

Online Disclosures Relating to Notice of the 107th Annual Shareholders' Meeting

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(From April 1, 2021 to March 31, 2022)

NAGASE & CO., LTD.

This document is made available to shareholders on the Company's website pursuant to laws and regulations and Article 14 of the Company's Articles of Incorporation.

Matters relating to share options for the Company's stock

1. Status of share options issued as consideration for the execution of duties and held by the Company officers as of the end of the fiscal year
No applicable information.
2. Status of share options issued to employees and others as consideration for the execution of duties during the fiscal year
No applicable information.
3. Other significant matters relating to share options
No applicable information.

Independent Auditor

1. Name of Independent Auditor
Ernst & Young ShinNihon LLC
2. Summary of Limiting liability agreement
The Company has not entered into a liability limiting agreement specified in Article 423, paragraph (1) of the Companies Act with its Independent Auditor.

3. Amount of compensation paid to Independent Auditor during the current fiscal year

	Amount of compensation (Millions of yen)
Amount of compensation, etc. paid by the Company to Independent Auditor in relation to business specified in Article 2, paragraph (1) of the Certified Public Accountants Act	113
Amount of compensation, etc. paid by the Company to Independent Auditor in relation to business other than that specified above	0
Total compensation, etc. paid by the Company and its consolidated subsidiaries to Independent Auditor	156

Notes: 1. The audit agreement between the Company and the Independent Auditor does not distinguish between audit compensation for audits performed pursuant to the Companies Act and audits performed pursuant to the Financial Instruments and Exchange Act and compensation cannot practically be categorized in this manner, and accordingly, the total amount is reported as compensation, etc. paid to the Independent Auditor during the current fiscal year.

2. The Audit & Supervisory Board received materials necessary for investigating the amount of the Independent Auditor's compensation from relevant internal divisions, Directors, Independent Auditor, and so on, received explanations from the Independent Auditor of a summary of the audit plan for the current fiscal year, audit times for each audit item, and so on, and based on the results of its confirmation of the audit plans for prior years and implementation of those plans determined that the compensation, etc. paid to the Independent Auditor is appropriate and gave its consent pursuant to Article 399, paragraph (1) of the Companies Act.

4. Details of duties other than audits
Non-audit services include agreed procedural work associated with tax filing in foreign countries.
5. Status of audits of financial statements of the Company's main subsidiaries by Certified Public Accountants or Audit Firms other than the Company's Independent Auditor
Of the Company's main subsidiaries, Prinova Group, LLC, Nagase (Hong Kong) Ltd., Nagase (Thailand) Co., Ltd. and three other overseas subsidiaries were audited by certified public accountants or an audit firm (including persons with corresponding qualifications in a foreign country) other than the Company's Independent Auditor.
6. Policy on determination to dismiss or not to reappoint Independent Auditor
In addition to dismissal of the Independent Auditor by the Audit & Supervisory Board as specified in Article 340 of the Companies Act, if the Company determines that it would be difficult for the Independent Auditor to properly perform its duties because of a violation of laws and regulations by the Independent Auditor, the occurrence of events that impair the Independent Auditor's qualifications or independence, and so on or if the Company determines that changing the Independent Auditor would be suitable for enhancing the appropriateness of audits, the Company's policy is to propose at a Shareholders' Meeting to dismiss or not to reappoint the Independent Auditor.

Company systems and policies

1. Systems for ensuring the proper implementation of business and status of operation of those systems
Summary of resolution on systems for ensuring the proper implementation of business (internal control systems)

The Company's Board of Directors adopted a resolution on basic policy for creating internal control systems entitled "Creation of Systems to Ensure that Directors Execute their Duties in Accordance with Laws and Regulations and the Articles of Incorporation and Other Systems Specified by Ministry of Justice Ordinance Necessary for Ensuring the Proper Implementation of Business by a Stock Corporation and the Corporate Group Comprising that Corporation and its Subsidiaries." Details of the policy are set forth below. Based on this basic policy, the Company will ensure the appropriateness of its business operations and conduct ongoing reviews and continuous improvement in order to appropriately reinforce governance systems even further in light of changes in the Company's business environment.

The Company has established the Internal Control Committee to build, maintain and improve the internal control system. The Committee deliberates on basic policies for the internal control systems, builds systems established under the internal control systems, and monitors the operation of the systems.

- (1) Systems to ensure that Directors and employees execute their duties in accordance with laws and regulations and the Articles of Incorporation (Article 362, paragraph (4), item (6) of the Companies Act and Article 100, paragraph (1), item (4) of the Regulations for Enforcement of the Companies Act)
 - (i) Based on its long-standing management philosophy of "recognizing our responsibility to society while maintaining the highest standards of integrity," the Company has established Risk Management & Compliance Committee, has established Basic Compliance Policy, and has created systems for ensuring that all officers and employees including those of Group companies conduct corporate activities in accordance with the Nagase Group Compliance Code of Conduct in order to create and maintain compliance systems. The Risk Management & Compliance Committee is made up of Directors and employees, and the members make all determinations relating to risk management and compliance. When necessary, the Committee engages outside experts and works to prevent violations of laws and regulations and the Articles of Incorporation.
 - (ii) Should employees of Nagase or its Group companies become aware of legal or other compliance issue, they immediately report to and consult with their supervisor or the relevant division and then report to the Risk Management & Compliance Committee, which promptly reports to the Board of Directors and the Audit & Supervisory Board and its members.
 - (iii) The Risk Management & Compliance Committee has introduced an internal reporting system wherein employees and officers including those of Group companies can report or discuss issues directly. The aim is to prevent violations of laws and regulations and the Articles of Incorporation by Directors and employees in the performance of their duties, and to prevent such violations from being left unattended or unaddressed.
 - (iv) The Company has formulated internal rules on individual issues, and makes decisions through multidirectional examination on compliance and other important points from a professional perspective.
 - (v) Our Audit Office conducts internal audits relating to the status of execution of duties by Directors and employees in accordance with the Internal Audit Rules.
 - (vi) Awareness regarding legal compliance among officers and employees including those of Group companies is raised by conducting courses taught by outside experts and through other means.

And efforts are made to disseminate information regarding the management philosophy by the Committee.

- (2) Systems for retaining and managing information relating to the execution of duties by Directors (Article 100, paragraph (1), item (1) of the Regulations for Enforcement of the Companies Act)
Information relating to the execution of duties by Directors is recorded on paper or electromagnetically in accordance with internal rules and is retained and managed. Directors and Audit & Supervisory Board members can access and view these documents at any time.
- (3) Rules relating to management of loss-related risks and other systems (Article 100, paragraph (1), item (2) of the Regulations for Enforcement of the Companies Act)
 - (i) The Company has established the Risk Management & Compliance Committee as the organization that performs comprehensive management relating to loss-related risks for the Company and Group companies, determined the committee's functions and authority, and created a system that clarifies its roles and responsibilities.
 - (ii) Each responsible division establishes rules and guidelines, conducts training, prepares and distributes manuals, and takes other measures concerning individual risks relating to the business activities of the Company and Group companies.
 - (iii) When new risks arise, the Risk Management & Compliance Committee promptly designates the responsible division to address the risks, and also develops a system for prompt and appropriate communication and emergency procedures in case that an incident occurs within the Group.
- (4) Systems for ensuring the efficient execution of duties by Directors (Article 100, paragraph (1), item (3) of the Regulations for Enforcement of the Companies Act)
 - (i) The Board of Directors is clearly positioned as the body in charge of making decisions on management policies and strategies, and it supervises the execution of operations. The Board of Directors holds regular monthly meetings as well as extraordinary meetings when necessary.
 - (ii) The Group Management Committee, consisting of executive officers appointed by the Board of Directors, has been established to discuss important matters such as management strategies and investment projects, as a way to support management decision-making, and holds regular meetings twice a month in principle. Directors and Audit & Supervisory Board Members may attend the Group Management Committee meetings.
 - (iii) With regard to the performance of business in accordance with the decisions of the Board of Directors, organizational operations rules and divisions of work responsibilities established under an executive officer system specify responsible parties, their responsibilities, and procedures for carrying out those responsibilities.
- (5) Systems for ensuring the proper implementation of business by the corporate group comprising a stock corporation and its subsidiaries (Article 100, paragraph (1), item (5) of the Regulations for Enforcement of the Companies Act)
 - (i) Systems for reporting to the Company on matters pertaining to the execution of duties by directors, etc. of subsidiaries (Article 100, paragraph (1), item (5)(a) of the Regulations for Enforcement of the Companies Act)
 - a. The Company has established operational standards and established a system that requires approval from or reporting to the Company after Group companies make decisions on certain matters.

- b. In order to further enhance the reliability of financial reports, the status of company-wide internal controls as well as the process for preparing financial statements has been codified in light of the Financial Instruments and Exchange Act and evaluation and improvement efforts are made on a consolidated basis.
- (ii) Rules relating to management of loss-related risks of the subsidiaries and other systems (Article 100, paragraph (1), item (5)(b) of the Regulations for Enforcement of the Companies Act)
The Company and Group companies perform Group-wide risk management with the Risk Management & Compliance Committee playing a central role. Important matters relating to Group-wide compliance are discussed and decisions are made while tasks and measures to promote the risk management are deliberated and decided on.
 - (iii) Systems for ensuring the efficient execution of duties by directors, etc. of subsidiaries (Article 100, paragraph (1), item (5)(c) of the Regulations for Enforcement of the Companies Act)
 - a. Under the medium-term management plan and a system of annual budgets, clear targets are set and budget and results management is performed for the Company and each Group company.
 - b. In principle, the Company dispatches officers to Group companies and ensures the proper conduct of business.
 - (iv) Systems to ensure that directors, etc. and employees of subsidiaries execute their duties in accordance with laws and the Articles of Incorporation (Article 100, paragraph (1), item (5)(d) of the Regulations for Enforcement of the Companies Act)
 - a. The Nagase Group Compliance Code of Conduct is disseminated to all officers and employees of Group companies to ensure that their corporate activities are conducted in accordance with the Code.
 - b. The Audit Office of the Company conducts audits of the Company and Group companies in accordance with the Internal Audit Rules.
 - c. The Risk Management & Compliance Committee has introduced an internal reporting system wherein employees and officers including those of Group companies can report or discuss issues directly. The aim is to prevent violations of laws and regulations and the Articles of Incorporation by Directors and employees in the performance of their duties, and to prevent such violations from being left unattended or unaddressed.
- (6) Matters pertaining to employees when Audit & Supervisory Board members request the appointment of employees to assist them in the execution of their duties (Article 100, paragraph (3), item (1) of the Regulations for Enforcement of the Companies Act)
Upon request from Audit & Supervisory Board members, in order to ensure their auditing effectiveness, the Company appoints employees to support the Audit & Supervisory Board members' work. Such employees are assigned to the Audit Office.
- (7) Matters pertaining to ensuring the independence of employees specified in the preceding paragraph from Directors and ensuring the effectiveness of instructions from Audit & Supervisory Board members (Article 100, paragraph (3), item (2) and (3) of the Regulations for Enforcement of the Companies Act)
- (i) When such employees are transferred, evaluations are conducted, and so on, prior consultations are conducted with Audit & Supervisory Board members and their opinions are sought.
 - (ii) Efforts are made to ensure the effectiveness of instructions to such employees, adequately taking into consideration the selection of such employees and the period for which they will work

supporting the execution of duties by Audit & Supervisory Board members.

- (8) Systems for Directors and employees to report to Audit & Supervisory Board members and other systems for reporting to Audit & Supervisory Board members (Article 100, paragraph (3), item (4) of the Regulations for Enforcement of the Companies Act)
- (i) Audit & Supervisory Board members attend the Board of Directors meetings and other important meetings, exchange opinions with managers, review requests for decisions, reports, and so on so that they can understand the overall status of operations of the Company and Group companies at all times.
 - (ii) The Risk Management & Compliance Committee Rules stipulate that Directors, employees, and so on of the Company and Group companies shall report to Audit & Supervisory Board members promptly regarding the following matters individually or through the Risk Management & Compliance Committee.
 - i. Occurrence and reporting of improper implementation, violations of laws and regulations or the Articles of Incorporation, or other compliance-related issues regarding the performance of duties by Directors;
 - ii. Occurrence and reporting of facts that pose a risk of substantial harm to the Company; and
 - iii. Occurrence and reporting of disclosure of material information.

- (9) System to ensure that a person who makes a report under the preceding paragraph is not subject to any disadvantageous treatment for making such a report (Article 100, paragraph (3), item (5) of the Regulations for Enforcement of the Companies Act)

Detrimental treatment of persons who make reports is prohibited in cases where a report is made by a Group company Director or employee directly to an Audit & Supervisory Board member of the Company. This information is distributed throughout the Group and is clearly stated within internal reporting system.

- (10) Matters concerning procedures for prepayment or reimbursement of expenses incurred in the execution of duties by Audit & Supervisory Board members and other policies concerning the treatment of expenses or liabilities incurred in the execution of such duties (Article 100, paragraph (3), item (6) of the Regulations for Enforcement of the Companies Act)

When advice is sought from attorneys, certified public accountants, and other outside professionals or expenses are requested for outsourcing investigations, appraisals, or other administrative tasks so that the Audit & Supervisory Board or its members can perform audits, the Company may not refuse such requests except when the expenses relating to a request are deemed unnecessary for the performance of duties by the Audit & Supervisory Board or its members.

- (11) Other systems to ensure that audits are conducted effectively by Audit & Supervisory Board members (Article 100, paragraph (3), item (7) of the Regulations for Enforcement of the Companies Act)
- (i) In order to raise awareness and understanding of the importance and usefulness of audits by Audit & Supervisory Board members, Audit & Supervisory Board members hold periodic meetings for the exchange of opinions with the Representative Directors and the outside Directors.

- (ii) There are systems that allow for close collaboration and mutual support among the Independent Auditor, Audit Office, and Audit & Supervisory Board members of affiliated companies so that Audit & Supervisory Board members can efficiently and effectively perform audit operations.

Overview of the Status of Implementation of Systems for Ensuring Proper Implementation of Business

The Company has established the Internal Control Committee that consists of Directors and executive officers, in order to build, maintain and improve the internal control systems. The Committee monitors the operational status of internal controls.

- The Board of Directors is positioned as the decision-making body regarding management policies and strategies, and it supervises the execution of operations. The Board of Directors met a total of 16 times this fiscal year. With regard to the performance of business in accordance with the decisions of the Board of Directors, business is efficiently executed in accordance with organizational operations rules and divisions of work responsibilities established under an executive officer system.
- The Group Management Committee consists of executive officers appointed by the Board of Directors and discusses important matters such as management strategies and investment projects. This Committee held 23 meetings this fiscal year.
- The Company has adopted Basic Compliance Policy, and conducts all business activities in accordance with the Nagase Group Compliance Code of Conduct. The Risk Management & Compliance Committee shares important compliance matters of the Group and discusses ways to handle issues. This Committee was held three times this fiscal year. In addition, the Risk Management & Compliance Committee Secretariat conducts various activities including the provision of support for establishing the Group's risk management system and legal compliance education in accordance with the policy indicated by the Risk Management & Compliance Committee. This Secretariat held monthly regular meetings. Furthermore, the Group is scheduled to build a structure enabling each section to handle individual risks and develop a system for prompt and appropriate communication and emergency procedures. Activity plans and activity details are reported to the Board of Directors.
- Regarding the handling of COVID-19, the Company has set up the COVID-19 Countermeasure Headquarters, dispatched information properly to Group personnel, and taken various measures, including infection prevention for employees and teleworking, in accordance with the Crisis Management Guidelines.
- Under its internal reporting system, the Company has set up a desk for handling direct reporting and consultation requests within Group companies in Japan and overseas, aiming to grasp behaviors in violation of law, etc., and prevent the occurrence of these behaviors. The Company has also set up the Compliance Hotline Rules, and will disseminate them within the Group so that those who report certain behaviors do not suffer detrimental treatment.
- The Company and its Group companies have established operational standards to ensure the proper implementation of business. Under these standards, decisions on certain matters that Group companies make are required to be approved by or reported to the Company, and the Company dispatches officers to Group companies in principle. The Audit Office of the Company conducts audits of the Company and its Group companies in accordance with the Internal Audit Rules.
- From the standpoint of reliability of financial reports, the status of company-wide internal controls and the process for preparing financial statements have been codified in light of the Financial Instruments and Exchange Act, and evaluation and improvement efforts are made on a consolidated basis.

- Audit & Supervisory Board members attend the Board of Directors meetings and other important meetings, and exchange opinions regularly with the Representative Directors, outside Directors, and Independent Auditors. These members also exchange opinions, etc., with other management executives, the Audit Office, and Audit & Supervisory Board members of affiliated companies whenever necessary. The Company has established a system enabling Audit & Supervisory Board members to review requests for decisions, reports, etc., regarding the execution of duties by Directors at all times so that these members can understand the overall status of operations of the Company and its Group companies. Employees who assist Audit & Supervisory Board members in the execution of these members' duties are chosen by the Audit Office so that these employees' independence from Directors and the effectiveness of instructions from these members can be ensured in accordance with the basic policy. Regarding the expenses incurred in connection with audits conducted by Audit & Supervisory Board members or the Audit & Supervisory Board, the Audit & Supervisory Board prepares a budget in line with its audit plan so that these expenses are paid appropriately.

2. Policy on decisions concerning distribution of surplus

The Company's basic policy on dividends is to continue paying higher dividends in line with its consolidated business performance and financial structure, while improving profitability and strengthening its management structure. To this end, the Company also takes consolidated cash flows and investment status into consideration.

The purchases of treasury stock will be considered flexibly in consideration of efficiency.

Consolidated Statement of Changes in Net Assets
(April 1, 2021 – March 31, 2022)

(Amounts of less than one million yen are rounded down.)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2021	9,699	10,646	265,920	(1,503)	284,763
Changes					
Cash dividends			(5,876)		(5,876)
Net income attributable to owners of the parent			25,939		25,939
Purchases of treasury stock				(6,006)	(6,006)
Disposal of treasury stock		0		0	0
Cancellation of treasury stock		(0)	(5,975)	5,975	-
Changes in parent's ownership interest due to transactions with non-controlling interests		(0)			(0)
Changes in scope of consolidation		(6)			(6)
Changes in scope of equity method			7		7
Other changes					
Total changes	-	(6)	14,094	(30)	14,057
Balance at March 31, 2022	9,699	10,639	280,015	(1,534)	298,820

	Accumulated other comprehensive income (loss)					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2021	43,576	72	1,006	268	44,924	8,743	338,431
Changes							
Cash dividends							(5,876)
Net income attributable to owners of the parent							25,939
Purchases of treasury stock							(6,006)
Disposal of treasury stock							0
Cancellation of treasury stock							-
Changes in parent's ownership interest due to transactions with non-controlling interests							(0)
Changes in scope of consolidation							(6)
Changes in scope of equity method							7
Other changes	(11,843)	106	12,684	(430)	516	2,086	2,603
Total changes	(11,843)	106	12,684	(430)	516	2,086	16,661
Balance at March 31, 2022	31,732	178	13,690	(161)	45,441	10,830	355,092

Notes to Consolidated Financial Statements

1. Notes relating to premise of going concern
No applicable information.

2. Matters relating to the scope of consolidation
 - (1) Number of consolidated subsidiaries: 78
Main subsidiaries: Nagase ChemteX Corporation, Hayashibara Co., Ltd., Prinova Group, LLC, Nagase (Thailand) Co., Ltd., and Nagase (Hong Kong) Ltd.
 - (2) Changes in the scope of consolidation
(Increase)
 - PRINOVA GERMANY GMBH (new establishment)
 - The Ingredient House, LLC (acquisition of equity interests on October 1, 2021)
 - Lakeshore Technologies, LLC (acquisition of equity interests on December 1, 2021)(Decrease)
 - Kotobuki Kasei Corporation (all shares were sold on July 1, 2021)
 - MAGMA FLOORING, LLC (dissolved in an absorption-type merger, in which consolidated subsidiary INTERFACIAL CONSULTANTS, LLC was the surviving company, on December 31, 2021)
 - (3) Name, etc. of main non-consolidated subsidiaries
Choko Co., Ltd.
(Reasons for excluding non-consolidated subsidiaries from the scope of consolidation)
Those non-consolidated subsidiaries (eight companies) are small in size and their total assets, net sales, the profit or loss (based on the equity interest of NAGASE & CO., LTD. (the “Company”)), and retained earnings (based on the Company’s equity interest) do not have a significant effect on the consolidated financial statements.

3. Matters relating to application of the equity method
 - (1) Affiliates subject to application of the equity method: 23
Main affiliates: Nissei Technology Corporation, Nagase-OG Colors & Chemicals Co., Ltd., and Nagase Landauer, Ltd.
 - (2) Changes in the scope of application of the equity method
(Decrease)
 - Sanko Gosei Technology (Thailand) Ltd. (Decrease in the Company’s ownership ratio as a result of this company’s capital increase through the issuance of new shares)
 - Guangzhou Kurabo Chemicals Co., Ltd. (Investments in capital were sold on November 26, 2021)
 - Toyo Quality One Ningbo Co., Ltd. (Investments in capital were sold on March 31, 2022)
 - (3) Name, etc. of main non-consolidated subsidiaries and affiliates that are not accounted for by the equity method
Non-consolidated subsidiaries: Choko Co., Ltd.
Affiliates: ON Colors & Chemicals (Shanghai) Co., Ltd.
(Reason for exclusion from scope of application of the equity method)
The non-consolidated subsidiaries (eight companies) and affiliates (five companies) that are not accounted for by the equity method are excluded from the scope of the equity method since they have immaterial effect on any of the Company’s consolidated financial statements in terms of profit

or loss (based on the Company's equity interest), retained earnings (based on the Company's equity interest) and others, and they are not material as a whole.

4. Matters relating to fiscal years of consolidated subsidiaries, etc.
Among the consolidated subsidiaries, there are 34 companies whose accounting periods differ from the consolidated accounting period and all those companies' fiscal year-end date is December 31. For 11 of those companies, consolidation is performed using the financial statements based on provisional settlement of accounts as of the consolidated closing date. For 23 of those companies, the financial statements as of the fiscal year-end date of each company are used, and necessary adjustments are made for major transactions that occurred between the company's fiscal year-end date and the consolidated closing date.
5. Notes relating to accounting policies
 - (1) Valuation criteria and policies for major assets
 - (i) Securities
Other securities
 - Securities other than equity securities with no market price
The market value method is adopted (all valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated based on the moving-average method).
 - Equity securities with no market price
The cost method based on the moving-average method is adopted.
 - (ii) Derivatives
The market value method is adopted.
 - (iii) Inventories
Primarily, the cost method based on the moving-average method is adopted (the lower of book value or market value based on declines in profitability).
 - (2) Depreciation and amortization of significant non-current assets
 - (i) Property, plant and equipment (except for leased assets)
The straight-line method is adopted. The estimated useful lives of major assets are as follows.

Buildings (other than structures attached to the buildings):	15 - 50 years
Machinery and equipment:	2 - 20 years
 - (ii) Intangible fixed assets (except for leased assets)
The straight-line method is adopted. The estimated useful lives of major assets are as follows.

Technology-based assets:	13 - 17 years
Software for internal use:	5 years
 - (iii) Leased assets
Leased assets under finance lease contracts which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method over the respective lease term.
 - (3) Accounting for significant allowances
 - (i) Allowance for doubtful accounts
In order to provide for losses arising from uncollectible receivables, the Company provides an allowance for doubtful accounts based on its historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific doubtful accounts from customers experiencing financial difficulties.

(ii) Accrued bonuses for employees

In order to provide for the payment of employee bonuses, the estimated amounts of bonuses to be paid to employees in the following fiscal year which is attributable to the current fiscal year is accrued.

(iii) Accrued bonuses for directors and executive officers

In order to provide for the payment of officer bonuses, the estimated amounts of bonuses to be paid to directors in the following fiscal year which is attributable to the current fiscal year is accrued.

(4) Method of accounting for retirement benefits

In order to provide for the payment of employee retirement benefits, the estimated amounts of the retirement benefit obligations less estimated pension plan assets at the end of the current fiscal year are accrued. The estimated benefit is attributed to the period up to the end of the current fiscal year based on the plan's benefit formula.

Prior service cost is charged to income in the fiscal year in which such cost is recognized for financial reporting purposes.

Actuarial differences are principally credited or charged to income in the fiscal year following the fiscal year in which such differences are recognized for financial reporting purposes.

(5) Accounting for significant revenues and expenses

The following is a description of the principal performance obligations in the Company and its consolidated subsidiaries' principal businesses relating to revenue from contracts with customers and the usual time at which such performance obligations are satisfied (the usual time at which revenue is recognized).

The Group sells merchandise and products by reportable segment and recognizes revenue primarily at the time the merchandise and products are delivered to the customer, since the risks and economic value of ownership of the products are transferred and the right to receive payment is established at that time. In addition, the Company is obligated to act as an agent for certain transactions. The consideration for the transactions is received primarily within one year of satisfying the performance obligation and does not include a significant financial component.

When the Group is acting as a party to a transaction, revenue is presented in a gross amount of consideration received from the customer, and when the Group is acting as an agent for a third party, revenue is presented in a net amount of fees which is the gross amount of consideration received from the customer minus the amount collected for the third party.

(6) Significant methods for hedge accounting

(i) Methods for hedge accounting

a. Foreign currency forward exchange contracts

In principle, the deferral hedge accounting method is used. When certain conditions are satisfied with regard to foreign currency receivables and payables hedged by foreign currency forward exchange contracts, the allocation method is applied.

b. Interest-rate swaps

Special accounting treatment is applied to interest-rate swaps that fulfill the requirements of special accounting treatment.

(ii) Hedging instruments and hedged items

a. Hedging instruments: Foreign currency forward exchange contracts, foreign currency-denominated deposits, and foreign currency-denominated loans

Hedged items: Foreign currency receivables and payables and forecasted transactions denominated in foreign currencies

- b. Hedging instruments: Interest-rate swaps
 - Hedged items: Interest rates on loans from financial institutions
 - (iii) Hedging policies
 - a. In order to manage the risks arising from adverse fluctuation in foreign currency exchange rates relating to import and export transactions, the Company enters into foreign currency forward exchange contracts primarily for accounts receivable and accounts payable in foreign currencies. Execution and management of such contracts are based on internal management rules, and foreign currency forward exchange contracts are conducted within a range of actual demand (accounts receivable, accounts payable, and actual transactions in foreign currencies).
 - b. In order to manage the risks of changes in loan interest rates, the Company engages in interest-rate swaps. Execution and management of such contracts are performed in accordance with internal management rules, and targets of interest-rate-swap hedging are identified individually for each contract.
 - (iv) Method of evaluating the effectiveness of hedging activities
 - a. The Company assesses the effectiveness of the hedging activities based on a comparison of the accumulated fluctuations of the hedged items and those of the hedging instruments in the period from the start of the hedging activities to the assessment date.
 - b. With regard to interest-rate swaps which meet the conditions for the special accounting treatment, an evaluation of effectiveness as of the end of the fiscal year is omitted.
 - (7) Goodwill amortization method and amortization period

Goodwill is amortized on a straight-line basis over a period when its effects will be realized within 20 years after recognition. When immaterial, goodwill is charged to income as incurred.
 - (8) Application of consolidated taxation system

The Company and certain consolidated subsidiaries adopt the consolidated taxation system.
- 6. Material changes to matters that serve as the basis for preparation of the consolidated financial statements
 - (Changes in accounting policies)
 - (Application of Accounting Standards for Revenue Recognition)

At the beginning of the current fiscal year, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). As a result, revenue is now recognized as the amount expected to be received in exchange for promised goods or services at the time of the transfer of their control to the customer.

As a result, in transactions for which the Company's performance obligations in its contracts with customers are determined to be services as an agent arranging provision of goods or services by another party, the sales to customers previously recorded on a gross basis shall be offset by the corresponding cost of sales, and revenue shall be stated on a net basis.

As a result, net sales and cost of sales each were reduced by 244,835 million yen for the current fiscal year. Note that this change has no impact on any stage of profits below gross profit for the current fiscal year, nor on the amount of net assets.

(Application of Accounting Standard for Fair Value Measurement)

As of the beginning of the current fiscal year, the Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019). In accordance with the transitional treatment prescribed in paragraph (19) of the Accounting Standard for Fair Value Measurement and paragraph (44-2) of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), new accounting policies prescribed by the Accounting Standard for Fair Value Measurement have been adopted prospectively. There is no effect by this change on the consolidated financial statements. Further, notes to matters relating to the breakdown, etc. by appropriate fair value classification of financial instruments have been provided in the “Notes Relating to Financial Instruments.”

7. Notes to accounting estimates

(Assessment of impairment of property, plant and equipment and intangible fixed assets)

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

Property, plant and equipment	72,554 million yen
Intangible fixed assets	65,070 million yen
Impairment losses	2,974 million yen

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

(i) Method of calculating the amount

Non-current assets are grouped into the smallest units that generate cash flows, and are measured for impairment after determining whether there is any indication of impairment and, if so, whether an impairment loss should be recognized.

For the grouping of non-current assets, idle assets are grouped by individual properties, and business assets are grouped mainly by company or plant. With respect to goodwill, a larger unit that includes related business-use assets is used principally to group assets.

Undiscounted future cash flows used to determine whether to recognize impairment losses are calculated in consideration of main assets' economic useful lives, etc., under future business plans. Impairment losses are measured by calculating the recoverable amount of the relevant asset or asset group as the higher of net realizable value or the value in use, and the difference between the book value and the recoverable amount is recorded as an impairment loss in the current fiscal year. A discount rate used for the calculation of the value in use is basically set by linking the relevant business risk to the time value of money.

(ii) Key assumptions used for amount calculation

The key assumptions are the projected sales and costs of sales included in future business plans, and the discount rate used to calculate the value in use.

(iii) Effects on consolidated financial statements for the next fiscal year

If the actual profit or loss of each asset or asset group falls below the business plan, or if there is a significant change in the assumptions on which future business plans are based, the recoverable amount may fall below the book value and an impairment loss may be recognized in the next fiscal year.

8. Notes to consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment 104,387 million yen

(2) Cash and time deposits of 50 million yen have been pledged as collateral for trade accounts payable.

- (3) Guarantee obligations
Guarantees of bank loans, etc. of trading partners 111 million yen
- (4) Discounted export notes 125 million yen
- (5) The reduction entry amount from acceptance of government subsidies included in property, plant and equipment is 1,398 million yen, and the reduction entry amount has been deducted from the amount on the consolidated balance sheet.

9. Notes to consolidated statement of income
Research and development expenses 5,539 million yen

10. Notes to consolidated statement of changes in net assets

- (1) Total number of issued shares as of the end of the current fiscal year
Common stock 120,908,285 shares

(2) Distribution of surplus during the current fiscal year

Resolution	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Annual Shareholders' Meeting held on June 23, 2021	Common stock	2,963	24.0	March 31, 2021	June 24, 2021
Board of Directors' meeting held on November 4, 2021	Common stock	2,913	24.0	September 30, 2021	December 6, 2021

(3) Distribution of surplus after the end of the current fiscal year

Planned Resolution	Type of shares	Source of funds	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Annual Shareholders' Meeting to be held on June 20, 2022	Common stock	Retained earnings	3,600	30.0	March 31, 2022	June 21, 2022

11. Notes relating to financial instruments

(1) Matters concerning the status of financial instruments

The Group invests excess funds in highly secure and short-term financial assets, whose principal is guaranteed to be recoverable. With regard to financing policy, short-term working funds are raised by bank borrowings and issuance of commercial paper, and long-term funds are raised by bank borrowings and the issuance of bonds. The policy for derivative transactions is that those are utilized to mitigate the fluctuation risk related to foreign currency exchange rates arising from receivables and payables denominated in foreign currencies, and fluctuation risk related to interest rates with respect to loans payable, and derivative transactions are not carried out for speculative purposes.

Operating receivables such as notes and accounts receivable are exposed to customers' credit risks. With regard to this risk, the Group manages the settlement date and monitors outstanding balances and establishes sales limit amounts by each customer based on the Group's internal credit rating policy. The Group has established a system under which the credit status by each customer is reviewed at least once a year and the sales limit amount updated as necessary.

In the cases of operating receivable or payable denominated in foreign currencies, foreign currency forward exchange contracts are used to hedge the risk of fluctuation for both receivables and payables. However, for foreign currency transactions denominated in the same currency involving

either payables or receivables, foreign currency forward exchange contracts are used solely for the netted position.

Investments in securities are subject to market price fluctuation risk. However, these are mainly equity securities of other companies with which the Group has business relationships. The Group regularly monitors both their fair value and the financial condition of the issuers. The Group also reviews as needed the condition of its holdings with concern to the status of business and financial transactions.

Short-term loans are raised primarily in connection with business activities. Long-term loans and bonds are taken out principally for the purpose of making capital spending, investments and financing. Loans with variable interest rates are subject to the risk of fluctuating interest rates. However, to reduce such risk, the Group utilizes derivatives (interest-rate swap transactions) as a hedging instrument.

Derivatives include foreign currency forward exchange contracts to manage fluctuation risk in foreign currency exchange rates related to receivables and payables denominated in foreign currencies and interest-rate swaps to manage fluctuation risk of interest rates related to the interest payments for bank loans.

In addition, operating payable and bank loans are exposed to liquidity risk. However, the Group manages such risk by monitoring the balance of inflow and outflow of cash and establishing liquidity on hand in excess of half of the amount of monthly net sales.

(2) Matters concerning the fair value of financial instruments

The carrying value on the consolidated balance sheet, fair values and the differences as of March 31, 2022 are as shown below.

Cash has been omitted from the notes, and time deposits, short-term loans, current portion of long-term loans, commercial paper, and current portion of bonds also have been omitted from the notes since they are settled in a short period of time and their fair values approximate their book values.

(Millions of yen)

	Carrying value on the consolidated balance sheet	Fair value	Difference
(1) Notes and accounts receivable	289,862	289,862	–
(2) Investments in securities			
Other securities	60,511	60,511	–
(3) Notes and accounts payable	149,036	149,036	–
(4) Bonds	20,000	19,820	(180)
(5) Long-term loans	28,244	27,992	(251)
(6) Derivatives*	191	191	–

* Receivables and payables arising from derivative transactions are presented as a net value with the amount in parentheses representing a net liability position.

Note: Equity securities with no market price are not included in “(2) Investments in securities.” The consolidated balance sheet amounts of such financial instruments are as follows.

Category	Carrying value on the consolidated balance sheet (Millions of yen)
Unlisted equity securities	6,071
Shares of subsidiaries and affiliates	9,017

- (3) Matters related to the breakdown, etc. of the fair value of financial instruments by level
The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs on fair value calculation.

Level 1 fair value: Among the inputs on observable fair value calculation, fair value calculated based on quoted market prices for the assets or liabilities for which such fair value is calculated that are formed in active markets

Level 2 fair value: Among the inputs on observable fair value calculation, fair value calculated using inputs on fair value calculation other than Level 1 inputs

Level 3 fair value: Fair value calculated using inputs on unobservable fair value calculation

When multiple inputs that have a significant impact on the fair value calculation are used, fair value is classified to the level with the lowest priority in the fair value calculation among the levels to which each of those inputs belongs.

- (i) Financial assets and liabilities that are recorded with fair value in the consolidated balance sheets

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Equity securities	60,511	–	–	60,511
Derivatives				
Foreign currency forward exchange contracts	–	191	–	191

- (ii) Financial assets and liabilities that are not recorded with fair value in the consolidated balance sheets

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable	–	289,862	–	289,862
Notes and accounts payable	–	149,036	–	149,036
Bonds	–	19,820	–	19,820
Long-term loans	–	27,992	–	27,992

Note: Explanation on valuation method and inputs used for the calculation of fair value

Notes and accounts receivable

The fair value of notes and accounts receivable is based on their present values discounted by the interest rate determined taking into account the remaining period to maturity for each receivable classified by the settlement date, and is classified as Level 2 fair value.

Investments in securities

Listed equity securities are valued using quoted market prices. Since equity securities are traded in active markets, their fair value is classified as Level 1.

Derivatives

Fair value is calculated based on prices, etc., provided by counterparty financial institutions, and is classified as Level 2 fair value.

The fair value of foreign currency forward exchange contracts that qualify for the allocation method is included in the fair value of the underlying accounts receivable and payable since they are accounted for as an integral part of the underlying accounts receivable and payable.

Since interest-rate swap transactions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying long-term loans, their fair values were included in the fair value of the long-term loans.

Notes and accounts payable

The fair value of notes and accounts payable is based on their present values discounted by the interest rate determined taking into account the remaining period to maturity for each payable classified by the settlement date, and is classified as Level 2 fair value.

Bonds

Fair value of the bonds issued by the Company is calculated based on quoted market prices, and is classified as Level 2 fair value.

Long-term loans

The fair value of long-term loans with fixed interest rates is based on the present value of the total of principal and interest discounted by the interest rate to be applied assuming new loans under similar conditions to existing loans are made, and is classified as Level 2 fair value.

12. Notes relating to revenue recognition

(1) Information that disaggregates revenue from contracts with customers

The Group's net sales in the current fiscal year mainly consist of revenues recognized from contracts with customers, and the breakdown of net sales by region for each reportable segment is as follows.

(Millions of yen)

	Reportable segments					Others (Note) 3	Total	Component (%)
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare			
Japan	40,971	69,123	50,640	31,555	57,825	244	250,360	32.1
Greater China	11,987	117,092	54,354	30,534	3,594	-	217,562	27.9
ASEAN	26,580	58,949	7,267	29,416	3,493	-	125,707	16.1
Americas	16,703	6,172	5,221	10,249	79,243	-	117,589	15.1
Europe	2,634	4,598	4,071	1,466	47,083	-	59,855	7.7
Other	996	1,347	6,575	167	394	-	9,481	1.1
Revenue from contracts with customers	99,874	257,283	128,131	103,389	191,634	244	780,557	100.0
Net sales to customers	99,874	257,283	128,131	103,389	191,634	244	780,557	100.0

Notes:

1. Net sales are categorized by country or region, according to the location of the Company and its consolidated subsidiaries.
2. Major countries and regions in each category other than Japan
 - (1) Greater China..... China, Hong Kong, Taiwan
 - (2) ASEAN..... Thailand, Vietnam, Singapore
 - (3) Americas..... U.S., Mexico
 - (4) Europe..... UK, Germany
 - (5) Other Korea
3. "Others" is a business segment consisting of businesses not included in reportable segments, and includes information processing services and professional services.

(2) Information for understanding the amount of revenue for the current fiscal year and after the following fiscal year

(i) Contract balances

The following is a breakdown of contract balances of the Company and its consolidated subsidiaries for the current fiscal year. In the consolidated balance sheets, receivables from contracts with customers are included in "Notes and accounts receivable" and contract liabilities are included in "Other current liabilities." There is no materiality for the amount of contracted

assets. The beginning balance of the contract liabilities was transferred to revenue by the end of the period, and there is no materiality for the amount carried forward after the next fiscal year.

Category	Carrying value on the consolidated balance sheet (Millions of yen)
Receivables from contracts with customers	289,862
Contract liabilities	3,789

(ii) Transaction price allocated to remaining performance obligations

Since there are no transactions with individual expected contract terms exceeding one year, the practical expedient method is applied and information on remaining performance obligations is omitted. There is no material consideration with respect to contracts with customers that is not included in the transaction price.

13. Notes relating to per share information

(1) Net assets per share	2,868.22 yen
(2) Net income per share	213.46 yen

14. Notes relating to significant subsequent events

No applicable information.

15. Other notes

(Accounting for corporate and local income taxes or tax effect accounting related to these taxes)

The Company and some of its consolidated subsidiaries had previously applied the consolidated taxation system, but due to the submission of a notification of non-application of the group tax sharing system during the current fiscal year, the Company will shift to the non-consolidated taxation system from the following fiscal year. Accordingly, based on “Practical Solution on Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021), accounting and disclosure for tax effect accounting related to corporate and local income taxes are based on the assumption that the non-consolidated taxation system will be applied from the next fiscal year.

Accounting and disclosure regarding corporate and local income taxes are in accordance with “Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)” (PITF No. 5, February 16, 2018) and “Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)” (PITF No. 7, February 16, 2018) since the consolidated taxation system was applied in the current fiscal year.

Non-Consolidated Statement of Changes in Net Assets
(April 1, 2021 – March 31, 2022)

(Amounts of less than one million yen are rounded down.)
(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
					Reserve for reduction entry	General reserve	Retained earnings brought forward		
Balance, at April 1, 2021	9,699	9,634	0	9,634	2,424	2,259	95,510	54,569	154,763
Changes									
Provision of general reserve							69	(69)	-
Reversal of reserve for reduction entry						(187)		187	-
Cash dividends								(5,876)	(5,876)
Net income								12,981	12,981
Purchases of treasury stock									
Disposal of treasury stock			0	0					
Cancellation of treasury stock			(0)	(0)				(5,975)	(5,975)
Other changes									
Total changes	-	-	(0)	(0)	-	(187)	69	1,247	1,129
Balance, at March 31, 2022	9,699	9,634	-	9,634	2,424	2,071	95,579	55,816	155,892

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred gain on hedges	Total valuation and translation adjustments	
Balance, at April 1, 2021	(1,503)	172,594	42,854	83	42,937	215,532
Changes						
Provision of general reserve		-				-
Reversal of reserve for reduction entry		-				-
Cash dividends		(5,876)				(5,876)
Net income		12,981				12,981
Purchases of treasury stock	(6,006)	(6,006)				(6,006)
Disposal of treasury stock	0	0				0
Cancellation of treasury stock	5,975	-				-
Other changes			(11,881)	101	(11,780)	(11,780)
Total changes	(30)	1,098	(11,881)	101	(11,780)	(10,682)
Balance, at March 31, 2022	(1,534)	173,693	30,972	184	31,157	204,850

Notes to Non-consolidated Financial Statements

1. Notes relating to premise of going concern
No applicable information.

2. Notes relating to significant accounting policies
 - (1) Valuation criteria and policies for assets
 - (i) Securities
 - a. Shares of subsidiaries and affiliates
The cost method based on the moving-average method is adopted.
 - b. Other securities
 - i. Securities other than equity securities with no market price
The market value method is adopted (all valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated based on the moving-average method).
 - ii. Equity securities with no market price
The cost method based on the moving-average method is adopted.
 - (ii) Derivatives
The market value method is adopted.
 - (iii) Inventories
The cost method based on the moving-average method is adopted (the lower of book value or market value based on declines in profitability).
 - (2) Depreciation and amortization of non-current assets
 - (i) Property, plant and equipment (except for leased assets)
The straight-line method is adopted. The estimated useful lives of major assets are as follows.

Buildings (other than structures attached to the buildings):	23 - 50 years
Machinery and equipment:	2 - 17 years
 - (ii) Intangible assets (except for leased assets)
The straight-line method is adopted. The estimated useful lives of major assets are as follows.

Software for internal use:	5 years
----------------------------	---------
 - (iii) Leased assets
Leased assets under finance lease contracts which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method over the respective lease term.
 - (3) Accounting for allowances
 - (i) Allowance for doubtful accounts
In order to provide for losses arising from uncollectible receivables, NAGASE & CO., LTD. (the "Company") provides an allowance for doubtful accounts based on its historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific doubtful accounts from customers experiencing financial difficulties.
 - (ii) Accrued bonuses for employees
In order to provide for the payment of employee bonuses, the estimated amounts of bonuses to be paid to employees in the following fiscal year which is attributable to the current fiscal year is accrued.

(iii) Provision for retirement benefits

In order to provide for the payment of employee retirement benefits, the estimated amounts of the retirement benefit obligations less estimated pension plan assets at the end of the fiscal year are accrued.

Prior service cost is charged to income in the fiscal year in which such cost is recognized for financial reporting purposes.

Actuarial differences are credited or charged to income in the fiscal year following the fiscal year in which such differences are recognized for financial reporting purposes.

Treatment on the non-consolidated balance sheet of unrecognized actuarial differences is different from that on the consolidated balance sheet.

(iv) Provision for loss on guarantees

In order to provide for loss on guarantees to the subsidiaries and affiliates, etc., a reserve for estimated amount of loss based on the financial conditions, etc. of the guaranteed companies is accrued.

(4) Accounting for significant revenues and expenses

The following is a description of the principal performance obligations in the Company's principal businesses relating to revenue from contracts with customers and the usual time at which such performance obligations are satisfied (the usual time at which revenue is recognized).

The Company sells merchandise and products by reportable segment and recognizes revenue primarily at the time the merchandise and products are delivered to the customer, since the risks and economic value of ownership of the products are transferred and the right to receive payment is established at that time. In addition, the Company is obligated to act as an agent for certain transactions. The consideration for the transactions is received primarily within one year of satisfying the performance obligation and does not include a significant financial component.

When the Company is acting as a party to a transaction, revenue is presented in a gross amount of consideration received from the customer, and when the Company is acting as an agent for a third party, revenue is presented in a net amount of fees which is the gross amount of consideration received from the customer minus the amount collected for the third party.

(5) Other material matters that serve as the basis for preparation of the financial statements

(i) Method of accounting for deferred assets

Bond issuance costs are fully recognized as expenses when paid.

(ii) Methods for hedge accounting

a. Methods for hedge accounting

i. Foreign currency forward exchange contracts

In principle, the deferral hedge accounting method is used. When certain conditions are satisfied with regard to foreign currency receivables and payables hedged by foreign currency forward exchange contracts, the allocation method is applied.

ii. Interest-rate swaps

Special accounting treatment is applied to interest-rate swaps that fulfill the requirements of special accounting treatment.

b. Hedging instruments and hedged items

i. Hedging instruments: Foreign currency forward exchange contracts, foreign currency-denominated deposits, and foreign currency-denominated loans

Hedged items: Foreign currency receivables and payables and forecasted transactions denominated in foreign currencies

- ii. Hedging instruments: Interest-rate swaps
Hedged items: Interest rates on loans from financial institutions
 - c. Hedging policies
 - i. In order to manage the risks arising from adverse fluctuation in foreign currency exchange rates relating to import and export transactions, the Company enters into foreign currency forward exchange contracts primarily for accounts receivable - trade and accounts payable - trade in foreign currencies. Execution and management of such contracts are based on internal management rules, and foreign currency forward exchange contracts are conducted within a range of actual demand (accounts receivable - trade, accounts payable - trade, and actual transactions in foreign currencies).
 - ii. In order to manage the risks of changes in loan interest rates, the Company engages in interest-rate swaps. Execution and management of such contracts are performed in accordance with internal management rules, and targets of interest-rate-swap hedging are identified individually for each contract.
 - d. Method of evaluating the effectiveness of hedging activities
 - i. The Company assesses the effectiveness of the hedging activities based on a comparison of the accumulated fluctuations of the hedged items and those of the hedging instruments in the period from the start of the hedging activities to the assessment date.
 - ii. With regard to interest-rate swaps which meet the conditions for the special accounting treatment, an evaluation of effectiveness as of the end of the fiscal year is omitted.
 - (iii) Application of consolidated taxation system
The Company adopts the consolidated taxation system.
3. Material changes to matters that serve as the basis for preparation of the financial statements
(Changes in accounting policies)
- (Application of Accounting Standards for Revenue Recognition)
- At the beginning of the current fiscal year, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). As a result, revenue is now recognized as the amount expected to be received in exchange for promised goods or services at the time of the transfer of their control to the customer.
- As a result, in transactions for which the Company's performance obligations in its contracts with customers are determined to be services as an agent arranging provision of goods or services by another party, the sales to customers previously recorded on a gross basis shall be offset by the corresponding cost of sales, and revenue shall be stated on a net basis.
- As a result, net sales and cost of sales each were reduced by 238,258 million yen in the current fiscal year. Note that this change has no impact on any stage of profits below gross profit for the current fiscal year, nor on the amount of net assets.
- (Application of Accounting Standard for Fair Value Measurement)
- As of the beginning of the current fiscal year, the Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019). In accordance with the transitional treatment prescribed in paragraph (19) of the Accounting Standard for Fair Value Measurement and paragraph (44-2) of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), new accounting policies prescribed by the Accounting Standard for Fair Value Measurement have been adopted prospectively. There is no effect by this change on the financial statements.

4. Notes to accounting estimates

(Assessment of shares of subsidiaries and affiliates)

(1) Amount recorded in the non-consolidated financial statements for the current fiscal year

Shares of subsidiaries and affiliates	102,834 million yen
Loss on valuation of shares of subsidiaries and affiliates	2,840 million yen

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

(i) Method of calculating the amount

As all shares of subsidiaries and affiliates the Company holds are equity securities with no market price, the acquisition cost thereof is recorded on the balance sheet, and in case the real value of these shares decreases significantly due to deterioration of financial conditions of an issuer of these shares, an impairment loss is recorded.

The real value is basically calculated based on the amount of net assets of such issuer, but excess earning power, etc. may be reflected in this value. Excess earning power, etc. are calculated based on a differential between the said issuer's net asset value at the time of share acquisition and the actual acquisition cost. However, even if the excess earning power, etc. are considered to be deteriorating due to a differential, etc. between the initially planned performance and actual performance, the amount of such deterioration is not included in the calculation of the real value. In addition, even if the real value declines significantly, an impairment loss may not be recognized as long as performance recovery can be anticipated in the future under an executable, rational business plan, etc.

(ii) Key assumptions used for amount calculation

As key assumptions, projected sales and cost of sales included in the business plan of each subsidiary or affiliate were used.

(iii) Effects on non-consolidated financial statements for the next fiscal year

If the actual earnings or losses of each subsidiary or affiliate are lower than estimated or if there is a material change in the assumptions underlying future business plans, impairment losses may be recognized in the following fiscal year.

5. Notes to non-consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment	18,346 million yen
(2) Guarantee obligations	
Guarantees of bank loans, etc. of subsidiaries and affiliates	48,379 million yen
(3) Discounted export notes	125 million yen
(4) Guarantees of monetary claims against and obligations owed to subsidiaries and affiliates (except for those indicated separately)	
Short-term monetary claims	65,433 million yen
Short-term monetary obligations	49,712 million yen
(5) The reduction entry amount from acceptance of government subsidies included in property, plant and equipment (buildings, tools, furniture and fixtures) is 71 million yen, and the reduction entry amount has been deducted from the amount of the non-consolidated balance sheet.	

6. Notes to non-consolidated statements of income
- | | |
|---|---------------------|
| Transactions with subsidiaries and affiliates | |
| Net sales | 110,145 million yen |
| Net purchases | 34,316 million yen |
| Selling, general and administrative expenses | 7,381 million yen |
| Non-operating transactions | 11,549 million yen |
7. Notes relating to revenue recognition
- Information that forms the basis for understanding revenue from contracts with customers has been omitted from the notes because the same information is presented in “Notes to Consolidated Financial Statements, 5. Notes relating to accounting policies, (5) Accounting for significant revenues and expenses.”
8. Notes to non-consolidated statement of changes in net assets
- | | |
|---|----------------|
| Number of shares of treasury stock as of the end of the fiscal year | 881,767 shares |
|---|----------------|
9. Notes relating to tax effect accounting
- (The primary reasons for the occurrence of deferred tax assets and deferred tax liabilities)
- The primary reasons for the occurrence of deferred tax assets are provision for retirement benefits and accrued bonuses for employees less valuation allowances. The primary reason for the occurrence of deferred tax liabilities is net unrealized holding gain on securities.
- (Accounting for corporate and local income taxes or tax effect accounting related to these taxes)
- The Company had previously applied the consolidated taxation system, but due to the submission of a notification of non-application of the group tax sharing system during the current fiscal year, the Company will shift to the non-consolidated taxation system from the following fiscal year. Accordingly, based on “Practical Solution on Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021), accounting and disclosure for tax effect accounting related to corporate and local income taxes are based on the assumption that the non-consolidated taxation system will be applied from the next fiscal year.
- Accounting and disclosure regarding corporate and local income taxes are in accordance with “Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)” (PITF No. 5, February 16, 2018) and “Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)” (PITF No. 7, February 16, 2018) since the consolidated taxation system was applied in the current fiscal year.

10. Notes relating to related party transactions

Subsidiaries and affiliates

Attribute	Company name	Description of main business	Percentage of voting rights held (%)	Details of relationship		Details of transactions	Transaction amount (million yen)	Accounting category	Balance at end of fiscal year (million yen)
				Concurrent service by officers, etc.	Business relationship				
Subsidiary	Nagase Holdings America Corporation	Regional management, investment and asset management, and provision of professional services	Direct: 100.0 Indirect: —	Two officers serving concurrently, one seconded officer	Guarantee of obligations	Deposit of funds	—	Deposits received	2,869
						Guarantee of obligations	5,507	—	—
Subsidiary	Prinova Group, LLC	Sales and processing of food ingredients, etc., contracted manufacture of finished products	Direct: — Indirect: 93.3	Two officers serving concurrently	Sale of goods, purchase of products, loan of funds	Loan of funds	—	Short-term loans receivable	33,290
Subsidiary	Hayashibara Co., Ltd.	Development, manufacture and sale of food raw materials, pharmaceutical raw materials, cosmetics raw materials, health foods raw materials, functional dyes, etc.	Direct: 100.0 Indirect: —	Three officers serving concurrently	Sale of goods, purchase of products, lease of building, loan of funds	Purchase of products	4,347	Accounts payable-trade	975
						Loan of funds	1,800	Short-term loans receivable	5,640
								Long-term loans receivable	9,800
Subsidiary	Nagase ChemteX Corporation	Manufacture of epoxy resins, enzymes, and chemical industry products	Direct: 100.0 Indirect: —	Four officers serving concurrently	Sale of goods, purchase of products, lease of building	Sale of goods	665	Accounts receivable-trade	1,815
						Purchase of products	11,006	Accounts payable-trade	6,268
						Dividends received	2,107	—	—
						Deposit of funds	—	Deposits received	4,295
Subsidiary	Totaku Industries, Inc.	Manufacture and sale of plastic products, etc.	Direct: 100.0 Indirect: —	Four officers serving concurrently, one seconded officer one transferred officer	Lease of building	Deposit of funds	—	Deposits received	5,721
Subsidiary	Guangzhou Nagase Trading Co., Ltd.	Import/export, intermediate trade, market development, information collection	Direct: — Indirect: 100.0	One officer serving concurrently, three seconded officers	Purchase and sale of goods, guarantee of obligations	Sale of goods	3,069	Accounts receivable-trade	752
						Obligations guaranteed	4,956	—	—
Subsidiary	Shanghai Hua Chang Trading Co., Ltd.	Sale of plastics and related products	Direct: 16.2 Indirect: 53.8	Three officers serving concurrently, one seconded officer	Purchase and sale of goods, guarantee of obligations	Sale of goods	1,125	Accounts receivable-trade	380
						Obligations guaranteed	6,497	—	—
Subsidiary	Nagase Plastics Co., Ltd.	Sale of plastic products, etc.	Direct: 100.0 Indirect: —	Two officers serving concurrently, three transferred officers	Purchase and sale of goods, lease of building	Sale of goods	1,395	Accounts receivable-trade	8,360
						Deposit of funds	—	Deposits received	1,096

Attribute	Company name	Description of main business	Percentage of voting rights held (%)	Details of relationship		Details of transactions	Transaction amount (million yen)	Accounting category	Balance at end of fiscal year (million yen)
				Concurrent service by officers, etc.	Business relationship				
Subsidiary	Nagase Chemical Co., Ltd.	Sale of coating raw materials, dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics, etc.	Direct: 100.0 Indirect: —	Three officers serving concurrently, one transferred officer	Purchase and sale of goods, lease of building	Sale of goods	5,269	Accounts receivable-trade	14,409
						Deposit of funds	—	Deposits received	2,654
Subsidiary	Setsunan Kasei Co., Ltd.	Coloring, processing and sales of plastics	Direct: 100.0 Indirect: —	Two officers serving concurrently	Sale of goods, purchase of products, lease of building, loan of funds, guarantee of obligations	Loan of funds	—	Short-term loans receivable	440
								Long-term loans receivable	4,750
						Reversal of allowance for doubtful accounts for subsidiaries and affiliates	551	Allowance for doubtful accounts	3,474
Subsidiary	Shanghai Nagase Trading Co., Ltd.	Import/export, intermediate trade, market development, information collection	Direct: — Indirect: 100.0	One officer serving concurrently, one seconded officer	Purchase and sale of goods, guarantee of obligations	Sale of goods	20,426	Accounts receivable-trade	4,987
						Purchase of goods	5,598	Accounts payable-trade	1,099
Subsidiary	Nagase Vietnam Co., Ltd.	Import/export, intermediate trade, market development, information collection	Direct: 100.0 Indirect: —	One officer serving concurrently, three seconded officers	Purchase and sale of goods, guarantee of obligations	Sale of goods	3,698	Accounts receivable-trade	1,146
						Obligations guaranteed	5,312	—	—

Notes:

- Transaction terms relating to purchase and sale of goods and purchase of products, and policies on determination of transaction terms are determined in the same manner as general transactions.
- Deposits and loans of funds are governed by the Group cash management system, and reasonable interest rates are applied, taking into account market interest rates. About lending and borrowing of funds among participating companies taking place repeatedly on a daily basis, transaction amounts are not indicated.
- Guarantees of obligations are guarantees relating to operating capital from outside financial institutions, and transaction amounts are balances as of the end of March 2022.

11. Notes relating to per share information

(1) Net assets per share	1,706.71 yen
(2) Net income per share	106.83 yen

12. Notes relating to significant subsequent events

No applicable information.