

11-Year Financial Highlights

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years Ended March 31)

	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Mid-Term Management Plan	"CHANGE" 11				Change-S2014			ACE-2020			
	Investment Amount: ¥107.4 billion				Investment Amount: ¥41.1 billion			Investment Amount: ¥13.7 billion	Investment Amount: ¥129.1 billion		
Performance (Accounting Fiscal Year)											
Net Sales (Millions of yen)	¥603,949	¥ 660,213	¥631,854	¥666,272	¥ 723,212	¥ 759,713	¥ 742,194	¥ 722,384	¥ 783,933	¥ 807,755	¥ 799,559
Segments											
Functional Materials (formerly Chemicals)	237,124	253,290	177,126	167,017	169,973	168,238	157,149	153,546	174,922	179,627	169,318
Advanced Materials & Processing (formerly Plastics)	192,569	222,100	217,929	214,214	239,224	254,165	255,505	242,609	262,831	275,203	267,078
Electronics	117,591	133,640	110,495	125,014	137,026	149,947	127,926	127,722	129,324	122,319	115,123
Mobility & Energy (formerly Automotive & Energy)	—	—	76,113	83,068	99,441	109,851	115,351	112,956	129,708	139,235	126,000
Life & Healthcare (formerly Life Sciences)	55,542	50,247	49,170	76,116	76,810	76,609	85,571	84,904	86,517	90,794	121,545
Others	1,121	934	1,018	841	737	900	689	644	629	574	492
Region											
Domestic	360,382	389,379	366,369	361,971	372,939	374,208	363,038	369,365	395,428	412,617	402,390
Overseas	243,567	270,833	265,484	304,301	350,272	385,505	379,155	353,019	388,504	395,137	397,169
Gross Profit	65,415	73,008	71,628	82,583	88,936	91,991	91,663	91,503	102,675	105,441	104,901
Operating Income	13,128	18,732	13,427	15,578	15,789	18,153	18,024	15,030	24,118	25,226	19,167
Profit Attributable to Owners of the Parent	7,537	12,823	8,570	14,182	11,663	11,318	12,316	10,331	17,175	20,136	15,144
Financial Condition:											
Total Assets	¥368,088	¥ 375,336	¥450,842	¥486,747	¥ 498,141	¥ 546,525	¥ 512,081	¥ 530,775	¥ 569,456	¥ 567,346	¥ 611,477
Equity Capital	195,344	201,516	204,706	228,505	246,723	281,398	273,963	290,217	303,636	307,674	305,322
Interest-Bearing Debt	21,886	27,125	88,710	98,425	92,828	98,493	87,560	82,046	86,173	85,620	135,974
Per Share Data: (Yen)											
Net Income (Basic)	¥ 58.64	¥ 99.76	¥ 66.69	¥ 111.31	¥ 91.86	¥ 89.10	¥ 96.96	¥ 81.65	¥ 136.34	¥ 161.30	¥ 122.12
Net Assets	1,519.61	1,568.04	1,592.87	1,803.31	1,942.20	2,215.18	2,156.67	2,301.10	2,424.97	2,481.01	2,462.04
Cash Dividends	16	22	24	26	28	30	32	33	40	42	44
Payout Ratio (%)	27.3	22.1	36.0	23.4	30.5	33.7	33.0	40.4	29.3	26.0	36.0
Shareholders' Equity Dividend Rate (%)	1.08	1.42	1.52	1.52	1.50	1.44	1.46	1.48	1.69	1.71	1.78
Ratios: (%)											
Overseas Sales to Net Sales	40.3	41.0	42.0	45.7	48.4	50.7	51.1	48.9	49.6	48.9	49.7
Manufacturing Ratio (Operating Income)	35.4	29.0	31.3	37.3	23.5	27.8	24.3	39.5	34.2	33.5	40.8
Operating Margin (Operating Income/Net Sales)	2.2	2.8	2.1	2.3	2.2	2.4	2.4	2.1	3.1	3.1	2.4
Return on Equity (ROE)	4.0	6.5	4.2	6.5	4.9	4.3	4.4	3.7	5.8	6.6	4.9
Net Worth Ratio	53.1	53.7	45.4	46.9	49.5	51.5	53.5	54.7	53.3	54.2	49.9
Debt Equity Ratio (Times)	0.11	0.13	0.43	0.43	0.38	0.35	0.32	0.28	0.28	0.28	0.45

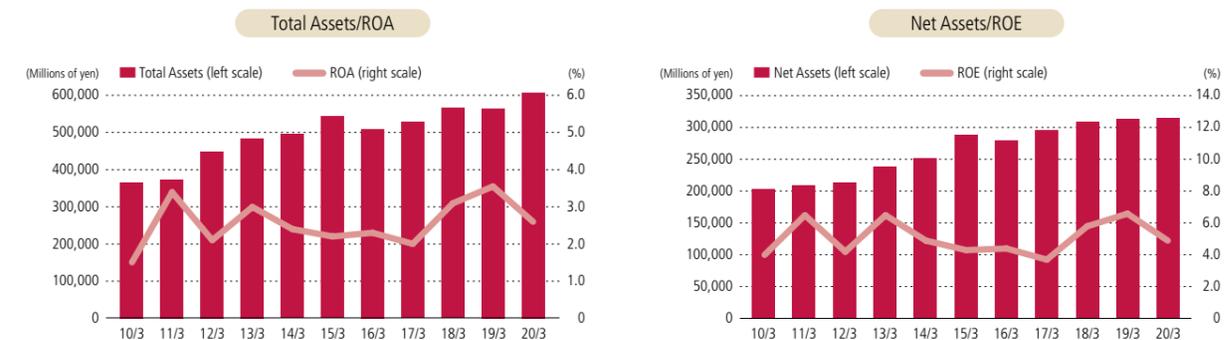
(Note 1) At the beginning of fiscal 2009, the Company moved its information and functional materials businesses handling materials related to insulating materials and fluoroplastic-related materials from the Electronics segment to the Chemicals segment. Businesses handling surface detection machines for functional films and sheets have been moved under the Plastics segment.

(Note 2) At the beginning of fiscal 2012, the NAGASE Group reorganized its then existing four product-based business segments into five business segments (Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, and Life & Healthcare) to more fully reflect the respective positions of each business in the value chain. For comparative purposes, fiscal 2011 figures have been calculated using the new business segments. The Colors & Imaging Department formerly under the Chemicals segment has been moved under the Advanced Materials & Processing segment. The Automotive & Energy segment was organized out of the Automotive Solutions Department (belonging to the Plastics segment) and the Energy Business Office, which was launched as an integrated entity from the Environment & Energy Office (under Others) and the Energy Device Office.

(Note 3) At the beginning of fiscal 2013, abrasives sales business for semiconductors and HDDs was moved to the Electronics segment from the Functional Materials segment, and the raw materials sales business for the cosmetics industry were moved from the Functional Materials segment to the Life & Healthcare segment. Actual fiscal 2012 results have been adjusted to enable comparison with fiscal 2013.

(Note 4) The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 issued February 16, 2018) were applied from April 1, 2019. Following this change, deferred tax assets are now presented under "Investments and other assets," and deferred tax liabilities are presented under "Long-term liabilities."

(Note 5) From April 1, 2019, the name of the Automotive & Energy segment has been changed to the Mobility & Energy segment.



Six-Year Summary

NAGASE & CO., LTD. and Consolidated Subsidiaries (Fiscal years ended March 31, 2015–2020)

	(Millions of yen)					Thousands of U.S. Dollars (Note 1)	
	2015	2016	2017	2018	2019	2020	2020
For the Fiscal Year:							
Net Sales	¥759,713	¥742,194	722,384	¥783,933	¥807,755	¥799,559	\$7,346,862
Domestic	374,208	363,038	369,365	395,428	412,617	402,390	3,697,418
Overseas	385,505	379,155	353,019	388,504	395,137	397,168	3,649,435
Gross Profit	91,991	91,663	91,503	102,675	105,441	104,901	963,898
Operating Income	18,153	18,024	15,030	24,118	25,226	19,167	176,119
Income before Income Taxes and Non-Controlling Interests	18,989	15,239	16,100	24,049	28,204	24,200	222,365
Profit Attributable to Owners of the Parent	11,318	12,316	10,331	17,175	20,136	15,144	139,153
As of the Fiscal Year-End:							
Total Assets	¥546,525	¥512,081	¥530,775	¥569,456	¥567,346	¥611,477	\$5,618,644
Net Assets	287,500	279,149	295,198	308,804	312,609	313,243	2,878,278
Interest-Bearing Debt	98,493	87,560	82,046	86,173	85,620	135,974	1,249,417
Share Price (Yen/Dollars)	1,573	1,237	1,551	1,805	1,589	1,279	11.75
Market Value	200,413	157,604	197,610	229,971	202,451	165,248	1,518,405
Number of Shares Issued and Outstanding (Thousands of Shares)	127,408	127,408	127,408	127,408	127,408	127,408	—
Number of Shareholders	6,781	7,338	10,394	11,357	12,788	22,306	—
Number of Employees	6,259	6,267	6,241	6,312	6,143	7,207	—

	(Yen)					U.S. Dollars (Note 1)	
	2015	2016	2017	2018	2019	2020	2020
Per Share Data							
Profit Attributable to Owners of the Parent	¥ 89.10	¥ 96.96	¥ 81.65	¥ 136.34	¥ 161.30	¥ 122.12	\$ 1.12
Net Assets	2,215.18	2,156.67	2,301.10	2,424.97	2,481.01	2,462.04	22.62
Cash Dividends	30.00	32.00	33.00	40.00	42.00	44.00	0.40

	2015	2016	2017	2018	2019	2020	2020
Ratios							
Operating Margin (Operating Income/Net Sales) (%)	2.4	2.4	2.1	3.1	3.1	2.4	—
Ratio of Profit before Income Taxes and Non-Controlling Interests to Net Sales (%)	2.5	2.1	2.2	3.1	3.5	3.0	—
Return on Sales (ROS) (%)	1.5	1.7	1.4	2.2	2.5	1.9	—
Total Assets Turnover (Times)	1.5	1.4	1.4	1.4	1.4	1.4	—
Return on Assets (ROA) (%)	2.2	2.3	2.0	3.1	3.5	2.6	—
Return on Equity (ROE) (%)	4.3	4.4	3.7	5.8	6.6	4.9	—
Shareholders' Equity Ratio (%)	51.5	53.5	54.7	53.3	54.2	49.9	—
Debt to Equity Ratio (Times)	0.35	0.32	0.28	0.28	0.28	0.45	—
Current Ratio (%)	187.0	200.1	192.9	183.1	181.2	189.3	—
Interest Coverage Ratio (Times) (Note: 2)	17.86	18.69	16.31	20.02	15.99	15.86	—

Note: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥108.83=U.S. \$1.00, the approximate rate of exchange prevailing on March 31, 2020.
 Note: 2. Interest coverage ratio is calculated as (operating income + interest income + dividend income) / interest expense.

Management's Discussion and Analysis of Operations and Finances

Business Lines and Scope of Consolidation

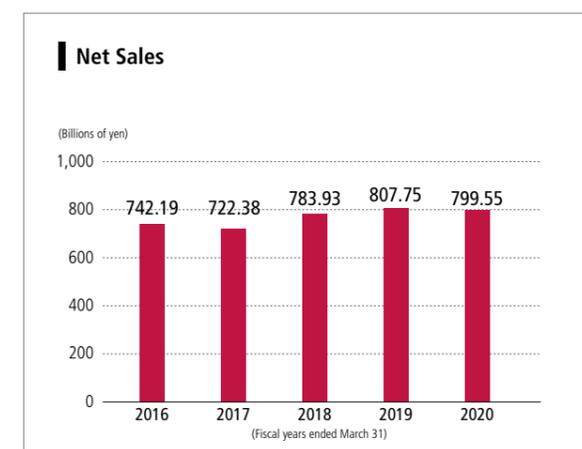
The NAGASE Group is led by NAGASE & CO., LTD. (the "Company" or "NAGASE"). The Company and its consolidated subsidiaries (collectively, the "NAGASE Group") imports and exports a diverse array of products and engages in domestic transactions. In addition, the NAGASE Group manufactures and sells products and provides services. These businesses are conducted by 124 affiliated companies consisting of 91 subsidiaries and 33 affiliates. The NAGASE scope of consolidation includes 81 companies, as well as 25 affiliates accounted for by the equity method.

Overview of Consolidated Results

Net sales

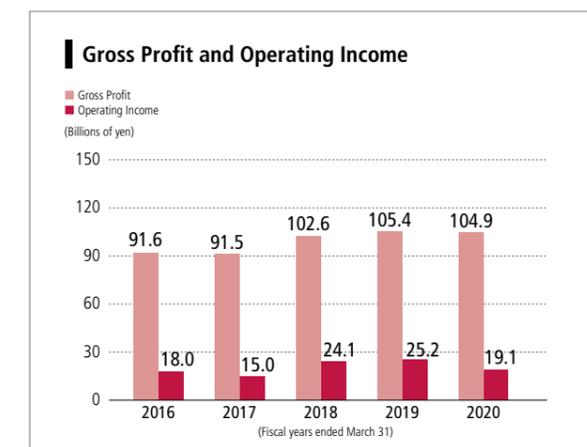
The Japanese economy was affected by the impact of a slowdown in the global economy during the fiscal year ended March 31, 2020, as manufacturing and capital investment decreased despite continued improvement in the employment environment. In the global economy, corporate earnings in the United States were a driving force, but as the Chinese economy went into a slowdown as U.S.-China trade frictions became prolonged, the situation rapidly deteriorated due to the spread of COVID-19 from the fourth quarter.

In this environment, the Company recorded domestic sales of ¥402.39 billion (–2.5% year on year) for the consolidated fiscal year. Overseas sales amounted to ¥397.16 billion (+0.5%). In total, the Company recorded ¥799.55 billion in net sales (–1.0%).



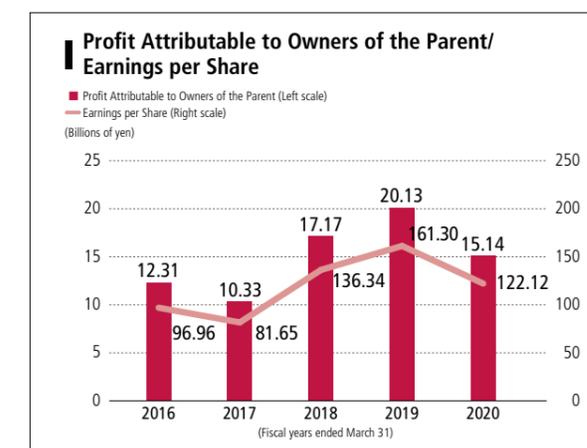
Gross Profit and Profit Attributable to Owners of the Parent

Regarding profits, the Company recorded gross profit of ¥104.90 billion (–0.5%), operating income of ¥19.16 billion (–24.0%), and ordinary income of ¥19.08 billion (–28.4%).



The Company recorded profit before income taxes of ¥24.2 billion (–14.2% year on year) with a ratio of profit before income taxes to net sales of 3.0%, which was a 0.5 percentage point decrease compared to the prior fiscal year.

As a result, profit attributable to owners of the parent amounted to ¥15.14 billion (–24.8%). Return on sales decreased by 0.6 percentage points to 1.9%. Earnings per share was ¥122.12, compared to ¥161.30 in the prior year.



Results by Business Segment

Functional Materials

Fiscal years ended March 31	(Millions of yen)	
	2019	2020
Net Sales	¥179,627	¥169,318
Segment Income	5,494	5,364
Segment Assets	87,158	76,936
Depreciation and Amortization	444	413
Amortization of Goodwill	110	107
Goodwill	2,012	1,864
Investments in Equity Affiliates	2,398	1,895
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	314	436

The Functional Materials segment recorded lower sales in the domestic and overseas markets.

The Performance Chemicals business recorded lower sales as a whole, mainly due to a decrease in automotive production in Japan and overseas and decreases in sales of coating raw materials and urethane materials.

The Specialty Chemicals business recorded lower sales as a whole compared to the prior fiscal year due to decreases in sales of electronics chemicals for the semiconductor and other related electronics industries and raw materials for industrial oil solutions.

As a result, the Functional Materials segment recorded sales of ¥169.31 billion, a ¥10.3 billion (−5.7%) decrease compared to the prior fiscal year. Operating income for the segment was ¥5.36 billion, a decrease of ¥130 million (−2.4%).

Advanced Materials & Processing

Fiscal years ended March 31	(Millions of yen)	
	2019	2020
Net Sales	¥275,203	¥267,078
Segment Income	8,093	8,526
Segment Assets	135,403	135,541
Depreciation and Amortization	692	754
Amortization of Goodwill	—	—
Goodwill	—	2,962
Investments in Equity Affiliates	1,545	1,722
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	1,542	1,845

The Advanced Materials & Processing segment recorded slightly lower sales in the domestic market and lower sales in overseas markets.

The Colors & Advanced Processing business recorded higher sales as a whole, driven by growth in sales of digital print processing materials both in Japan and overseas, despite reduced sales in Japan of plastic resins for industrial and packaging applications and conductive materials.

The Polymer Global Account business mainly sells plastics to the office equipment, appliance, and video game device markets. The sales of those business were lower overall due to decreases in sales in Japan, Greater China, and ASEAN.

As a result, the Advanced Materials & Processing segment recorded sales of ¥267.07 billion, an ¥8.12 billion (−3.0%) decrease compared to the prior fiscal year. Operating income grew ¥430 million (+5.3%), reaching ¥8.52 billion for the year due to improvements in profitability among domestic manufacturing subsidiaries.

Electronics

Fiscal years ended March 31	(Millions of yen)	
	2019	2020
Net Sales	¥122,319	¥115,123
Segment Income	7,400	5,396
Segment Assets	65,022	58,879
Depreciation and Amortization	2,511	2,372
Amortization of Goodwill	136	132
Goodwill	1,218	484
Investments in Equity Affiliates	3,765	3,906
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	3,201	3,235

The Electronics segment recorded lower sales as a whole despite increases in sales in photolithography materials, electronic components for mobile devices and formulated epoxy resins for the semiconductor industry, which could not offset decreases in sales of precision processing-related, equipment-related, and display-related materials used in connection with intermediate processing in semiconductors and other applications.

As a result, sales for the segment amounted to ¥115.12 billion, which was a ¥7.19 billion (−5.9%) decrease. Operating income fell ¥2.0 billion (−27.1%) to ¥5.39 billion for the year due in part to the worsening of profitability at an overseas manufacturing subsidiary.

Mobility & Energy

Fiscal years ended March 31	(Millions of yen)	
	2019	2020
Net Sales	¥139,235	¥126,000
Segment Income	3,051	1,890
Segment Assets	56,747	48,687
Depreciation and Amortization	211	204
Amortization of Goodwill	—	—
Goodwill	—	—
Investments in Equity Affiliates	1,253	1,242
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	329	241

The Mobility Solutions business recorded lower sales in Japan and overseas, with slightly lower sales of car electronics-related components in Japan and decreases in sales in the resins business in Japan and overseas.

As a result, sales for the segment amounted to ¥126.0 billion, which was a ¥13.23 billion (−9.5%) decrease compared to the prior fiscal year. Segment operating income decreased ¥1.16 billion (−38.1%) to ¥1.89 billion for the year.

Note: As of April 1, 2019, the Automotive & Energy Segment has been renamed the Mobility & Energy Segment.

Life & Healthcare

Fiscal years ended March 31	(Millions of yen)	
	2019	2020
Net Sales	¥90,794	¥121,545
Segment Income	4,648	3,973
Segment Assets	97,627	171,461
Depreciation and Amortization	3,801	4,571
Amortization of Goodwill	1,569	1,796
Goodwill	20,636	29,935
Investments in Equity Affiliates	2,769	3,064
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	3,206	6,035

The Life & Healthcare segment recorded significantly higher sales due to a large increase in overseas sales and despite slightly lower sales in the domestic market.

Sales of TREHA™ and other products in the food ingredients field in the Life & Healthcare Products business were slightly lower in Japan and increased overseas. Overseas sales increased significantly after adding sales from the Prinova Group, which was newly acquired in the second quarter of the consolidated fiscal year. Sales of AA2G™ to customers in the skin care and toiletries sectors were higher due to strong sales overseas, mainly in Europe, and despite lower sales in Japan. In the medical and pharmaceutical field, sales of pharmaceutical raw materials and intermediates and sales of medical materials were higher than the prior fiscal year, despite a decrease in sales in the formulation business. As a result, the business recorded higher sales compared to the prior year.

The Beauty Care Products business, which includes sales of cosmetics and health foods, recorded lower sales, driven down due to weak performance across all product categories.

As a result, sales for the segment amounted to ¥121.54 billion, which was a ¥30.75 billion (+33.9%) increase compared to the prior fiscal year. The amount the Prinova Group could contribute to profits during the fiscal year was limited due to factors such as the temporary costs associated with business combination. Furthermore, operating income fell ¥670 million (−14.5%), reaching ¥3.97 billion as a result of deteriorating profitability in some domestic manufacturing subsidiaries.

Others

No special matters to disclose.

Financial Condition

Summary of Consolidated Cash Flows

Cash and cash equivalents (Cash) increased ¥6.45 billion (+14.7%) compared to the end of the prior consolidated fiscal year, amounting to ¥50.47 billion. Cash from operating activities amounted to ¥33.07 billion, while cash used in investing activities came to ¥49.2 billion and cash provided by financing activities, taking into account exchange rate changes, amounted to ¥24.33 billion.

Cash Flows from Operating Activities

Cash provided by operating activities for the fiscal year ended March 31, 2020 amounted to ¥33.07 billion. This was mainly due to income before income taxes amounting to ¥24.2 billion and cash from a decrease in working capital amounting to ¥8.94 billion despite recording ¥7.03 billion in income taxes paid.

Cash Flows from Investing Activities

Cash used in investing activities for the fiscal year ended March 31, 2020 amounted to ¥49.2 billion. This result was mainly due to ¥44.69 billion from acquisition of subsidiary shares owing to changes in scope of consolidation and ¥12.37 billion in purchases of tangible and intangible fixed assets, as opposed to ¥10.27 billion in proceeds from sales of investments in securities.

Cash Flows from Financing Activities

Cash from financing activities for the fiscal year ended March 31, 2020 amounted to ¥24.33 billion. This result was mainly due to ¥25.45 billion in proceeds from long-term loans, ¥20.0 billion in proceeds from issuance of bonds, and a net increase of ¥18.0 billion in commercial paper. These increases exceeded a ¥21.33 billion decrease in short-term loans and outlays of ¥10.0 billion in redemption of bonds.

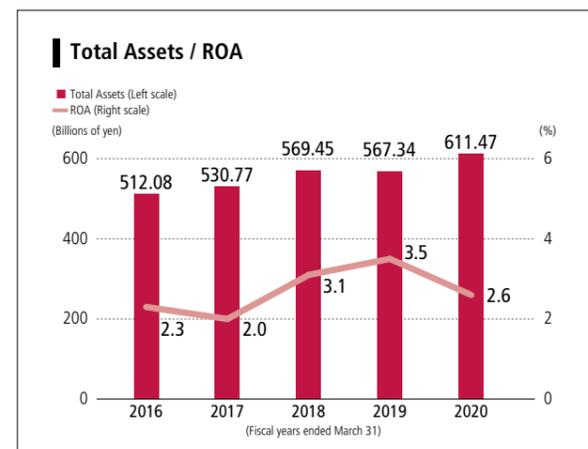
Cash Flow Summary

Fiscal years ended March 31	(Millions of yen)				
	2016	2017	2018	2019	2020
Cash Flows from Operating Activities	¥ 29,376	¥ 14,527	¥ 21,013	¥17,375	¥ 33,074
Cash Flows from Investing Activities	(12,600)	(6,518)	(14,442)	(7,325)	(49,208)
Cash Flows from Financing Activities	(12,822)	(10,592)	(3,161)	(8,909)	24,334

Summary of the Consolidated Balance Sheet

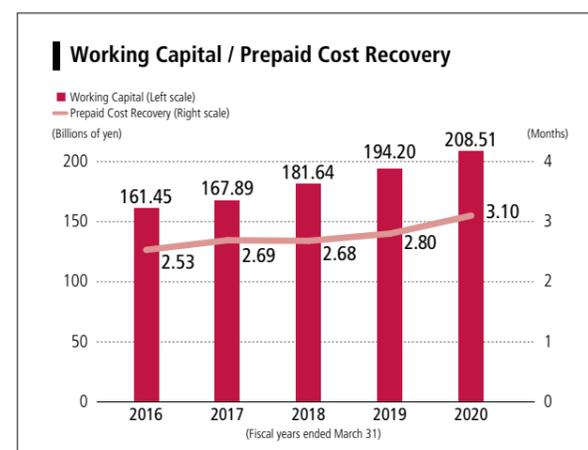
■ Assets

As of March 31, 2020, current assets amounted to ¥379.33 billion. This represents an increase of ¥13.51 billion compared to the end of the prior consolidated fiscal year, mainly due to an increase in assets related to the new consolidation of subsidiaries, despite decreases in notes and accounts receivable, inventories, etc. among existing NAGASE Group companies. Non-current assets amounted to ¥232.13 billion, up ¥30.62 billion from the end of the prior consolidated fiscal year. This increase was mainly due to an increase of assets and the recording of goodwill and other intangible assets related to the new consolidation of subsidiaries, despite a decrease in investments in securities stemming from the sale of certain shares owned by the Company and lower fair values of shares owned. As a result, total assets increased ¥44.13 billion compared to the end of the prior consolidated fiscal year to ¥611.47 billion.



■ Liabilities

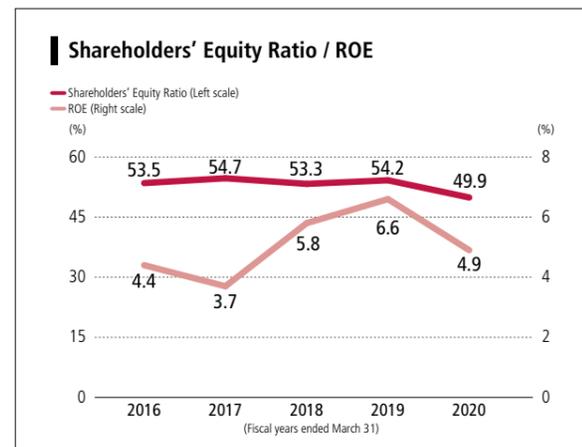
Liabilities amounted to ¥298.23 billion, an increase of ¥43.49 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to increases in commercial paper, long-term loans, and bonds.



■ Net Assets

Net assets amounted to ¥313.24 billion, up ¥630 million compared to the end of the prior consolidated fiscal year. While the Company recorded decreases in net unrealized holding gain on securities it was offset by profit attributable to owners of the parent amounting to ¥15.14 billion.

As a result, the Company recorded a shareholders' equity ratio of 49.9%, 4.3 percentage points lower than the end of the prior consolidated fiscal year.



Capital Investment

During the consolidated fiscal year, the NAGASE Group recorded ¥12.82 billion in capital investment (including purchases of intangible fixed assets). This amount included ¥3.25 billion in capital investment at the new pullulan and enzyme wing of the Okayama No. 2 Plant of Hayashibara Co., Ltd. (Life & Healthcare Segment). The NAGASE Group used cash on hand and funds procured from external sources for capital investments.

A breakdown of capital investment by segment is as follows.

Reportable Segments	(Millions of yen)
Functional Materials	¥ 436
Advanced Materials & Processing	1,845
Electronics	3,235
Mobility & Energy	241
Life & Healthcare	6,035
Others	1,034
Total	12,829

Research and Development Expenses

The NAGASE Group develops new technologies and products originating from our marketing activities. We also engage in research and development activities for the purpose of communicating technological information. These activities bring the comprehensive power of the NAGASE Group to bear in creating new businesses.

The New Value Creation (NVC) Office promotes innovation within the NAGASE Group and creates new value that anticipates changing trends, including AI, IoT and ICT, with the aim of creating business cores that the NAGASE Group has not had to date. It is working on materials informatics to become a new material development tool; low latency requirements and data processing needed for 5G; Axonerve, a solution for server acceleration to

reduce system power consumption; and advancing development of block chain system development securing hitherto unseen traceability using such means as image and odor sensors.

To realize a sustainable society, the Nagase R&D Center leverages unique core technologies (actinomycete breeding and fermentation technology, NSTePP® (See Note)) and fundamental technologies for highly efficient production of rare animal-derived useful substances and plants that are currently difficult to synthesize in the aim for process innovation (=unavailable made available). Fermentation methods have the feature of being safe, secure and kinder on the environment compared to conventional extraction and chemo-synthesis methods. We are currently pressing forward with examination of fermentation production using UV-absorbing substances derived from algae (mycosporin-like amino acids), rare antioxidant amino acids (ergothioneine) contained in mushrooms and barley, and functional substances from bio-dyes peculiar to actinomycetes. We are moving forward on development in the hope these useful substances may be widely used as functional foods, cosmetics, and industrial products. Each year we apply for and register many patents related to fundamental and peripheral technologies. In this way, the Center will leverage original technologies and make its mission leading the NAGASE Group's future business and creating the buds for new business.

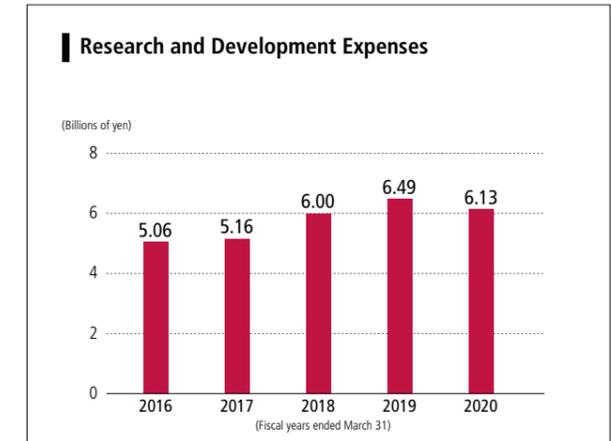
Note: Abbreviation of Nagase Streptomyces Technology for Protein/Precious Products, a NAGASE registered trademark in Japan.

The Nagase Application Workshop (NAW) houses specialized technical staff and equipment for the evaluation and analysis of raw materials within the fields of plastics and coating materials, the development of applications, and the development of formulas composed of these raw materials to be used in end products. NAW combines the materials and processing techniques possessed by our partners and NAGASE Group manufacturing companies and proposes solutions in response to market needs captured via our marketing function, which leverages the NAGASE Group's network. In this, NAW supports the NAGASE Group's unique trading differentiation strategy and takes action with the aim of exercising its free thinking only capable in a laboratory operated by a trading company to contribute to development of sustainable new business.

Nagase ChemteX is focused on launching new businesses in the biomaterial field. In particular, we are moving forward on development of low-endotoxin materials where needs are increasing in the medical materials and medical device fields. We have already started providing samples of such products as low-endotoxin pullulan, using a refined version of pullulan product from Hayashibara Co., Ltd. Our Harima Plant has been newly set up as a pilot plant with the objective of producing samples for provision, and to test whether it can handle a low-endotoxin material production process. Going forward, we will bolster the product lineup and move ahead on creating products with high added value ahead of full-scale commercialization.

Inkron Oy develops and manufactures functional materials for semiconductors and electrical devices using its unique siloxane synthesis technology. It has made particular progress on development of optical components for next-generation augmented reality (AR) and mixed reality (MR) devices for wearable displays and formed a partnership with a glass substrate manufacturer, nanoimprint (NIL) device manufacturer and diffraction waveguide design company to provide innovative solutions using NIL construction methods. Through nanoparticle dispersion technology accumulated over many years at Nagase ChemteX, mass production technology, a quality control system and complementary synergies, Inkron Oy contributes to customer innovation by providing a global supply of advanced materials used for next-generation devices.

Hayashibara Co., Ltd. is conducting research and development activities in a wide variety of areas encompassing fields such as foods, cosmetics, pharmaceuticals and medical treatment though to agriculture and industry in the belief that saccharides including TREHA® and pullulan should be widely used. Focus products Fibryxa® and Hayashibara Hesperidin® S are gaining increasing recognition among consumers and we are bolstering their deployment among more foods with functional claims and engaging in development activities for new applications. In regard to new materials, Glucosyl Naringin, materials for anti-aging cosmetics, were launched onto the market. Continuing on, we are also searching for new enzyme-producing bacteria from microorganisms and pressing forward with R&D into products that can be created using unique enzymes. Furthermore, ahead of commercializing functional saccharides that will become a main next-generation product we are considering production methods involving new materials and advancing activities such as market analysis, proposing potential use methods and applications, development all while taking into consideration patent and intellectual property strategies. As research and development activities in functional dyes, we are leveraging our abundant functional dye library and continuing development activities for the growing pharmaceutical and in-vitro diagnostics in the life sciences field in addition to the commercial field of photo and printing plates. The total amount spent on R&D in the consolidated fiscal year was ¥6.13 billion.



Outlook for the Year Ending March 31, 2021

The outlook for the environment encompassing the NAGASE Group in the fiscal year ending March 31, 2021 is a significant deterioration in the global economy following the worldwide spread of COVID-19.

Under these circumstances, the upcoming fiscal year would have been the final year of the medium-term management plan **ACE-2020**, therefore implementing the various policies in **ACE-2020** will become the basis of activities. Management strategy will change as appropriate in response to dealing with COVID-19 and customers, markets and the external environment changes projected following convergence of the pandemic.

The outlook for business performance is as determined below, based on the assumption that the impact of COVID-19 will broadly head toward recovery in the second half of the fiscal year.

Significant increases in revenue and profits are projected in the Life & Healthcare segment with contributions by the Prinova Group acquired in the second quarter of the consolidated fiscal year will be recorded over the full

year for the coming fiscal year and strong sales of the Prinova Group's vitamins and amino acids, mainly in Europe and the Americas. Other segments, particularly the Mobility & Energy and Functional Materials segments, which have a high ratio of business involving the automotive industry, are forecast to have considerably reduced revenue and reduced profits due to the impact of the spread of COVID-19. In addition to reduced revenue, the Advanced Materials & Processing segment is expected to have a considerable decrease in profits due to the deteriorating profitability of the digital print processing materials business due to the decline in market prices.

Regarding the outlook for the fiscal year ending March 31, 2021, we have calculated figures based on certain assumptions made on the latest information available and through rational judgment, but actual results may differ significantly depending on various factors such as the timing of convergence of COVID-19, economic trends domestically and overseas or exchange rate movements.

(Announced on May 14, 2020) (Millions of yen)

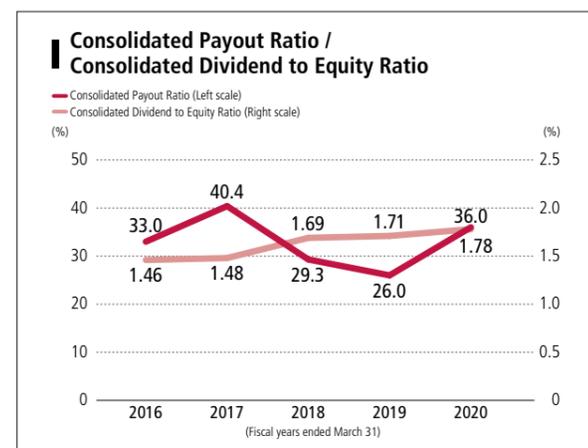
	Net sales	Operating income	Ordinary income	Profit attributable to owners of the parent
Year ending March 31, 2021 (Projected)	¥754,000	¥15,000	¥15,500	¥12,500
Year ended March 31, 2020 (Actual)	799,559	19,167	19,083	15,144
Change	-5.7%	-21.7%	-18.8%	-17.5%

Profit Sharing Policy

Dividend Policy

Our basic policy is to continue paying a stable dividend to our shareholders in line with our consolidated results as we improve our earnings power and management structure. We look to improve per-share dividends based on considerations of the consolidated payout ratio and consolidated dividend to equity ratio. We also plan to use funds from internal reserves effectively in our business activities and to build a stronger management function.

We announced a year-end dividend of ¥22 per share for the fiscal year ended March 31, 2020. As a result, the scheduled full-year cash dividend amounted to ¥44 per share, including an interim dividend.



The Company's Articles of Incorporation stipulate that an interim dividend can be paid in accordance with Article 454, Paragraph 5 of the Companies Act. As a result, a dividend is paid twice each fiscal year, comprising an interim dividend based on a resolution by the Board of Directors and a year-end dividend based on a resolution of the General Shareholders' Meeting.

Operating and Other Risks

The NAGASE Group is engaged in trading, marketing, research and development, manufacturing and processing in six business segments across the world: Functional Materials, Advanced Materials & Processing, Electronics, Mobility & Energy, Life & Healthcare, and Others. The nature of these businesses entails various risks that may have a material effect on investment decisions. We provide a discussion of the major risks below.

Any forward-looking statements are based on management decisions as of the end of the consolidated fiscal year.

(1) Overall Operating Risk

The NAGASE Group is engaged in activities that rely on the use of chemicals across a wide spectrum of products and services through our Functional Materials, Advanced Materials & Processing, Electronics, Mobility & Energy and Life & Healthcare businesses. These products and services include dyes/pigments, coating materials/inks, surfactants, OA, electrical equipment, home electronics, automobiles, LCDs, semiconductors, and pharmaceutical/medical applications. Accordingly, significant changes in the domestic or international commercial chemicals industries could affect the NAGASE Group's earnings and financial condition.

(2) Product Market Conditions

The NAGASE Group handles extensive petrochemicals manufactured from naphtha in our Functional Materials, Advanced Materials & Processing, and Mobility & Energy segments. Raw materials markets and demand-supply balance are two factors that result in unique market circumstances for each of our products. Fluctuations in these factors could affect our revenues and profits in related product lines. Also, some products manufactured by the NAGASE Group use raw materials derived from grains. Raw materials costs fluctuate widely due to changes in grain market prices; we may not be able to pass on increased raw materials costs through higher sales prices, which could affect our profits in related product lines.

(3) Impact of Fluctuations in Foreign Currency Exchange Rates

The NAGASE Group conducts import/export as well as non-trade business transactions denominated in foreign currencies. Fluctuations in currency markets have a significant impact when prices are converted to yen. While the NAGASE Group executes exchange contract hedges for these transactions to minimize exchange rate risk to the greatest extent possible, currency exchange rate fluctuations could have a significant impact on NAGASE Group earnings and financial conditions. The NAGASE Group owns foreign-domiciled corporations whose financial statements are prepared using local currencies. The conversion of these currencies to Japanese yen for consolidated reporting purposes entails currency conversion risk due to fluctuating exchange rates.

(4) Impact of Fluctuations in Interest Rates

The NAGASE Group obtains funds for operating and investing activities through loans from financial institutions; some of these loans are interest-bearing debt including variable interest terms. The NAGASE Group reduces interest rate fluctuation risk related to variable interest loans by utilizing interest-rate swap contracts. NAGASE Group earnings and financial conditions may be affected by future interest rate trends.

Interest rate fluctuations cause variations in discount rates used for retirement benefit obligations and plan asset investment income, having an impact on NAGASE Group business performance and financial position.

(5) Risks Involved in Operating Overseas

A significant and increasing percentage of NAGASE Group sales and production takes place overseas in locations such as Greater China, ASEAN, the Americas, and Europe. While NAGASE Group management keeps a close eye on local trends and conditions to respond appropriately, unforeseen events stemming from local government regulations, business customs, or other influences could have an impact on NAGASE Group business performance and financial condition.

(6) Impact of Changes in Stock Prices

The NAGASE Group maintains a portfolio of marketable securities, primarily equity shares of companies doing business with the NAGASE Group. These equity investments are subject to share price fluctuation risks. As a matter of policy, the NAGASE Group reduces risk by continuously reviewing and reorganizing its shareholdings. However, changes in share prices could have an impact on NAGASE Group earnings and financial condition. A decline in share prices could damage the value of pension plan assets managed by the Group, increasing retirement benefit costs and thereby reducing Group profits.

(7) Counterparty Credit Risk

The NAGASE Group extends credit to domestic and overseas purchasers in connection with various transactions. As a matter of policy, the NAGASE Group reduces credit risk by obtaining guarantees, collateral, and insurance, etc. according to the financial condition of the purchaser. Although the NAGASE Group strives to ensure stable, uninterrupted product procurement, financial weakness or bankruptcies among suppliers or others could damage the Group's ability to procure goods. Such circumstances could have an impact on the Group's earnings and financial condition.

(8) Risk of Investments

The NAGASE Group engages in investment activities to establish new companies, to invest in equipment at manufacturing subsidiaries, and to acquire other business entities. These types of investment activities involve certain risks, including the risk of failing to recover investments in cases where the Company is not able to record profits at initially planned levels, the risk that additional funding may be required, and the risk that the NAGASE Group will not be able to withdraw from investments according to the desired timing and method. Decisions to invest in new businesses are made after a careful study of the viability of business plans and profitability. At the same time, the NAGASE Group regularly monitors the performance of existing investments. However, even these management initiatives cannot completely negate potential investment risk, and such risk may have an impact on NAGASE Group earnings and financial condition.

(9) Risk of Asset Impairment

The NAGASE Group owns non-current assets such as business assets in manufacturing subsidiaries and goodwill. These assets entail the risk of impairment loss if asset value declines. The NAGASE Group records impairment losses when deemed necessary. However, even greater impairment losses may be incurred as a result of deteriorating business profits or other factors in the future, which may have an impact on NAGASE Group business performance and financial condition.

(10) Product Quality Risk

The NAGASE Group operates the Nagase R&D Center and manufacturing subsidiaries to offer high-value-added products to our customers. We pay detailed attention to the quality of the technologies and products that bear the name of NAGASE and our affiliates. We also bear manufacturers' liability for imported products, products manufactured on a contract basis, etc. Accordingly, the NAGASE Group treats these products with the same attention to detail and quality as if they were made in our own facilities. However, product defects could result in cessation of sales and/or product recalls, exposing the NAGASE Group to liability for damages, which could have an impact on NAGASE Group earnings and financial conditions.

(11) Risks Related to Product Laws

The NAGASE Group imports, exports, and sells domestically mainly chemicals and other products for a broad range of uses. To maintain international peace and safety, the chemicals and other items we export are subject to different laws, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order. Imports and domestic sales are subject to the Chemical Substances Control Law and other related statutes, as well as similar regulations in foreign jurisdictions. To ensure compliance, the NAGASE Group has established internal Security Trade Control Regulations and Chemical/Product Control Regulations. However, a violation of such laws and statutes could result in restrictions on NAGASE Group business activities, having an impact on NAGASE Group earnings and financial condition.

(12) Risks of Natural Disasters

The NAGASE Group has put emergency response systems in place, including the creation of a business contingency plan, the adoption of safety confirmation systems, setting up infrastructure to work from home, the creation of a disaster-response manual, earthquake-response measures, disaster-response training, and other measures to deal with natural disasters. However, as we conduct business across a great number of countries and regions, we are exposed to the risk of major natural disasters, COVID-19, H1N1 influenza and other communicable diseases, and other emergencies that could disrupt our supply chain. Such disruptions could prevent us from selling our products or damage the manufacturing capabilities of important NAGASE Group facilities. Such interruptions would result in opportunity loss, and could have a significant impact on NAGASE Group earnings and financial condition.

Consolidated Balance Sheet

NAGASE & CO., LTD. and Consolidated Subsidiaries (March 31, 2020 and 2019)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Current assets:			
Cash and time deposits (Notes 18 and 25)	¥ 51,408	¥ 44,068	\$ 472,370
Notes and accounts receivable (Note 18)	221,116	230,459	2,031,756
Inventories (Notes 6 and 7)	95,685	81,003	879,215
Other current assets	11,859	10,651	108,968
Less allowance for doubtful accounts	(732)	(355)	(6,726)
Total current assets	379,337	365,827	3,485,592
Property, plant and equipment, at cost (Notes 8 and 9):			
Land (Note 22)	21,092	20,456	193,807
Buildings and structures	61,970	57,846	569,420
Machinery, equipment and vehicles	87,555	82,397	804,512
Leased assets	1,559	247	14,325
Construction in progress	7,855	3,784	72,177
	180,035	164,732	1,654,277
Less accumulated depreciation	(105,725)	(98,264)	(971,469)
Property, plant and equipment, net (Note 26)	74,309	66,467	682,799
Investments and other assets:			
Investments in securities (Notes 10 and 18):			
Unconsolidated subsidiaries and affiliates	9,661	9,556	88,771
Other	66,463	80,706	610,705
	76,124	90,263	699,476
Long-term loans receivable	391	243	3,593
Goodwill (Note 26)	35,246	23,866	323,863
Technology-based assets	9,064	10,639	83,286
Retirement benefit asset (Note 13)	1,754	109	16,117
Deferred tax assets (Note 14)	2,085	2,290	19,158
Other assets (Note 9)	33,254	7,732	305,559
Less allowance for doubtful accounts	(91)	(92)	(836)
Total investments and other assets	157,830	135,051	1,450,243
Total assets (Note 26)	¥611,477	¥567,346	\$5,618,644

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Current liabilities:			
Notes and accounts payable (Note 18)	¥108,285	¥117,256	\$ 994,992
Short-term loans (Notes 11 and 18)	30,590	34,964	281,081
Current portion of long-term loans and finance lease obligations (Notes 3, 11, 18 and 22)	1,345	972	12,359
Commercial papers (Notes 11 and 18)	30,000	12,000	275,659
Current portion of bonds (Notes 11 and 18)	—	10,000	—
Accrued income taxes (Note 14)	4,625	3,594	42,497
Accrued expenses	5,101	3,005	46,871
Accrued bonuses for employees	5,123	5,355	47,073
Accrued bonuses for directors and executive officers	170	287	1,562
Other current liabilities	15,190	14,429	139,575
Total current liabilities	200,434	201,866	1,841,716
Long-term liabilities:			
Bonds (Notes 11 and 18)	30,000	10,000	275,659
Long-term loans and finance lease obligations (Notes 3, 11, and 18)	44,038	17,683	404,649
Deferred tax liabilities (Note 14)	9,280	12,075	85,271
Retirement benefit liability (Note 13)	13,677	12,461	125,673
Other long-term liabilities	804	650	7,388
Total long-term liabilities	97,800	52,870	898,649
Contingent liabilities (Note 23)			
Net assets:			
Shareholders' equity (Note 15):			
Common stock:			
Authorized — 346,980,000 shares			
Issued — 127,408,285 shares in 2020 and 2019	9,699	9,699	89,121
Capital surplus	10,646	10,647	97,822
Retained earnings (Notes 24 and 28)	257,067	247,617	2,362,097
Treasury stock, at cost (Note 16) — 3,396,695 shares in 2020 and 3,396,352 shares in 2019	(5,071)	(5,070)	(46,596)
Total shareholders' equity	272,342	262,892	2,502,453
Accumulated other comprehensive income:			
Net unrealized holding gain on securities (Note 10)	32,618	41,857	299,715
Deferred gain (loss) on hedges (Note 19)	3	(7)	28
Translation adjustments	1,051	3,224	9,657
Retirement benefit liability adjustments (Note 13)	(694)	(292)	(6,377)
Total accumulated other comprehensive income	32,979	44,781	303,032
Non-controlling interests	7,921	4,934	72,783
Total net assets	313,243	312,609	2,878,278
Total liabilities and net assets	¥611,477	¥567,346	\$5,618,644

See notes to consolidated financial statements.

Consolidated Statement of Income

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2020 and 2019)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales (Note 26)	¥799,559	¥807,755	\$7,346,862
Cost of sales (Note 7)	694,657	702,313	6,382,955
Gross profit	104,901	105,441	963,898
Selling, general and administrative expenses (Notes 20 and 21)	85,734	80,215	787,779
Operating income (Note 26)	19,167	25,226	176,119
Other income (expenses):			
Interest and dividend income	2,322	1,994	21,336
Interest expense	(1,355)	(1,702)	(12,451)
Equity in earnings of affiliates	—	538	—
Equity in losses of affiliates	(538)	—	(4,943)
Gain on sales of shares of subsidiaries and affiliates	—	6	—
Gain on sales of investments in securities (Note 10)	9,723	4,355	89,341
Loss on devaluation of investments in securities (Note 10)	(1,028)	(208)	(9,446)
Gain on sales of property, plant and equipment	21	282	193
Loss on sales of property, plant and equipment	(46)	(78)	(423)
Loss on disposal of property, plant and equipment	(204)	(275)	(1,874)
Loss on impairment of fixed assets (Notes 9 and 26)	(3,116)	(2,294)	(28,632)
Loss on reduction of property, plant and equipment	—	(205)	—
Subsidy income	52	205	478
Loss on discontinued operation	—	(194)	—
Other, net (Note 3)	(796)	556	(7,314)
Profit before income taxes	24,200	28,204	222,365
Income taxes (Note 14):			
Current	7,395	6,400	67,950
Deferred	1,288	1,395	11,835
Profit	15,515	20,408	142,562
Profit attributable to:			
Non-controlling interests	(371)	(271)	3,409
Owners of parent	¥ 15,144	¥ 20,136	\$ 139,153

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2020 and 2019)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit	¥ 15,515	¥20,408	\$ 142,562
Other comprehensive loss (Note 12):			
Net unrealized holding loss on securities	(9,231)	(8,907)	(84,820)
Deferred gain on hedges	11	7	101
Translation adjustments	(1,973)	298	(18,129)
Retirement benefit liability adjustments	(402)	25	(3,694)
Share of other comprehensive loss of affiliates accounted for by the equity method	(339)	(29)	(3,115)
	(11,935)	(8,604)	(109,666)
Comprehensive income	¥ 3,579	¥11,803	\$ 32,886
Total comprehensive income attributable to:			
Owners of parent	¥ 3,380	¥11,640	\$ 31,058
Non-controlling interests	199	163	1,829

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2020 and 2019)

	Millions of yen											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Retirement benefit liability adjustments (Note 13)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2018	¥9,699	¥11,158	¥232,534	¥(3,114)	¥250,278	¥50,773	¥(15)	¥ 2,917	¥(317)	¥ 53,358	¥5,168	¥308,804
Profit attributable to owners of parent	—	—	20,136	—	20,136	—	—	—	—	—	—	20,136
Cash dividends	—	—	(5,133)	—	(5,133)	—	—	—	—	—	—	(5,133)
Purchases of treasury stock	—	—	—	(1,956)	(1,956)	—	—	—	—	—	—	(1,956)
Changes in parent's ownership interest due to transactions with non-controlling interests	—	(500)	—	—	(500)	—	—	—	—	—	—	(500)
(Decrease) increase in retained earnings resulting from changes in scope of consolidation	—	(11)	79	—	68	—	—	—	—	—	—	68
Other changes	—	—	—	—	—	(8,916)	7	307	25	(8,576)	(233)	(8,810)
Balance at April 1, 2019	9,699	10,647	247,617	(5,070)	262,892	41,857	(7)	3,224	(292)	44,781	4,934	312,609
Profit attributable to owners of parent	—	—	15,144	—	15,144	—	—	—	—	—	—	15,144
Cash dividends	—	—	(5,704)	—	(5,704)	—	—	—	—	—	—	(5,704)
Purchases of treasury stock	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Changes in parent's ownership interest due to transactions with non-controlling interests	—	(0)	—	—	(0)	—	—	—	—	—	—	(0)
Decrease in retained earnings resulting from changes in scope of consolidation	—	—	(93)	—	(93)	—	—	—	—	—	—	(93)
Increase in retained earnings resulting from changes in scope of equity method	—	—	103	—	103	—	—	—	—	—	—	103
Other changes	—	—	—	—	—	(9,238)	11	(2,172)	(402)	(11,802)	2,986	(8,815)
Balance at March 31, 2020	¥9,699	¥10,646	¥257,067	¥(5,071)	¥272,342	¥32,618	¥ 3	¥ 1,051	¥(694)	¥ 32,979	¥7,921	¥313,243

	Thousands of U.S. dollars (Note 1)											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Retirement benefit liability adjustments (Note 13)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2019	\$89,121	\$97,831	\$2,275,264	\$(46,586)	\$2,415,621	\$384,609	\$ (64)	\$ 29,624	\$(2,683)	\$ 411,477	\$45,337	\$2,872,452
Profit attributable to owners of parent	—	—	139,153	—	139,153	—	—	—	—	—	—	139,153
Cash dividends	—	—	(52,412)	—	(52,412)	—	—	—	—	—	—	(52,412)
Purchases of treasury stock	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Changes in parent's ownership interest due to transactions with non-controlling interests	—	(0)	—	—	(0)	—	—	—	—	—	—	(0)
Decrease in retained earnings resulting from changes in scope of consolidation	—	—	(855)	—	(855)	—	—	—	—	—	—	(855)
Increase in retained earnings resulting from changes in scope of equity method	—	—	946	—	946	—	—	—	—	—	—	946
Other changes	—	—	—	—	—	(84,885)	101	(19,958)	(3,694)	(108,444)	27,437	(80,998)
Balance at March 31, 2020	\$89,121	\$97,822	\$2,362,097	\$(46,596)	\$2,502,453	\$299,715	\$ 28	\$ 9,657	\$(6,377)	\$ 303,032	\$72,783	\$2,878,278

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2020 and 2019)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Operating activities:			
Profit before income taxes	¥ 24,200	¥ 28,204	\$ 222,365
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization other than amortization of goodwill	10,089	9,329	92,704
Amortization of goodwill	2,037	1,815	18,717
Loss on impairment of fixed assets	3,116	2,294	28,632
Subsidy income	(52)	(205)	(478)
Loss on reduction of property, plant and equipment	—	205	—
Loss on discontinued operation	—	194	—
Increase (decrease) in retirement benefit liability	645	(2,023)	5,927
Increase in retirement benefit asset	(1,645)	(109)	(15,115)
Interest and dividend income	(2,322)	(1,994)	(21,336)
Interest expense	1,355	1,702	12,451
Exchange (gain) loss, net	(121)	295	(1,112)
Gain on sales of investments in securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(9,723)	(4,359)	(89,341)
Changes in operating assets and liabilities:			
Notes and accounts receivable	19,452	(4,477)	178,737
Inventories	3,187	(7,157)	29,284
Notes and accounts payable	(13,689)	(894)	(125,783)
Other, net	2,244	(1,421)	20,619
Subtotal	38,773	21,399	356,271
Interest and dividends received	2,714	2,520	24,938
Interest paid	(1,382)	(1,670)	(12,699)
Income taxes paid	(7,031)	(4,874)	(64,605)
Net cash provided by operating activities	33,074	17,375	303,905
Investing activities:			
Purchases of property, plant and equipment	(11,909)	(10,253)	(109,428)
Proceeds from sales of property, plant and equipment	87	917	799
Purchases of intangible fixed assets included in other assets	(464)	(505)	(4,264)
Purchases of investments in securities	(1,635)	(2,555)	(15,023)
Proceeds from sales of investments in securities	10,278	5,479	94,441
Purchases of investments in capital	(54)	(96)	(496)
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 25)	(44,691)	—	(410,650)
Decrease (increase) in short-term loans receivable included in other current assets, net	404	(807)	3,712
(Increase) decrease in time deposits, net	(887)	392	(8,150)
Subsidy income	52	205	478
Other, net	(388)	(102)	(3,565)
Net cash used in investing activities	(49,208)	(7,325)	(452,155)
Financing activities:			
(Decrease) increase in short-term loans, net	(21,332)	2,771	(196,012)
Increase in commercial papers, net	18,000	7,000	165,396
Proceeds from long-term loans	25,454	582	233,888
Repayments of long-term loans	(1,131)	(11,175)	(10,392)
Proceeds from issuance of bonds	20,000	—	183,773
Redemption of bonds	(10,000)	—	(91,886)
Purchase of treasury stock	0	(1,956)	0
Cash dividends paid	(5,704)	(5,133)	(52,412)
Cash dividends paid to non-controlling interests	(219)	(398)	(2,012)
Payments for purchases of shares of subsidiaries not resulting in change in scope of consolidation	—	(498)	—
Other, net	(730)	(99)	(6,708)
Net cash provided by (used in) financing activities	24,334	(8,909)	223,596
Effect of exchange rate changes on cash and cash equivalents	(1,882)	100	(17,293)
Net increase in cash and cash equivalents	6,317	1,240	58,045
Cash and cash equivalents at beginning of the year	44,017	42,857	404,456
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(80)	—
Increase in cash and cash equivalents resulting from inclusion of subsidiary in consolidation	136	—	1,250
Cash and cash equivalents at end of the year (Note 25)	¥ 50,471	¥ 44,017	\$ 463,760

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NAGASE & CO., LTD. and Consolidated Subsidiaries (March 31, 2020)

1. BASIS OF PREPARATION

The accompanying consolidated financial statements of NAGASE & CO., LTD. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on consolidated profit or net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and companies that it controls directly or indirectly. Affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain subsidiaries were excluded from the scope of consolidation because the effect of their sales, net profit or loss, total assets and retained earnings on the accompanying consolidated financial statements was immaterial. The unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of application of the equity method, because their profit or loss and retained earnings attributable to the Company's interest were not material to the consolidated financial statements.

33 of the Company's subsidiaries have a December 31 year end, which is different from that of the Company. The financial statements of 12 subsidiaries have been included in consolidation based on a provisional statement of accounts for a full fiscal year ending March 31. As for the other 21 subsidiaries, adjustments have been made for any significant intercompany transactions that took place during the period between the year end of these subsidiaries and the year end of the Company.

Unrealized intercompany gains among the Company and the consolidated subsidiaries have been entirely eliminated and the portion attributable to non-controlling interests has been charged to non-controlling interests.

(b) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified foreign currency forward exchange contracts are translated at the corresponding contract rates. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. Gain or loss on each translation is credited or charged to income.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates in effect at the respective transaction dates. Foreign exchange gain or loss is credited or charged to income in the period in which such gain or loss is recognized for financial reporting purposes.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding non-controlling interests, net unrealized holding gain on securities, and deferred gain or loss on hedges are translated at their historical exchange rates. Revenue and

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader, as a matter of arithmetic computation only, at ¥108.83 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2020. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen for the years ended March 31, 2020 and 2019 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2020 and 2019 (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

expense accounts are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of net income but are reported as "Translation adjustments" as a component of accumulated other comprehensive income or loss in the accompanying consolidated balance sheets.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments which are readily convertible to cash and subject to an insignificant risk of any change in their value, which were purchased with an original maturity of three months or less.

(d) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined primarily by the moving-average method.

(e) Investments in Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income or loss.

Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

(f) Property, Plant and Equipment and Depreciation (except for leased assets)

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is calculated by the straight-line method based on the estimated useful lives of the respective assets.

The estimated useful lives of the principal assets are as follows:

Buildings	15 to 50 years
(other than structures attached to the buildings)	15 to 50 years
Machinery and equipment	2 to 20 years

(g) Intangible Assets (except for leased assets)

Technology-based assets recognized upon acquisition are amortized on a straight-line basis over 13 to 17 years.

Costs incurred for computer software obtained for internal use are capitalized and amortized on a straight-line basis over an estimated useful life of 5 years.

(h) Goodwill

Goodwill is amortized over a period not exceeding 20 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(i) 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 terms.

(j) Allowance for Doubtful Accounts

The Company and its consolidated subsidiaries provide allowances for doubtful accounts based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific doubtful accounts from customers experiencing financial difficulties.

(k) Income Taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred tax assets and liabilities are computed based on the temporary differences between the financial reporting and the tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Computations of deferred tax assets and liabilities are based on the tax rates which have been enacted as of the balance sheet date. The Company and certain domestic consolidated subsidiaries have adopted the consolidated taxation system (the Company is the taxable entity), which allows companies to make tax payments on the combined profits of the parent company and its wholly owned domestic subsidiaries.

(l) Accrued Bonuses for Employees

Accrued bonuses for employees are provided based on the estimated amount of bonuses to be paid to employees in the following fiscal year which is attributable to the current fiscal year.

(m) Accrued Bonuses for Directors and Executive Officers

Accrued bonuses for directors and executive officers are provided based on the estimated amount of bonuses to be paid to directors and executive officers in the following fiscal year which is attributable to the current fiscal year.

(n) Retirement Benefit Liability

Retirement benefit liability is provided based on the amount of the retirement benefit obligation less estimated pension plan assets at the end of the fiscal year. The estimated benefit is attributed to each period 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.

(o) Derivatives and Hedging Activities

Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets. Foreign currency receivables and payables hedged by qualified foreign currency forward exchange contracts are translated at the corresponding foreign exchange contract rates ("allocation method"). Interest-rate swaps which meet certain conditions are accounted

for as if the interest rates applied to the swaps had originally applied to the underlying loans.

Derivative financial instruments are utilized principally in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates and interest-rate swaps are also utilized to mitigate the risk of fluctuation in interest rates on loans. Hedging instruments are foreign currency forward exchange contracts, foreign currency deposits, foreign currency loans and interest-rate swaps. Hedged items are foreign currency receivables and payables, forecast transactions and interest rates on loans from financial institutions.

The Company and its consolidated subsidiaries (collectively, the "Group") manage derivative transactions in accordance with internal management rules. Under these rules, the Group conducts foreign currency forward exchange contracts within a range of actual demand of accounts receivable, accounts payable and actual transactions in foreign currencies. Execution and management of interest-rate swaps are based on internal management rules and hedged items of interest-rate swaps are identified by individual contracts.

The Company and certain consolidated subsidiaries assess 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. However, with regard to interest-rate swaps which meet certain conditions, the evaluation of effectiveness is omitted.

(p) Research and Development Costs

Research and development costs are charged to income when incurred.

(q) Distributions of Retained Earnings

Dividends and other distributions of retained earnings are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which such distributions are applicable. The accompanying consolidated financial statements do not, however, reflect the applicable distributions of retained earnings as approved by the shareholders subsequent to the fiscal year end. (Refer to Note 28.)

(r) Application of Tax Effect Accounting for Transition from Consolidated Taxation System to Group Tax Sharing System

The Company and certain domestic consolidated subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities in accordance with the provisions of tax laws in Japan prior to the amendments based on the treatments stipulated in Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 39, March 31, 2020) instead of applying the provision of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), regarding the transition to group tax sharing system provided for in "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020), and items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system.

3. ACCOUNTING CHANGES**(a) Change in Accounting Method for Leases**

Certain overseas subsidiaries have applied IFRS 16 "Leases" from the beginning of the current fiscal year. The effect of this change on the consolidated financial statements as of March 31, 2020 and for the year then ended was immaterial.

(b) Change in Accounting Method for Bond Issuance Costs

In the past, bond issuance costs were recorded as deferred assets and amortized using the interest method over the redemption period of the bonds; however, starting from the current fiscal year, the Company recognizes the full amount of bond issuance costs as expenses when incurred.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**Accounting Standard and Implementation Guidance for Revenue Recognition****"Accounting Standard for Revenue Recognition"****(ASBJ Statement No. 29)****"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30)****"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on July 4, 2019)****(a) Overview**

The International Accounting Standards Board (hereinafter referred to as the "IASB") and the Financial Accounting Standards Board (hereinafter referred to as the "FASB") in the United States co-developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on fact that IFRS 15 is applied from fiscal years starting on or after January 1, 2018 and Topic 606 is applied from fiscal years starting after December 15, 2017.

As the basic policy in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting practices, etc. common in Japan.

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(c) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standard and the implementation guidance on its consolidated financial statements.

Accounting Standards for Fair Value Measurement, etc.**"Accounting Standard for Fair Value Measurement"****(ASBJ Statement No. 30, issued on July 4, 2019)****"Accounting Standard for Measurement of Inventories"****(ASBJ Statement No. 9, revised on July 4, 2019)****"Accounting Standard for Financial Instruments"****(ASBJ Statement No. 10, revised on July 4, 2019)****"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019)****"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on July 4, 2019)**

This change was made for the purpose of promoting business efficiency and maintaining a sound financial structure considering the new bond issuance costs incurred in connection with the business acquisition during the current fiscal year.

As a result, profit before income taxes and profit decreased by ¥118 million and ¥83 million, respectively, from the corresponding amounts that would have been recorded under the previous method.

As the effect of this change on the consolidated financial statements as of March 31, 2020 and for the year then ended was immaterial, this change has not been applied retrospectively.

(a) Overview

The ASBJ promoted an initiative to enhance comparability of the requirements between the Japanese generally accepted accounting standards and International Financial Reporting Standards, primarily with regard to guidance on the fair values of financial instruments and their disclosures, and issued "Accounting Standard for Fair Value Measurement," etc., based on the fact that the IASB and the FASB have prescribed almost the similar detailed guidance (IFRS 13 "Fair Value Measurement" issued by IASB and Accounting Standard Codification Topic 820 "Fair Value Measurement" issued by FASB).

The ASBJ's fundamental policies adopted for developing "Accounting Standard for Fair Value Measurement," etc. are, in principle, to implement all the requirements of IFRS 13 from the viewpoint of enhancing the comparability of the financial statements of domestic and overseas companies by prescribing unified measurement methods, but also to prescribe exceptional treatments for individual matters so that comparability would not be impaired in consideration of accounting practices that have conventionally been adopted in Japan.

(b) Scheduled date of adoption

The Company expects to adopt the accounting standards from the beginning of the fiscal year ending March 31, 2022.

(c) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standard and the implementation guidance on its consolidated financial statements.

Accounting Standard for Disclosure of Accounting Estimates**"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020)****(a) Overview**

The International Accounting Standards Board ("IASB") issued International Accounting Standard 1, "Presentation of Financial Statements," ("IAS 1") in 2003, and Paragraph 125 of this accounting standard requires disclosures of key sources of estimation uncertainty. As such information is required for the convenience of users of financial statements in Japan, the ASBJ issued "Accounting Standard for Disclosure of Accounting Estimates." The ASBJ presents the principles and the purposes of disclosure of key sources of estimation uncertainty, and the items to be disclosed should be determined by management in a way that helps users of the financial statements understand the judgments applied. The nature and extent of the information to be disclosed will vary according to the nature of the assumptions and the other circumstances. This accounting standard was developed based on Paragraph 125 of "Presentation of Financial Statements."

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Correction" (ASBJ Statement No. 24, revised on March 31, 2020)

(a) Overview

The ASBJ has amended certain accounting standards, and issued "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Correction" to reflect recommendations for enhancing footnote information

5. ADDITIONAL INFORMATION**Effects of COVID-19 Pandemic When Making Accounting Estimates**

The Group made accounting estimates related to impairment loss on non-current assets and recoverability of deferred tax assets, etc., based on information available at the time the consolidated financial statements were prepared.

6. INVENTORIES

Inventories at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Merchandise and finished goods	¥86,166	¥74,471	\$791,749
Work in process	1,789	1,847	16,438
Raw materials and supplies	7,730	4,683	71,028
Total	¥95,685	¥81,003	\$879,215

7. LOSS ON DEVALUATION OF INVENTORIES INCLUDED IN COST OF SALES

The balance of inventories at the end of the year is the amount after writing down book values due to decline in profitability and following loss on devaluation of inventories is included in cost of sales for the year ended March 31, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loss on devaluation of inventories included in cost of sales	¥1,310	¥791	12,037

8. REDUCTIONS IN ACQUISITION COSTS DUE TO SUBSIDIES

The amounts of subsidies received from the Japanese national government and deducted from the acquisition costs of property, plant and equipment at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Land	¥ 190	¥ 190	\$ 1,746
Buildings and structures	530	528	4,870
Machinery, equipment and vehicles	652	637	5,991
Total	¥1,373	¥1,356	\$12,616

related to accounting principles and procedures if the related accounting standards are not definitive.

In addition, Paragraph 1-2 of annotations on generally accepted accounting principles continues to be effective when enhancing footnote information in notes regarding accounting principles and procedures adopted if the related accounting standards are not definitive, in order not to conflict with current accounting practices where related accounting standards are definitive.

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

Regarding the impact of the novel coronavirus disease (COVID-19), the Group's accounting estimates reflect the assumption that the impact will largely ease in the second half of the fiscal year ending March 31, 2021.

However, there are many uncertain factors regarding the impact of COVID-19 and it may affect the financial condition and operating performance of the Group in subsequent fiscal years.

9. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the years ended March 31, 2020 and 2019 was as follows:

Major use	Classification	Area	Millions of yen	Thousands of U.S. dollars
			2020	2020
Business-use assets for processing of thin glass panels	Buildings and structures, machinery, equipment and vehicles, and intangible assets included in other assets	Fujian, China	¥1,639	\$15,060
Business-use assets for manufacturing and selling of pharmaceutical products	Buildings and structures, machinery, equipment and vehicles	Kinki	903	8,297
Goodwill related to siloxane materials production and development business	Goodwill	Helsinki, Finland	570	5,238
Business-use assets for manufacturing and selling of rechargeable battery systems	Machinery, equipment and vehicles	Tokai	2	18
Idle assets	Land	Kinki	2	18
Total			¥3,116	\$28,632

Major use	Classification	Area	Millions of yen
			2019
Business-use assets for manufacturing and selling of pharmaceutical products	Buildings and structures, machinery, equipment and vehicles	Kinki	¥1,999
Business-use assets for processing and selling of plastic materials	Buildings and structures, machinery, equipment and vehicles, and intangible assets included in other assets	Kinki	217
Business-use assets for manufacturing and selling of rechargeable battery systems	Machinery, equipment and vehicles	Tokai	22
Business-use assets for manufacturing of plastic resins products	Machinery, equipment and vehicles, and intangible assets included in other assets	Jiangsu, China	4
Idle assets	Land, machinery, equipment and vehicles	Kinki	50
Total			¥2,294

The Company and its consolidated subsidiaries group fixed assets for business use principally based on its business management segment. They also group fixed assets to be disposed of and idle assets at each asset individually as smallest cash-generating units.

For the year ended March 31, 2020, due to decreasing profitability, the carrying values of certain fixed assets for business use were reduced to their recoverable amounts. With respect to goodwill related to the siloxane materials production and development business, the Company has made progress strengthening the foundation of development of optical component materials for the wearables market, but the financial results have not been as good as projected in the initial business plan. The Company wrote down the book value of these assets to their recoverable amounts, recording a loss on impairment of goodwill. As to idle assets, due to a declining fair value, the carrying fair values were reduced to their recoverable amounts.

The recoverable amounts were measured at net selling value or value in use. The recoverable amounts for business-use assets for processing of thin glass panels were measured at net selling value. The recoverable amounts for

business-use assets for manufacturing and selling of pharmaceutical products were measured at value in use based on the present value of the future cash flow with a discount rate of 0.2%. Goodwill related to the siloxane materials production and development business was measured based on value in use. Net selling value was calculated based on the appraisal value published by the tax authorities or the real estate appraisers, or estimated sales value.

For the year ended March 31, 2019, due to decreasing profitability, the carrying values of certain fixed assets for business use were reduced to their recoverable amounts. As to idle assets, due to a declining fair value, the carrying fair values were reduced to their recoverable amounts.

The recoverable amounts were measured at net selling value or value in use. The recoverable amounts for business-use assets for manufacturing and selling of pharmaceutical products were measured at value in use, on the present value of the future cash flow with a discount rate of 0.2%. Net selling value was calculated based on the appraisal value published by the tax authorities or the real estate appraisers, or estimated sales value.

10. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen			Millions of yen		
	2020			2019		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥58,734	¥12,090	¥46,643	¥75,476	¥16,060	¥59,415
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	3,997	4,330	(333)	514	590	(75)
Total	¥62,731	¥16,421	¥46,310	¥75,991	¥16,651	¥59,339

	Thousands of U.S. dollars		
	2020		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$539,686	\$111,091	\$428,586
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	36,727	39,787	(3,060)
Total	\$576,413	\$150,887	\$425,526

"Acquisition costs" in the above table represent the carrying value after recognizing impairment losses.

(b) Securities classified as other securities for which market value was not determinable and not included in the table (a) at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
	Carrying value	Carrying value	Carrying value
Market value not determinable:			
Unlisted equity securities	¥3,731	¥4,714	\$34,283
Total	¥3,731	¥4,714	\$34,283

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Proceeds from sales	¥10,419	¥5,432	\$95,736
Gain on sales	9,723	4,355	89,341
Loss on sales	—	2	—

(d) A breakdown of loss on devaluation of investments in securities for the years ended March 31, 2020 and 2019 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loss on devaluation of investments in securities*			
Securities classified as other securities	¥1,023	¥201	\$9,400
Unconsolidated subsidiaries and affiliates	5	7	46
Total loss on devaluation of investments in securities	¥1,028	¥208	\$9,446

* Loss on devaluation of investments in securities is recorded on securities with market value whose market value at the end of the fiscal year has declined by 50% or more from its acquisition cost, or whose market value has declined by 30% or more but less than 50% based on the amount deemed unrecoverable.

In addition, loss on devaluation of investments in securities is recorded on securities for which it is extremely difficult to determine the market value by writing down the carrying value to fair value when the decline in fair value is deemed to be unrecoverable considering the financial position of the issuers, etc., of the securities.

11. SHORT-TERM LOANS, BONDS, LONG-TERM LOANS, COMMERCIAL PAPERS AND FINANCE LEASE OBLIGATIONS

Short-term loans at March 31, 2020 and 2019 principally represented loans and commercial papers in the form of deeds at weighted-average annual interest rates of 1.95% and 3.11% per annum, respectively.

Long-term loans, bonds and finance lease obligations at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unsecured loans from banks and insurance companies, payable in Yen, U.S. dollars, Euros, RMB, and HK dollars due through 2026, at rates from 0.13% to 10.00%	¥43,898	¥ 18,526	\$403,363
Unsecured bonds in Yen, due 2019, at a rate of 0.753%	—	10,000	—
Unsecured bonds in Yen, due 2022, at a rate of 0.539%	10,000	10,000	91,886
Unsecured bonds in Yen, due 2024, at a rate of 0.150%	10,000	—	91,886
Unsecured bonds in Yen, due 2029, at a rate of 0.290%	1,485	—	13,645
Lease obligations	75,384	38,655	692,677
Less current portion	(1,345)	(10,972)	(12,359)
Total	¥74,038	¥ 27,683	\$680,309

The aggregate annual maturities of bonds, long-term loans and finance lease obligations subsequent to March 31, 2020 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 1,345	\$ 12,359
2022	13,172	121,033
2023	19,133	175,806
2024	1,259	11,569
2025	15,095	138,703
2026 and thereafter	25,377	233,180
Total	¥75,384	\$692,677

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2020 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Lines of credit	¥20,000	¥10,000	\$183,773
Credit utilized	—	—	—

12. OTHER COMPREHENSIVE LOSS

Reclassification adjustments and tax effects allocated to each component of other comprehensive loss for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net unrealized holding loss on securities:			
Amount arising during the year	¥ (3,391)	¥ (8,348)	\$ (31,159)
Reclassification adjustments for gains and losses realized in the statement of income	(9,706)	(4,168)	(89,185)
Amount before tax effect	(13,097)	(12,516)	(120,344)
Tax effect	3,865	3,609	35,514
Net unrealized holding loss on securities	(9,231)	(8,907)	(84,820)
Deferred gain on hedges:			
Amount arising during the year	42	36	386
Reclassification adjustments for gains and losses realized in the statement of income	(25)	(24)	(230)
Amount before tax effect	16	11	147
Tax effect	(4)	(3)	(37)
Deferred gain on hedges	11	7	101
Translation adjustments:			
Amount arising during the year	(1,973)	298	(18,129)
Reclassification adjustments for gains and losses realized in the statement of income	—	—	—
Amount before tax effect	(1,973)	298	(18,129)
Tax effect	—	—	—
Translation adjustments	(1,973)	298	(18,129)
Retirement benefit liability adjustments:			
Amount arising during the year	(879)	(304)	(8,077)
Reclassification adjustments for gains and losses realized in the statement of income	300	341	2,757
Amount before tax effect	(578)	36	(5,311)
Tax effect	175	(10)	1,608
Retirement benefit liability adjustments	(402)	25	(3,694)
Share of other comprehensive loss of affiliates accounted for by the equity method:			
Amount arising during the year	(339)	(29)	(3,115)
Total other comprehensive loss	¥(11,935)	¥ (8,604)	\$ (109,666)

13. RETIREMENT BENEFIT PLANS

(a) Outline of retirement benefit plans for employees

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit pension plans and lump-sum payment plans. Certain overseas consolidated subsidiaries also have defined benefit plans. Also, the Company and certain consolidated subsidiaries have defined contribution pension plans. In addition to the retirement benefit plans described above, the Company and its consolidated subsidiaries pay additional retirement benefits under certain conditions.

(b) Defined benefit plans

The changes in the retirement benefit obligation for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of the year	¥34,440	¥34,031	\$316,457
Service cost	1,336	1,473	12,276
Interest cost	225	252	2,067
Actuarial differences	262	224	2,407
Retirement benefits paid	(1,383)	(1,542)	(12,708)
Changes in retirement benefit plans	(644)	—	(5,917)
Other	(8)	0	(74)
Balance at the end of the year	¥34,228	¥34,440	\$314,509

The changes in plan assets for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of the year	¥22,088	¥19,513	\$202,959
Expected return on plan assets	436	395	4,006
Actuarial differences	(616)	(80)	(5,660)
Contributions by the Company and its consolidated subsidiaries	1,699	3,055	15,612
Retirement benefits paid	(692)	(792)	(6,359)
Changes in retirement benefit plans	(609)	—	(5,596)
Other	0	(2)	0
Balance at the end of the year	¥22,305	¥22,088	\$204,953

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2020 and 2019 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded retirement benefit obligation	¥ 21,188	¥ 22,525	\$ 194,689
Plan assets at fair value	(22,305)	(22,088)	(204,953)
	(1,117)	436	(10,264)
Unfunded retirement benefit obligation	13,040	11,915	119,820
Net retirement benefit liability in the balance sheet	11,922	12,351	109,547
Retirement benefit liability	13,677	12,461	125,673
Retirement benefit asset	(1,754)	(109)	(16,117)
Net retirement benefit liability in the balance sheet	¥ 11,922	¥ 12,351	\$ 109,547

The components of retirement benefit expenses for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥1,336	¥1,473	\$12,276
Interest cost	225	252	2,067
Expected return on plan assets	(436)	(395)	(4,006)
Amortization of actuarial differences	300	341	2,757
Retirement benefit expense	¥1,426	¥1,671	\$13,103

Actuarial differences included in other comprehensive loss (before tax effect) for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial differences	¥(578)	¥36	\$(5,311)

Unrecognized actuarial differences included in accumulated other comprehensive income (before tax effect) as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial differences	¥(990)	¥(411)	\$(9,097)

The allocation of plan assets, by major category, as a percentage of total plan assets at fair value as of March 31, 2020 and 2019 is as follows:

	2020	2019
Bonds	63%	60%
Equity securities	16	18
Alternative investments*	16	15
Other	5	7
Total	100%	100%

* "Alternative investments" consist of insurance-linked securities and private REITs.

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and expected long-term rate of return from multiple plan assets at present and in the future.

The assumptions used in accounting for the above plans were as follows:

	2020	2019
Discount rate	0.8%	0.8%
Expected long-term rate of return on plan assets	2.0%	2.0%

(c) Defined contribution plans

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Contributions to defined contribution plans by the Company and its consolidated subsidiaries	¥457	¥287	\$4,199

14. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes, which, in the aggregate, resulted in statutory tax rates of approximately 30.6% for the years ended March 31, 2020 and 2019.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2020 and 2019 differ from the statutory tax rates for the following reasons:

	2020	2019
Statutory tax rates	30.6%	30.6%
Adjustments for:		
Expenses not deductible for income tax purposes	1.8	2.0
Dividends and other income deductible for income tax purposes	(8.4)	(9.3)
Net adjustment resulting from elimination of dividend income upon consolidation	7.5	8.9
Different tax rates applied at overseas subsidiaries	(1.7)	(3.1)
Tax credit	(1.4)	(1.8)
Amortization of goodwill	2.7	2.0
Loss on impairment of goodwill	0.7	—
Valuation allowance	3.4	(1.9)
Other, net	0.7	0.2
Effective tax rates	35.9%	27.6%

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Accrued bonuses for employees	¥ 1,311	¥ 1,448	\$ 12,046
Allowance for doubtful accounts	180	88	1,654
Unrealized gain on inventories	540	477	4,962
Accrued enterprise taxes	301	283	2,766
Tax loss carryforwards	2,829	3,245	25,995
Retirement benefit liability	3,610	3,697	33,171
Investments in securities	1,271	973	11,679
Loss on impairment of fixed assets	2,160	1,653	19,847
Tax goodwill	2,107	4,214	19,360
Other	3,486	2,747	32,032
Gross deferred tax assets	17,801	18,829	163,567
Valuation allowance	(4,910)	(4,601)	(45,116)
Total deferred tax assets	¥ 12,891	¥ 14,227	\$ 118,451
Deferred tax liabilities:			
Technology-based assets	¥ (2,760)	¥ (3,240)	\$ (25,361)
Deferred capital gain on property	(1,226)	(1,233)	(11,265)
Reserve for special depreciation	(204)	(251)	(1,874)
Undistributed earnings of subsidiaries and affiliates	(558)	(655)	(5,127)
Revaluation of land	(290)	(290)	(2,665)
Net unrealized holding gain on securities	(13,753)	(17,627)	(126,371)
Other	(1,291)	(713)	(11,863)
Total deferred tax liabilities	(20,085)	(24,013)	(184,554)
Net deferred tax liabilities	¥ (7,194)	¥ (9,785)	\$ (66,103)

15. SHAREHOLDERS' EQUITY

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's capital reserve included in capital surplus at March 31, 2020 amounted to ¥9,634 million (\$88,523 thousand). In addition, the Company's legal reserve included in retained earnings at March 31, 2020 amounted to ¥2,424 million (\$22,273 thousand).

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding 50% of the proceeds of the sale of new shares as additional paid-in capital.

Movements in common stock during the years ended March 31, 2020 and 2019 are summarized as follows:

	Number of shares			
	2020			
	April 1, 2019	Increase	Decrease	March 31, 2020
Common stock	127,408,285	—	—	127,408,285
2019				
	April 1, 2018	Increase	Decrease	March 31, 2019
Common stock	127,408,285	—	—	127,408,285

16. TREASURY STOCK

Movements in treasury stock during the years ended March 31, 2020 and 2019 are summarized as follows:

	Number of shares			
	2020			
	April 1, 2019	Increase	Decrease	March 31, 2020
Treasury stock	3,396,352	343	—	3,396,695
	2019			
	April 1, 2018	Increase	Decrease	March 31, 2019
	Treasury stock	2,195,966	1,200,386	—

The increase in treasury stock consists of 343 shares resulting from the purchase of shares less than one voting unit for the year ended March 31, 2020.

The increase in treasury stock consists of 1,200,000 shares resulting

from the purchases of treasury stock by resolution of the Board of Directors and 386 shares resulting from the purchase of shares less than one voting unit for the year ended March 31, 2019.

17. BUSINESS COMBINATION

(Business combination through acquisition)

(1) Outline of business combination

- (i) Name and business description of the acquiree

Name of the acquiree:

Prinova Group, LLC (hereinafter, "Prinova")

Business description:

Sales of food ingredients, processing and contract manufacturing

- (ii) Main reason for the business combination

Prinova, one of the leading distributors of food ingredients and provider of integrated solutions for global food, beverage and wellness brands, will serve as a strategic base for further expanding NAGASE's food business in the United States and Europe. Going forward, NAGASE expects to expand market presence by providing further added value to consumers in North America, Europe and Asia, though synergies created by combining Prinova's vertically integrated capabilities of ingredients procurement, processing and contract manufacturing, and the strong R&D expertise of NAGASE's Group company Hayashibara, which specializes in manufacturing functional food products.

This transaction marks a key milestone for NAGASE in realizing its mid-term management strategy (**ACE-2020**) as it focuses on reforming its profit structure, representing a major step towards significantly expanding sales and market presence in North America and globally in the lifestyle and healthcare space. Prinova will continue to be led by the current management maintaining its facilities, brands and practices, reporting to the board of NAGASE to work towards further maximizing synergies within the Group.

- (iii) Date of the business combination:

August 6, 2019

- (iv) Legal form of the business combination:

Acquisition of equity interests for cash consideration

- (v) Name of the company after combination:

There is no change in the name of the company after the combination

- (vi) Ratio of equity interests acquired:

93.3%

- (vii) Main basis for determining the acquirer

Nagase Holdings America Corporation ("NHAC"), a wholly-owned subsidiary of the Company, is regarded as the acquiring company since NHAC acquired equity interests of Prinova for a cash consideration.

(2) Period for which the operating results of the acquiree are included in the consolidated financial statements

From August 6, 2019 to December 31, 2019

The consolidated financial statements are prepared based on the figures of the financial statements of the said subsidiary because the difference between the fiscal year-end date of the acquiree and the consolidated closing date is not greater than three months.

(3) Acquisition cost of the acquiree and breakdown by type of consideration

		Millions of U.S. dollars	Millions of yen
Consideration for acquisition	Cash	422	44,747
Acquisition cost		422	44,747

The above amounts in yen have been translated at the exchange rate as of August 6, 2019, which is the acquisition date.

In addition to the cash payment of US\$422 million in consideration for acquiring equity, cash loans of US\$174 million are provided to the acquiree for debt repayment.

(4) Description and amount of major acquisition-related costs

Advisory expenses and others:

¥796 million

(5) Amount of goodwill arising from the business combination, reason for the goodwill, and amortization method and period

- (i) Amount of goodwill arising from the business combination:

US\$101 million (¥10,747 million)

- (ii) Reason for the goodwill:

Goodwill arose mainly from future excess earnings power expected from future business development.

- (iii) Amortization method and period:

Straight-line method over 20 years

(6) Amounts of assets acquired and liabilities assumed on the date of business combination, and the major breakdown

	Millions of U.S. dollars	Millions of yen
Current assets	\$329	¥34,884
Non-current assets	272	28,879
Total assets	\$602	¥63,764
Current liabilities	\$248	¥26,348
Non-current liabilities	9	988
Total liabilities	\$258	¥27,336

(7) Amounts allocated to intangible fixed assets other than goodwill and the amortization period

Type	Amount		Amortization period
	Millions of U.S. dollars	Millions of yen	
Trademarks	62	6,584	20 years
Customer-related assets	172	18,267	19 years

18. FINANCIAL INSTRUMENTS

(a) Policy for 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 or issuance of commercial papers 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 the 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.

(b) Types of financial instruments, related risk and risk management for financial instruments

Receivables such as trade notes and accounts receivable are exposed to customers' credit risks. With regard to this risk, the Group manages the settlement date by each customer, and establishes credit limits by each customer based on the Group's internal credit rating policy and monitors outstanding balances. The Group establishes 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 notes and accounts receivable or payable denominated in foreign currencies, foreign currency forward exchange contracts are used to hedge the risk of fluctuation. However, for foreign currency transactions

(8) Approximate amount of impact on the consolidated statement of income for the current fiscal year assuming that the business combination was completed on the first day of the current fiscal year, and the calculation method

Net sales	¥50,106 million
Operating income	¥865 million

(Method of calculating the approximate amount)

The approximate amount of impact is the difference between

(i) the amounts of net sales and information on profit or loss calculated assuming that the acquisition of equity interests was completed on the first day of the current fiscal year and (ii) the amounts of net sales and information on profit or loss on the consolidated statement of income. In addition, amortization is calculated by assuming other intangible assets recognized in the business combination arose on the first day of the current fiscal year.

The approximate amount of the impact has not received audit certification.

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 issuer. 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 and interest-rate swaps to manage fluctuation risk of interest rates related to the interest payments for bank loans.

In addition, notes and accounts 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.

(c) Fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheets, fair value and the differences as of March 31, 2020 and 2019, are shown in the following table. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

	Millions of yen		
	2020		
	Carrying value	Fair value	Difference
Assets:			
Cash and time deposits	¥ 51,408	¥ 51,408	¥ —
Notes and accounts receivable	221,116	221,116	—
Investments in securities			
Other securities	62,731	62,731	—
Total assets	¥335,256	¥335,256	¥ —
Liabilities:			
Notes and accounts payable	¥108,285	¥108,285	¥ —
Short-term loans	30,590	30,590	—
Current portion of long-term loans	1,277	1,277	—
Commercial papers	30,000	30,000	—
Bonds	30,000	29,879	(121)
Long-term loans	42,621	42,671	50
Total liabilities	¥242,774	¥242,703	¥ (70)
Derivatives*:			
Not subject to hedge accounting	¥ 99	¥ 99	¥ —
Subject to hedge accounting	(0)	(0)	—
Total derivative transactions	¥ 98	¥ 98	¥ —

	Millions of yen		
	2019		
	Carrying value	Fair value	Difference
Assets:			
Cash and time deposits	¥ 44,068	¥ 44,068	¥ —
Notes and accounts receivable	230,459	230,459	—
Investments in securities			
Other securities	75,991	75,991	—
Total assets	¥350,519	¥350,519	¥ —
Liabilities:			
Notes and accounts payable	¥117,256	¥117,256	¥ —
Short-term loans	34,964	34,964	—
Current portion of long-term loans	949	949	—
Commercial papers	12,000	12,000	—
Current portion of bonds	10,000	10,012	12
Bonds	10,000	10,110	110
Long-term loans	17,577	17,664	87
Total liabilities	¥202,747	¥202,957	¥209
Derivatives*:			
Not subject to hedge accounting	¥ (30)	¥ (30)	¥ —
Subject to hedge accounting	(12)	(12)	—
Total derivative transactions	¥ (43)	¥ (43)	¥ —

Thousands of U.S. dollars

	2020		
	Carrying value	Fair value	Difference
Assets:			
Cash and time deposits	\$ 472,370	\$ 472,370	\$ —
Notes and accounts receivable	2,031,756	2,031,756	—
Investments in securities			
Other securities	576,413	576,413	—
Total assets	\$3,080,548	\$3,080,548	\$ —
Liabilities:			
Notes and accounts payable	\$ 994,992	\$ 994,992	\$ —
Short-term loans	281,081	281,081	—
Current portion of long-term loans	11,734	11,734	—
Commercial papers	275,659	275,659	—
Bonds	275,659	274,547	(1,112)
Long-term loans	391,629	392,089	459
Total liabilities	\$2,230,764	\$2,230,111	\$ (643)
Derivatives*:			
Not subject to hedge accounting	\$ 910	\$ 910	\$ —
Subject to hedge accounting	(0)	(0)	—
Total derivative transactions	\$ (900)	\$ (900)	\$ —

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

The calculation methods of fair values of financial instruments and securities and derivative transactions are as follows:

Cash and time deposits

Their carrying value approximates the 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 settlement date.

Investments in securities

The fair value of investments in securities is based on quoted market prices. Please refer to Note 10 regarding information on securities by holding purpose.

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 settlement date.

Short-term loans, current portion of long-term loans and commercial papers

Since these items are settled in a short period of time, their carrying value approximates the fair value.

Bonds

The fair value of bonds is based on the market price.

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. Floating interest rates for long-term loans are hedged by interest-rate swap agreements and accounted for as loans with fixed interest rates. The fair value of those long-term loans is based on the present value of the total of principals, interests and net cash flows of swap agreements discounted by the interest rates, estimated reasonably, applicable to new loans under similar conditions.

Derivative transactions

Please refer to Note 19.

The carrying value of financial instruments without determinable market value at March 31, 2020 and 2019 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unlisted equity securities	¥ 3,731	¥ 4,714	\$ 34,283
Investments in unconsolidated subsidiaries and affiliates	9,661	9,556	88,771
Total	¥13,392	¥14,271	\$123,054

The redemption schedule for time deposits and notes and accounts receivable with maturity dates at March 31, 2020 is summarized as follows:

	Millions of yen	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	¥ 51,338	¥—
Notes and accounts receivable	221,116	—
Total	¥272,454	¥—

	Thousands of U.S. dollars	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	\$ 471,727	\$—
Notes and accounts receivable	2,031,756	—
Total	\$2,503,482	\$—

With respect to the redemption schedule of bonds, long-term loans and finance lease obligations, please refer to Note 11.

19. DERIVATIVES AND HEDGING ACTIVITIES

The currency-related derivatives positions outstanding for which hedge accounting has not been applied at March 31, 2020 and 2019 are as follows:

Classification	Transaction	Millions of yen				
		2020				
		Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	Valuation gain (loss)	
Over-the-counter transactions	Foreign currency forward exchange contracts:					
	Selling:					
		U.S. dollars	¥ 5,486	¥—	¥ 23	¥ 23
		Yen	2,177	—	49	49
		Euro	6,824	—	45	45
		RMB	891	—	7	7
		Others	146	—	2	2
	Buying:					
		U.S. dollars	1,297	—	(25)	(25)
		Yen	799	—	(2)	(2)
		Euro	47	—	0	0
	Others	68	—	(1)	(1)	
Total		¥17,738	¥—	¥ 99	¥ 99	

Classification	Transaction	Millions of yen				
		2019				
		Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	Valuation gain (loss)	
Over-the-counter transactions	Foreign currency forward exchange contracts:					
	Selling:					
		U.S. dollars	¥ 4,802	¥—	¥(21)	¥(21)
		Yen	1,851	—	(15)	(15)
		Euro	775	—	12	12
		RMB	957	—	(18)	(18)
		Others	130	—	(2)	(2)
	Buying:					
		U.S. dollars	1,591	—	2	2
		Yen	1,009	—	8	8
		Euro	96	—	1	1
	Others	129	—	2	2	
Total		¥11,342	¥—	¥(30)	¥(30)	

Classification	Transaction	Thousands of U.S. dollars				
		2020				
		Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	Valuation gain (loss)	
Over-the-counter transactions	Foreign currency forward exchange contracts:					
	Selling:					
		U.S. dollars	\$ 50,409	\$—	\$ 211	\$ 211
		Yen	20,004	—	450	450
		Euro	62,703	—	413	413
		RMB	8,187	—	64	64
		Others	1,342	—	18	18
	Buying:					
		U.S. dollars	11,918	—	(230)	(230)
		Yen	7,342	—	(18)	(18)
		Euro	432	—	0	0
	Others	625	—	(9)	(9)	
Total		\$162,988	\$—	\$ 910	\$ 910	

The fair value of foreign currency forward exchange contracts is mainly computed using the prices provided by counterparty financial institutions.

The currency-related derivatives positions outstanding for which hedge accounting has been applied at March 31, 2020 and 2019 are as follows:

Method for hedge accounting	Transaction	Major hedged item	Millions of yen			
			2020			
			Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	
Deferral hedge accounting	Foreign currency forward exchange contracts:					
	Selling:					
		U.S. dollars		¥ 12	¥—	¥ 0
		Euro	Accounts receivable	138	—	0
		RMB		241	—	2
		Others		94	—	1
	Buying:					
		U.S. dollars		73	—	(0)
		Euro	Accounts payable	132	—	(0)
		RMB		103	—	(1)
		Others		165	—	(2)
Allocation method for foreign currency forward exchange contracts (Note 2(o))	Foreign currency forward exchange contracts:					
	Selling:					
		Euro	Accounts receivable	3	—	(*)
		Others		0	—	(*)
	Buying:					
		Euro	Accounts payable	118	—	(*)
		THB		82	—	(*)
		Others		38	—	(*)
	Total			¥1,204	¥—	¥(0)

		Millions of yen			
		2019			
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Foreign currency forward exchange contracts:					
Selling:					
	U.S. dollars		¥ 16	¥ —	¥ (0)
	Euro	Accounts receivable	191	—	3
	RMB		759	—	(14)
	Others		17	—	(0)
Buying:					
	U.S. dollars		200	—	0
	Euro	Accounts payable	72	—	(1)
	RMB		56	10	(0)
	Others		9	—	0
Foreign currency forward exchange contracts:					
Selling:					
	Euro	Accounts receivable	56	—	(*)
	Others		4	—	(*)
Buying:					
	Euro		85	—	(*)
	THB	Accounts payable	47	—	(*)
	Others		23	—	(*)
Total			¥1,540	¥10	¥(12)

		Thousands of U.S. dollars			
		2020			
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Foreign currency forward exchange contracts:					
Selling:					
	U.S. dollars		\$ 110	\$—	\$ 0
	Euro	Accounts receivable	1,268	—	0
	RMB		2,214	—	18
	Others		864	—	9
Buying:					
	U.S. dollars		671	—	(0)
	Euro	Accounts payable	1,213	—	(0)
	RMB		946	—	(9)
	Others		1,516	—	(18)
Foreign currency forward exchange contracts:					
Selling:					
	Euro	Accounts receivable	28	—	(*)
	Others		0	—	(*)
Buying:					
	Euro		1,084	—	(*)
	THB	Accounts payable	753	—	(*)
	Others		349	—	(*)
Total			\$11,063	\$—	\$ (0)

The fair value of foreign currency forward exchange contracts is mainly computed using the prices provided by counterparty financial institutions.

(*): 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.

The interest-related derivatives positions outstanding for which hedge accounting has been applied at March 31, 2020 and 2019 are as follows.

		Millions of yen			
		2020			
Method for hedge accounting	Transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Swap rates applied to underlying long-term loans	Interest-rate swap transactions (pay-fixed, receive-variable)	Long-term loans	¥8,000	¥8,000	(**)
Millions of yen					
2019					
Method for hedge accounting	Transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Swap rates applied to underlying long-term loans	Interest-rate swap transactions (pay-fixed, receive-variable)	Long-term loans	¥8,000	¥8,000	(**)
		Thousands of U.S. dollars			
		2020			
Method for hedge accounting	Transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Swap rates applied to underlying long-term loans	Interest-rate swap transactions (pay-fixed, receive-variable)	Long-term loans	\$73,509	\$73,509	(**)

(**): Since interest-rate swap agreements 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.

20. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2020 and 2019 totaled ¥6,133 million (\$56,354 thousand) and ¥6,493 million, respectively.

21. OPERATING LEASES

Future minimum lease payments subsequent to March 31, 2020 under noncancelable operating leases are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 908	\$ 8,343
2022 and thereafter	4,563	41,928
Total	¥5,472	\$50,280

22. PLEDGED ASSETS

Pledged assets at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Land	¥—	¥760	\$—

Secured liabilities at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current portion of long-term loans	¥—	¥7	\$—

23. CONTINGENT LIABILITIES

At March 31, 2020, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of customers and other in the aggregate amount of ¥291 million (\$2,674 thousand), and as guarantors of loans of employees in the amount of ¥0 million (\$0 thousand).

In addition, at March 31, 2020, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted with banks and notes endorsed in the amount of ¥151 million (\$1,387 thousand).

24. AMOUNTS PER SHARE

Amounts per share at March 31, 2020 and 2019 and for the years then ended are as follows:

	Yen		U.S. dollars
	2020	2019	2020
Profit attributable to owners of parent:			
Basic	¥ 122.12	¥ 161.30	\$ 1.12
Diluted	—	—	—
Net assets	2,462.04	2,481.01	22.62
Cash dividends applicable to the year	44.00	42.00	0.40

Basic profit attributable to owners of parent per share has been computed based on the profit attributable to owners of parent available for distribution to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted profit attributable to owners of parent per share for the years ended March 31, 2020 and 2019 has not been presented because no potentially dilutive shares of common stock were outstanding.

Net assets per share have been computed based on the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

The financial data used in the computation of basic profit attributable to owners of parent per share for the years ended March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Profit attributable to owners of parent	¥15,144	¥20,136	\$139,153
Profit available for distribution to shareholders of common stock	15,144	20,136	139,153
Weighted-average number of shares	124,011,793	124,842,824	

25. CASH AND TIME DEPOSITS

(a) A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2020 and 2019 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and time deposits	¥51,408	¥44,068	\$472,370
Time deposits with maturities of more than three months	(936)	(51)	(8,601)
Cash and cash equivalents	¥50,471	¥44,017	\$463,760

(b) Summary of assets and liabilities of consolidated subsidiaries, which were initially consolidated as a result of acquisition of equity interests during the year ended March 31, 2020

1) Prinova Group, LLC

The following is a summary of assets and liabilities at the time of initial consolidation of 18 subsidiaries in total, including Prinova Group, LLC and its subsidiaries, which were newly included in the scope of consolidation as a result of the acquisition of equity interests of Prinova Group, LLC during the year ended March 31, 2020, and related acquisition costs and net disbursement for the acquisition.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 34,884	\$ 320,537
Non-current assets	28,879	265,359
Goodwill	10,747	98,750
Current liabilities	(26,348)	(242,102)
Non-current liabilities	(988)	(9,078)
Non-controlling interests	(2,427)	(22,301)
Acquisition cost of equity interests	44,747	411,164
Cash and cash equivalents	(2,043)	(18,772)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ 42,703	\$ 392,383

2) INTERFACIAL CONSULTANTS LLC

The following is the summary of assets and liabilities at the time of initial consolidation of two subsidiaries in total, including INTERFACIAL CONSULTANTS LLC and its affiliate, which were newly included in the scope of consolidation as a result of acquisition of equity interests of INTERFACIAL CONSULTANTS LLC during the year ended March 31, 2020, and related acquisition costs and net disbursement for the acquisition.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 2,548	\$ 23,413
Non-current assets	1,306	12,000
Goodwill	2,882	26,482
Current liabilities	(493)	(4,530)
Non-current liabilities	(1,361)	(12,506)
Non-controlling interests	(499)	(4,585)
Acquisition cost of equity interests	4,382	40,265
Cash and cash equivalents	(2,394)	(21,998)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ 1,987	\$ 18,258

26. SEGMENT INFORMATION

(a) Overview of reportable segments

The reportable segments of the Company comprise those entities for which obtaining separate financial reports is possible and that are subject to regular review by the Board of Directors, which decides upon the distribution of management resources and assesses their performance.

Reflecting the respective positions of each business in the value chain, as well as identifying the most closely aligned industries, the Company defines five segment categories: Functional Materials (located at the top of the value chain), Advanced Materials & Processing (located in the next stage of the value chain), Electronics, Mobility & Energy, and Life & Healthcare (functioning within the corresponding industries).

Effective the fiscal year ended March 31, 2020, the name of the former *Automotive & Energy Segment* was changed to the *Mobility & Energy Segment*.

The following describes the major products and services handled by each reportable segment.

The Functional Materials segment is engaged in the sales of materials for paints/inks, urethane materials and auxiliary materials, plastic materials, plastic additives, industrial oil solutions, water processing raw materials, surfactant raw materials, fluorochemicals, encapsulant materials, 5G materials, silicone materials, environmental products, and more for the paints/inks, resins, urethane foam, organic synthesis, surfactants, semiconductor, communications equipment, water processing, metalworking, and other industries.

The Advanced Materials & Processing segment is engaged in the sales of dyestuffs, pigments, functional pigments, digital print processing products, 3D printing products, thermoplastic resins, thermosetting resins, automobile refinish paints, conductive coatings, synthetic rubber, inorganic materials, plastics products, resin molding tools/dies, and more for the pigment/additive, digital print processing material, fiber processing, raw resin material, resin molding, 3D printing, functional film and sheet, construction, and other industries.

The Electronics segment is engaged in the sales of high-function epoxy resins, semiconductor assembly materials and devices, electronic precision abrasives, pre-processing materials and devices for semiconductors and LCDs, low-temperature/vacuum equipment, display panel components, LEDs, and more for the heavy electrical, semiconductor, hard disk drive, electronic components, on-board equipment, display, touch panel, and other industries.

The Mobility & Energy segment is engaged in the sales of plastic products in general, silicone materials, functional coatings, structural materials, resin molding tools and dies, interior and exterior materials and components, decorative films and components, on-board display components, EV/HEV components, sensor components, solar cells, secondary battery components, and more for the mobility, mobility-related, storage battery, and energy industries.

The Life & Healthcare segment is engaged in the sales of pharmaceutical/agricultural chemicals and materials, research products, in vitro diagnostics, enzymes, food additives, food ingredients, sports nutrition products, nutrient premixes, additives for cosmetics, feeds, and surfactants for the pharmaceutical, food and beverage, cosmetics, agricultural, toiletries, and health care industries. The segment offers radiation measurement as one of its main services. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

(c) Information on net sales, income or loss, assets and other items for each reportable segment

Information by reportable segments for the year ended March 31, 2020 is as follows:

Millions of yen											
2020											
Reportable Segments											
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	¥169,318	¥267,078	¥115,123	¥126,000	¥121,545	¥799,066	¥ 492	¥799,559	¥ —	¥ —	¥799,559
Intersegment sales and transfers	1,867	2,180	1,816	2,849	480	9,194	5,374	14,568	—	(14,568)	—
Net sales	171,186	269,259	116,940	128,849	122,025	808,260	5,867	814,128	—	(14,568)	799,559
Segment income	5,364	8,526	5,396	1,890	3,973	25,151	180	25,331	(6,603)	439	19,167
Segment assets	76,936	135,541	58,879	48,687	171,461	491,506	4,699	496,205	152,181	(36,909)	611,477
Other items											
Depreciation and amortization other than amortization of goodwill	413	754	2,372	204	4,571	8,316	208	8,525	1,563	—	10,089
Amortization of goodwill	107	—	132	—	1,796	2,037	—	2,037	—	—	2,037
Unamortized balance of goodwill	1,864	2,962	484	—	29,935	35,246	—	35,246	—	—	35,246
Investments in affiliates accounted for by the equity method	1,895	1,722	3,906	1,242	3,064	11,831	—	11,831	—	(2)	11,829
Increase in property, plant and equipment, net and intangible assets	436	1,845	3,235	241	6,035	11,794	24	11,818	1,010	—	12,829

Millions of yen											
2019											
Reportable Segments											
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	¥179,627	¥275,203	¥122,319	¥139,235	¥90,794	¥807,181	¥ 574	¥807,755	¥ —	¥ —	¥807,755
Intersegment sales and transfers	2,992	2,357	1,749	2,773	399	10,272	5,459	15,731	—	(15,731)	—
Net sales	182,620	277,561	124,069	142,009	91,194	817,454	6,033	823,487	—	(15,731)	807,755
Segment income	5,494	8,093	7,400	3,051	4,648	28,689	284	28,973	(4,253)	505	25,226
Segment assets	87,158	135,403	65,022	56,747	97,627	441,960	4,833	446,794	141,205	(20,653)	567,346
Other items											
Depreciation and amortization other than amortization of goodwill	444	692	2,511	211	3,801	7,660	211	7,872	1,457	—	9,329
Amortization of goodwill	110	—	136	—	1,569	1,815	—	1,815	—	—	1,815
Unamortized balance of goodwill	2,012	—	1,218	—	20,636	23,866	—	23,866	—	—	23,866
Investments in affiliates accounted for by the equity method	2,398	1,545	3,765	1,253	2,769	11,733	—	11,733	—	(52)	11,680
Increase in property, plant and equipment, net and intangible assets	314	1,542	3,201	329	3,206	8,594	130	8,725	1,887	—	10,612

(b) Calculation methods of net sales, income or loss, assets, and other items by reportable segments

The accounting policies of reportable segments are generally identical to those described in Note 2. Reportable segment income corresponds to operating income in the consolidated statements of income. Intersegment internal income and transfers are determined based on the values of transactions at actual market prices.

Thousands of U.S. dollars											
2020											
Reportable Segments											
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	\$1,555,803	\$2,454,084	\$1,057,824	\$1,157,769	\$1,116,834	\$7,342,332	\$ 4,521	\$7,346,862	\$ —	\$ —	\$7,346,862
Intersegment sales and transfers	17,155	20,031	16,687	26,178	4,411	84,480	49,380	133,860	—	(133,860)	—
Net sales	1,572,967	2,474,125	1,074,520	1,183,947	1,121,244	7,426,812	53,910	7,480,731	—	(133,860)	7,346,862
Segment income	49,288	78,342	49,582	17,367	36,506	231,104	1,654	232,758	(60,673)	4,034	176,119
Segment assets	706,937	1,245,438	541,018	447,367	1,575,494	4,516,273	43,177	4,559,451	1,398,337	(339,144)	5,618,644
Other items											
Depreciation and amortization other than amortization of goodwill	3,795	6,928	21,795	1,874	42,001	76,413	1,911	78,333	14,362	—	92,704
Amortization of goodwill	983	—	1,213	—	16,503	18,717	—	18,717	—	—	18,717
Unamortized balance of goodwill	17,128	27,217	4,447	—	275,062	323,863	—	323,863	—	—	323,863
Investments in affiliates accounted for by the equity method	17,412	15,823	35,891	11,412	28,154	108,711	—	108,711	—	(18)	108,692
Increase in property, plant and equipment, net and intangible assets	4,006	16,953	29,725	2,214	55,453	108,371	221	108,591	9,281	—	117,881

(d) Geographical information

Net sales by country or region for the years ended March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥402,390	¥412,617	\$3,697,418
Greater China	187,554	205,408	1,723,367
ASEAN	110,642	118,113	1,016,650
Americas	55,420	39,451	509,235
Europe	24,610	15,272	226,133
Other	18,939	16,892	174,024
Total	¥799,559	¥807,755	\$7,346,862

Notes:

- Net sales are categorized by country or region based on the locations of customers.
- Country or region is determined by geographical proximity.
- Major countries in each region

(1) Greater China	China, Hong Kong, and Taiwan
(2) ASEAN	Thailand, and Vietnam
(3) Americas	U.S.A., and Mexico
(4) Europe	Germany
(5) Other	Korea

Property, plant and equipment by country or region as of March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥64,301	¥60,344	\$590,839
Other	10,008	6,123	91,960
Total	¥74,309	¥66,467	\$682,799

(e) Information on loss on impairment of fixed assets per reportable segments

Loss on impairment of fixed assets for the years ended March 31, 2020 and 2019 is as follows:

Millions of yen									
2020									
Reportable Segments									
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	¥—	¥—	¥2,209	¥2	¥903	¥3,114	¥—	¥2	¥3,116

Millions of yen									
2019									
Reportable Segments									
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	¥—	¥221	¥—	¥58	¥1,999	¥2,279	¥—	¥15	¥2,294

Thousands of U.S. dollars									
2020									
Reportable Segments									
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	\$—	\$—	\$20,298	\$18	\$8,297	\$28,613	\$—	\$18	\$28,632

27. RELATED PARTY TRANSACTION

A consolidated subsidiary of the Company recorded the following transaction with a related party for the year ended March 31, 2020:

Name of related party	Relationship with the related party	Description of the transaction	Account	Millions of yen	Thousands of U.S. dollars
315 Fullerton LLC*	A director of a consolidated subsidiary of the Company owns a majority of the voting rights of the company.	Rental of real estate**	Rent payment for real estate	¥22	\$202
Total				¥22	\$202

* Mr. Donald K. Thorp, a director of Prinova Group, LLC, which is a consolidated subsidiary of the Company, owns 77% of the voting rights.

** Rent is determined taking the transactions in the neighboring area into consideration.

28. SUBSEQUENT EVENTS

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2020, was approved at a meeting of the shareholders held on June 22, 2020:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥22.0 = U.S.\$0.20 per share)	¥2,728	\$25,067

Independent Auditor's Report**Independent Auditor's Report**The Board of Directors
NAGASE & CO., LTD.**Opinion**

We have audited the accompanying consolidated financial statements of NAGASE & CO., LTD. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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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. 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 an 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing 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 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 in accordance with accounting principles generally accepted in Japan.
- 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 the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 23, 2020

三ツ木 最文 
Yoshifumi Mitsugi
Designated Engagement Partner
Certified Public Accountant

高田 康弘 
Yasuhiro Takata
Designated Engagement Partner
Certified Public Accountant

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Consolidated Subsidiaries, Affiliates and Offices

● Consolidated subsidiary ● Company accounted for under the equity method

As of April 2020

Category	Company name	Description of business	Location	Year of establishment
Japan				
Manufacturing and Processing				
●	Nagase ChemteX Corporation	Research, manufacture, and sale of enzymes, fermented products, pharmaceutical intermediates, disinfecting agents, functional polymers, epichlorohydrin derivatives, electronics materials, etc.	Osaka Pref.	1970
●	Hayashibara Co., Ltd.	Development, manufacture, and sale of food raw materials, pharmaceutical raw materials, cosmetics raw materials, health foods raw materials, functional dyes, etc.	Okayama Pref.	1932
●	DAITAI KAKO CO., LTD.	Manufacture and sale of special pattern paint, polyester resin-related products and FRP waterproof/anticorrosion-related products	Osaka Pref.	1949
●	Nagase Filter Co., Ltd.	Planning, production, processing, quality testing and sale of metal filters	Osaka Pref.	2006
●	Fukui Yamada Chemical Co., Ltd.	Manufacture of color former	Fukui Pref.	1985
●	Kotobuki Kasei Corporation	Molding, processing and sale of plastic products	Tochigi Pref.	1972
●	Totaku Industries, Inc.	Manufacture and sale of plastic products	Osaka Pref.	1952
●	Setsunan Kasei Co., Ltd.	Coloring and sale of plastics	Osaka Pref.	1966
●	Nagase Techno-Engineering Co., Ltd.	Manufacture, sale and maintenance of low-temperature vacuum equipment, systems for chemical supply management and recycling processes, inspection systems, and the peripheral equipment for each of these	Tokyo Pref.	1989
●	CAPTEX Co., Ltd.	Manufacture and development of battery power source controllers, battery power sources and power source peripheral equipment	Aichi Pref.	2004
●	Nagase Medicals Co., Ltd.	Manufacture and sale of pharmaceuticals, animal drugs, health foods, and cosmetics	Hyogo Pref.	1972
●	Honshu Rheem Co., Ltd.	Manufacture and sale of fiber drums, import and sale of food processing machines and materials	Kanagawa Pref.	1968
●	eX. Grade Co., Ltd.	Development, manufacture and sale of components for electronic equipment	Osaka Pref.	2003
●	SN Tech Corporation	Manufacture of developer, recycling business	Osaka Pref.	2008
●	Xenomax-Japan Co., Ltd.	Manufacture and sales of high heat-resistant polyimide film XENOMAX®	Fukui Pref.	2018
●	Sun Delta Corporation	Development of applications for synthetic plastic products and manufacture and sale of processed products	Tokyo Pref.	2005
●	Nissei Technology Corporation	Design, development, and manufacture of ultra-precision plastic lenses and optical units; manufacture of precision mechanical components and units	Hyogo Pref.	1953
●	Toyo Beauty Supply Corporation	Contract manufacture of cosmetics and health foods	Tokyo Pref.	1964
●	SCREEN DecoraPrint Co., Ltd.	Contract manufacturer of decorative printing	Kyoto Pref.	2019
●	Aience Inc.	Development and construction of drainage and exhaust treatment systems	Osaka Pref.	2020
Sales and Servicing				
●	Nagase Chemical Co., Ltd.	Sale of dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics and machinery	Tokyo Pref.	1995
●	Nagase Chemspec Co., Ltd.	Sale and technical servicing of chemicals	Tokyo Pref.	1976
●	Nagase Plastics Co., Ltd.	Sale of raw materials for plastics and plastic products	Osaka Pref.	1975
●	Nagase Techno Service Co., Ltd.	Sales of kitting/logistics services, online catalog sales, recordable media, and RFID	Chiba Pref.	1991
●	Nagase Elex Co., Ltd.	Sale of raw materials for plastics and plastic products	Tokyo Pref.	1979
●	Nagase Abrasive Materials Co., Ltd.	Sale of abrasives, inorganic materials and related equipment	Osaka Pref.	1955
●	Nishinihon Nagase Co., Ltd.	Sale of dyestuffs, auxiliaries, industrial chemicals and plastics	Fukuoka Pref.	1969
●	Nagase Sanbio Co., Ltd.	Sales of medicine for agriculture and additives for fertilizers, feed and food	Tokyo Pref.	1987

Category	Company name	Description of business	Location	Year of establishment
●	Nagase Beauty Care Co., Ltd.	Sale of cosmetics and health foods	Tokyo Pref.	1991
●	Nagase Business Expert Co., Ltd.	Import/export and receivables/payables administration; shared services for receipts/disbursements	Tokyo Pref.	1996
●	Nagase Logistics Co., Ltd.	Warehousing and distribution	Hyogo Pref.	1982
●	Nagase Information Development, Ltd.	Software development and maintenance	Tokyo Pref.	1987
●	Nagase-OG Colors & Chemicals Co., Ltd.	Purchasing and information services related to dyes, industrial chemicals, etc.	Osaka Pref.	2012
●	Nagase Landauer, Ltd.	Radiation measuring services	Ibaraki Pref.	1974
●	Nagase Logistics Support Co., Ltd.	An exclusive stevedore for Nagase Logistics Co., Ltd.	Hyogo Pref.	1954
●	Choko Co., Ltd.	Insurance agency	Osaka Pref.	1971
Greater China and South Korea				
Manufacturing and Processing				
●	Nagase ChemteX (Wuxi) Corporation	Plastic manufacture and sale of adhesives and high-tech chemical products for electronics, technology services	China	2002
●	Nagase Engineering Service Korea Co., Ltd.	Equipment maintenance service and engineering	South Korea	1997
●	Nagase Electronics Technology (Xiamen) Co., Ltd.	Chemical etching of liquid crystal glass panel units	China	2010
●	Prinova Solutions (Changzhou) Food Additives Co., Ltd.	Manufacture and processing of premix products	China	2010
●	Guangzhou Kurabo Chemicals Co., Ltd.	Manufacture of molded urethane products for automobiles	China	2001
●	Toyo Quality One (Guangzhou) Co., Ltd.	Research and development, manufacturing, processing, sale, technology consulting, and after-sale service for major automotive parts	China	2004
●	Toyo Quality One Ningbo Co., Ltd.	Manufacture and sale of polyurethane foam	China	1993
●	Wuxi Chenghong Electronic Chemicals Co., Ltd.	Research, development, manufacture, and sales of electronics chemicals including semiconductors and flat panel displays (FPDs)	China	2013
●	Tokai Spring Mfg. (Foshan) Co., Ltd.	Development, manufacture, and sale of precision press products, spring, and standard molds	China	2005
●	ON Textile Chemicals (Shanghai) Co., LTD.	Manufacture, sales, and export/import of textile-related products, dyeing processing agents	China	2003
●	Mianyang Chenghong Electronic Chemicals Co., Ltd.	Research/development, manufacture and sales of electronics chemicals including of semiconductors and flat panel displays (FPDs)	China	2017
●	Huizhou Sanli Three Synergy Precision Co., Ltd.	Manufacture of precision metal insert molding parts for automotive, new energy and power industries	China	2018
Sales and Servicing				
●	Nagase (China) Co., Ltd.	Investment, trade, import/export, processing, logistics, R&D, IT development, and various services	China	2019
●	Nagase (Hong Kong) Ltd.	Import/export, domestic sales, marketing	China	1971
●	Guangzhou Nagase Trading Co., Ltd.	Import/export, domestic sales, marketing	China	2002
	Wuhan Branch Office/Chongqing Branch Office		China	
	Zhengzhou Branch Office/Shenzhen Branch Office		China	
●	Shanghai Nagase Trading Co., Ltd.	Import/export, domestic sales, marketing	China	1997
●	Tianjin Nagase International Trading Co., Ltd.	Import/export, domestic sales, marketing	China	2003
	Dalian Branch Office/Qingdao Branch Office		China	
	Changchun Branch Office		China	
●	Nagase (Taiwan) Co., Ltd.	Import/export, domestic sales, marketing	Taiwan	1988
●	Nagase Korea Corporation	General import/export trading, retailing/wholesaling, import/export trade agency	South Korea	2001
●	Datai (Shanghai) Chemical Trading Co., Ltd.	Sales of paints	China	2013
●	Nagase Wahlee Plastics Corporation	Sale of resins and related products	Taiwan	1990
	Taichung Office		Taiwan	
	Gangshan Office		Taiwan	
●	NWP International Trading (Shenzhen) Co., Ltd.	Sale of plastic products in South China	China	2004
	Dongguan Branch Office		China	
	Guangzhou Branch Office		China	
	Xiamen Branch Office		China	

Consolidated Subsidiaries, Affiliates and Offices

Category	Company name	Description of business	Location	Year of establishment
●	Shanghai Hua Chang Trading Co., Ltd.	Sale of resins and related products	China	1998
	Suzhou Branch Office/Ningbo Branch Office		China	
	Chengdu Branch Office/Chongqing Branch Office		China	
	Nanjing Branch		China	
●	Prinova Solutions Asia Co., Limited	Invest and asset management	Hong Kong	2010
	ON Colors & Chemicals (Shanghai) Co., Ltd.	Sales of textile-related products, dyeing processing agents, related equipment; export/import and technology consulting, technological development of dyeing processing	China	2002
	NW Consultant Service (Shenzhen) Ltd.	Print quality management consultant	China	2008
	Nagase C&G Technology (Shanghai) Co., Ltd.	Construction and maintenance of chemical supply and management equipment	China	2006
ASEAN and the Middle East				
Manufacturing and Processing				
●	Pac Tech Asia Sdn. Bhd.	Manufacture and sale of semiconductor manufacturing equipment, semiconductor wafer bumping contract manufacturing	Malaysia	2006
●	PT. Toyo Quality One Indonesia	Manufacture of flame lamination products	Indonesia	2008
●	Dainichi Color Vietnam Co., Ltd.	Manufacture and sale of color masterbatch blend for plastic	Vietnam	2006
●	Sanko Gosei Technology (Thailand) Ltd.	Manufacture of automobile components	Thailand	1994
●	Automotive Mold Technology Co., Ltd.	Manufacture of automotive molds and dies	Thailand	2000
●	MINDA KYORAKU LTD.	Manufacture of blow-formed automobile components	India	2011
●	Nafuko Co., Ltd.	Manufacture, import/export, and sale of packaging materials and related equipment	Thailand	1996
Sales and Servicing				
●	Nagase Singapore (Pte) Ltd.	Import/export, domestic sales, marketing	Singapore	1975
	Australia Branch		Australia	
	Bangladesh Liaison Office		Bangladesh	
	Middle East Representative Office		United Arab Emirates	
	Turkey (Izmir) Branch Office		Turkey	
●	Nagase (Thailand) Co., Ltd.	Import/export, domestic sales, marketing	Thailand	1989
Eastern Office	Thailand			
Yangon Branch	Myanmar			
Pakistan Liaison Office	Pakistan			
●	Nagase (Malaysia) Sdn. Bhd.	Import/export, domestic sales, marketing	Malaysia	1981
Johor Bahru Office	Malaysia			
Penang Office	Malaysia			
●	PT. Nagase Impor-Ekspor Indonesia	Import/export, domestic sales, marketing	Indonesia	1998
Surabaya Branch	Indonesia			
●	Nagase Philippines Corporation	Import/export, domestic sales, marketing	Philippines	1997
●	Nagase Philippines International Services Corporation	Domestic sales, import/export	Philippines	2005
	Makati Office		Philippines	
	Cebu Office		Philippines	
●	Nagase Vietnam Co., Ltd.	Import/export, domestic sales, marketing	Vietnam	2008
	Ho Chi Minh City Branch		Vietnam	
	Danang Branch		Vietnam	
●	Nagase India Private Ltd.	Import/export, domestic sales, marketing	India	2006
	North India Branch (Gurgaon)		India	
	South India Branch (Chennai)		India	
●	Prinova Gida ve Kimya Ticareti Limited Sirketi	Sales of functional food ingredients	Turkey	2013
●	Prinova Australia and New Zealand PTY LTD	Sales of functional food ingredients	Australia	2019
	PT. Indonesia Mold Technology	Design changes and maintenance for large-scale plastic automobile component molds	Indonesia	2015

Category	Company name	Description of business	Location	Year of establishment
Americas				
Manufacturing and Processing				
●	Sofix LLC	Manufacture and sale of color formers	America	1990
●	Engineered Materials Systems, Inc.	Research and development, manufacture, and sales of materials for commercial adhesives, conductive adhesives	America	1993
●	Pac Tech USA-Packaging Technologies Inc.	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	America	2001
●	Infinite Material Solutions, LLC	Development and manufacture of water-soluble support materials for 3D printing	America	2018
●	Interfacial Consultants LLC	Contract products, manufacturing process development, composite substrate, manufacturing of various masterbatches	America	2014
●	Prinova Solutions LLC	Manufacture and processing of premix products	America	2006
●	Armada Nutrition LLC	Contracted manufacture of sports nutrition products	America	2015
●	Prinova Flavors LLC	Custom formulate and manufacture of food and feed flavors	America	2009
●	TQ-1 de MEXICO S.A. de C.V.	Manufacture and sale of urethane for automotive seat pads and automotive laminated frames and sale of automotive ethane foam	Mexico	2012
●	Cytech Products Inc.	Manufacture and sales of mold release agents for polyurethane resins, thermal paper additives and emulsion dispersing element	America	1988
●	3D Glass Solutions, Inc.	Development, manufacture, and sale of processed 3D glass products and contracting of 3D glass processing	America	2016
●	KN Plotech America Corporation	Manufacture and sale of blow-formed plastic molding components and products	America	2010
Sales and Servicing				
●	Nagase Holdings America Corporation	Regional management, investment and asset management, professional service provided	America	2019
●	Nagase America LLC	Import/export, domestic sales, marketing	America	1971
	Michigan Branch		America	
	California Branch		America	
●	Fitz Chem LLC	Sales of raw materials for paints, inks, adhesives, resin compounds, personal care products	America	1985
●	Nagase Enterprise Mexico S.A. de C.V.	Import/export sales, intermediate trade, market development, information collection	Mexico	2010
	Mexico City Branch		Mexico	
●	Prinova Group LLC	Management, Invest and asset management, professional service provided	America	2002
●	Prinova US LLC	Sales of functional food ingredients	America	2002
●	Prinova Aroma Chemicals LLC	Sales of aroma chemicals and essential oils	America	2015
●	Prinova Canada LLC	Invest and asset management	America	2008
●	Prinova Nutra Corp.	Sales of functional food ingredients	Canada	2008
●	Prinova Mexico S. de R.L. de C.V.	Sales of functional food ingredients	Mexico	2014
	Nagase do Brasil Comércio de Produtos Químicos Ltda.	Import/export sales, intermediate trade, market development, information collection	Brazil	2012
Europe				
Manufacturing and Processing				
●	Pac Tech-Packaging Technologies GmbH	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	Germany	1995
●	Inkron Oy	Development, manufacture of functional materials for semiconductors and electronic devices	Finland	2013
●	Prinova Solutions Europe Limited	Manufacture and processing of premix products	England	1999
Sales and Servicing				
●	Nagase (Europa) GmbH	Import/export, domestic sales, marketing	Germany	1980
	Hungarian Branch		Hungary	
	London Branch		England	
	Lyon Branch		France	
●	Prinova Europe Limited	Sales of functional food ingredients	England	2002
●	Prinova Germany Limited	Professional service provided	England	2010
●	Prinova Spain, S.L.	Sales of functional food ingredients	Spain	2011
●	Prinova Benelux and France N.V.	Sales of functional food ingredients	Belgium	2012

History of the NAGASE Group

1832 (Founded) to around 1930

Built Strong Relationships with Leading Overseas Manufacturers

The history of the NAGASE Group began when Denbei Nagase founded Urokogataya, a dyestuffs wholesale business that handled safflower, funori seaweed and starches in Nishijin, Kyoto in 1832.

As NAGASE expanded its dye import business, a major turning point came in 1901 with the establishment of the Company's office in Lyon, France. This overseas expansion was a pioneering step for a Japanese company at the time, and served as a foothold for major business advancements for the NAGASE Group. NAGASE built a strong relationship with Basel Chemical Co. of Switzerland (at that time called Ciba) and through partnerships with leading overseas manufacturers such as Eastman Kodak Co. (now Kodak), DuPont, and UCC (now Dow Chemical), imported cutting-edge products—including technology not yet available in Japan—from overseas, expanding its fields of business. To this day, this has provided an unshakeable foundation for the NAGASE Group's dramatic growth as a chemical trading firm.



First generation: Denbei Nagase

Panoramic view of Ciba in 1893

| Social Background |

In its early days, the NAGASE Group traversed turbulent times that shook history, including the Sino-Japanese War (1894–1895), the Russo-Japanese War (1904–1905), the First World War (1914–1918) and the Great Kanto Earthquake (1923). The depression that followed the First World War cast a particularly large shadow on the Company's mainstream dye market, but this was also when the idea of developing a new pillar for profit in anticipation of the next generation began to gain momentum. That aspiration was evident as the NAGASE Group began importing raw film stock from Eastman Kodak, an entirely new field of business for the Company.

1908 to around 1990

Expanding Networks Inside and Outside Japan

As the textile industry prospered between the end of the Meiji period and through the Taisho period, the NAGASE Group began putting in place a sales network in Japan and overseas. It opened its Tokyo sales office in 1908, followed by a London office in 1913. It entered the American market with the opening of its New York office in 1915. That was followed by the dissolution of the Company as a sole proprietorship and its incorporation as Nagase Shoten Company in 1917. The name was changed again to Nagase & Co., Ltd. in 1943, but air raids on the mainland during the Second World War caused enormous damage, and many of the Company's employees lost their lives on the battlefield.

After the war, the Company devoted all of its efforts to reviving its dealings with leading overseas manufacturers, and moved aggressively to expand in Asia, Europe and North America. In 1968, it entered into a distribution agreement with General Electric (GE), which carried a high-heat-resistant plastic (engineering plastic). Behind that agreement was a strong connection with Jack Welch, who later headed GE. These kinds of networks dramatically increased awareness of the NAGASE Group in Asia, China and elsewhere overseas.



General Electric Co.

| Social Background |

The NAGASE Group, which had continued to expand during the boom brought about by the First World War, faced a major test during the Second World War. Even after Japan's post-war restart, the entire country was plagued by shortages of food and goods, as well as severe inflation and financial chaos brought on by a controlled economy. Nearly a decade after the war, however, the Japanese economy began showing remarkable growth, exemplified by the booms of the 1950s and 1960s, and entered an age of high economic growth. It was during this period that the NAGASE Group supported Japan's post-war growth by establishing a strong foundation in Japan and strengthening its expansion overseas.



The Osaka head office following the Second World War

1970 to around 2010

Demonstrating Advantages in Manufacturing, Processing and R&D Functions

Since its founding, the NAGASE Group has gone beyond the boundaries of a trading company by also focusing on manufacturing and processing. In 1970 it established Nagase-CIBA Ltd. through a joint venture with Ciba, and the following year also established Engineering Plastics, Ltd. in a 50-50 joint venture with GE. It also moved to strengthen its manufacturing and processing capabilities by constructing a number of new plants.

The Company later faced another turning point in the 1980s as development of new materials using innovative technology, aimed at next-generation growth, grew increasingly important. In 1990, it established the Nagase R&D Center as a base for R&D into bio-related materials, and launched its Electronic Systems and Materials Division in 1995. The 2000s saw the birth of a new Nagase ChemteX Corporation, the establishment of Nagase ChemteX (Wuxi) Corporation in China, the acquisition of the stock of Pac Tech-Packaging Technologies GmbH of Germany, and the launch of the Nagase Application Workshop, as the Company moved to secure an advantage in manufacturing and R&D functions.



Nagase R&D Center

Certificate of Appreciation from the semiconductor industry

| Social Background |

As Japan's high economic growth began to weaken, and after two successive oil shocks, Japan had the world's largest trade surplus going into the 1980s. America's "twin deficits" grew increasingly serious, and the 1985 Plaza Accord brought a rapid strengthening of the yen. In diplomacy, a number of major events took place in succession, including the thawing of U.S.-Russian tensions and the collapse of the Cold War, all of which brought dramatic changes to the business environment. This period also saw the rise of the information and communications industry, along with the evolution of electronic technology. The growth of the NAGASE Group was supported by the increasing strength of its R&D capabilities in responding to successive generations.



2010 Onward

New Challenges as a "Business Designer"

As the 2010s approached, great progress was seen in ICT, while at the same time the focus on bio technology increased dramatically. To boost its bio-related business, in 2012, the NAGASE Group made Hayashibara Co., Ltd., a company that manufactures and sells TREHA™ and other food ingredients, a wholly owned subsidiary, and has worked to expand its business by creating synergies with that acquisition.

In 2015, the NAGASE Group launched a new structure led by its first president to come from outside the founding family, and also established the Company's long-term management policy in anticipation of NAGASE's 200th anniversary. The following year, the Company launched ACE-2020, its mid-term management plan, which was scheduled for completion in fiscal 2020. In 2019, NAGASE acquired Prinova of the U.S., a functional food ingredients company, marking NAGASE's full-scale entry into the food ingredients business. In 2020, it established a Sustainability Committee, with the goal of making sustainability a strategic pillar as the Group works toward sustained growth.



Hayashibara

Prinova

| Social Background |

Today, the world faces many environmental and social issues. The year 2015 saw the appearance of the Sustainable Development Goals (SDGs), and as the corporate sector is increasingly expected to work toward resolving those issues, investors and the public at large have turned their attention to companies' own ESG activities. The NAGASE Group philosophy calls for us to maintain the highest standards of integrity. Now, more than ever, we reaffirm the meaning and significance of these words, as we work to create new value and thus contribute to the Group's growth, to society, and to improved benefits for our employees.

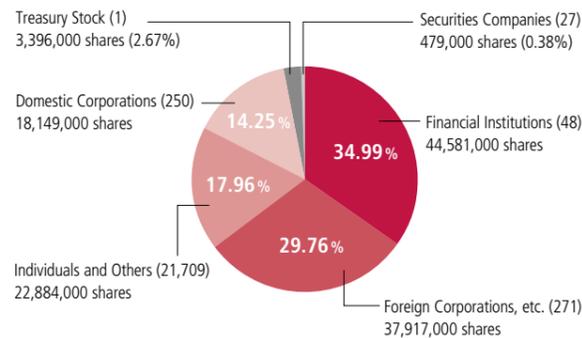


Investor Information

(As of March 31, 2020)

Stock Exchange	Tokyo (First Section)
Code	8012
Stock Status	The total number of shares issuable 346,980,000 shares Issued Number of Shares 127,408,285 shares
Number of Shareholders	22,306

Composition of Shareholders

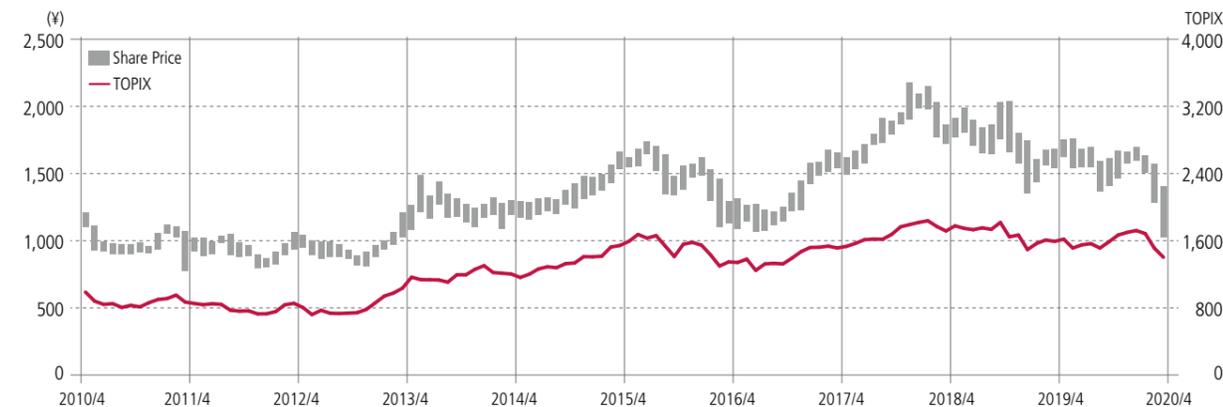


Principal Shareholders

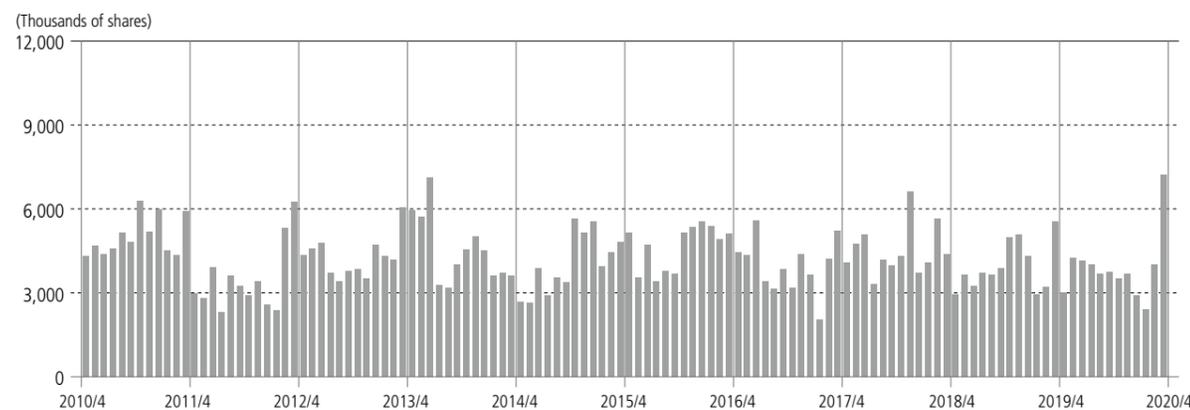
Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,191	6.61
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,922	4.78
Sumitomo Mitsui Trust Bank, Limited	5,776	4.66
Japan Trustee Services Bank, Ltd. (Trust Account)	5,676	4.58
Sumitomo Mitsui Banking Corporation	4,377	3.53
Nippon Life Insurance Company	3,589	2.89
Reiko Nagase	3,533	2.85
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,080	2.48
Nagase Shunzo Co., Ltd.	2,688	2.17
Nagase Employee's Stockholding	2,643	2.13

Note: Percentage of total shares outstanding was computed excluding treasury stock (3,396 thousand shares).

Monthly Share Price Range of NAGASE



Monthly Trading Volume



Corporate Information

(As of March 31, 2020)

Overview

Company Name	NAGASE & CO., LTD.	
Founded	June 18, 1832	
Establishment	December 9, 1917	
Capital	¥9,699 million	
Employees	909 (Consolidated: 7,207)	
Main Business	Import/export and domestic sales of chemicals, plastics, electronics materials, cosmetics and health foods	
Main Banks	Sumitomo Mitsui Banking Corporation, MUFG Bank, Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	
Main Offices	Osaka Head Office:	1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka 550-8668 Tel: (81) 6-6535-2114
	Tokyo Head Office:	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo 103-8355 Tel: (81) 3-3665-3021
	Nagoya Branch Office:	3-14-18, Marunouchi, Naka-ku, Nagoya City, Aichi 460-8560 Tel: (81) 52-963-5615
	Nagase R&D Center:	Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, Hyogo 651-2241 Tel: (81) 78-992-3162
	Nagase Application Workshop:	2-4-45, Higashi Tsukaguchicho, Amagasaki City, Hyogo 661-0011 Tel: (81) 6-4961-6730



Osaka Head Office Tokyo Head Office

Organization (As of June 2020)

