is as follows:

	Millions of yen				
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
April 1, 2019	¥ —	¥ 276	¥ 5,136	¥ 39	¥ 5,451
Cumulative effects of changes in accounting policies	22,163	37,597	1,179	43	60,982
Restated balance as at April 1, 2019	22,163	37,873	6,315	82	66,433
March 31, 2020	22,970	41,586	7,493	57	72,106
March 31, 2021	**¥31,400**	**¥39,230**	**¥11,149**	**¥531**	**¥82,310**

15 Goodwill and Intangible Assets

(1) Changes in goodwill and intangible assets

Changes in the carrying amounts, balances of acquisition cost, accumulated amortization and impairment losses of goodwill and intangible assets are as follows:

Carrying amount

	Millions of yen					
		Intangible assets				
	Goodwill	Research and development costs	Patents	Software	Others	Total
April 1, 2019	¥126,838	¥141,419	¥ 20,771	¥15,650	¥38,824	¥216,664
Additions	—	1,528	79	10,657	1,892	14,156
Acquisitions through business combinations	78,000	289,878	—	1,207	3	291,088
Sales and disposals	—	—	(3)	(121)	(20)	(144)
Amortization	—	—	(2,804)	(5,533)	(4,856)	(13,193)
Impairment losses	—	(22,466)	(12,102)	—	—	(34,568)
Exchange differences on translation of foreign operations	(4,422)	(4,867)	(413)	(126)	(1,773)	(7,179)
Others	—	—	215	455	(1,848)	(1,178)
March 31, 2020	¥200,416	¥405,492	¥ 5,743	¥22,189	¥32,222	¥465,646
Additions	—	2,162	707	10,439	742	14,050
Acquisitions through business combinations	15,788	919	—	341	19,417	20,677
Sales and disposals	—	—	(1)	(23)	(58)	(82)
Reclassification	—	(202,773)	202,773	—	—	—
Amortization	—	(29)	(7,645)	(5,936)	(6,028)	(19,638)
Impairment losses	—	(35,441)	(151)	(92)	(268)	(35,952)
Exchange differences on translation of foreign operations	4,091	(3,415)	8,607	131	715	6,038
Others	—	10	(8)	(322)	(247)	(567)
March 31, 2021	¥220,295	¥166,925	¥210,025	¥26,727	¥46,495	¥450,172

Note 1: The amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

Note 2: There are no internally generated intangible assets as of March 31, 2021 and 2020.

Note 3: The assets that are at the research and development stage and have yet to obtain marketing approval from regulatory authorities are not able to be used and the period in which they could deliver economic benefit is unforeseeable, therefore, the assets are classified as intangible assets with indefinite useful lives. The carrying values of the intangible assets with indefinite useful lives are ¥166,925 million and ¥405,492 million as of March 31, 2021 and 2020, respectively.

Note 4: "Others" includes customer-related assets for Health & Crop Sciences, marketing rights for Pharmaceuticals and others.

Acquisition cost

	Millions of yen					
		Intangible assets				
	Goodwill	Research and development costs	Patents	Software	Others	Total
April 1, 2019	¥138,543	¥162,602	¥56,075	¥70,245	¥ 92,301	¥381,223
March 31, 2020	212,087	448,630	58,171	78,935	83,618	669,354
March 31, 2021	¥232,038	¥228,194	¥290,415	¥89,024	¥104,755	¥712,388

Accumulated amortization and impairment losses

	Millions of yen					
		Intangible assets				
	Goodwill	Research and development costs	Patents	Software	Others	Total
April 1, 2019	¥11,705	¥21,183	¥35,304	¥54,595	¥53,477	¥164,559
March 31, 2020	11,671	43,138	52,428	56,746	51,396	203,708
March 31, 2021	**¥11,743**	**¥61,269**	**¥80,390**	**¥62,297**	**¥58,260**	**¥262,216**

(2) Significant intangible assets

Significant intangible assets recorded in the consolidated statement of financial position are in-process research and development and patents. They are acquired through the acquisition of Myovant Sciences Ltd., Urovant Sciences Ltd., Cynapsus Therapeutics Inc. (currently known as Sunovion CNS Development Canada ULC) and Tolero Pharmaceuticals, Inc. (currently known as Sumitomo Dainippon Pharma Oncology, Inc.), etc., by a consolidated subsidiary, Sumitomo Dainippon Pharma and its subsidiaries.

The carrying amounts and remaining periods of amortization of significant intangible assets are as follows:

		Millions of yen		year
		Carrying amount		Remaining period of amortization
		March 31, 2021	March 31, 2020	March 31, 2021
Myovant Sciences Ltd.	In-process research and development	**¥133,184**	¥193,246	**—**
	Patent	**62,335**	—	**17**
Urovant Sciences Ltd.	In-process research and development	**—**	89,986	**—**
	Patent	**91,336**	—	**15**
Cynapsus Therapeutics Inc.	In-process research and development	**—**	54,068	**—**
	Patent	**51,328**	—	**11**
Tolero Pharmaceuticals, Inc.	In-process research and development	**16,828**	25,244	**—**
Boston Biomedical Inc.	In-process research and development	**—**	27,638	**—**

Due to the uncertainties in the research and development processes, in-process research and development assets are particularly at risk of impairment if the projects are not expected to result in commercialized products.

(3) Research and development costs

Research and development costs recognized in the consolidated statement of profit or loss are ¥178,651 million and ¥174,320 million for the fiscal years ended March 31, 2021 and 2020, respectively.

16 Impairment of Non-financial Assets

(1) Impairment losses

Fiscal Year ended March 31, 2021

Impairment losses recognized for the fiscal year ended March 31, 2021 are ¥40,833 million. Impairment losses are recognized in "Cost of sales," "Selling, general and administrative expenses" and "Other operating expenses" in the consolidated statement of profit or loss. Details of the impairment losses by reportable segments are presented in Note 6 Segment information.

The major CGUs for which impairment losses are recognized are as follows:

Location	Usage	Class of assets	Reportable segment	Millions of yen Impairment losses
U.S.	Results of research and development with respect to compounds under development (napabucasin)	In-process research and development	Pharmaceuticals	¥26,952
U.S.	Results of research and development with respect to compounds under development (alvocidib)	In-process research and development	Pharmaceuticals	8,489
Korea	Film touch sensor production facilities	Machinery and vehicles, etc.	IT-related Chemicals	1,304
China	Film touch sensor module production facilities	Machinery and vehicles, etc.	IT-related Chemicals	1,121

Details of the impairment losses

- Results of research and development with respect to compounds under development (napabucasin) ¥26,952 million (Intangible assets ¥26,952 million)
- Results of research and development with respect to compounds under development (alvocidib) ¥8,489 million (Intangible assets ¥8,489 million)
- Film touch sensor production facilities ¥1,304 million (Buildings and structures ¥345 million, Machinery and vehicles ¥942 million, Tools, furniture and fixtures ¥17 million)
- Film touch sensor module production facilities ¥1,121 million (Machinery and vehicles ¥1,033 million, Others ¥88 million)

The Group reduced the full carrying amount related to in-process research and development (napabucasin ¥26,952 million, alvocidib ¥8,489 million) of which the profitability is no longer expected due to the discontinuation of its clinical development. Also, the Group reduced the carrying amounts to recoverable amounts of ¥6,104 million and ¥480 million, respectively, related to film touch sensor production facilities and film touch sensor module production facilities of which the profit is no longer expected to improve due to sluggish demand. The recoverable amounts of these assets were measured at the fair value less disposal costs. The fair value less disposal costs was calculated by estimated selling price.

The Company performed an impairment test in the fiscal year ended March 31, 2021 because there was an indication of impairment at property, plant and equipment and intangible assets of ¥47,759 million in methionine business in Health & Crop Sciences Segment. The recoverable amount of the asset was measured at value in use. In the calculation of value in use, with some assumptions such as sales price of methionine and purchase price of naphtha which could have a significant effect on manufacturing cost based on the latest information in the fiscal year ended March 31, 2021, pre-tax discount rate of 11.3% was used for future cash flows. As a result, the recoverable amount was estimated higher than carrying amount therefore an impairment loss of the assets was not recognized. However, it may be affected by uncertain future economic conditions.

Fiscal Year ended March 31, 2020

Impairment losses recognized for the fiscal year ended March 31, 2020 are ¥37,328 million. Impairment losses are recognized in "Cost of sales," and "Selling, general and administrative expenses" in the consolidated statement of profit or loss. Details of the impairment losses by reportable segments are presented in Note 6 Segment information.

The major CGUs for which impairment losses are recognized are as follows:

Location	Usage	Class of assets	Reportable segment	Millions of yen Impairment losses
U.S.	Results of research and development with respect to compounds under development (alvocidib)	In-process research and development	Pharmaceuticals	¥17,394
U.S.	Patent of pharmaceuticals	Patent	Pharmaceuticals	12,102
U.S.	Results of research and development with respect to compounds under development (SB623)	In-process research and development	Pharmaceuticals	3,333
U.S.	Results of research and development with respect to compounds under development (amcasertib)	In-process research and development	Pharmaceuticals	1,739

Details of the impairment losses

- Results of research and development with respect to compounds under development (alvocidib) ¥17,394 million (Intangible assets ¥17,394 million)
- Patent of pharmaceuticals ¥12,102 million (Intangible assets ¥12,102 million)
- Results of research and development with respect to compounds under development (SB623) ¥3,333 million (Intangible assets ¥3,333 million)
- Results of research and development with respect to compounds under development (amcasertib) ¥1,739 million (Intangible assets ¥1,739 million)

The Group reduced the carrying amounts to recoverable amounts of ¥8,705 million and ¥4,270 million, respectively related to In-process research and development and patent of which the profitability decreased due to the revised business plan. Also, it reduced the full carrying amount of ¥3,333 million related to In-process research and development of which the profitability is no longer expected due to the termination of license agreement. In addition, it reduced the full carrying amount of ¥1,739 million related to In-process research and development of which the profitability is no longer expected due to the discontinuation of its clinical development. The recoverable amounts of these assets were measured at value in use, which was calculated by discounting the future cash flows with pre-tax discount rate of 11.0 – 19.0%.

(2) Reversal of impairment losses

Fiscal year ended March 31, 2021

There are no reversal of impairment losses in the fiscal year ended March 31, 2021.

Fiscal year ended March 31, 2020

There are no significant reversal of impairment losses in the fiscal year ended March 31, 2020.

Details of reversal of impairment losses by reportable segments are presented in Note 6 Segment information.

(3) Impairment test of Goodwill

Goodwill arising from business combination is allocated at the acquisition to cash-generating units benefitting from the business combination, and the carrying amounts are ¥220,295 million and ¥200,416 million as of March 31, 2021 and 2020, respectively.

The material items of goodwill associated with the pharmaceutical business and the carrying amounts are as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
North America (excluding oncology area)	¥152,255	¥149,643
North America (oncology area)	24,237	23,821
Total	¥176,492	¥173,464

An impairment loss of goodwill is recognized when the recoverable amount is less than its carrying amount. The carrying amount of goodwill is reduced to its recoverable amount, which is calculated based on the value in use measured based on the business plan approved by the corporate strategic meeting. Based on the assumptions such as planned launch schedules of the products under development related to the target intangible assets, probability of success of research and development activities, and profit forecast of the products and products under development including sales price forecast, the value in use is calculated by discounting estimates of the future cash flows based on the historical experience and external information.

As a result of impairment tests as of March 31, 2021 and 2020, an impairment loss was not recorded since the recoverable amounts of CGUs were more than its carrying amounts. The weighted average cost of capital that was set by cash-generating unit is used for impairment test of goodwill. The weighted average cost of capital used for impairment test is 13.5% ~17.0% and 13.8% ~ 20.0% for the fiscal years ended March 31, 2021 and 2020, respectively. The value in use substantially exceeds the carrying amounts of the relevant CGUs and management considers it unlikely that an impairment loss would be recognized even if the key assumptions used in the calculation of value in use fluctuated within a reasonable range.

17 Investments accounted for using the equity method

(1) Investments in associates

Carrying amounts of individually immaterial investments in associates accounted for using the equity method are as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
Total carrying amount	¥134,488	¥121,956

The aggregate amounts of the Group's share of comprehensive income of individually immaterial investment in associates accounted for using the equity method are as follows:

	Millions of yen	
	2021	2020
The Group's share of net income	¥10,364	¥7,047
The Group's share of other comprehensive income	6,689	(3,534)
The Group's share of comprehensive income	¥17,053	¥3,513

(2) Investments in joint ventures

① Material Joint venture

The joint venture that is material to the Group is as follows:

			Proportion of ownership interest	
Company name	Core business	Location	March 31, 2021	March 31, 2020
Rabigh Refining and Petrochemical Company	Manufacturing and sales of refined petroleum products and petrochemicals	Saudi Arabia Rabigh	37.50%	37.50%

Summarized financial information of Rabigh Refining and Petrochemical Company (hereinafter "Perto Rabigh") is as follows.

The Company applies the equity method to financial statements of Petro Rabigh on a three-month time lag, as it is impracticable to unify the reporting period of Petro Rabigh. The summarized financial information of the Petro Rabigh for the period ended three months before the Group's reporting date is disclosed in this Note.

	Millions of yen	
	March 31, 2021	March 31, 2020
Current assets	¥ 261,999	¥ 336,968
Non-current assets	1,686,328	1,828,400
Total assets	¥1,948,327	¥2,165,367
Current liabilities	556,303	817,424
Non-current liabilities	1,221,056	1,054,232
Total liabilities	¥1,777,359	¥1,871,656
Equity	170,968	293,711
Total equity attributable to Group's share of equity	64,113	110,142
Consolidation adjustment	(15,128)	(15,204)
Carrying amount of investments	48,985	94,938
Fair value of investments	164,162	101,969
The material items included in the above:		
Cash and cash equivalents	28,005	9,246
Current financial liabilities (except for trade and other payables, and provisions)	315,581	508,138
Non-current financial liabilities (except for trade and other payables, and provisions)	1,199,604	1,035,117

	Millions of yen	
	2021	2020
Sales revenue:	¥ 623,082	¥991,544
Net income	(107,724)	(15,840)
Other comprehensive income	(1,624)	(1,712)
Total comprehensive income	¥(109,348)	¥ (17,552)
Interests of the Group:		
Net income	(40,319)	(3,872)
Other comprehensive income	(5,634)	(2,170)
Total comprehensive income	¥ (45,953)	¥ (6,042)
The material items included in the above:		
Depreciation and Amortization	90,999	69,642
Income tax expenses	1,188	6,554

Interest income of Petro Rabigh for the fiscal years ended March 31, 2021 and 2020 is ¥5,292 million and ¥6,793 million, respectively. Interest expenses of Petro Rabigh for the fiscal years ended March 31, 2021 and 2020 are ¥39,827 million and ¥24,352 million, respectively.

No dividends were received from Petro Rabigh for the fiscal years ended March 31, 2021 and 2020.

The repayment of loans to Petro Rabigh by the Company, payment of interest associated with the loans, and dividends by Petro Rabigh can be carried out within the terms and conditions stipulated in the project finance contracts.

The Company has agreed to provide Petro Rabigh with the amount equivalent to the Company's interest (37.50%) of capital needs associated with Rabigh Phase II Project that is not funded by borrowings under project finance contracts or other funding method through a capital increase or other methods.

② Individually immaterial joint ventures

Carrying amounts of individually immaterial investments in joint ventures accounted for using the equity method are as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
Total carrying amount	¥60,330	¥47,160

The aggregate amounts of the Group's share of comprehensive income of individually immaterial investments in joint ventures accounted for using the equity method are as follows:

	Millions of yen	
	2021	2020
The Group's share of net income	¥17,496	¥6,058
The Group's share of other comprehensive income	684	(1,158)
The Group's share of comprehensive income	¥18,180	¥4,900

18 Income Taxes

(1) Deferred Tax Assets and Liabilities

① Details and movement in deferred tax assets and liabilities

The details of originations of deferred tax assets and liabilities by major reasons and movements are as follows:

Fiscal Year ended March 31, 2021

	Millions of yen				
	April 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2021
Deferred tax assets:					
Property, plant and equipment and intangible assets	¥ 21,403	¥ 5,228	¥ —	¥ 897	¥ 27,528
Inventories	32,868	(696)	—	233	32,405
Retirement benefit liabilities	16,919	387	(2,798)	290	14,798
Accrued expenses and provisions	16,889	(2,530)	—	157	14,516
Tax loss carryforwards	30,615	(10,140)	—	878	21,353
Prepaid research and development expenses	10,557	(2,845)	—	15	7,727
Others	14,405	(4,315)	(3,493)	468	7,065
Total	¥143,656	¥(14,911)	¥(6,291)	¥2,938	¥125,392
Deferred tax liabilities:					
Property, plant and equipment and intangible assets	72,887	(441)	—	2,072	74,518
Financial assets measured at fair value through other comprehensive income	45,099	(2)	1,208	(145)	46,160
Retirement benefit assets	22,480	517	5,162	372	28,531
Investments in subsidiaries and affiliates	24,629	1,165	761	—	26,555
Others	10,898	(10)	(969)	157	10,076
Total	¥175,993	¥ 1,229	¥ 6,162	¥2,456	¥185,840

Note: Amounts are mainly deferred tax assets and deferred tax liabilities recognized through the acquisition of subsidiaries from business combination. Exchange differences are included in "Others."

Fiscal Year ended March 31, 2020

	Millions of yen				
	April 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2020
Deferred tax assets:					
Property, plant and equipment and intangible assets	¥ 21,030	¥ 760	¥ —	¥ (387)	¥ 21,403
Inventories	27,304	5,564	—	—	32,868
Retirement benefit liabilities	16,603	550	(170)	(64)	16,919
Accrued expenses and provisions	26,643	(9,281)	—	(473)	16,889
Tax loss carryforwards	41,646	(21,581)	—	10,550	30,615
Prepaid research and development expenses	12,935	(2,448)	—	70	10,557
Others	20,755	(6,639)	808	(519)	14,405
Total	¥166,916	¥(33,075)	¥ 638	¥ 9,177	¥143,656
Deferred tax liabilities:					
Property, plant and equipment and intangible assets	38,528	(2,646)	—	37,005	72,887
Financial assets measured at fair value through other comprehensive income	48,917	—	(3,271)	(547)	45,099
Retirement benefit assets	23,431	531	(1,291)	(191)	22,480
Investments in subsidiaries and affiliates	25,610	(161)	(819)	(1)	24,629
Others	11,014	(1,513)	585	812	10,898
Total	¥147,500	¥ (3,789)	¥(4,796)	¥37,078	¥175,993

Note: Amounts are mainly deferred tax assets and deferred tax liabilities recognized through the acquisition of subsidiaries from business combination. Exchange differences are included in "Others."

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that they will be utilized against future taxable income. The judgment of the recoverability of deferred tax assets is based on the estimated future taxable income of each fiscal year under the business plan of the Group. The estimates of the future taxable income may be affected by the changes in uncertain future economic conditions.

2 Unrecognized deferred tax assets

Deductible temporary differences, tax loss carryforwards and tax credit carryforwards for which no deferred tax assets are recognized are as follows (tax amount basis):

	Millions of yen	
	March 31, 2021	March 31, 2020
Deductible temporary differences	**¥47,506**	¥36,184
Tax loss carryforwards	**76,046**	59,780
Tax credit carryforwards	**19,312**	11,968

③ Unrecognized deferred tax assets and expiry schedule

Tax loss carryforwards and tax credit carryforwards for which no deferred tax assets are recognized will expire as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
Tax loss carryforwards:		
Not later than 1 year	¥10,582	¥ 1,734
Later than 1 year and not later than 2 years	868	9,023
Later than 2 years and not later than 3 years	2,034	810
Later than 3 years and not later than 4 years	1,292	1,541
Later than 4 years	61,270	46,672
Total	¥76,046	¥59,780

	Millions of yen	
	March 31, 2021	March 31, 2020
Tax credit carryforwards:		
Not later than 1 year	¥ —	¥ —
Later than 1 year and not later than 2 years	—	—
Later than 2 years and not later than 3 years	800	—
Later than 3 years and not later than 4 years	—	—
Later than 4 years	18,512	11,968
Total	¥19,312	¥11,968

④ Unrecognized deferred tax liabilities (income basis)

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities are not recognized as of March 31, 2021 and 2020 are ¥501,834 million and ¥404,461 million, respectively. The Group does not recognize deferred tax liabilities for these temporary differences because the Group is able to control the timing of the reversal of these temporary differences, and it is probable that the temporary difference will not reverse in the foreseeable future.

(2) Income tax expenses

① Income tax expenses

Income tax expenses are as follows:

	Millions of yen	
	2021	2020
Current tax expenses (Note)	¥53,589	¥46,770
Deferred tax expenses:		
Recognition and reversal of temporary differences	7,600	(7,102)
Evaluation of recoverability of deferred tax assets	8,540	36,413
Total of deferred tax expenses	16,140	29,311
Total	¥69,729	¥76,081

Note: In the United States, "Coronavirus Aid, Relief, and Economic Security Act (CARES Act)" was enacted on March 27, 2020. Along with this, a major tax regulation that could affect the consolidated financial statement for the fiscal year ended March 31, 2021 and 2020 is as follows:

(Carryback of tax loss carryforwards)

Taxpayers are permitted to carryback tax loss carryforwards arising in a tax year after January 1, 2018, and before December 31, 2020, to each of the five tax years preceding the tax year in which the loss arises.

As a result, the impact of the carryback of tax loss carryforwards is ¥(2,344) million and ¥(4,040) million for the fiscal year ended March 31, 2021 and 2020, and is included in current income tax expenses.

② Reconciliation of income tax rate

The details of difference between the statutory income tax rate and the average actual tax rate are as follows:

The Group is mainly subject to income taxes, inhabitant tax, and enterprise tax. The effective statutory income tax rate calculated based on these taxes, is 30.6% and 30.6% for the fiscal years ended March 31, 2021 and 2020, respectively. However, overseas subsidiaries are subject to income taxes in their respective countries of domicile.

	2021	2020
Effective statutory income tax rate	30.6%	30.6%
(Reconciliation)		
Permanently non-deductible expenses	0.2	0.4
Permanently non-taxable income	0.5	(0.3)
Share of profit of investments accounted for using the equity method	2.8	(2.2)
Affiliates' undistributed earnings	0.8	(0.3)
Changes in unrecognized deferred tax assets	13.2	42.6
Tax credit for research and development expenses	(4.9)	(7.3)
Difference of subsidiaries' applicable income tax rates	11.9	6.3
Effect of change in fair value of contingent consideration	(4.7)	(9.9)
Effect of "CARES Act"	(1.7)	(3.1)
Others	1.9	1.5
Average actual tax rate	50.6%	58.3%

19 Bonds and Borrowings

(1) Breakdown of Bonds and Borrowings

Bonds and borrowings consist of the following:

	Millions of yen		Average	Repayment
	March 31, 2021	March 31, 2020	interest rate	due date
Short-term borrowings	¥ 155,666	¥ 370,995	0.703%	—
Commercial paper	—	2,000	—	—
Long-term borrowings	590,157	444,486	0.596	2021 ~ 2029
Bonds	605,243	487,185	0.991	2021 ~ 2079
Total	¥1,351,066	¥1,304,666	—%	—
Current liabilities	250,389	466,527	—	—
Non-current liabilities	1,100,677	838,139	—	—
Total	¥1,351,066	¥1,304,666	—%	—

Bonds and borrowings are classified as financial liabilities measured at amortized cost. The average interest rate and repayment due date in the above table are as of March 31, 2021.

(2) Bonds

A summary of the issuance conditions of bonds is as follows:

Issuer	Bond Name	Issue Date	Millions of yen March 31, 2021	March 31, 2020	Interest Rate (%)	Collateral	Maturity Date
Sumitomo Chemical Co., Ltd.	43rd unsecured bonds	Apr. 23, 2010	—	35,000 (35,000)	1.580	No	Apr. 23, 2020
	45th unsecured bonds	Oct. 28, 2011	**20,000 (20,000)**	20,000	1.220	No	Oct. 28, 2021
	47th unsecured bonds	Jun. 12, 2013	—	10,000 (10,000)	0.984	No	Jun. 12, 2020
	49th unsecured bonds	Apr. 25, 2014	**10,000**	10,000	0.944	No	Apr. 25, 2024
	50th unsecured bonds	Apr. 25, 2014	**10,000 (10,000)**	10,000	0.567	No	Apr. 23, 2021
	52nd unsecured bonds	Sep. 01, 2016	**10,000**	10,000	0.850	No	Sep. 01, 2036
	53rd unsecured bonds	Sep. 01, 2016	**10,000**	10,000	0.300	No	Sep. 01, 2026
	54th unsecured bonds	Sep. 01, 2016	**10,000**	10,000	0.200	No	Sep. 01, 2023
	55th unsecured bonds	Sep. 13, 2017	**10,000**	10,000	0.880	No	Sep. 13, 2037
	56th unsecured bonds	Sep. 13, 2017	**20,000**	20,000	0.380	No	Sep. 13, 2027
	57th unsecured bonds	Sep. 13, 2017	**10,000**	10,000	0.240	No	Sep. 13, 2024
	58th unsecured bonds	Apr. 17, 2018	**30,000**	30,000	0.900	No	Apr. 16, 2038
	59th unsecured bonds	Apr. 17, 2018	**20,000**	20,000	0.355	No	Apr. 17, 2028
	60th unsecured bonds	Apr. 16, 2019	**15,000**	15,000	0.900	No	Apr. 15, 2039
	61st unsecured bonds	Apr. 16, 2019	**20,000**	20,000	0.400	No	Apr. 16, 2029
	1st Unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Dec. 13, 2019	**150,000**	150,000	1.300 (Note 2)	No	Dec. 13, 2079 (Note 4)
	2nd Unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Dec. 13, 2019	**100,000**	100,000	0.840 (Note 3)	No	Dec. 13, 2079 (Note 5)
	62nd unsecured bonds	Oct. 22, 2020	**10,000**	—	0.780	No	Oct. 22, 2040
	63rd unsecured bonds	Oct. 22, 2020	**10,000**	—	0.360	No	Oct. 22, 2030
	64th unsecured bonds	Oct. 22, 2020	**20,000**	—	0.001	No	Oct. 20, 2023
Sumitomo Dainippon Pharma Co., Ltd.	1st Unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Sep. 10, 2020	**60,000**	—	1.390 (Note 6)	No	Sep. 09, 2050 (Note 8)
	2nd Unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Sep. 10, 2020	**60,000**	—	1.550 (Note 7)	No	Sep. 09, 2050 (Note 9)
Sumitomo Chemical Brasil Indústria Química S.A. (Note 10)	1st unsecured bonds	Jul. 15, 2018	**3,836 (3,836) [200million BRL]**	—	4.950 (Note 11)	No	Jul. 15, 2021
Total	—	—	**608,836 (33,836)**	490,000 (45,000)	—	—	—

Note 1: Corporate bonds to be redeemed within 1 year are stated in parentheses.
Note 2: The fixed interest rate has been applied since December 13, 2019 and will have been applied until December 13, 2029, and a variable interest rate from the day after December 13, 2029 ("Step-up interest rates" will be applied from the day after December 13, 2029, and the day after December 13, 2049).
Note 3: The fixed interest rate has been applied since December 13, 2019 and will have been applied until December 13, 2024, and a variable interest rate from the day after December 13, 2024 ("Step-up interest rates" will be applied from the day after December 13, 2029, and the day after December 13, 2044).
Note 4: The Company may redeem the Hybrid Bonds at its discretion on each interest payment date from and including December 13, 2029, or in case a Tax Event or an Equity Credit Change Event occurs.
Note 5: The Company may redeem the Hybrid Bonds at its discretion on each interest payment date from and including December 13, 2024, or in case a Tax Event or an Equity Credit Change Event occurs.
Note 6: The fixed interest rate has been applied since September 10, 2020 and will have been applied until September 10, 2027, and a variable interest rate from the day after September 10, 2027 ("Step-up interest rates" will be applied from the day after September 10, 2027).
Note 7: The fixed interest rate has been applied since September 10, 2020 and will have been applied until September 10, 2030, and a variable interest rate from the day after September 10, 2030 ("Step-up interest rates" will be applied from the day after September 10, 2030).
Note 8: Sumitomo Dainippon Pharma may redeem the Hybrid Bonds at its discretion on each interest payment date from and including September 10, 2027, or in case a Tax Event or an Equity Credit Change Event occurs.
Note 9: Sumitomo Dainippon Pharma may redeem the Hybrid Bonds at its discretion on each interest payment date from and including September 10, 2030, or in case a Tax Event or an Equity Credit Change Event occurs.
Note 10: Since Sumitomo Chemical Brasil Indústria Química S.A. was newly consolidated in the fiscal year ended March 31, 2021, there was no balance in the fiscal year ended March 31, 2020.
Note 11: The interest rate is Interbank Deposit Certificate (CDI) in Brazil plus 2.3% per year.

(3) Pledged Assets

Assets pledged as collateral and collateralized obligations are as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
Pledged Assets:		
Investments in joint ventures	¥48,985	¥ 94,938
Property, plant and equipment	11,292	18,328
Trade notes and accounts receivable	5,790	3,075
Others	244	187
Total	¥66,311	¥116,528
Collateralized obligations:		
Borrowings	7,468	8,602
Other payables	—	773
Others	44	383
Total	¥ 7,512	¥ 9,758

Investments in joint ventures pledged as collateral for joint venture's debt amounted to ¥ 215,502 million and ¥61,327 million are subjected to real guarantee as of March 31, 2021 and 2020, respectively.

20 Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
Financial liabilities measured at fair value through profit or loss:		
Derivative liabilities	¥ 6,369	¥ 4,022
Contingent considerations	8,337	31,228
Others	14,355	12,905
Financial liabilities measured at amortized cost:		
Deposits received	24,279	19,889
Others	303	254
Lease liabilities	83,387	72,527
Total	¥137,030	¥140,825
Current liabilities	55,913	48,769
Non-current liabilities	81,117	92,056
Total	¥137,030	¥140,825

21 Reconciliation of Liabilities for Financing Activities

The reconciliation of liabilities for financing activities is as follows:

Fiscal Year ended March 31, 2021

	Millions of yen					
			Non-cash transactions			
	Carrying amount April 1, 2020	Cash flows	Business combinations	Foreign currency translations	Others	Carrying amount March 31, 2021
Bonds	¥ 487,185	¥113,734	¥ 4,300	¥ (212)	¥ 236	¥ 605,243
Commercial paper	2,000	(2,000)	—	—	—	—
Short-term borrowings	370,995	(237,585)	24,963	(3,445)	738	155,666
Long-term borrowings	444,486	143,886	837	1,072	(124)	590,157
Lease liabilities	72,527	(15,149)	275	1,642	24,092	83,387
Total	¥1,377,193	¥ 2,886	¥30,375	¥ (943)	¥24,942	¥1,434,453

Note: Others of non-cash transactions of lease liabilities include increase of right-of-use assets by new acquisition.

Fiscal Year ended March 31, 2020

	Millions of yen							
					Non-cash transactions			
	Carrying amount April 1, 2019	Cumulative effects of changes in accounting policies	Carrying amount April 1, 2019 (after adjustment)	Cash flows	Business combinations	Foreign currency translations	Others	Carrying amount March 31, 2020
Bonds	¥234,940	¥ —	¥234,940	¥252,075	¥ —	¥ —	¥ 170	¥ 487,185
Commercial paper	30,000	—	30,000	(28,000)	—	—	—	2,000
Short-term borrowings	134,045	—	134,045	237,592	584	(997)	(229)	370,995
Long-term borrowings	440,545	—	440,545	(17,968)	23,762	(1,776)	(77)	444,486
Lease liabilities	6,923	63,652	70,575	(14,778)	2,660	(314)	14,384	72,527
Total	¥846,453	¥63,652	¥910,105	¥428,921	¥27,006	¥(3,087)	¥14,248	¥1,377,193

Note: Cumulative effects of changes in accounting policies represents the financial effect from the adoption of IFRS 16.
Others of non-cash transactions of lease liabilities include increase of right-of-use assets by new acquisition.

22 Leases

(1) Income, expense items and cash flow related to right-of-use assets

As a lessee, the Group leases assets such as buildings and machinery.

The breakdown of Income, expense items and cash flow related to right-of-use assets is as follows:

	Millions of yen	
	2021	2020
Depreciation charge for right-of-use assets:		
Buildings and structures	¥ 9,978	¥ 9,901
Machinery and vehicles	3,015	2,068
Tools, furniture and fixtures	255	32
Land	1,334	1,406
Total of depreciation	¥14,582	¥13,407
Impairment losses for right-of-use assets:		
Buildings and structures	1	79
Machinery and vehicles	21	—
Tools, furniture and fixtures	4	—
Land	52	—
Total of impairment losses	¥ 78	¥ 79
Interest expense on lease liabilities	1,211	1,204
The expense relating to short-term leases	1,347	1,553
The expense relating to leases of low-value assets	2,378	2,119
The expense relating to variable lease payments not included in the measurement of lease liabilities	326	697
(Income) from subleasing right-of-use assets	(779)	(647)
Total amount recognized in net income	4,483	4,926
Repayments of lease liabilities	15,149	14,778
Total cash outflow related to right-of-use assets	¥19,632	¥19,704

(2) Extension options and termination options (Lessee)

The Company and each Group subsidiary assume responsibility for lease management. Accordingly, the lease terms and conditions are negotiated on a case-by-case basis, and the resultant leases contain widely differing contractual terms.

Extension options and termination options are included mainly in real estate leases pertaining to offices, warehouses and factory sites. These options are used by lessees as needed in utilizing real estate in their businesses.

(3) Restrictions or covenants imposed by leases

The Group has no lease contracts with covenants such as restrictions on additional borrowings and additional leases.

23 Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
Trade notes and accounts payable	¥339,973	¥257,584
Other payables and accrued expenses	180,828	176,174
Others	2,086	2,312
Total	¥522,887	¥436,070

Trade and other payables are classified as financial liabilities measured at amortized cost.

24 Employee Benefits

The Company and certain consolidated subsidiaries have defined benefit plans such as funded and unfunded lump-sum retirement benefit plans and defined benefit corporate pension plans, and also have defined contribution pension plans as retirement benefits for employees.

The Company and certain consolidated subsidiaries have retirement benefit trusts.

These plans are subject to minimum funding requirements stipulated by law, which requires the plan sponsor to pay additional contributions to achieve a minimum funding level within a certain time scale if the plan does not hold sufficient assets.

The Group's main plans are exposed to actuarial risk such as investment risk, interest rate risk, inflation risk and longevity risk.

(1) Defined Benefit Plan

1 Reconciliation of Defined Benefit Obligations and Plan Assets

Net defined benefit liabilities and assets recognized in the consolidated statement of financial position, defined benefit obligations and plan assets are as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
Present value of defined benefit obligations	¥321,715	¥315,620
Fair value of the plan assets	(364,991)	(331,079)
Net defined benefit (assets) liabilities	¥ (43,276)	¥ (15,459)
Retirement benefit liabilities	37,179	45,770
Retirement benefit assets	(80,455)	(61,229)
Net defined benefit (assets) liabilities	¥ (43,276)	¥ (15,459)

2 Reconciliation of present value of Defined Benefit Obligations

Changes in the present value of defined benefit obligations are as follows:

	Millions of yen	
	2021	2020
Present value of defined benefit obligations at the beginning of the year	¥315,620	¥319,490
Current service cost	13,145	13,827
Interest expense	2,021	1,930
Remeasurements:		
Actuarial (gains) losses arising from changes in demographic assumptions	(16)	(449)
Actuarial (gains) losses arising from changes in financial assumptions	(491)	(1,902)
Actuarial (gains) losses arising from experiential adjustments	3,065	(2,106)
Past service cost	27	—
Benefits paid	(13,568)	(14,975)
Others	1,912	(195)
Present value of defined benefit obligations at the end of the year	¥321,715	¥315,620

The weighted average duration of the defined benefit obligations of the Company and major consolidated subsidiaries is 14.3 years and 15.0 years as of March 31, 2021 and 2020, respectively.

③ Reconciliation of fair value of Plan Assets

Changes in the fair value of plan assets are as follows:

	Millions of yen	
	2021	2020
Fair value of plan assets at the beginning of the year	¥331,079	¥344,901
Interest income	2,705	2,168
Remeasurements:		
Return on plan assets	29,385	(13,901)
Contributions to the plan by the employer	11,180	11,470
Payments from the plan	(11,426)	(11,871)
Return on plan assets (Note)	(141)	(191)
Others	2,209	(1,497)
Fair value of plan assets at the end of the year	¥364,991	¥331,079

Note: As the Company's plan assets are in excess of the defined benefit obligation and this situation is expected to continue, the cash portion of the retirement benefit trusts of plan assets was refunded in the fiscal years ended March 31, 2021 and 2020.

The Group's basic policy regarding investment of plan assets has a target to increase the fair value basis plan assets by specifying target investment yield and acceptable risk in order to safely and efficiently ensure plan assets required for current and future pension and lump-sum payments.

A risk diversification on investments is carried out without imbalance to achieve this target.

In addition, the asset allocation ratio will be reassessed as necessary.

The Group plans to contribute ¥11,411 million for the fiscal year ending March 31, 2022.

④ Details of Plan Assets

Plan assets consist of the following:

	Millions of yen					
	March 31, 2021			March 31, 2020		
	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total
Cash and cash equivalents	¥ 23,934	¥ —	¥ 23,934	¥ 23,797	¥ —	¥ 23,797
Equity instruments	97,867	—	97,867	65,717	—	65,717
Debt instruments	181,580	—	181,580	185,417	—	185,417
General accounts of life insurance companies	—	41,796	41,796	—	40,879	40,879
Others	1,148	18,666	19,814	126	15,143	15,269
Total	¥304,529	¥60,462	¥364,991	¥275,057	¥56,022	¥331,079

⑤ Significant actuarial assumptions

Significant actuarial assumptions are as follows:

	%	
	March 31, 2021	March 31, 2020
Discount rate	0.6	0.5

⑥ Sensitivity analysis

The effect in the present value of the defined benefit obligations of a 0.5% change in discount rate used for actuarial calculations is as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
0.5% increase in discount rate	¥(20,154)	¥(20,103)
0.5% decrease in discount rate	21,972	21,412

Note: To calculate the sensitivity of the defined benefit obligations, the same method is applied as that for calculation of the defined benefit obligations recognized in the consolidated statement of financial position. Sensitivity is analyzed based on the reasonably estimable movement of assumptions as at the year-end. The sensitivity analysis assumes that all actuarial assumptions other than that subject to the analysis are constant, but in reality, the movement of other actuarial assumptions may affect the result.

(2) Defined Contribution Plan

Payments to defined contribution plans are recognized as expense in the periods that employees render services. Amounts recognized as expenses under defined contribution plans (including corporate pension plan under a multi-employer plan that is accounted for the same as defined contribution plans) for the fiscal years ended March 31, 2021 and 2020 are ¥5,090 million and ¥4,877 million, respectively.

(3) Employee Benefit Expenses

Employee benefit expenses recognized in "Cost of sales," "Selling, general and administrative expenses," and "Other operating expenses" in the consolidated statement of profit or loss for the fiscal years ended March 31, 2021 and 2020 are ¥391,024 million and ¥359,970 million, respectively.

(4) Multi-employer Defined Benefit Plans

Certain consolidated subsidiaries participate in the corporate pension fund under a multi-employer plan. Because the amount of plan assets corresponding to the contribution by the companies cannot be reasonably calculated, the amount of contribution required is accounted for in the same manner as defined contribution plans.

The contributions for corporate pension plan are calculated as a fixed percentage of the average salary or the like of participating employees. In addition, each fund ensures future solvency by revising the contribution in accordance with relevant regulations.

If the funds are dissolved and liquidated, they will charge participants to cover deficits or distribute residual assets to participants based on minimum funding standards calculated in accordance with regulations or the like. In addition, employers that elect to withdraw from the funds are subject to a charge to cover any liabilities and deficits projected to result from their withdrawal.

1 Recent financial position of multi-employer defined benefit plans

	Millions of yen	
	As of March 31, 2020	As of March 31, 2019
Plan assets	¥ 35,561	¥ 38,528
Aggregate of actuarial liability based on pension finance calculation and minimum liability reserve	67,610	68,843
Net	¥(32,049)	¥(30,315)

The net amount presented in the above table is the total of ¥(32,708) million in the present value of special contributions and ¥657 million in the plan assets shortfall carried forward as of March 31, 2020, and the total of ¥(33,225) million in the present value of special contributions and ¥2,910 million in the plan assets shortfall carried forward as of March 31, 2019, respectively.

The present value of special contributions represents the amortized amount to be compensated over future periods to make up the past shortfall of plan assets in pension finance, calculated with a predetermined rate (special contributions) under an agreement regarding the corporate pension plan.

Under this plan, the present value of special contributions is amortized using the equal payment method. The remaining years of amortization are 23 years and 8 months and 24 years and 8 months as of March 31, 2020 and March 31, 2019, respectively. Special contributions of ¥28 million and ¥27 million have been accounted for as pension expense on the consolidated financial statements for the fiscal years ended March 31, 2020 and 2019, respectively.

2 Ratio of Group contribution to multi-employer plans

1.59% (As of March 31, 2020)

1.55% (As of March 31, 2019)

The amount of the special contribution is calculated by multiplying the pre-determined rate by the amount of average salary at the time of the contribution. Therefore, the ratio of Group contribution to multi-employer plans above does not match the Group's actual proportional contribution.

3 Contributions to multi-employer plans in the fiscal year ending March 31, 2022

The Group expects to contribute ¥181 million to multi-employer plans for the fiscal year ending March 31, 2022.

25 Provisions

Components of and changes in provisions are as follows:

	Millions of yen					
	Provisions for sales rebates	Provisions for asset retirement obligations	Provisions for sales returns	Provisions for removal cost of property, plant and equipment	Other provisions	Total
As of April 1, 2020	¥75,524	¥16,609	¥ 9,948	¥4,663	¥4,609	¥111,353
Increase	89,449	1,470	12,920	1,515	3,666	109,020
Decrease (provision used)	(75,516)	(21)	(11,893)	(778)	(2,266)	(90,474)
Decrease (provision reversed)	(147)	—	(171)	(723)	(338)	(1,379)
Interest expense resulting from unwinding	1,931	256	—	—	—	2,187
Others	—	188	167	—	1,021	1,376
As of March 31, 2021	¥91,241	¥18,502	¥10,971	¥4,677	¥6,692	¥132,083
Current	91,241	—	10,971	1,393	3,363	106,968
Non-current	—	18,502	—	3,284	3,329	25,115
Total	¥91,241	¥18,502	¥10,971	¥4,677	¥6,692	¥132,083

Provisions are measured based on the best estimation made at the end of the reporting period on cash flows expected to settle obligations in the future. Provisions for sales rebates mainly related to public programs and contracts with wholesalers are provided based on the amounts expected to be paid subsequent to the year-end date. The balance of provision for sales rebates applied to products sold by Sumitomo Dainippon Pharma America Inc., the Company's consolidated subsidiary, is ¥90,762 million at the end of this fiscal year. Sales rebates related to various insurance programs (Medicaid, etc.) that are applied to major products sold in the U.S. need time to be determined as the settlement period is about one year. As for estimation of reserves for sales rebates, final distribution channels and applicable insurance programs need to be estimated as the rates of sales rebates, which are the basis of calculation of sales rebates, differ depending on distribution channels (wholesalers, pharmacies and hospitals) and applicable insurance programs. These management judgments would affect estimation of reserves for sales rebates. For other provisions, the cash flows expected to settle obligations in the future are measured, comprehensively considering future possible outcomes. These assumptions used in the measurement of provisions may be affected by changes in uncertain future economic conditions.

26 Other Liabilities

The breakdown of other liabilities is as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
Accrued bonuses	¥ 43,727	¥ 37,187
Obligations for unused paid absences	12,747	11,674
Contract liabilities	21,835	22,583
Unearned revenue (Note)	53,281	—
Others	56,036	39,723
Total	¥187,626	¥111,167
Current liabilities	116,125	88,984
Non-current liabilities	71,501	22,183
Total	¥187,626	¥111,167

Note: Unearned revenue is a lump-sum payment from Pfizer under an agreement for joint development and commercialization of relugolix in oncology and women's health in North America.

27 Equity and Other Equity Items

(1) Share Capital and Surplus

Changes in the numbers of shares authorized and shares issued are as follows:

	Shares	
	2021	2020
Number of shares authorized	5,000,000,000	5,000,000,000
Number of shares issued:		
Balance at the beginning of the year	1,655,446,177	1,655,446,177
Changes during the year	—	—
Balance at the end of the year	1,655,446,177	1,655,446,177

Note: All of the issued shares of the Company are ordinary shares that have no par value and no limitations on rights. Issued shares are fully paid.

The details of surplus are as follows:

① Capital Surplus

The Companies Act in Japan stipulates that half or more of the capital contributed from the issue of shares must be included in share capital and that the remainder must be included in capital reserve that is included in capital surplus. Moreover, capital reserve may be reclassified to share capital by resolution of the General Meeting of Shareholders.

② Retained Earnings

The Companies Act in Japan requires that an amount equal to one-tenth of dividends must be appropriated to capital reserve or earned surplus reserve until the total of aggregate amount of capital reserve and earned surplus reserve equals one-quarter of share capital. Earned surplus reserve may be appropriated to reduce a deficit, and also may be reversed by resolution of the General Meeting of Shareholders.

(2) Treasury Shares

Changes in the numbers of treasury shares are as follows:

	Shares	
	2021	2020
Balance at the beginning of the year	20,445,812	20,432,567
Changes during the year	13,424	13,245
Balance at the end of the year	20,459,236	20,445,812

Note: The changes during the periods are mainly due to claims for purchases from or sales to shareholders with less than one unit of shares.

(3) Other Components of Equity

Remeasurements of Financial Assets Measured at Fair Value through Other Comprehensive Income

The valuation difference in the fair value on financial assets is measured at fair value through other comprehensive income.

Remeasurement of Defined Benefit Plans

Remeasurement of defined benefit plans is the effects of differences between actuarial assumptions at the beginning of the year and actual experience and the effects of changes in actuarial assumptions.

This amount is recognized in other comprehensive income when it occurs and is immediately transferred from other components of equity to retained earnings.

Cash Flow Hedges

This is the effective portion of gains or losses on the hedging instrument designated as cash flow hedges.

Exchange Differences on Translation of Foreign Operations

These adjustments result from consolidating the financial statements of foreign subsidiaries.

28 Dividends

Dividends paid are as follows:

Fiscal year ended March 31, 2021

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 15, 2020 Board of Directors	Ordinary shares	**¥9,810**	**¥6.00**	March 31, 2020	June 9, 2020
October 30, 2020 Board of Directors	Ordinary shares	**9,810**	**6.00**	September 30, 2020	December 2, 2020

Fiscal year ended March 31, 2020

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 15, 2019 Board of Directors	Ordinary shares	¥17,985	¥11.00	March 31, 2019	June 3, 2019
October 30, 2019 Board of Directors	Ordinary shares	17,985	11.00	September 30, 2019	December 2, 2019

Dividends with an effective date after the fiscal years ended March 31, 2021 and 2020 are as follows:

Fiscal year ended March 31, 2021

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Paid from	Dividends per share (Yen)	Record date	Effective date
May 13, 2021 Board of Directors	Ordinary shares	**¥14,715**	Retained earnings	**¥9.00**	March 31, 2021	June 2, 2021

Fiscal year ended March 31, 2020

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Paid from	Dividends per share (Yen)	Record date	Effective date
May 15, 2020 Board of Directors	Ordinary shares	¥9,810	Retained earnings	¥6.00	March 31, 2020	June 9, 2020

29 Revenue

(1) Disaggregation of revenue

The Group mainly engages in manufacturing and sale of "Petrochemicals & Plastics," "Energy & Functional Materials," "IT-related Chemicals," "Health & Crop Sciences," and "Pharmaceuticals." The Board of Directors of the Company reviews the reportable segments regularly to determine allocation of resources and to assess their performance, therefore revenue of these businesses is presented as sales revenue. Revenue is geographically disaggregated based on the customer location. The relationship between disaggregated sales revenue and sales revenue by reportable segment is as follows:

Fiscal year ended March 31, 2021

Millions of yen

	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others (Note 1)	Total
Japan	¥202,560	¥137,807	¥ 12,255	¥108,159	¥220,032	¥44,767	¥ 725,580
China	149,982	22,195	230,243	7,844	27,876	42	438,182
North America	14,399	23,168	7,018	74,546	285,240	76	404,447
(U.S.A)	(12,684)	(22,890)	(7,018)	(70,382)	(280,397)	(76)	(393,447)
Others	222,382	62,079	182,303	232,462	13,302	6,241	718,769
Total	¥589,323	¥245,249	¥431,819	¥423,011	¥546,450	¥51,126	¥2,286,978
Revenue from contracts with customers	589,323	245,249	431,819	423,011	544,078	51,126	2,284,606
Revenue from other sources (Note 2)	—	—	—	—	2,372	—	2,372

Fiscal year ended March 31, 2020

Millions of yen

	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others (Note 1)	Total
Japan	¥248,771	¥144,004	¥ 12,794	¥101,961	¥212,085	¥45,440	¥ 765,055
China	167,800	21,884	205,833	9,503	28,730	29	433,779
North America	14,980	32,599	5,940	68,729	261,629	100	383,977
(U.S.A)	(13,297)	(32,333)	(5,940)	(65,112)	(256,427)	(100)	(373,209)
Others	225,378	56,547	180,304	163,473	13,401	3,890	642,993
Total	¥656,929	¥255,034	¥404,871	¥343,666	¥515,845	¥49,459	¥2,225,804
Revenue from contracts with customers	656,929	255,034	404,871	343,666	515,845	49,459	2,225,804
Revenue from other sources (Note 2)	—	—	—	—	—	—	—

Note 1: "Others" represents businesses such as supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis.
Note 2: Revenue from other sources is revenue from contracts with joint partners when the counterparty is not considered customers.

(2) Performance obligations

Timing of the Group's satisfaction of its performance obligations, and obligations for returns and refunds are presented in "3. Significant Accounting Policies." The consideration of products and services promised in contracts with customers is generally received within one year from performance obligations' fulfillment. Such product sales do not include a significant financing component.

(3) Contract balances

The details of outstanding contract balances arising from contracts with customers are as follows:

	Millions of yen		
	March 31, 2021	March 31, 2020	April 1, 2019
Receivables from contracts with customers	¥576,341	¥495,109	¥497,490
Contract assets	4,151	5,239	3,987
Contract liabilities	21,835	22,583	22,125

Receivables from contracts with customers and contract assets are included in "Trade and other receivables," and contract liabilities are included in "Other liabilities."

Contract assets are primarily recognized for ongoing construction contract consideration and variable consideration for development milestones included in some out-licensing contracts, and contract liabilities are primarily recognized for advances received from customers.

As of the beginning of the fiscal years ended March 31, 2021 and 2020, the amounts included in current contract liabilities were ¥8,904 million and ¥7,982 million, respectively, of which, the amount that has not been recognized as revenue in the fiscal years ended March 31, 2021 and 2020 is not material. Also, the amount of revenue recognized during the fiscal years ended March 31, 2021 and 2020 from performance obligations satisfied (or partially satisfied) in previous periods is not material.

(4) Transaction prices allocated to performance obligations that have not been satisfied

Transaction prices allocated to the remaining performance obligations and periods when the revenue is expected to be recognized are as follows. The transactions for which individual contract terms are within one year are excluded as the Group uses the practical expedient. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

	Millions of yen	Millions of yen
	2021	2020
Within 1 year	¥23,088	¥ 9,690
Later than 1 year	20,435	21,078
Total	¥43,523	¥30,769

(5) Assets recognized from the costs to obtain or fulfill a contract with a customer

The total amount of the costs to obtain or fulfill a contract with a customer for the fiscal years ended March 31, 2021 and 2020 are not material.

30 Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

	Millions of yen	
	2021	2020
Research and development	¥174,661	¥170,296
Employee benefits	183,385	161,043
Transportation and storage cost	54,883	52,887
Advertising and sales promotion	45,969	46,463
Depreciation and amortization	34,100	25,620
Changes in fair value of contingent consideration	(22,463)	(48,475)
Others	160,735	167,301
Total	¥631,270	¥575,135

Note: The amount of the impairment loss arising from research and development in process with respect to compounds under development is ¥35,441 million and patent of pharmaceuticals is ¥151 million for the fiscal year ended March 31, 2021, and which are included in "Others" of the above table.

The amount of the impairment loss arising from research and development in process with respect to compounds under development is ¥22,466 million and patent of pharmaceuticals is ¥12,102 million for the fiscal year ended March 31, 2020, and which are included in "Others" of the above table.

31 Other Operating Income and Operating Expenses

The breakdown of other operating income is as follows:

Millions of yen	2021	2020
Gain on sale of property, plant and equipment	¥18,730	¥ 931
Subsidy income	965	822
Others (Note 1)	6,978	9,837
Total	¥26,673	¥11,590

The breakdown of other operating expenses is as follows:

Millions of yen	2021	2020
Business structure improvement expenses (Note 2)	¥ 6,323	¥ 7,806
Donation	1,423	1,264
Others	9,279	5,858
Total	¥17,025	¥14,928

Note 1: Others includes ¥1,700 million, gain from remeasurement relating to discontinuing applying the equity method to Nufarm Ltd. for the fiscal year ended March 31, 2020, as the Group no longer had significant influence over the company.

Note 2: Business structure improvement expenses are expenses to improve the business structure, which mainly include loss on disposal of property, plant and equipment and expenses for reformation of the organizations and operations.

32 Finance Income and Finance Expenses

The breakdown of finance income is as follows:

Millions of yen	2021	2020
Interest income:		
Financial assets measured at amortized cost	¥ 2,623	¥ 3,175
Financial assets measured at fair value through profit or loss	1,554	2,667
Dividend income:		
Financial assets measured at fair value through other comprehensive income:		
Financial assets derecognized during the year	178	5
Financial assets held at year-end	3,964	4,758
Financial assets measured at fair value through profit or loss	121	299
Exchange profit	9,273	—
Others	2,155	2,274
Total	¥19,868	¥13,178

The breakdown of finance expenses is as follows:

Millions of yen	2021	2020
Interest expenses:		
Financial liabilities measured at amortized cost	¥12,285	¥ 9,703
Financial liabilities measured at fair value through profit or loss	2,207	1,568
Other liabilities	1,599	1,242
Exchange loss	—	5,575
Others	3,089	2,127
Total	¥19,180	¥20,215

33 Other Comprehensive Income

Gains (losses) arising for the year, reclassification adjustments to profit or loss and tax effect for each component of other comprehensive income are as follows:

Fiscal year ended March 31, 2021

	Millions of yen				
	Gains (losses) arising for the year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss:					
Remeasurements of financial assets (equity instruments) measured at fair value through other comprehensive income	¥17,480	¥ —	¥17,480	¥ (4,075)	¥13,405
Remeasurements of defined benefit plans	26,827	—	26,827	(7,960)	18,867
Share of other comprehensive income of investments accounted for using the equity method	3,941	—	3,941	(501)	3,440
Total items that will not be reclassified to profit or loss	48,248	—	48,248	(12,536)	35,712
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedge	(4,512)	863	(3,649)	634	(3,015)
Exchange differences on translation of foreign operations	36,890	—	36,890	—	36,890
Share of other comprehensive income of investments accounted for using the equity method	(1,476)	35	(1,441)	(260)	(1,701)
Total of items that may be subsequently reclassified to profit or loss	30,902	898	31,800	374	32,174
Total	¥79,150	¥898	¥80,048	¥(12,162)	¥67,886

Fiscal year ended March 31, 2020

	Millions of yen				
	Gains (losses) arising for the year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss:					
Remeasurements of financial assets (equity instruments) measured at fair value through other comprehensive income	¥(16,576)	¥ —	¥(16,576)	¥3,179	¥(13,397)
Remeasurements of defined benefit plans	(9,444)	—	(9,444)	1,121	(8,323)
Share of other comprehensive income of investments accounted for using the equity method	(5,571)	—	(5,571)	759	(4,812)
Total items that will not be reclassified to profit or loss	(31,591)	—	(31,591)	5,059	(26,532)
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedge	1,885	842	2,727	(856)	1,871
Exchange differences on translation of foreign operations	(44,951)	—	(44,951)	(97)	(45,048)
Share of other comprehensive income of investments accounted for using the equity method	(6,106)	3,996	(2,110)	60	(2,050)
Total of items that may be subsequently reclassified to profit or loss	(49,172)	4,838	(44,334)	(893)	(45,227)
Total	¥(80,763)	¥4,838	¥(75,925)	¥4,166	¥(71,759)

34 Earnings per Share

(1) The basis for calculating basic earnings per share

	2021	2020
Net income attributable to owners of the parent (millions of yen)	¥ 46,043	¥ 30,926
Amounts not attributable to ordinary shareholders of the parent (millions of yen)	—	—
Net income used to calculate basic earnings per share (millions of yen)	¥ 46,043	¥ 30,926
Average number of ordinary shares (thousands of shares)	1,634,994	1,635,006
Basic earnings per share (yen)	¥ 28.16	¥ 18.91

(2) The basis for calculating diluted earnings per share

	2021	2020
Net income used to calculate basic earnings per share (millions of yen)	¥ 46,043	¥ 30,926
Adjustments by diluted potential ordinary shares of consolidated subsidiaries (millions of yen)	—	—
Net income used to calculate diluted earnings per share (millions of yen)	¥ 46,043	¥ 30,926
Average number of ordinary shares after dilution (thousands of shares)	1,634,994	1,635,006
Stocks not included in the calculation of diluted earnings per share because they have anti-dilutive effect	Stock options issued by consolidated subsidiaries 12,997,460 shares	Stock options issued by consolidated subsidiaries 11,857,402 shares

Note 1: For diluted earnings per share, although there are potential shares, they are not listed because they have an anti-dilutive effect.

Note 2: There are no significant transactions involving ordinary shares or potential ordinary shares between the fiscal year ended March 31, 2021 to the authorization date of the consolidated financial statements.

35 Cash flow

Fiscal year ended March 31, 2020

"Payments of deposit" is the payment for deposit to acquire the subsidiaries.

Details of the acquisition of the subsidiaries are presented in Note 7 Business Combinations.

36 Share-Based Payment

Myovant Sciences Ltd., the Company's consolidated subsidiary, has adopted equity-settled share-based payment plans for its directors and employees and granted them stock options.

(1) Stock Option

Stock options that Myovant Sciences Ltd. has issued are equity-settled share-based compensation and the vesting conditions are mainly based on service period.

Information related to the stock options of Myovant Sciences Ltd. is as follows:

① Fiscal year ended March 31, 2021

	Number of stock options (shares)	Weighted average exercise price (USD)	Weighted average remaining contractual years (year)
Outstanding balance at April 1, 2020	7,723,302	$ 9.25	8.08
Granted during the period	1,985,765	10.88	—
Exercised during the period	(905,776)	7.41	—
Expired during the period	(509,960)	8.32	—
Outstanding balance at March 31, 2021	8,293,331	9.90	6.48
Exercisable balance at March 31, 2021	5,219,403	9.77	5.26

Note 1: The weighted average share price at the date of exercise is US$ 20.82.

Note 2: The range of exercise prices for outstanding balance at March 31, 2021 is from US$ 2.38 to US$ 26.17.

② Fiscal year ended March 31, 2020

	Number of stock options (shares)	Weighted average exercise price (USD)	Weighted average remaining contractual years (year)
Outstanding balance at the date of acquisition (December 27, 2019)	7,744,257	$ 9.20	8.29
Granted during the period	223,500	10.63	—
Exercised during the period	(43,549)	6.30	—
Expired during the period	(200,906)	9.19	—
Outstanding balance at March 31, 2020	7,723,302	9.25	8.08
Exercisable balance at March 31, 2020	3,009,080	8.13	7.30

Note 1: The weighted average share price at the date of exercise is US$ 11.97.
Note 2: The range of exercise prices for outstanding balance at March 31, 2020 is from US$ 2.38 to US$ 26.17.

The Black-Scholes model was used for the purpose of valuation of the fair value of the stock options. As for the stock options granted during the period, the assumptions used for the Black-Scholes model are as follows: Expected weighted average fair value of each stock option is $7.22.

	March 31, 2021	March 31, 2020
Expected weighted average share price	$18.82	$11.42
Expected exercise price	$10.88	$10.63
Expected volatility (Note 1)	75.70%	73.00%
Expected stock option period	6.2 years	6.2 years
Expected dividends	—	—
Risk-free interest rate	0.5%	1.2%

Note 1: The estimation of expected volatility is based on past volatilities of reference companies that are publicly listed and conduct similar business to Myovant Sciences Ltd., the company corresponding to the expected remaining duration for stock options, and to Sumitomo Dainippon Pharma.
Note 2: The assumptions used for measuring the fair value of the stock options granted after the acquisition of Myovant Sciences Ltd. are described as above.

(2) Share-Based Payment Expenses

Share-based payment expenses recorded in the consolidated statement of profit or loss were as follows.

	Millions of yen	
	2021	2020
Selling, general and administrative expenses	¥7,338	¥ 984
Research and development	2,299	295
Total	¥9,637	¥1,279

37 Financial Instruments

(1) Capital Management

The Group conducts capital management for sustainable growth and maximization of its corporate value.

To achieve sustainable growth, the Group considers it essential to secure sufficient financing capacity to make agile investment in businesses when an opportunity for such investments for business growth (such as acquisition of external resources) arises in the future and aims to maintain the capital structure with balance.

There is no significant capital restriction that applies to the Company (excluding general provisions of the Companies Act and other laws and regulations).

When the Company determines dividends, the Company considers shareholder return as one of our most prioritized management issues and has made it a policy to maintain stable dividends payments, giving due consideration to our business performance and a dividends payout ratio for each fiscal period, the level of retained earnings necessary for future growth, and other relevant factors.

Based on the provisions of Article 459, Paragraph 1 of the Companies Act, the Company stipulates that it may pay dividends of surplus by resolution of the Board of Directors

(2) Financial Risk Management

The Group is exposed to financial risks (e.g. credit risk, liquidity risk, foreign exchange risk, interest rate risk and market price fluctuation risk) in the course of doing business. The Group performs risk management to reduce these financial risks.

(3) Credit Risk

The Company regularly reassesses the dealing policies about trade receivables through monitoring the business condition, the sales turnover, and the balance of receivables of all business counterparties by sales sections of each business segment, and aims to grasp changes in customers' credit risks due to deterioration of the financial condition, etc. at an early stage and the reduction of credit risks in accordance with the Company regulation for credit management.

In the case of the consolidated subsidiaries, their sales divisions or accounting departments also manage the financial and credit conditions of their customers pursuant to their internal rules and regulations.

The Group conducts derivative transactions only with creditworthy financial institutions and trading companies to minimize the counterparty risk, and accordingly the impact on credit risk is limited.

The Group does not have significant exposure of credit risk relating to particular counterparties nor excessive concentration of credit risk that requires special attention.

The maximum exposure related to the credit risk of financial assets is the carrying amount (net of impairment) presented in the consolidated statement of financial position. The maximum exposures related to the credit risk of guarantee obligations are described in Note 41 Contingent Liabilities.

The Group holds deposits mainly as collateral against certain trade and other receivables. The amounts recognized in "Other financial liabilities" in the consolidated statement of financial position are ¥11,015 million and ¥11,886 million as of March 31, 2021 and 2020, respectively.

Changes in allowance for doubtful accounts

The Group reviews collectability of trade receivables and other receivables, other financial assets, and financial guarantee contracts based on the credit conditions of customers and recognizes an allowance for doubtful accounts.

For trade receivables and contract assets without material financial components, allowances for doubtful accounts are always measured at an amount equal to the lifetime expected credit losses (simplified approach). For other receivables, other financial assets, and financial guarantee contracts, allowances for doubtful accounts are generally measured at an amount equal to the 12-month expected credit losses, while in the case that credit risk of a financial asset (including financial guarantee contracts) has increased significantly since initial recognition, an allowance for doubtful account for the financial asset is measured by estimating individually the lifetime expected credit losses based on the past experiences of bad debts and forecasts on future recoverable amounts (general approach).

The Group considers whether there has been a significant increase in the credit risk based on changes in default risk. To determine if there has been a change in the default risk, the Group considers financial conditions of counterparties, past credit losses history and past overdue information. The Group determines there has been a significant increase in credit risk if a contractual payment is past due for more than 30 days. And it is generally determined that there has been a default, if a contractual payment is past due for over 90 days. When making these judgments, the Group considers reasonable and supportable information that is available without excessive cost or effort, and it would be determined that there have been no significant increases in credit risk if it is rebuttable based on this information.

Any financial assets are treated as credit-impaired financial assets if there is a request for changing terms and conditions for repayment from the debtors, serious financial difficulties of the debtor, or commencement of legal liquidation procedures due to bankruptcy and others of the debtor, etc. For any amount that is probably not recoverable in the future, the carrying amount of the financial asset is directly reduced from the total amount, and the amount of allowance for doubtful account is reduced correspondingly.

The amount of allowance for doubtful accounts is calculated as follows:

- Trade receivables (Note receivables and account receivables), other receivables (Contract assets)
  Based on the simplified approach, the allowance is calculated by multiplying the total amount of the receivables by the provision rate calculated by considering future prospects of

economic conditions, etc. in addition to the historical rate of credit losses.

- Other receivables (other account receivables, etc.), other financial assets, and financial guarantee contracts
  As for assets for which credit risk is not considered significantly increased, the amount of the allowance is calculated by multiplying the total carrying amount by the provision rate that is determined by considering future prospects of economic conditions, etc. in addition to the historical rate of credit losses of similar assets. If credit risk of the asset is considered to be significantly increasing or the asset meets criteria for credit-impaired financial assets, the amount of the allowance is calculated as the difference between the recoverable amount that is individually determined by considering future prospects of economic conditions, etc. in addition to the financial conditions of the counterparty and the total carrying amount.

The total carrying amount of financial assets and the balance of financial guarantee contracts for which an allowance for doubtful accounts is to be recognized is as follows:

	Millions of yen			
		Financial assets applied to the general approach		
	Financial assets applied by the simplified approach	Stage 1 Financial assets measured at an amount equal to the 12-month expected credit losses	Stage 2 Financial assets measured at an amount equal to the lifetime expected credit losses	Stage 3 Financial assets measured at an amount equal to the lifetime expected credit losses
March 31, 2021	¥585,917	¥256,208	¥—	¥450
March 31, 2020	503,619	552,693	—	468

Expected credit losses of financial assets applied by the simplified approach and Stage 1 financial assets, are measured on a collective basis by multiplying the historical rate of credit losses considering the forecasts on future economic conditions in a group of financial assets with similar credit risk characteristics. Expected credit losses of financial assets of Stage 2 and 3 are measured individually considering future prospects of economic conditions, etc. in addition to the financial conditions of counterparties.

Changes in allowance for doubtful accounts are as follows:
There is no significant increase or decrease of carrying amount that could effect a change in allowance for doubtful accounts for the year ended March 31, 2021.

	Millions of yen	
	2021	2020
Balance at the beginning of the year	¥3,745	¥3,265
Increase	675	717
Decrease (provision used)	(216)	(84)
Others	1,744	(153)
Balance at the end of the year	¥5,948	¥3,745

Note: Allowance for doubtful accounts mainly relates to financial assets under the simplified approach.

(4) Liquidity Risk

Liquidity risk is the risk that the Group is unable to perform its repayment obligations of financial liabilities on the settlement date.

The treasury department semi-annually prepares funding plans based on reporting from each business division and updates these plans on a daily basis. The Company manages liquidity risk in order to meet short-term fund demands, signing overdraft contracts with financial institutions, and entering into commitment line agreements totaling ¥101,000 million. The balance of borrowings related to those commitment lines is zero as of March 31, 2021 and 2020, respectively.

Liquidity risk is also managed by the Group through group financing systems that enable interchange of excess funds among group companies for both domestic and overseas group companies.

The balance of financial liabilities (including derivative financial instruments) by contractual settlement date is as follows, and expected amount to be paid in the future is used for the interest.

As of March 31, 2021

	Millions of yen							
	Carrying amount	Total contractual cash flow	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
Non-derivative financial liabilities:								
Trade and other payables	¥522,887	¥522,887	¥522,887	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	155,666	155,978	155,978	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—
Long-term borrowings	590,157	599,216	63,179	88,866	34,932	119,146	131,719	161,375
Bonds	605,243	658,571	39,783	5,642	35,637	25,562	4,663	547,284
Lease liabilities	83,387	91,066	15,369	10,781	6,888	5,896	5,430	46,702
Deposits received	24,279	24,279	20,857	35	45	32	32	3,278
Others	14,658	14,658	14,355	64	35	1	—	203
Derivative liabilities	6,369	6,151	4,234	1,160	682	75	—	—

As of March 31, 2020

	Millions of yen							
	Carrying amount	Total contractual cash flow	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
Non-derivative financial liabilities:								
Trade and other payables	¥436,070	¥436,070	¥436,070	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	370,995	372,202	372,202	—	—	—	—	—
Commercial paper	2,000	2,000	2,000	—	—	—	—	—
Long-term borrowings	444,486	451,612	51,288	60,823	81,205	33,351	54,188	170,757
Bonds	487,185	504,200	46,600	31,246	973	10,963	20,894	393,524
Lease liabilities	72,527	81,790	15,460	10,609	7,278	5,560	4,883	38,000
Deposits received	19,889	19,889	17,075	46	33	32	32	2,671
Others	13,159	13,159	12,905	11	—	—	—	243
Derivative liabilities	4,022	4,053	2,056	937	533	454	72	—

Note: The principal of the hybrid bonds (subordinated bonds) issued by the Company and its consolidated subsidiary, Sumitomo Dainippon Pharma, is included in "Due after five years" based on maturity date stipulated in the contract, however, the bonds may be redeemed earlier due to the special clause. Details are presented in Note 19 Bonds and Borrowings.

(5) Foreign Exchange Risk

The Company and certain of its consolidated subsidiaries use forward foreign exchange contracts within a certain extent in accordance with the Company's regulation for management of foreign exchange risk to hedge foreign currency exchange fluctuation risk identified by currency and on a monthly basis for trade receivables and payables, etc. denominated in foreign currencies. The Group does not use transactions that have larger market price fluctuation ratio than the price fluctuation of the underlying transaction, such as leveraged derivatives transactions.

Exposure of Foreign Exchange Risk

The Group is exposed to foreign exchange risk primarily from US dollars.

The net exposure to foreign exchange risk of US dollars is as follows, excluding exposures hedged by derivative transactions.

	Thousands of US dollars	
	March 31, 2021	March 31, 2020
Net exposure	$3,490,888	$2,407,390

Foreign Exchange Sensitivity Analysis

For financial instruments denominated in foreign currencies held by the Group as of March 31, 2021 and 2020, the financial impact on net income and equity in the event of 1% appreciation against the US dollar at fiscal year-end, is as follows.

The impact of translating financial instruments denominated in functional currency and translating assets, liabilities, income and expenses of foreign operations into Japanese yen is not included. Also, the analysis assumes that all other factors (balance, interest rate, etc.) are held constant.

	Millions of yen	
	March 31, 2021	March 31, 2020
	¥(2,695)	¥(1,830)

(6) Interest Rate Risk

The Group considers the details of funding demands, financial condition and financial environment and determines amounts, periods and methods for funding. The Group raises funds with combinations of fixed and variable interest rates to be prepared for future interest rate fluctuations, however, there is a possibility that interest expenses will increase in case of interest rate increase and adversely affect the Group's financial performance and condition. The Company and certain of its consolidated subsidiaries hedge the risk of an increase in interest rate by using interest rate swap transactions within some extent to mitigate the interest rate fluctuation risk related to loan payables.

Exposure of Interest Rate Risk

The net exposure to interest rate risk is as follows, excluding exposures hedged by derivative transactions.

	Millions of yen	
	March 31, 2021	March 31, 2020
Net exposure	¥120,954	¥311,615

Interest Rate Sensitivity Analysis

For financial instruments held by the Group as of March 31, 2021 and 2020, in the event of a 100-basis point interest rate increase, the monetary impact of financial instruments affected by the interest rate movement on net income and equity is as follows.

The analysis relates only to the financial instruments influenced by interest rate fluctuation, and assumes that all other factors (balance, exchange rate, etc.) are held constant.

	Millions of yen	
	March 31, 2021	March 31, 2020
	¥(837)	¥(2,203)

The effects of reference rate reform

The Group has been preparing for a smooth transition to a new benchmark interest rate as an alternative to LIBOR by monitoring the trends of the interest rate benchmark reform and evaluating their impact on the Group.

In hedging transactions, the interest rate benchmark reform would affect transactions involving cash flow hedges of floating rate payments linked to LIBOR, in which interest rate swaps were used as the hedging method, wherein the Group receives floating rate interest linked to LIBOR in exchange for fixed rate interest payments.

As of March 31, 2021, the amount of floating rate debt linked to LIBOR and the nominal amount of interest rate swaps as hedging instruments was ¥82,650 million.

The Group will continue to apply IFRS 9 and hedge accounting until the uncertainty caused by the interest rate benchmark reform ends. Also, it is assumed that this uncertainty will continue until the interest rate benchmark is replaced, or, in other words, until the cash flows of the alternative interest rate benchmark and its related spread adjustment are determined.

(7) Market Price Fluctuation Risk

The Group is exposed to stock price fluctuation risk because the Group holds the stocks of business partner companies to maintain and strengthen business relationships with them. With regard to those stocks, the Group regularly monitors market price and financial conditions of the issuers (business partner companies) and reassesses the Groups' stockholding status in light of relationships with business partner companies.

In the event of a 10% market price change on each reporting date, the impact of equity instruments affected by the market price movement on other comprehensive income (after-tax effect) as of March 31, 2021 and 2020 would be ¥11,887 million and ¥10,191 million, respectively. It is assumed that all other factors are held constant.

(8) Fair Value of Financial Instruments

The fair value hierarchy of financial instruments is categorized into the following levels based on the level of the input used for the fair value measurements.

Level 1: Quoted prices in active markets for identical assets or liabilities
Level 2: Inputs other than Level 1, either directly or indirectly observable
Level 3: Inputs that are not based on observable market data

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

	Millions of yen			
	March 31, 2021		March 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	¥605,243	¥614,283	¥487,185	¥489,509
Long-term borrowings	590,157	592,709	444,486	448,319

The above table does not include the following financial instruments for which carrying amounts are reasonable approximations of fair value: Cash and cash equivalents, Trade and other receivables, Loan receivables, Other financial assets (Other), Trade and other payables, Short-term borrowings, Commercial paper, Deposits received, Other financial liabilities (Other).

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

The fair value of long-term borrowings is calculated based on the present value that is calculated by discounting future cash flow using a deemed interest rate assumed on new borrowings with equivalent conditions.

As for fair value hierarchy of financial instruments measured at amortized cost, bonds are classified as Level 2 and others are classified as Level 3.

Financial assets and liabilities measured at fair value are as follows:
Transfers between the levels of the fair value hierarchy are recognized as if they have occurred at the end of the reporting period. No financial instruments were transferred between levels of the fair value hierarchy for the fiscal years ended March 31, 2021 and 2020.

As of March 31, 2021

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss:				
Loan receivables	¥ —	¥ —	¥150,958	¥150,958
Long-term accrued interests	—	—	17,000	17,000
Derivative assets designated as hedging instruments	—	366	—	366
Derivative assets not designated as hedging instruments	—	2,599	—	2,599
Other financial assets	4,443	1,452	338	6,233
Subtotal	4,443	4,417	168,296	177,156
Financial assets measured at fair value through other comprehensive income:				
Shares and investments	170,608	—	189,075	359,683
Other financial assets	—	1,155	—	1,155
Subtotal	170,608	1,155	189,075	360,838
Total	¥175,051	¥5,572	¥357,371	¥537,994
Liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities designated as hedging instruments	—	4,201	—	4,201
Derivative liabilities not designated as hedging instruments	—	2,168	—	2,168
Contingent consideration	—	—	8,337	8,337
Other financial liabilities	—	—	14,355	14,355
Total	¥ —	¥6,369	¥22,692	¥ 29,061

As of March 31, 2020

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss:				
Loan receivables	¥ —	¥ —	¥ 66,091	¥ 66,091
Long-term accrued interests	—	—	15,706	15,706
Derivative assets designated as hedging instruments	—	3,225	—	3,225
Derivative assets not designated as hedging instruments	—	2,256	—	2,256
Other financial assets	—	—	6,834	6,834
Subtotal	—	5,481	88,631	94,112
Financial assets measured at fair value through other comprehensive income:				
Shares and investments	146,329	—	201,606	347,935
Other financial assets	1,235	766	—	2,001
Subtotal	147,564	766	201,606	349,936
Total	¥147,564	¥6,247	¥290,237	¥444,048
Liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities designated as hedging instruments	—	2,879	—	2,879
Derivative liabilities not designated as hedging instruments	—	1,143	—	1,143
Contingent consideration	—	—	31,228	31,228
Other financial liabilities	—	—	12,905	12,905
Total	¥ —	¥4,022	¥ 44,133	¥ 48,155

Changes in balances of financial instruments categorized as Level 3 are as follows:

	Millions of yen					
	2021			2020		
	FVTPL Financial assets	FVTOCI Financial assets	FVTPL Financial liabilities	FVTPL Financial assets	FVTOCI Financial assets	FVTPL Financial liabilities
Balance at the beginning of the year	¥ 88,631	¥201,606	¥44,133	¥80,882	¥ 61,221	¥95,332
Transfer from/to Level 3 (Note 1)	—	—	—	—	—	—
Total gains and losses	1,669	(20,373)	(22,450)	2,903	26,617	(48,071)
Profit or loss (Note 2)	1,669	—	(22,450)	2,903	—	(48,071)
Other comprehensive income (Note 3)	—	(20,373)	—	—	26,617	—
Increase (Note 4)	79,652	8,070	889	7,203	114,920	582
Decrease	(6,444)	(255)	(708)	—	(738)	(798)
Others (Note 5)	4,788	27	829	(2,357)	(414)	(2,912)
Balance at the end of the year	¥168,296	¥189,075	¥22,692	¥88,631	¥201,606	¥44,133

Note 1: No financial instruments are transferred between levels of fair value hierarchy.

Note 2: Gains and losses from financial assets measured at FVTPL, which are included in net income, are recorded in “Finance income” and “Finance expenses” in the consolidated statement of profit or loss. Among Gains and losses related to financial liabilities measured at FVTPL, changes in fair value of contingent consideration are recorded in “Selling, general and administrative expenses,” while those related to other financial liabilities are recorded in “Finance income” and “Finance expenses” in the consolidated statement of profit or loss.

Note 3: Gains and losses included in other comprehensive income are those derived from financial assets measured at fair value through other comprehensive income as of the reporting date. These gains and losses are recorded in “Remeasurements of financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

Note 4: Increase of FVTOCI Financial assets for the fiscal year ended March 31, 2020 are mainly due to acquisition of shares in accordance with the strategic alliance with Roivant Sciences Ltd. Increase of FVTPL Financial assets for the fiscal year ended March 31, 2021 are mainly due to providing a loan to Petro Rabigh.

Note 5: Others mainly includes exchange differences of financial instruments denominated in foreign currencies.

Note 6: Fair value measurement of financial instruments classified as level 3 are determined in accordance with valuation policies and procedures approved by appropriate authorized personnel. Valuation models are determined so that they reflect each financial instrument’s nature, characteristics and risks most appropriately. The valuator examines whether it is possible to provide reasonable explanations by comparing changes in important inputs that could affect the fair value and changes in fair value, on an ongoing basis.

Material unobservable inputs related to fair value measurement of financial instruments classified as Level 3 are as follows:

- Fair value of financial assets measured at FVTPL is calculated by the discounted cash flow method, and the material unobservable inputs are the total amount of future cash flow (¥190,342 million and ¥93,903 million as of March 31, 2021 and 2020, respectively) and the discount rate (1.83% and 2.80% as of March 31, 2021 and 2020, respectively).
- The financial assets measured at FVTOCI are mainly composed of unlisted equity securities, and their fair value is calculated by the discounted cash flow method in principle. However, for unlisted equity securities for which fair value approximates their net asset value, the fair value is mainly calculated by valuation technique based on the net asset value.
- As for financial liabilities measured at FVTPL, fair value of contingent consideration is calculated by the discounted cash flow method, and material unobservable inputs are sales revenue arising from relevant business and the discount rate. Certain consolidated subsidiaries recognize the interest of preference shares issued as financial liabilities because it is redeemable at the amount based on its net asset value at any time based on the request of holders of preference shares. Fair value of preference shares is calculated by valuation technique based on the net asset value.
- The unobservable inputs may be affected by changes in uncertain future economic conditions.

Changes in the material assumptions that affect fair value of financial instruments classified as Level 3 are as follows:

			Millions of yen	
			March 31, 2021	March 31, 2020
FVTPL Financial assets	Total future cash flow	5% decrease	¥(8,404)	¥(4,078)
	Discount rate	0.5% increase	(5,596)	(1,979)
		0.5% decrease	5,807	2,031
FVTPL Financial liabilities (contingent consideration)	Sales revenue	5% increase	111	1,088
		5% decrease	(111)	(1,088)
	Discount rate	0.5% increase	(111)	(435)
		0.5% decrease	111	326

(9) Transfer of Financial Assets

The Group enters into liquidation transactions involving certain trade receivables. However, some of these liquidated receivables give rise to an obligation for the Group to make payments retrospectively if the obligor fails to settle. The Group does not derecognize such liquidated receivables because the derecognition criteria has not been met for such financial assets.

The carrying amounts of assets and associated liabilities that are transferred but do not meet the derecognition criteria are as follows. Transferred assets and associated liabilities are mainly included in "Trade and other receivables" (accounts receivables) and "Bonds and borrowings" (short-term borrowings), respectively in the consolidated statement of financial position. The fair value of these financial assets and liabilities is close to their carrying amount.

	Millions of yen	
	March 31, 2021	March 31, 2020
Carrying amount of transferred assets	¥3,982	¥1,613
Carrying amount of associated liabilities	3,982	1,613

(10) Derivatives

The Group uses derivatives, such as foreign exchange forward contracts for hedging foreign exchange fluctuation risk related to trade receivables and payables denominated in foreign currencies, etc., interest rate swap contracts for hedging interest payment fluctuation risk related to bonds and borrowings and commodity future (forwards) contracts for hedging market price fluctuation risk related to the sales and purchase of aluminum.

These derivatives are not designated as hedging instruments except for certain transactions designated as cash flow hedges. However, the Group determines that certain derivative transactions that are not designated as hedging instruments effectively offset the effect of fluctuation of foreign exchange and commodity markets, because the Group only uses derivatives for the purpose of hedging risks to the extent of actual demand.

(Cash Flow Hedge)

A cash flow hedge is a hedge for avoiding risk of volatility in future cash flows.

The Group uses interest rate swap contracts for the purpose of hedging interest rate fluctuation risk related to bonds and borrowings, and commodity future contracts for the purpose of hedging market price fluctuation risk related to the forecast transactions of aluminum with high possibility.

The Group assesses hedge effectiveness at the hedge's inception and on an ongoing basis, through qualitative assessment on whether important terms and conditions of the hedged item match or conform closely to those of the hedging instrument, or quantitative assessment on whether changes in cash flows of the hedged item and the hedging instrument are offset by each other because of the same risk, in which changes in cash flows of the hedged item caused by the hedged risk are offset by changes in cash flows of the hedging instrument. In addition, the Group determines the necessary quantity of hedging instruments by estimating the ratio of the change in value of hedged items that is attributed to the change in value of risks of hedged items to the change in value of hedging instruments at the inception of hedging relationships. In principle, the Group sets the hedge ratio so as to obtain a one-to-one relationship.

It is possible to incur ineffective portion due to cancellation of forecast transaction, etc. However, because the Company performs highly effective hedges, the risk of incurring ineffective portion is expected to be insignificant. The amounts of hedge ineffectiveness recognized in profit or loss for the fiscal years ended March 31, 2021 and 2020 are not material.

The interest rates of interest rate swap contracts, and average prices in commodity future contracts are as follows:

	March 31, 2021	March 31, 2020
Interest rate fluctuation risk:		
Interest rate swap contracts		
Pay fixed rate, receive floating rate	**0.75% – 1.34%**	0.59% – 1.34%
Market price fluctuation risk:		
Commodity future contracts		
Aluminum future contracts	**$2,038.78/MT**	$2,027.56/MT

① Amounts for derivatives designated as hedging instruments

The effect of hedging instruments on the consolidated statement of financial position is as follows. The carrying amount (fair value) of assets related to hedging instruments is included in Other financial assets, and the carrying amount (fair value) of liabilities related to hedging instruments is included in Other financial liabilities.

Cash flow hedge

As of March 31, 2021

	Millions of yen			
	Contract amount		Carrying amount (Fair Value)	
Transaction type	Total	Due after one year	Assets	Liabilities
Interest rate fluctuation risk:				
Interest rate swap contracts	**¥83,850**	**¥74,350**	**¥ —**	**¥1,729**
Market price fluctuation risk:				
Commodity future contracts	**18,090**	**7,428**	**25**	**1,895**

As of March 31, 2020

	Millions of yen			
	Contract amount		Carrying amount (Fair Value)	
Transaction type	Total	Due after one year	Assets	Liabilities
Interest rate fluctuation risk:				
Interest rate swap contracts	¥105,047	¥85,047	¥ —	¥2,642
Market price fluctuation risk:				
Commodity future contracts	14,798	5,663	3,180	4

② Effect of hedge accounting on consolidated statement of profit or loss and comprehensive income

Changes in valuation net gains (losses) derived from hedging instruments designated as cash flow hedges are as follows:

Fiscal year ended March 31, 2021

	Millions of yen	
	Effective portion of changes in the fair value of cash flow hedges	
	Interest rate fluctuation risk	Market price fluctuation risk
As of April 1, 2020	¥(1,838)	¥ 2,204
Other comprehensive income:		
Gains (losses) arising for the year (Note 1)	89	(4,996)
Reclassification adjustments (Note 2)	822	(49)
Tax effect	(277)	966
As of March 31, 2021	¥(1,204)	¥(1,875)

Note 1: The changes in value of the hedged items used as the basis for recognizing hedge ineffectiveness approximate the changes in fair value of the hedging instruments.

Note 2: The major accounts for reclassification adjustments on the consolidated statement of profit or loss are "Financial expenses" (Interest expenses) for interest rate fluctuation risk and "Cost of sales" for market price fluctuation risk.

Fiscal year ended March 31, 2020

	Millions of yen	
	Effective portion of changes in the fair value of cash flow hedges	
	Interest rate fluctuation risk	Market price fluctuation risk
As of April 1, 2019	¥(2,537)	¥ 836
Other comprehensive income:		
Gains (losses) arising for the year (Note 1)	104	1,987
Reclassification adjustments (Note 2)	892	(49)
Tax effect	(297)	(570)
As of March 31, 2020	¥(1,838)	¥2,204

Note 1: The changes in value of the hedged items used as the basis for recognizing hedge ineffectiveness approximate the changes in fair value of the hedging instruments.

Note 2: The major accounts for reclassification adjustments on the consolidated statement of profit or loss are "Financial expenses" (Interest expenses) for interest rate fluctuation risk and "Cost of sales" for market price fluctuation risk.

38 Significant Subsidiaries

(1) Significant subsidiaries

Company name	Capital	Ratio of voting rights (%)	Principal business
Sumitomo Chemical America, Inc.	USD 510,092 thousand	100.00	Investment in related companies in the United States and sale of chemical products
Valent U.S.A. LLC	USD 242,574 thousand	100.00 (100.00)	Development and sales of plant protection chemicals, etc.
Valent BioSciences LLC	USD 129,344 thousand	100.00 (100.00)	Research, development, manufacture and sales of biorational pesticide products
Sumika Polymers America Corp.	USD 222,544 thousand	100.00 (100.00)	—
Sumitomo Chemical do Brasil Representações Ltda	BRL 2,320,990 thousand	100.00	Development, promotion and sales of crop protection chemicals, feed additives and household & public hygiene insecticides
Sumitomo Chemical Brasil Indústria Química S.A.	BRL 793,289 thousand	100.00 (100.00)	Manufacture and sales of crop protection chemicals
CDT Holdings Ltd.	GBP 187,511 thousand	100.00	Investment in Cambridge Display Technology Ltd.
Cambridge Display Technology Ltd.	GBP 183,716 thousand	100.00 (100.00)	R&D and licenses in polymer organic light-emitting diodes and devices
Dongwoo Fine-Chem Co., Ltd.	KRW 285,298 million	100.00	Manufacture and sales of process chemicals for semiconductors and displays, optical functional films, touchscreen panels, etc.
SSLM Co., Ltd.	KRW 280,000 million	100.00	Manufacture and sales of heat-resistant separators
Japan-Singapore Petrochemicals Co., Ltd.	JPY 23,877 million	79.67	Investment in Petrochemical Corporation of Singapore (Pte.) Ltd.
Sumitomo Dainippon Pharma Co., Ltd.	JPY 22,400 million	51.78	Manufacture and sales of pharmaceuticals
Sumitomo Dainippon Pharma America, Inc.	USD 2,170,480 thousand	100.00 (100.00)	Investment in related companies in the United States
Sunovion Pharmaceuticals Inc.	USD 1,710,032 thousand	100.00 (100.00)	Manufacture and sales of pharmaceuticals
Sumitomo Dainippon Pharma Oncology, Inc.	USD 380,484 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Sumitovant Biopharma Ltd.	USD 506,115 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Myovant Sciences Ltd.	USD 623,067 thousand	53.45 (53.45)	Investment in affiliated companies conducting research and development of pharmaceuticals
Myovant Sciences Inc.	USD 83,713 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Myovant Sciences GmbH	USD 648,225 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Urovant Sciences Ltd.	USD 312,559 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Urovant Holdings Ltd.	USD 534,360 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Urovant Sciences GmbH	USD 538,431 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Enzyvant Therapeutics Ltd.	USD 179,925 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Enzyvant Therapeutics General Ltd.	USD 161,405 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Enzyvant Therapeutics Holdings Ltd.	USD 153,190 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Enzyvant Therapeutics GmbH	USD 119,890 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Altavant Sciences Ltd.	USD 81,614 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals

Company name	Capital	Ratio of voting rights (%)	Principal business
Altavant Sciences Holdings Ltd.	USD 81,354 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Altavant Sciences GmbH	CHF 77,777 thousand	100.00 (100.00)	Research and development of pharmaceuticals
XUYOU Electronic Materials (Wuxi) Co., Ltd.	RMB 1,115,757 thousand	98.00 (55.00)	Manufacture and sales of optical functional films
Sumika Electronic Materials (Wuxi) Co., Ltd.	RMB 1,276,517 thousand	100.00 (10.00)	Processing and sales of optical functional films
Sumika Technology Co., Ltd.	TWD 4,417 million	84.96	Manufacture and sales of original fabrics and processed products of optical functional films
Sumitomo Chemical Asia Pte Ltd.	USD 150,565 thousand	100.00	Manufacture and sales of petrochemical products, etc. and supervision of the Sumitomo Chemical Group in the Southeast Asia, India, and Oceania area
The Polyolefin Company (Singapore) Pte. Ltd.	USD 51,690 thousand	70.00 (70.00)	Manufacture and sales of low-density polyethylene and polypropylene
Sumitomo Chemical Chile S.A.	USD 86,358 thousand	100.00	Sales of crop protection chemicals and feed additives, etc.
Tanaka Chemical Corp.	JPY 9,155 million	50.45	Manufacture and sales of positive electrode materials for rechargeable batteries and positive electrode material intermediates, etc.
Sumitomo Chemical India Ltd.	INR 2,745,881 thousand	75.00	Development and sales of crop protection products, household & public hygiene insecticides and feed additives, and manufacturing of crop protection chemicals
Koei Chemical Co., Ltd.	JPY 2,343 million	56.34 (0.45)	Manufacture and sales of chemical products, pharmaceutical and crop protection intermediates, etc.
Taoka Chemical Co., Ltd.	JPY 1,572 million	51.56 (0.78)	Manufacture and sales of intermediates for dyestuffs and pharmaceutical and crop protection, functional materials, etc.

Sumika Polymers America Corp. made investment in Phillips Sumika Polypropylene Company, which has dissolved.

Note 1: Figures enclosed in parentheses ( ) for ratio of voting rights are the ratio of voting rights held by subsidiaries of the Company.
Note 2: Capital for Sumitomo Chemical America, Inc., CDT Holdings Ltd., Cambridge Display Technology Ltd., Sumitomo Dainippon Pharma America, Inc., Sunovion Pharmaceuticals Inc., Sumitomo Dainippon Pharma Oncology, Inc., Sumitovant Biopharma Ltd., Myovant Sciences Ltd., Myovant Sciences Inc., Myovant Sciences GmbH, Urovant Sciences Ltd., Urovant Holdings Ltd., Urovant Sciences GmbH, Enzyvant Therapeutics Ltd., Enzyvant Therapeutics General Ltd., Enzyvant Therapeutics Holdings Ltd., Enzyvant Therapeutics GmbH, Altavant Sciences Ltd., Altavant Sciences Holdings Ltd., and Altavant Sciences GmbH are shown as paid-in capital.
Note 3: Myovant Holdings Ltd., which was listed in the previous fiscal year, has been removed from material subsidiaries as its materiality was decreased.
Note 4: As of July 1, 2020, Boston Biomedical, Inc. changed its trade name to Sumitomo Dainippon Pharma Oncology, Inc.

(2) Consolidated subsidiaries with material non-controlling interests

Summarized financial information on consolidated subsidiaries with material non-controlling interests is as follows. Summarized financial information is based on the amounts before elimination in consolidation.

Sumitomo Dainippon Pharma Co., Ltd.

1 Non-controlling interest ownership ratios and cumulative non-controlling interest amounts

	Millions of yen	
	March 31, 2021	March 31, 2020
Non-controlling interest ownership ratios	48.24%	48.24%
Cumulative non-controlling interest amounts	¥347,675	¥358,044

② Net profit attributable to non-controlling interests and dividends paid to non-controlling interests

	Millions of yen	
	2021	2020
Net income attributable to non-controlling interests	¥7,730	¥14,825
Dividends paid to non-controlling interests	5,362	6,320

③ Summarized financial information

(i) Summarized consolidated statement of financial position

	Millions of yen	
	March 31, 2021	March 31, 2020
Current assets	¥ 459,795	¥ 364,090
Non-current assets	848,332	892,444
Total assets	¥1,308,127	¥1,256,534
Current liabilities	278,147	496,498
Non-current liabilities	381,802	124,176
Total liabilities	¥ 659,949	¥ 620,674
Total equity	648,178	635,860
Total liabilities and equity	¥1,308,127	¥1,256,534

(ii) Summarized consolidated statement of profit or loss and comprehensive income

	Millions of yen	
	2021	2020
Sales revenue	¥515,952	¥482,732
Net income	36,829	35,918
Total comprehensive income	41,007	39,905

(iii) Summarized consolidated statement of cash flows

	Millions of yen	
	2021	2020
Cash flows from operating activities	¥135,601	¥ 46,128
Cash flows from investing activities	8,875	(312,684)
Cash flows from financing activities	(57,215)	231,081
Effect of exchange rate changes on cash and cash equivalents	4,729	(113)
Net Increase (decrease) in cash and cash equivalents	91,990	(35,588)
Cash and cash equivalents at end of year	¥193,698	¥101,708

(3) Changes in ownership interests in subsidiaries that do not result in loss of control

As of March 31, 2021, the Company has sold the Company's portion of shares of stock in Sumitomo Chemical India Ltd., a consolidated subsidiary of the Company.

The effects on capital surplus from changes in ownership interests in subsidiaries that do not result in loss of control are as follows:

	Millions of yen	
	2021	2020
Changes due to equity transactions with non-controlling interests	¥6,575	¥—

39 Related Parties

(1) Related Party Transactions

Significant transactions with related parties are as follows:

Fiscal year ended March 31, 2021

① Sales amounts and receivable balances to/from associates and joint ventures

	Millions of yen	
	Sales amounts	Receivable balances
Joint ventures	¥ 18,861	¥22,455
Associates	101,917	27,930

② Purchase amounts and payable balances from/to associates and joint ventures

	Millions of yen	
	Purchase amounts	Payable balances
Joint ventures	¥280,456	¥52,886
Associates	75,010	25,129

③ Other significant transactions

Termination of completion guarantee

Petro Rabigh, jointly founded by the Company and Saudi Arabian Oil Company (hereinafter, "Saudi Aramco"), operates an integrated refinery and petrochemical complex in Rabigh, Saudi Arabia. Petro Rabigh has signed project financing agreements with a syndicate of financial institutions and raised funds by bank loans amounting to approximately US$5.2 billion of the total cost of the Rabigh Phase Ⅱ Project, which is an expansion of Rabigh Phase Ⅰ Project. The Company has provided a completion guarantee covering 50% of the financed amount and terminated the financial completion guarantee as of September 30, 2020 since the prescribed conditions in the financing agreements such as continuous performance and debt-repayment ability were satisfied.

Petro Rabigh has faced the shortfall of working capital with an impact of periodic shutdown maintenance implemented under the rapidly deteriorating market environment since the year-end of 2019. The Company and Saudi Aramco provided a loan totaling US$2 billion (of which the Company's portion is US$750 million, 37.5%, which is equivalent to the ownership ratio) to Petro Rabigh.

Type	Company name	Transaction details	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Joint venture	Rabigh Refining and Petrochemical Company	Loans (Note 1)	¥ 83,033	Other financial assets (Loan receivables)	¥150,958
		Receipt of interest (Note 1)	2,025	Other financial assets (Long-term accrued interests)	17,000
		Guarantee obligations (Note 2)	177,227	—	—
		Contingent liabilities for the completion of construction (Note 3)	—	—	—
		Pledged as collateral (Note 4)	215,502	—	—

Note 1: Loans of funds are conducted based on market interest rates.

Note 2: The Company guarantees indebtedness of Petro Rabigh from financial institutions. Transaction amount in the above table presents an ending balance of guarantee obligations.

Note 3: The Company has guaranteed completion of construction for indebtedness of Petro Rabigh from financial institutions. This financial completion guarantee was terminated as of September 30, 2020.

Note 4: Investments in Petro Rabigh are subject to real guarantee to pledge as collateral for Petro Rabigh's indebtedness from financial institutions.

Fiscal year ended March 31, 2020

① Sales amounts and receivable balances to/from associates and joint ventures

	Millions of yen	
	Sales amounts	Receivable balances
Joint ventures	¥ 29,369	¥22,689
Associates	110,860	32,036

② Purchase amounts and payable balances from/to associates and joint ventures

	Millions of yen	
	Purchase amounts	Payable balances
Joint ventures	¥355,144	¥24,820
Associates	63,162	18,078

③ Other significant transactions

Type	Company name	Transaction details	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Joint venture	Rabigh Refining and Petrochemical Company	Loans (Note 1)	¥ —	Other financial assets (Loan receivables)	¥66,386
		Receipt of interest (Note 1)	2,670	Other financial assets (Long-term accrued interests)	17,670
		Guarantee obligations (Note 2)	164,454	—	—
		Contingent liabilities for the completion of construction (Note 3)	262,019	—	—
		Pledged as collateral (Note 4)	61,327	—	—

Note 1: Loans of funds are conducted based on market interest rates.

Note 2: The Company guarantees indebtedness of Petro Rabigh from financial institutions. Transaction amount in the above table presents an ending balance of guarantee obligations.

Note 3: The Company guarantees indebtedness of Petro Rabigh relating to the completion of construction. Transaction amount in the above table presents an ending balance of contingent liability related to project completion.

Note 4: Investments in Petro Rabigh are subject to real guarantee to pledge as collateral for Petro Rabigh's indebtedness from financial institutions.

(2) Key Management Personnel Compensation

	Millions of yen	
	2021	2020
Remuneration and bonuses	¥818	¥831

40 Commitments

Commitments related to expenditures after the fiscal year-end are as follows:

	Millions of yen	
	March 31, 2021	March 31, 2020
Purchase of property, plant and equipment	¥ 98,092	¥ 73,782
Purchase of intangible assets	72,600	77,231
Total	¥170,692	¥151,013

Commitments related to purchase of intangible assets are mainly related to purchase of rights on contracts signed with third parties regarding introduction of pharmaceutical technology. These contracts have terms related to paying a certain amount of fees when a milestone is achieved such as a development goal, in addition to the lump-sum payment executed on signing the contract. The above amount is the pre-discounted amount, and includes all potential payments for milestones, assuming that all products in process would be successful, without adjustments made on success probability. Because it is highly uncertain whether a milestone will be achieved, actual payments may be significantly different from these commitment amounts.

41 Contingent Liabilities

The Group provides guarantees and similar undertakings for borrowings from financial institutions taken out by companies outside the Group. These guarantees and similar undertakings for borrowings are applicable to financial guarantee contracts. Should the guaranteed parties go into default, the Group would be required to make such payments under those guarantees. Guarantee obligations are as follows:

(1) Guarantee obligations

	Millions of yen	
	March 31, 2021	March 31, 2020
Joint ventures	¥179,470	¥166,261
Employees (for their mortgage loans)	36	54
Others	858	744
Total	¥180,364	¥167,059

(2) Undertakings similar to guarantees

	Millions of yen	
	March 31, 2021	March 31, 2020
Joint venture	¥—	¥262,019

The Company has guaranteed completion of construction of the Rabigh Phase II project relating to the project financing of Petro Rabigh. This financial completion guarantee was terminated as of September 30, 2020. The details of Termination of Completion Guarantee are presented in Note 39 Related Parties.

No provision is recognized for the above contingent liabilities since the outflow of economic benefits is not considered probable, or the amount of the obligation cannot be reasonably estimated.

42 Subsequent Events

There are no significant subsequent events.

Independent auditor's report

To the Board of Directors of Sumitomo Chemical Company, Limited:

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Chemical Company, Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (hereinafter referred to as "IFRS").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the estimated value in use used for the impairment testing on property, plant and equipment, and intangible assets related to the methionine business	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 16, "Impairment of Non-financial Assets" to the consolidated financial statements, in the consolidated statement of financial position as at March 31, 2021, Sumitomo Chemical Company, Limited (hereinafter, "Company") and its consolidated	The primary procedures we performed to assess whether the estimated value in use used for the impairment testing on property, plant and equipment, and intangible assets related to the methionine business was reasonable, included the following:

subsidiaries recognized property, plant and equipment, and intangible assets of ¥47,759 million used in the methionine business within the Health and Crop Sciences Segment, which represented 1% of total assets in the consolidated financial statements. While these assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever there is an indication of impairment. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. Since there was an indication of impairment for the methionine business, an impairment test was performed in the current fiscal year. The Company used the value in use as the recoverable amount in the impairment testing. The future cash flows used for measuring the value in use were estimated based on the business plan of the methionine business prepared by management. In preparing the business plan, management developed key assumptions, such as the future sales price of methionine as well as the future purchase price of naphtha which could have a significant effect on the manufacturing cost of methionine. These forecasts involved a high degree of uncertainty and management's judgment had a significant effect on the estimated future cash flows. In addition, selecting the calculation method and input data for estimating the discount rate, which was used to measure the value in use, required a high degree of expertise in valuation. We, therefore, determined that our assessment of the reasonableness of the estimated value in use used for the impairment testing on property, plant and equipment, and intangible assets related to the methionine business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	(1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to estimating the value in use used for the impairment testing on property, plant and equipment, and intangible assets. In this assessment, we focused our testing on controls relevant to the estimated future cash flows. (2) Assessment of the reasonableness of the estimated value in use In order to assess the reasonableness of key assumptions adopted by management in preparing the business plan for the methionine business, which formed the basis for estimating future cash flows, we inquired of management and the personnel responsible for the methionine business about the rationale on which those assumptions were developed. In addition, we: ● considered a research report by an external organization on the outlook of the sales price of methionine that was used as the basis for management's assumptions, compared the future sales price estimated by management which incorporated specific uncertainty, with the past sales prices, and confirmed the consistency of the future sales price with the price agreed with several customers in each sales region on the purchase orders already accepted; ● inspected materials supporting the estimated future purchase price of naphtha, inquired of the personnel responsible for the accounting department about its internal forecasting process, and compared the outlook of the purchase price with the result of a trend analysis based on historical price data; and ● analyzed the effect of incorporating specific uncertainty into the methionine business plan on the estimate of future cash flows, after considering the results of our evaluation of the reasonableness of key assumptions, as well as our assessment of the past business plan including the cause of variances with actual results. Furthermore, we performed the following procedures by involving valuation specialists within our domestic network firms who assisted our evaluation of the discount rate:

	● assessment of the appropriateness of the calculation method used to estimate the discount rate, key assumptions and calculation process considering the requirements of accounting standards; and ● assessment of the reasonableness of input data used to estimate the discount rate through comparisons with available external data.

Reasonableness of the estimate of the recoverable amount used for the impairment testing on goodwill allocated to the oncology area in North America	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 16, "Impairment of Non-financial Assets" to the consolidated financial statements, in the consolidated statement of financial position as at March 31, 2021, Sumitomo Chemical Company, Limited and its consolidated subsidiaries recognized goodwill of ¥24,237 million allocated to the oncology area in North America, which represented 1% of total assets in the consolidated financial statements. The goodwill arose when Sumitomo Dainippon Pharma Co., Ltd. (hereinafter, "Sumitomo Dainippon Pharma") and its consolidated subsidiary Sumitomo Dainippon Pharma America, Inc. (hereinafter, "SDPA") located in North America, within the Pharmaceuticals segment, acquired control of certain subsidiaries. Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. In the current fiscal year, the value in use was used as the recoverable amount in the impairment testing on goodwill in the oncology area in North America. The future cash flows used for measuring the value in use were estimated based on the business plan of the oncology area in North America developed by management. Key assumptions underlying the projected revenue from new medicines being developed in the oncology area in North America, such as the	In order to assess whether the estimate of the recoverable amount used for the impairment testing on goodwill allocated to the oncology area in North America was reasonable, we requested the component auditors of Sumitomo Dainippon Pharma to perform an audit. We evaluated the report of the component auditors of Sumitomo Dainippon Pharma and concluded on whether sufficient and appropriate audit evidence was obtained from the following procedures (including the procedures that the component auditors of Sumitomo Dainippon Pharma requested the component auditors of SDPA that oversees the oncology area in North America, to perform), among others: (1) Internal control testing Testing the design and operating effectiveness of certain of the SDPA's internal controls relevant to estimating the value in use used for the impairment testing on goodwill allocated to the oncology area in North America, with a greater focus on controls relevant to the estimated future cash flows. (2) Assessment of the reasonableness of the estimated value in use Inquiry of management and the personnel responsible for the oncology area in North America about the rationale for key assumptions, adopted in developing the business plan of the oncology area in North America that formed the basis for estimating future cash flows. In addition, assessment of the reasonableness of the estimated value in use by performing the following:

planned launch schedules, the probability of success of research and development activities, and sales prices, among others, involved a high degree of estimation uncertainty. Accordingly, management's judgement thereon had a significant effect on the estimated future cash flows. Moreover, selecting the calculation method and input data for estimating the discount rate used to measure the value in use required a high degree of expertise in valuation. We, therefore, determined that our assessment of the reasonableness of the estimate of the recoverable amount used for the impairment testing on goodwill allocated to the oncology area in North America was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	● compared the business plan that formed the basis for estimating the future cash flows with the business plan approved by management, for consistency; ● compared key assumptions underlying the projected revenue from new medicines being developed, such as the planned launch schedules, the probability of success of research and development activities, and sales prices, with information obtained from external professional research organizations; ● compared key assumptions used for the accounting estimates in the current fiscal year with those in the previous year to examine whether the reasons for changes in assumptions made during the current fiscal year were reasonable in view of the current year circumstances; and ● involved valuation specialists who assisted in the assessment of the reasonableness of the discount rate by comparing it with a rate independently estimated by the specialists using external information.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 (3) to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroyuki Yamada

Designated Engagement Partner

Certified Public Accountant

Hiroto Kawase

Designated Engagement Partner

Certified Public Accountant

Hideki Yoneyama

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 23, 2021

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

SUMITOMO CHEMICAL