

# Our Board

(As of July 1, 2022)

Note: Number of shares held based on available information on April 30, 2022. Shares held by board members include those held in the name of NAGASE & CO., LTD. Officer's Shareholding Association and Own Share Investment Association.

## Directors

### Representative Director and Chairman



**Hiroshi Nagase**  
Number of shares held: 1,358,794

**Representative Director and Managing Executive Officer**  
In Charge of Overall Administration, Affiliated Companies and Americas



**Masaya Ikemoto**  
Number of shares held: 10,159

### Outside Director



**Takahiko Ijichi**  
Number of shares held: 2,351

- 1976 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
- 2004 Managing Officer of Toyota Motor Corporation
- 2008 Senior Managing Director of Toyota Motor Corporation
- 2011 Director and Senior Managing Officer of Toyota Motor Corporation
- 2013 President of Towa Real Estate Co., Ltd.
- 2015 Executive Vice President and Member of the Board of Directors of Toyota Motor Corporation
- 2016 Retired Advisor of Towa Real Estate Co., Ltd.
- 2017 Senior Adviser of Toyota Motor Corporation
- 2018 Retired Senior Adviser of Toyota Motor Corporation
- 2019 Retired Representative Director and Chairman of the Board of Aioi Nissay Dowa Insurance Co., Ltd.
- 2020– Director, NAGASE & CO., LTD.

### Director and Vice Chairman



**Reiji Nagase**  
Number of shares held: 96,956

**Director and Executive Officer**  
In Charge of Overall Sales and Asia Greater China CEO



**Masatoshi Kamada**  
Number of shares held: 13,252

### Outside Director



**Ritsuko Nonomiya**  
Number of shares held: 1,175

- 1987 Joined Peat, Marwick, Mitchell & Company (currently KPMG LLP)
- 1997 Partner of KPMG Corporate Finance K.K.
- 2000 Joined UBS Warburg Japan (currently UBS Securities Japan Co., Ltd.)
- 2005 M&A Advisor and Managing Director of UBS Warburg Japan
- 2008 Senior Vice President and Business Development Leader of GE Capital Asia Pacific Ltd.
- 2013 Senior Executive Officer and Business Development Leader of GE Capital Japan, GE Japan Inc.
- 2013 Managing Director, GCA Savian Corporation (currently GCA Corporation)
- 2017– Director, GCA Corporation
- 2020– Director, NAGASE & CO., LTD.
- 2022– Representative Director and CEO, Houlihan Lokey Japan Co., Ltd.

### Representative Director, President and CEO



**Kenji Asakura**  
Number of shares held: 26,329

**Director and Executive Officer**  
In Charge of Development and Europe Europe CEO



**Hiroyuki Ueshima**  
Number of shares held: 21,592

### Outside Director



**Noriaki Horikiri**  
Number of shares held: 0

- 1974 Joined Kikkoman Shoyu Co., Ltd. (currently Kikkoman Corporation)
- 2003 Corporate Officer, Kikkoman Corporation
- 2006 Executive Corporate Officer, Kikkoman Corporation
- 2008 Director and Executive Corporate Officer, Kikkoman Corporation
- 2011 Representative Director and Senior Executive Corporate Officer, Kikkoman Corporation
- 2013 Representative Director, President and CEO, Kikkoman Corporation
- 2021 Representative Director, Chairman and CEO, Kikkoman Corporation
- 2022– Director, NAGASE & CO., LTD.

Note: Number of shares held based on available information on April 30, 2022. Shares held by board members include those held in the name of NAGASE & CO., LTD. Officer's Shareholding Association.

## Audit & Supervisory Board Members

### Outside Audit & Supervisory Board Member



**Nobuyuki Shirafuji**  
Number of shares held: 2,008  
1984 Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)  
2003 Deputy General Manager of Global Corporate Investment Dept. (London), Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe Limited  
2006 General Manager of Credit Dept., Europe, Middle East and Africa Division (London), Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe Limited  
2013 General Manager of Credit Review Dept. of Sumitomo Mitsui Banking Corporation  
2016– Retired from Sumitomo Mitsui Banking Corporation Audit & Supervisory Board Member, NAGASE & CO., LTD.

### Audit & Supervisory Board Member



**Masanori Furukawa**  
Number of shares held: 8,605

### Audit & Supervisory Board Member



**Mitsuru Kanno**  
Number of shares held: 9,000

### Outside Audit & Supervisory Board Member



**Gan Matsui**  
Number of shares held: 2,270  
1980 Prosecutor, Tokyo District Public Prosecutors Office  
1990 Prosecutor, Tokyo District Public Prosecutors Office (Special Investigative Squad)  
2005 Director, Special Trial Department, Tokyo District Public Prosecutors Office  
2010 Assistant Public Prosecutor, Osaka High Public Prosecutors Office  
2012 Chief, Criminal Investigations, Supreme Public Prosecutors Office  
2014 Chief Prosecutor, Yokohama District Public Prosecutors Office  
2015 Superintending Prosecutor, Fukuoka High Public Prosecutors Office  
2016 Japan Federation of Bar Associations (Member, Tokyo Bar Association)  
Yaesu Sogo Law Office  
2018– Audit & Supervisory Board Member, NAGASE & CO., LTD.

## Board of Directors and Audit & Supervisory Board Skill Matrix

For well-balanced decision-making about important functions for business execution, and appropriate supervisory and auditing functions for business execution, we have determined the knowledge and experience that are considered important for the Board of Directors at this point in time, and nominate individuals who adequately possess this knowledge and experience as candidates for board members. We will make suitable reevaluations based on the external environment and the status of the company.

Position in the Company	Name	Corporate Management/ Management Strategy	Global Management	Sustainability	Marketing/ Sales	DX	Manufacturing/ R&D	Finance and Accounting	Legal Affairs/Risk Management	Human Resources/ Labor Affairs
Representative Director and Chairman	Hiroshi Nagase	●	●	●	●					●
Director and Vice Chairman	Reiji Nagase	●	●	●	●		●			●
Representative Director and President	Kenji Asakura	●	●	●	●	●				●
Represent Director	Masaya Ikemoto	●	●	●	●			●	●	●
Director	Masatoshi Kamada	●	●	●	●	●				●
Director	Hiroyuki Ueshima	●	●	●	●	●	●			●
Outside Director	Takahiko Ijichi	●	●	●	●			●	●	●
Outside Director	Ritsuko Nonomiya	●	●	●	●			●	●	●
Outside Director	Noriaki Horikiri	●	●	●	●		●		●	●
Outside Audit & Supervisory Board Member	Nobuyuki Shirafuji		●	●	●				●	●
Audit & Supervisory Board Member	Masanori Furukawa		●	●	●			●	●	●
Audit & Supervisory Board Member	Mitsuru Kanno		●	●	●				●	●
Outside Audit & Supervisory Board Member	Gan Matsui		●	●	●				●	●

## Executive Officers

<b>Naoki Yasuba</b> Managing Executive Officer Hayashibara Co., Ltd.	<b>Takanori Yamauchi</b> Managing Executive Officer Nagase Business Expert Co., Ltd.	<b>Satoru Fujii</b> Managing Executive Officer Nagase ChemteX Corporation	<b>Donald K. Thorp</b> Managing Executive Officer Prinova Group LLC, Food Business	<b>Kusuo Ota</b> Executive Officer Totaku Industries, Inc.	<b>Koichi Sagawa</b> Executive Officer GM, Corporate Sustainability Department
<b>Akira Takami</b> Executive Officer GM, Audit Office	<b>Yasumitsu Orii</b> Executive Officer GM, New Value Creation Office	<b>Ryuichi Uchida</b> Executive Officer GM, Marketing Promotion Department	<b>Takeshi Takada</b> Executive Officer Manager, Nagoya Branch Office	<b>Noriaki Arashima</b> Executive Officer GM, Specialty Chemicals Department	<b>Noriyoshi Yamaoka</b> Executive Officer GM, Human Resources & General Affairs Division
<b>Yoshihisa Shimizu</b> Executive Officer GM, Corporate Management Department	<b>Xiaoli Liu</b> Executive Officer GM, Nagase Bio-Innovation Center	<b>Eiroku Oki</b> Executive Officer ASEAN and India CEO, Regional Operating Centre Leader	<b>Toru Araki</b> Executive Officer GM, Risk Management Department		

# 11-Year Financial Highlights

NAGASE &amp; CO., LTD. and Consolidated Subsidiaries (Years ended March 31)

	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3
<b>Medium-Term Management Plan</b>	<b>“CHANGE” 11</b>		<b>Change-S2014</b>			<b>ACE-2020</b>			<b>ACE 2.0</b>		
	<b>Investment Amount: ¥107.4 billion</b>		<b>Investment Amount: ¥41.1 billion</b>			<b>Investment Amount: ¥13.7 billion</b>			<b>Investment Amount: ¥129.1 billion</b>		
<b>Performance (Accounting Fiscal Year):</b>	<b>(Millions of yen)</b>										
Net Sales	¥ 631,854	¥ 666,272	¥ 723,212	¥ 759,713	¥ 742,194	¥ 722,384	¥ 783,933	¥ 807,755	¥ 799,559	¥ 625,245	¥ 780,557
<b>Segments</b>											
Functional Materials (formerly Chemicals)	177,126	167,017	169,973	168,238	157,149	153,546	174,922	179,627	169,318	75,294	99,874
Advanced Materials & Processing (formerly Plastics)	217,929	214,214	239,224	254,165	255,505	242,609	262,831	275,203	267,078	209,715	257,283
Electronics & Energy (formerly Electronics)	110,495	125,014	137,026	149,947	127,926	127,722	129,324	122,319	115,123	110,770	128,131
Mobility (formerly Mobility & Energy)	76,113	83,068	99,441	109,851	115,351	112,956	129,708	139,235	126,000	78,783	103,389
Life & Healthcare (formerly Life Sciences)	49,170	76,116	76,810	76,609	85,571	84,904	86,517	90,794	121,545	150,331	191,634
Others	1,018	841	737	900	689	644	629	574	492	349	244
<b>Region</b>											
Domestic	366,369	361,971	372,939	374,208	363,038	369,365	395,428	412,617	402,390	221,737	250,360
Overseas	265,484	304,301	350,272	385,505	379,155	353,019	388,504	395,137	397,169	403,507	530,196
Gross Profit	71,628	82,583	88,936	91,991	91,663	91,503	102,675	105,441	104,901	114,600	139,494
Operating Income	13,427	15,578	15,789	18,153	18,024	15,030	24,118	25,226	19,167	21,916	35,263
Profit Attributable to Owners of the Parent	8,570	14,182	11,663	11,318	12,316	10,331	17,175	20,136	15,144	18,829	25,939
<b>Financial Condition:</b>	<b>(Millions of yen)</b>										
Total Assets	¥ 450,842	¥ 486,747	¥ 498,141	¥ 546,525	¥ 512,081	¥ 530,775	¥ 569,456	¥ 567,346	¥ 611,477	¥ 640,587	¥ 739,720
Equity Capital	204,706	228,505	246,723	281,398	273,963	290,217	303,636	307,674	305,322	329,687	344,261
Interest-Bearing Debt	88,710	98,425	92,828	98,493	87,560	82,046	86,173	85,620	135,974	118,947	166,530
<b>Per Share Data:</b>	<b>(Yen)</b>										
Net Income (Basic)	¥ 66.69	¥ 111.31	¥ 91.86	¥ 89.10	¥ 96.96	¥ 81.65	¥ 136.34	¥ 161.30	¥ 122.12	¥ 151.91	¥ 213.46
Net Assets	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	2,670.09	2,868.22
Cash Dividends	24	26	28	30	32	33	40	42	44	46	54
Payout Ratio (%)	36.0	23.4	30.5	33.7	33.0	40.4	29.3	26.0	36.0	30.3	25.1
<b>Ratios:</b>	<b>(%)</b>										
Overseas Sales to Net Sales	42.0	45.7	48.4	50.7	51.1	48.9	49.6	48.9	49.7	64.5	67.9
Manufacturing Ratio (Operating Income)	31.3	37.3	23.5	27.8	24.3	39.5	34.2	33.5	40.8	29.8	32.6
Operating Margin (Operating Income/Net Sales)	2.1	2.3	2.2	2.4	2.4	2.1	3.1	3.1	2.4	3.5	4.5
Return on Equity (ROE)	4.2	6.5	4.9	4.3	4.4	3.7	5.8	6.6	4.9	5.9	7.7
Shareholders' Equity Ratio	45.4	46.9	49.5	51.5	53.5	54.7	53.3	54.2	49.9	51.5	46.5
Net DE Ratio (Times)	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.3	0.2	0.3
Total Return Ratio	36.0	34.9	30.5	33.7	33.0	51.0	39.5	35.6	36.0	35.2	48.3
Shareholders' Equity Dividend Rate	1.52	1.52	1.50	1.44	1.46	1.48	1.69	1.71	1.78	1.79	1.93

(Note 1) At the beginning of the fiscal year ended March 31, 2013, 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, figures for the fiscal year ended March 31, 2012 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 2) At the beginning of the fiscal year ended March 31, 2014, 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 results for the fiscal year ended March 31, 2013 have been adjusted to enable comparison with the fiscal year ended March 2014.

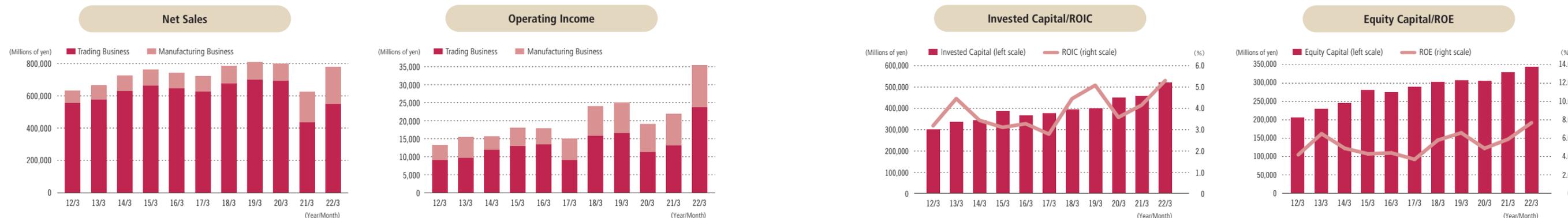
(Note 3) The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 issued February 16, 2018) were applied from the beginning of the fiscal year ended March 31, 2019. Following this change, deferred tax assets are now presented under "Investments and other assets," and deferred tax liabilities are presented under "Long-term liabilities."

(Note 4) From April 1, 2019, the name of the Automotive & Energy segment has been changed to the Mobility & Energy segment.

(Note 5) From April 2021, the name of the Electronics segment has been changed to the Electronics & Energy segment, and the Mobility & Energy segment to the Mobility segment.

(Note 6) The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) since the start of FY2021 (the fiscal year ended March 31, 2022), and retroactively applied it figures from FY2020 (the fiscal year ended March 31, 2021).

(Note 7) Starting from the fiscal year ended March 31, 2022, overseas sales will change from the original method of total by destination to total by location of consolidated subsidiary. Figures for the fiscal year ended March 31, 2022 and the fiscal year ended March 31, 2021 are totaled according to location, while prior figures are based on totals by destination.

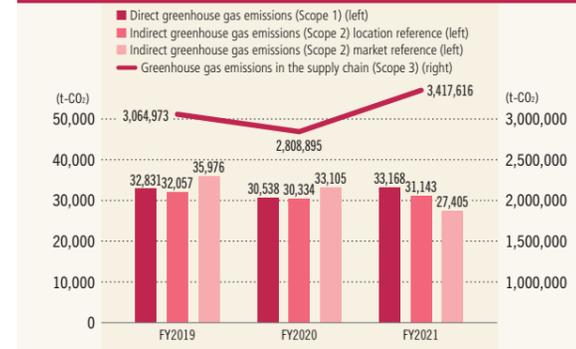


# Non-Financial Highlights

## Environment

We share environmental data, including greenhouse gas (GHG) emissions as established in the NAGASE Group Carbon Neutral Declaration from trading and manufacturing business, and promote business while giving consideration toward the environment.

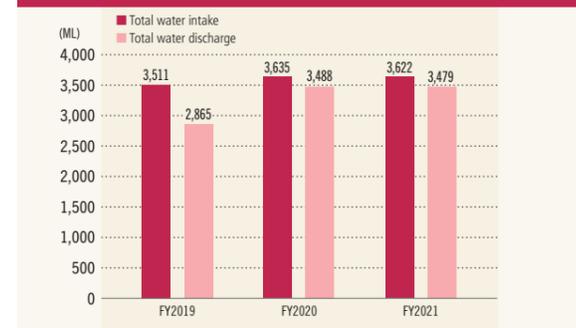
### [Group] Greenhouse gas emissions in our business activities



### [Group] Energy use



### [Group] Use of water resources



### [Group] Amount of waste



## Endorsed Initiatives

**United Nations Global Compact**

The NAGASE Group is a signatory to the United Nations Global Compact and promotes sustainability activities based on 10 principles in the four areas of human rights, labor, the environment, and anti-corruption.

**TCFD (Task Force on Climate-related Financial Disclosures)**

The NAGASE Group has expressed its support for TCFD (Task Force on Climate-related Financial Disclosures).

**Japan Climate Initiative**

The NAGASE Group is a member of the Japan Climate Initiative.

**Zero-Emission Challenge**

NAGASE & CO., LTD. is participating in a project to develop production technology for bio-based products that will accelerate carbon recycling as part of the Zero-Emission Challenge sponsored by the Ministry of Economy, Trade and Industry to realize carbon neutrality by 2050.

**RSPO (Roundtable on Sustainable Palm Oil) Certification**

NAGASE & CO., LTD. is a member of the RSPO (Roundtable on Sustainable Palm Oil) and holds a Distributor License.

**Sedex**

In 2019, NAGASE & CO., LTD. joined Sedex, which promotes the creation of ethical supply chains.

**Initiatives for responsible care**

NAGASE & CO., LTD. participates in the Responsible Care (RC) Committee, an operational committee of the Japan Chemical Industry Association.

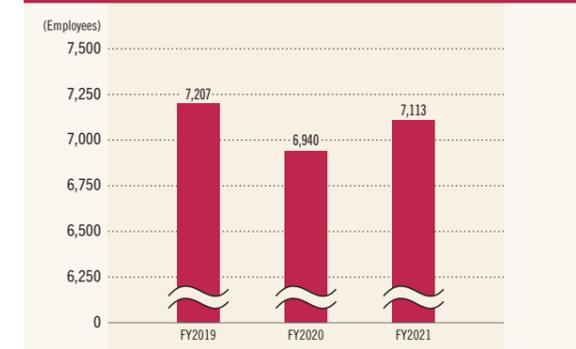
**Certified as a DX certified business by the Ministry of Economy, Trade and Industry**

In January 2022, NAGASE & CO., LTD. was certified as a DX certified business operator under the Ministry of Economy, Trade and Industry's DX Certification System.

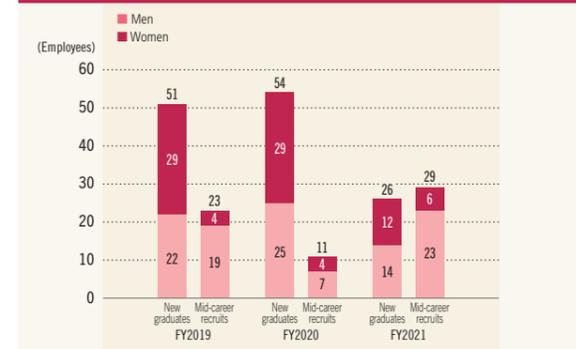
## Society

The NAGASE Group sets "Improve Employee Engagement" as a main KPI, and discloses data related to labor practices, human resource development, occupational health and safety, and health and productivity management, etc., and strives for the continual growth and development of employees and companies.

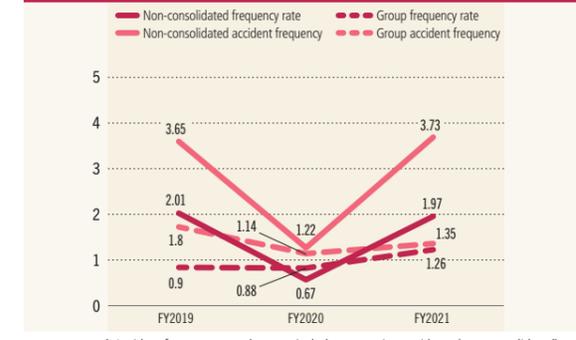
### [Consolidated] Number of employees



### [Non-consolidated] Number of new graduates and mid-career recruits

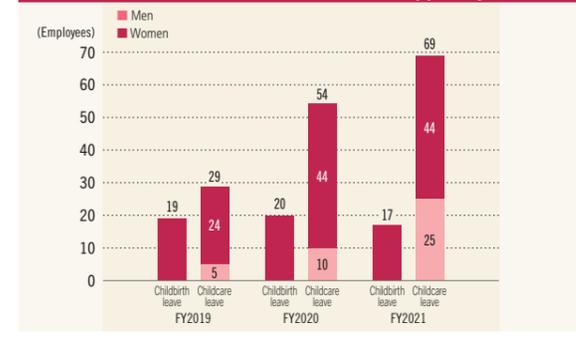


### [Non-consolidated/Group] Occupational health and safety



\* Accident frequency rate does not include commuting accidents (non-consolidated).

### [Non-consolidated] Number of employees who used the childbirth and childcare support systems



## External Evaluation (As of September 2022)

**GPIF (Government Pension Investment Fund) ESG Index**

Category	Index
Comprehensive	FTSE Blossom Japan
	FTSE Blossom Japan Sector Relative Index
	—
According to theme	S&P/JPX カーボン エフィシエント 指数
	2022 CONSTITUENT MSCI 日本株 女性活躍指数 (WIN)
	—
General	—

**Other External Evaluation**

Index	Category	Rating
FTSE4Good	Climate change	B
	Water	A-
	Forests	C
CDP	Supplier Engagement	B
	—	—
S	健康経営優良法人	2022
	健康経営優良法人	2022
G	Nominated for "excellent integrated report 2021" by GPIF's asset managers entrusted with domestic equity investment	
	Our Company's disclosure case study was introduced in the Good Practices for Disclosure of Descriptive Information 2021	

As a result of third-party evaluation, FTSE Russell (a registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that NAGASE & CO., LTD. has met the criteria for incorporation in the FTSE Blossom Japan Sector Relative Index, making it a constituent stock of the index. The FTSE Blossom Japan Sector Relative Index is widely used to create and evaluate sustainable investment funds and other financial products. The incorporation of NAGASE & CO., LTD. into the MSCI Index and the use of the MSCI logo, trademark, service mark or index name in this article do not constitute sponsorship, endorsement or promotion of NAGASE & CO., LTD. by MSCI or its affiliates. The MSCI Index is the exclusive property of MSCI. MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

# Six-Year Summary

NAGASE & CO., LTD. and Consolidated Subsidiaries (Fiscal years ended March 31, 2017–2022)

	(Millions of yen)					Thousands of U.S. Dollars (Note 1)	
	2017	2018	2019	2020	2021	2022	2022
<b>For the Fiscal Year:</b>							
Net Sales	¥ 722,384	¥ 783,933	¥ 807,755	¥ 799,559	¥ 625,245	¥ 780,557	\$ 6,377,621
Domestic	369,365	395,428	412,617	402,390	221,737	250,360	2,045,592
Overseas	353,019	388,504	395,137	397,168	403,507	530,197	4,332,029
Gross Profit	91,503	102,675	105,441	104,901	114,600	139,494	1,139,750
Operating Income	15,030	24,118	25,226	19,167	21,916	35,263	288,120
Income before Income Taxes and Non-Controlling Interests	16,100	24,049	28,204	24,200	29,272	39,557	323,205
Profit Attributable to Owners of the Parent	10,331	17,175	20,136	15,144	18,829	25,939	211,937
<b>As of the Fiscal Year-End:</b>							
Total Assets	¥ 530,775	¥ 569,456	¥ 567,346	¥ 611,477	¥ 640,587	¥ 739,720	\$ 6,043,958
Net Assets	295,198	308,804	312,609	313,243	338,431	355,092	2,901,315
Interest-Bearing Debt	82,046	86,173	85,620	135,974	118,947	166,530	1,360,650
Share Price (Yen/Dollars)	1,551	1,805	1,589	1,279	1,729	1,821	14,879
Market Value	197,610	229,971	202,451	165,955	215,101	220,173	1,798,946
Number of Shares Issued and Outstanding (Thousands of Shares)	127,408	127,408	127,408	127,408	124,408	120,908	—
Number of Shareholders	10,394	11,357	12,788	22,306	25,934	23,382	—
Number of Employees	6,241	6,312	6,143	7,207	6,940	7,113	—

	(Yen)					U.S. Dollars (Note 1)	
	2017	2018	2019	2020	2021	2022	2022
<b>Per Share Data</b>							
Profit Attributable to Owners of the Parent	¥ 81.65	¥ 136.34	¥ 161.30	¥ 122.12	¥ 151.91	¥ 213.46	\$ 1.74
Net Assets	2,301.10	2,424.97	2,481.01	2,462.04	2,670.09	2,868.22	23.44
Cash Dividends	33.00	40.00	42.00	44.00	46.00	54.00	0.44

	2017	2018	2019	2020	2021	2022	2022
<b>Ratios</b>							
Operating Margin (Operating Income/Net Sales) (%)	2.1	3.1	3.1	2.4	3.5	4.5	—
Ratio of Profit before Income Taxes and Non-Controlling Interests to Net Sales (%)	2.2	3.1	3.5	3.0	4.7	5.1	—
Return on Sales (ROS) (%)	1.4	2.2	2.5	1.9	3.0	4.7	—
Total Assets Turnover (Times)	1.4	1.4	1.4	1.3	1.0	1.1	—
Return on Assets (ROA) (%)	2.0	3.1	3.5	2.6	3.0	3.8	—
Return on Equity (ROE) (%)	3.7	5.8	6.6	4.9	5.9	7.7	—
Shareholders' Equity Ratio (%)	54.7	53.3	54.2	49.9	51.5	46.5	—
Net DE Ratio (Times)	0.1	0.1	0.1	0.3	0.2	0.3	—
Current Ratio (%)	192.9	183.1	181.2	189.3	194.9	167.1	—
Interest Coverage Ratio (Times) (Note: 2)	16.3	20.0	16.0	15.9	21.8	31.3	—

Note: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥122.39 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2022.

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 114 affiliated companies consisting of 86 subsidiaries and 28 affiliates. The NAGASE scope of consolidation includes 78 companies, as well as 23 affiliates accounted for by the equity method.

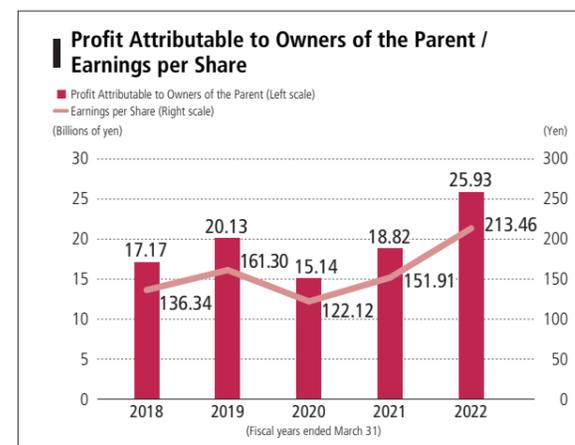
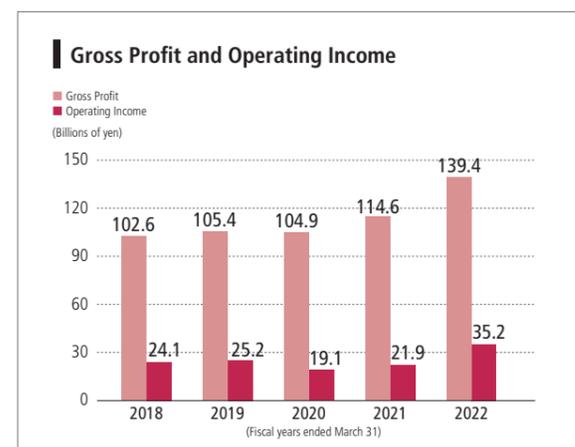
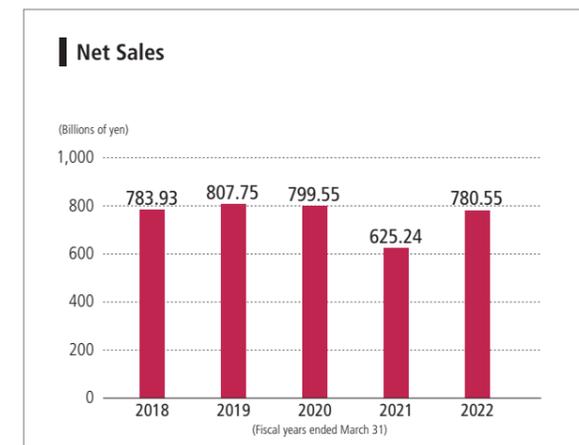
## Overview of Consolidated Results

### Net sales

The global economy during the consolidated fiscal year under review experienced a general recovery in economic activities that had been stagnant due to the spread of COVID-19, as restrictions were eliminated or eased in response to the progress of a third round of vaccinations across various countries. Throughout the year, uncertainty intensified due to soaring raw materials prices, the impact of semiconductor shortages, ongoing logistics disruptions, and the escalation of the situation in Ukraine. However, it was also a year in which many felt we were entering an era of the new normal.

Among the regions where the NAGASE Group operates, economic activity remained strong particularly in Greater China, which demonstrated a significant recovery. In North America, recovery in employment and expansion of personal consumption resulted in overall economic activity remaining firm. In Japan, corporate earnings improved; however, measures to prevent infections had a limiting effect on personal consumption and failed to generate a significant economic recovery.

In this environment, the NAGASE Group contributed to the maintenance of supply chains in related industries and experienced earnings growth. As a result, the NAGASE Group recorded domestic net sales of ¥250.36 billion (+12.9% year on year), overseas net sales of ¥530.19 billion, (+31.3%) and in total recorded ¥780.55 billion in net sales (+24.8%).



### Gross Profit and Profit Attributable to Owners of the Parent

From a profit aspect, all segments increased profits, with particularly strong performances in the automobile, resin and electronics-related businesses, as well as the nutrition-related business of the Prinova Group, LLC. Gross profit was ¥139.49 billion (+21.7%) and higher profit in all segments resulted in all stages of profit below gross profit reaching record highs. Operating income was ¥35.26 billion (+60.9%), ordinary income was ¥36.49 billion (+59.7%) and profit attributable to owners of the parent was ¥25.93 billion (+37.8%).

Earnings per share was ¥213.46, compared to ¥151.91 in the previous fiscal year.

## Results by Business Segment

### Functional Materials

Fiscal years ended March 31	(Millions of yen)	
	2021	2022
Net Sales	¥75,294	¥99,874
Segment Income	4,712	7,823
Segment Assets	79,048	83,793
Depreciation and Amortization	472	465
Amortization of Goodwill	105	111
Goodwill	1,787	1,853
Investments in Equity Affiliates	1,981	1,300
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	399	562

The Functional Materials Segment recorded increased sales compared to the previous fiscal year, when the impact of COVID-19 had been significant, mainly in the automobile-related business. Sales increased domestically and in all overseas areas, including ASEAN countries.

Raw materials sales recovered for coating and urethane raw materials as well as those related to processing industrial oil solutions and plastic materials, driven by a recovery in automobile production.

Sales trended strong in areas like electronics chemicals for the electronics industry, such as for semiconductor-related products.

As a result, the Functional Materials Segment recorded sales of ¥99.87 billion, an increase of ¥24.58 billion (+32.6%) compared to the previous fiscal year. Operating income was ¥7.82 billion, an increase of ¥3.11 billion (+66.0%) compared to the previous fiscal year.

### Advanced Materials & Processing

Fiscal years ended March 31	(Millions of yen)	
	2021	2022
Net Sales	¥209,715	¥257,283
Segment Income	7,311	10,858
Segment Assets	144,135	164,249
Depreciation and Amortization	1,040	1,447
Amortization of Goodwill	89	178
Goodwill	720	—
Investments in Equity Affiliates	1,728	1,828
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	1,974	1,742

The Advanced Materials & Processing Segment recorded higher sales overall as domestic and overseas sales outside of Europe increased despite a slight decrease in sales in Europe.

- Sales increased for resins were strong mainly in the office equipment and video game device markets due in part to soaring market prices.
- Sales decreased for digital print processing materials due to factors such as sluggish market prices from the second half of the previous fiscal year.
- Profits increased significantly year on year due to strong sales of resins domestically and overseas and profitability improved due to soaring market prices.

As a result, the Advanced Materials & Processing Segment recorded sales of ¥257.28 billion, an increase of ¥47.56 billion (+22.7%) compared to the previous fiscal year. Operating income, which increased due to an increase in gross profit, was ¥10.85 billion, an increase of ¥3.54 billion (+48.5%), compared to the previous fiscal year.

### Electronics & Energy

Fiscal years ended March 31	(Millions of yen)	
	2021	2022
Net Sales	¥110,770	¥128,131
Segment Income	8,408	10,278
Segment Assets	69,326	77,163
Depreciation and Amortization	1,496	1,479
Amortization of Goodwill	40	42
Goodwill	451	452
Investments in Equity Affiliates	3,170	2,761
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	1,222	1,610

In the Electronics & Energy Segment, sales increased for display materials and related to precision processing materials for semiconductors.

- Sales related to formulated epoxy resins increased, primarily for mobile devices and semiconductors.
- We established a structure for the next-generation communications-related business, aiming for medium- to long-term growth despite up-front development costs.

As a result, the Electronics & Energy Segment recorded sales of ¥128.13 billion, an increase of ¥17.36 billion (+15.7%) compared to the previous fiscal year. Operating income, which increased due to an increase in gross profit, was ¥10.27 billion, an increase of ¥1.87 billion (+22.2%), compared to the previous fiscal year.

### Mobility

Fiscal years ended March 31	(Millions of yen)	
	2021	2022
Net Sales	¥78,783	¥103,389
Segment Income	1,851	4,131
Segment Assets	53,659	68,492
Depreciation and Amortization	280	342
Amortization of Goodwill	—	—
Goodwill	—	—
Investments in Equity Affiliates	1,237	1,403
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	242	558

In the Mobility Segment, sales increased for functional materials and functional products for interior/exterior components and electrification applications for electric vehicles (EV).

- Profit increased significantly compared to the previous fiscal year due to the recovery in automobile production in addition to the impact of soaring market conditions.
- Profitability improved due to increased sales of high-function products and progress on transforming the business portfolio.

As a result, the Mobility Segment recorded sales of ¥103.38 billion, an increase of ¥24.60 billion (+31.2%) compared to the previous fiscal year. Operating income was ¥4.13 billion, an increase of ¥2.28 billion (+123.2%), compared to the previous fiscal year.

### Life & Healthcare

Fiscal years ended March 31	(Millions of yen)	
	2021	2022
Net Sales	¥150,331	¥191,634
Segment Income	6,512	9,429
Segment Assets	165,934	218,060
Depreciation and Amortization	5,788	5,959
Amortization of Goodwill	2,108	2,145
Goodwill	27,257	27,186
Investments in Equity Affiliates	2,995	3,139
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	5,744	2,435

In the Life & Healthcare Segment, materials sales, manufacturing, and processing all trended strongly in the nutrition-related business, centered on the Prinova Group, LLC.

- Sales increased related to food materials, primarily TREHA™, and in perfumery materials, primarily AA2G™.
- Profit increased significantly compared to the previous fiscal year which had felt the impact of COVID-19, particularly in food ingredients and perfumery materials.

As a result, the Life & Healthcare Segment recorded sales of ¥191.63 billion, an increase of ¥41.30 billion (+27.5%) compared to the previous fiscal year. Operating income was ¥9.42 billion, an increase of ¥2.91 billion (+44.8%), compared to the previous fiscal year.

### Others

No special matters to disclose.

## Financial Condition

### Summary of Consolidated Cash Flows

As of March 31, 2022, cash and cash equivalents (hereinafter, "cash") increased ¥4.78 billion (+9.85%), compared to the end of the previous consolidated fiscal year, amounting to ¥53.33 billion. Cash used in operating activities was ¥17.77 billion, cash used in investing activities was ¥7.66 billion and cash provided by financing activities, taking into account exchange rate changes, was ¥27.28 billion.

### ■ Cash Flows from Operating Activities

As of March 31, 2022, net cash used in operating activities was ¥17.77 billion. This was mainly due to the increase in working capital due to strong business performance.

### ■ Cash Flows from Investing Activities

As of March 31, 2022, net cash used in investing activities was ¥7.66 billion. This was mainly due to the impact of purchases of property, plant and equipment and acquisition of shares of subsidiaries through a takeover, offset in part by proceeds from sales of investments in securities.

### ■ Cash Flows from Financing Activities

As of March 31, 2022, net cash provided by financing activities was ¥27.28 billion. This was mainly due to the net increase in short-term loans due to the increase in working capital, offset in part by payment of dividends and acquisition of treasury stock.

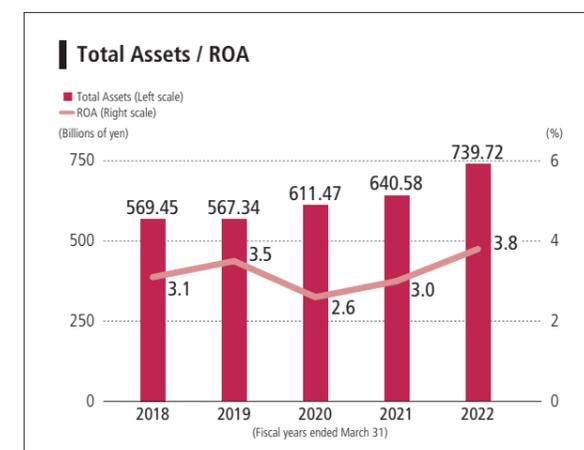
### Cash Flow Summary

Fiscal years ended March 31	(Millions of yen)				
	2017	2018	2020	2021	2022
Cash Flows from Operating Activities	¥ 21,013	¥17,375	¥ 33,074	¥ 20,391	¥(17,776)
Cash Flows from Investing Activities	(14,442)	(7,325)	(49,208)	2,643	(7,664)
Cash Flows from Financing Activities	(3,161)	(8,909)	24,334	(25,866)	27,282

## Summary of the Consolidated Balance Sheet

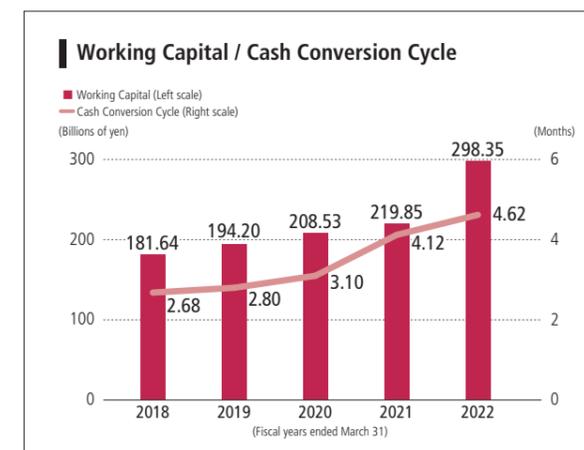
### ■ Assets

As of March 31, 2022, current assets amounted to ¥514.28 billion, an increase of ¥112.53 billion compared to the end of the previous consolidated fiscal year, mainly due to an increase in inventories and accounts receivable. Non-current assets amounted to ¥225.43 billion, a decrease of ¥13.4 billion from the end of the previous consolidated fiscal year due to a decline in fair values and sales of investments in securities. As a result, net assets amounted to ¥739.72 billion, an increase of ¥99.13 billion compared to the end of the previous consolidated fiscal year.



### ■ Liabilities

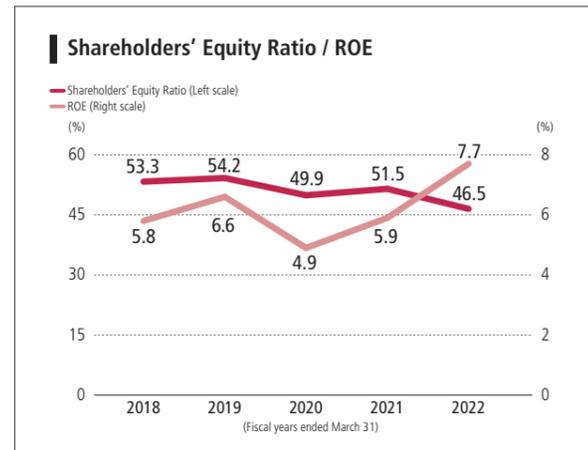
Liabilities amounted to ¥384.62 billion, an increase of ¥82.47 billion compared to the end of the previous consolidated fiscal year, mainly due to an increase in accounts payable and short-term loans.



### ■ Net Assets

Net assets amounted to ¥355.09 billion, an increase of ¥16.66 billion compared to the end of the previous consolidated fiscal year, mainly due to the recording of profit attributable to owners of the parent and an increase in translation adjustments, despite a decrease in unrealized gains on available for sale securities.

As a result, the Company recorded a shareholders' equity ratio of 46.5%, down 5.0 points compared to 51.5% from the end of the previous consolidated fiscal year.



### Capital Investment

During the consolidated fiscal year ended March 31, 2022, the NAGASE Group recorded ¥10.72 billion in capital investment (including purchases of intangible fixed assets), centered on the 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	¥ 562
Advanced Materials & Processing	1,742
Electronics & Energy	1,610
Mobility	558
Life & Healthcare	2,435
Others	3,816
<b>Total</b>	<b>¥10,725</b>

### 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 aims to build a new business structure that has never existed in the NAGASE Group by creating new value with an eye on medium- to long-term trends in AI, IoT and telecommunications technologies. It is promoting development such as the SaaS based materials informatics service TABRASA™, the Axonerve™ IP core that brings faster processing and low latency to 5G network infrastructure, portable sensors based on the five senses of humans, trading support systems using block chain technology, underlying technology for next-generation AI hardware and disease prevention technology using AI.

To realize a sustainable society, the Nagase Bio-Innovation 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 chemosynthesis methods. We are currently pressing forward with examination of fermentation production using UV-absorbing substances derived from algae (mycosporine-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. Moreover, the Group is also promoting themes for innovation creation by utilizing our collective capabilities in biotech. In this way, the Nagase Bio-Innovation Center will leverage unique technologies and make its mission leading the NAGASE Group's future business and generating the budding of new businesses.

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

The Nagase Application Workshop (NAW) houses highly 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. NAW assists customers in solving such issues as CMF (See Note), improving functionality and development of green materials by identifying new materials and technologies and developing methods that satisfy required functions for end-use applications. Through these activities, 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.

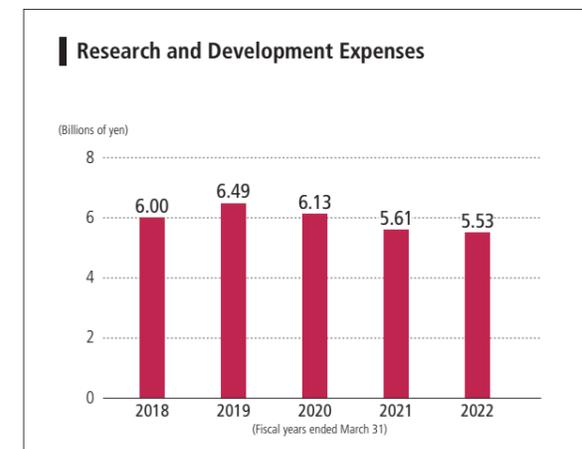
Note: An acronym of color, material and finish that is used to describe an item's surface.

Nagase ChemteX Corporation (NCX) is focusing on cultivating new business in the biomaterials field. NCX is diligently moving forward on business development utilizing original endotoxin removal and reduction technologies in response to surging needs in the medical materials and medical device fields. Up until now, NCX has released a series of materials such as low-endotoxin PULLULAN, gelatin and sodium alginate as part of the Arcofeliz series, and continues development to further expand the product lineup. Moreover, in addition to materials from which endotoxins have already been removed or reduced, NCX will also move ahead on creation of new businesses from items that remove or reduce endotoxins (mini-columns for endotoxin removal or reduction) and methods for removing and reducing endotoxins (endotoxin removal and reduction services).

INKRON Oy develops and manufactures functional materials for optical devices 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 through 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, TetraRing®, a water-soluble dietary fiber syrup, and Lissenare™, a new ingredient for hair-care and styling products, were launched. Furthermore, in order to develop new materials as main next-generation products, we are considering production methods involving new materials and advancing activities such as market analysis, proposing potential use methods, applications and development, 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 focused on applied development through improvements to dye durability and 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 under review was ¥5.53 billion.



### Outlook for the Year Ending March 31, 2023

We project that the environment surrounding the NAGASE Group in the fiscal year ending March 31, 2023 will see limited restrictions on economic activities due to COVID-19 and that economic activities will advance under an assumption of the new normal. Although the situation in Ukraine does not have a significant impact on our business, since we have few direct transactions with either Russia or Ukraine, we expect indirect impact in the form of fluctuations in the market for raw materials due to the rise of crude oil prices and an increase in logistics costs due to the sharp rise in ocean freight rates. Accordingly, we must steer our business with greater consideration for geopolitical risks than ever before. In addition, there are concerns that sharp fluctuations in exchange rates and interest rates, as well as global inflation, will affect consumer spending and corporate earnings.

In this environment, we expect many of the business fields related to the NAGASE Group to continue to perform well, and we have formulated the following assumptions for the fiscal year ending March 31, 2023.

In the food-related business, which we identified as a focus area under the ACE 2.0 Medium-term Management Plan, we expect Prinova Group, LLC sales to increase due to expanding consumer activity and rising health

consciousness in Europe and the Americas. In addition, we expect the supply of high-end models for electronic devices in the semiconductor-related products business to recover and remain strong. With respect to our automobile-related business, which we identify as a base business, the impact of ongoing shortages of general-purpose semiconductors on production volume is an issue. However, we expect soaring resin market prices continuing from the previous fiscal year to contribute to steady sales.

As we advance various measures, including investments in research and development and investments related to DX, we will engage in Company-wide business replacements and reallocations of resources, improving profitability and efficiency to secure a certain level of profit increase.

Regarding the outlook for the fiscal year ending March 31, 2023, 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, economic trends domestically and overseas or exchange rate movements.

(Announced on May 10, 2022) (Millions of yen)

	Gross profit	Operating income	Ordinary income	Profit attributable to owners of the parent
Year ending March 31, 2023 (Projected)	¥159,000	¥38,000	¥39,000	¥28,500
Year ended March 31, 2022 (Actual)	139,494	35,263	36,497	25,939
Change	14.0%	7.8%	6.9%	9.9%

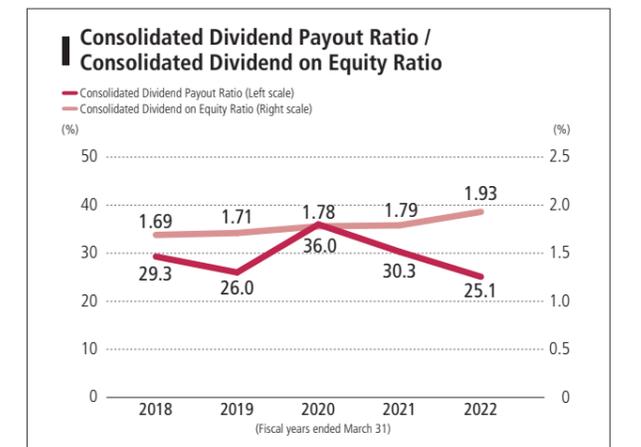
### Profit Sharing Policy

#### Dividend Policy

Our basic policy is to continue paying higher dividends in line with our consolidated results and financial structure, while improving profitability and strengthening our management structure. To this end, we also take into account consolidated cash flows and investment status. In addition, we will consider flexibly executing share buybacks with an eye to efficiency.

We announced a year-end dividend of ¥30 per share for the fiscal year ended March 31, 2022. As a result, the scheduled full-year cash dividend amounted to ¥54 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, we pay a dividend 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 a multifaceted manner in six business segments across the world: Functional Materials, Advanced Materials & Processing, Electronics & Energy, Mobility, 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 under review.

### (1) Risk of Changes in the Macroeconomic Environment

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 & Energy, Mobility and Life & Healthcare businesses. These products and services include dyes/pigments, coating materials/inks, surfactants, OA, electrical equipment, home electronics, automobiles, displays, semiconductors, and pharmaceutical/medical applications. Accordingly, changes in the domestic or international macroeconomic environment, particularly significant changes in chemical industry trends in general, may cause a decrease in demand for our products and services, a drop in market prices, or other factors that could affect the NAGASE Group's earnings and financial condition.

### (2) Risk Related to Fluctuations in Commodity Markets

The NAGASE Group handles extensive petrochemicals manufactured from naphtha in our Functional Materials, Advanced Materials & Processing and Mobility segments. Raw materials markets and demand-supply balance are two factors that result in unique market circumstances for each of our petrochemical products. We minimize risk in direct shipping transactions by linking purchases and sales. For inventory transactions, we strive to ensure that customers are guaranteed to collect their inventories and to optimize inventory levels based on forecasting demand based on many years of experience in trading in the relevant market. However, there is a possibility that price fluctuations may have some impact on sales and profits of the applicable transaction. 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) Risk Related to 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 (mainly U.S. dollars and Chinese Yuan). The conversion of these currencies to Japanese yen for consolidated reporting purposes entails currency conversion risk due to fluctuating exchange rates.

### (4) Risk Related to 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) Country Risk

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 unforeseen events stemming from local government regulations, business customs, or other influences could have an impact on NAGASE Group business performance and financial condition. In particular, changes in international conditions, such as symbolized by trade friction between the U.S. and China and regional conflicts, may lead to the strengthening of policies prioritizing a country's own products, such as tighter export controls, technology transfer restrictions and higher tariffs, which may have an impact on the NAGASE Group's business activities, including partial restrictions. The NAGASE Group strives to reduce risk by ascertaining global political and economic conditions and trends in laws and regulations, and by reviewing and revising its transaction formats and supply chains as needed.

### (6) Risk Related to Fluctuations 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. The rationale for shareholdings is based on a close examination of whether the income from related transaction gains and dividends received are commensurate with the internal hurdle rate based on the cost of capital, prospects for business expansion and synergies, or ability to secure stable access to services essential to the NAGASE Group's corporate activities. If the holdings are recognized as unreasonable, the shares will be sold in stages, taking into account various circumstances, and the number of shares held will be reduced proactively. 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. To reduce these credit risks, credit limits are set for each customer and measures such as obtaining collateral, guarantees, insurance, etc., are taken as necessary. 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. For new investments, the Group prepares investment checklists and investment return tables in accordance with investment guidelines, evaluates and analyzes various factors such as strategic compatibility, market size and growth potential, barriers to entry, competitiveness, business operation risk, business continuity risk, financing and withdrawal conditions, as well as business profitability from a broad perspective, and makes decisions based on quantitative criteria and qualitative evaluation. After implementing investments, they are monitored periodically and, for cases that have not progressed as initially planned, a rebuilding plan is formulated and investment values are assessed and reviewed in an effort to minimize any loss. Although the NAGASE Group has a system related to the investment decision-making process and its monitoring in this way, and has established procedures, even these management initiatives cannot completely negate potential investment risk such as inability to recover invested funds or additional losses in case of withdrawal, 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. When there are signs of an impairment recognized in these assets, the recoverable amount of the asset is calculated as whichever is the highest of net realizable value or value in use, whichever is highest, and book value is reduced to the recoverable amount and the amount of such decrease is recognized as an impairment loss. 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 has manufacturing subsidiaries such as NCX and Hayashibara Co., Ltd. and research and development bases such as the Nagase Bio-Innovation Center 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. The NAGASE Group considers product safety and quality control a major social responsibility in order to provide customers with safe products and build a safe and secure society. According to the NAGASE Group Product Safety Principles, we strive to ensure the safety of products through Group-wide policies and education. In addition, the Group Manufacturers' Collaboration Committee (MCC) shares and utilizes non-financial information on safety, quality, the environment and other matters, and works together to resolve various issues with the objective of strengthening the foundation as a manufacturer among Group manufacturing companies. 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 Laws, Regulations, etc.

The NAGASE Group conducts a wide array of businesses in Japan and overseas. In every country and region in which the Company does business, we comply with all applicable rules and regulations as stipulated under the Basic Compliance Policy and the NAGASE Group Compliance Code of Conduct, and we conduct corporate activities based on social norms and common sense, and raise awareness of these within the Group. In particular, the 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 Related to Information Systems and Information Security

The NAGASE Group recognizes the importance of ensuring robust information system safety and information security as it fulfils an important role in customers' supply chains. Accordingly, we have established relevant rules and mechanisms as part of a variety of ongoing measures to ensure stable information system operations and enhance information security. Even by taking such countermeasures, however, we cannot completely eliminate risks such as serious problems with information system infrastructure or communication lines, or information leakage, manipulation, or destruction as a result of computer viruses or unauthorized access due to cyberattacks. Such events could have an impact on NAGASE Group earnings and financial conditions by causing the temporary suspension of or otherwise significantly affecting the Group's business activities.

### (13) 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.

### (14) Risk Related to Climate Change

The NAGASE Group acknowledges that continuing corporate activities that contribute to the solution for social and environmental issues enables sustainable growth, and thus we act proactively by developing the Sustainability Basic Policy for sustainability activities. We also established the Sustainability Committee, chaired by the Representative Director and President, for the objective of acting based on this basic policy. The NAGASE Group has also formulated the NAGASE Group Carbon Neutral Declaration as a policy toward achieving carbon neutrality by 2050, and we have expressed our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) (See "1 Management Policy, Business Environment, and Issues to be Addressed (2) Medium-Term Management Plan ACE 2.0" for details). However, if climate change causes more irregular weather, including more severe natural disasters, or if physical risks emerge, such as rising sea levels due to global warming, it could have a significant impact on the NAGASE Group's business activities and could affect our business performance and financial position.

# Consolidated Balance Sheet

NAGASE &amp; CO., LTD. and Consolidated Subsidiaries (March 31, 2022 and 2021)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>Current assets:</b>			
Cash and time deposits (Notes 18 and 24)	¥ 54,211	¥ 49,254	\$ 442,937
Notes and accounts receivable (Note 18)	289,862	242,558	2,368,347
Inventories (Notes 6 and 7)	157,525	97,242	1,287,074
Other current assets	13,935	13,259	113,857
Less allowance for doubtful accounts	(1,248)	(563)	(10,197)
Total current assets	514,286	401,751	4,202,026
<b>Non-current assets:</b>			
<b>Property, plant and equipment, at cost</b> (Notes 8 and 9):			
Land	20,398	20,054	166,664
Buildings and structures	61,430	59,327	501,920
Machinery, equipment and vehicles	90,748	89,052	741,466
Leased assets	2,337	1,680	19,095
Construction in progress	2,027	2,298	16,562
	176,942	172,413	1,445,723
Less accumulated depreciation	(104,387)	(101,516)	(852,905)
Property, plant and equipment, net (Note 25)	72,554	70,896	592,810
<b>Investments and other assets:</b>			
Investments in securities (Notes 10 and 18):			
Unconsolidated subsidiaries and affiliates	9,017	8,997	73,674
Other	66,583	84,721	544,023
	75,600	93,719	617,698
Long-term loans receivable	24	211	196
Goodwill (Note 25)	29,492	30,216	240,967
Technology-based assets	5,912	7,488	48,305
Retirement benefit asset (Note 13)	3,139	2,929	25,648
Deferred tax assets (Note 14)	3,572	1,903	29,185
Other assets (Note 9)	35,248	31,582	287,997
Less allowance for doubtful accounts	(112)	(112)	(915)
Total investments and other assets	152,879	167,938	1,249,113
Total non-current assets	225,434	238,835	1,841,932
Total assets (Note 25)	¥ 739,720	¥ 640,587	\$ 6,043,958

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>Current liabilities:</b>			
Notes and accounts payable (Note 18)	¥149,036	¥119,941	\$1,217,714
Short-term loans (Notes 11 and 18)	73,121	33,050	597,443
Current portion of long-term loans and finance lease obligations (Notes 11 and 18)	9,152	12,089	74,777
Commercial papers (Notes 11 and 18)	25,000	8,000	204,265
Current portion of bonds payable (Notes 11)	10,000	—	81,706
Accrued income taxes (Note 14)	7,100	3,565	58,011
Accrued expenses	6,479	6,317	52,937
Accrued bonuses for employees	7,648	6,042	62,489
Accrued bonuses for directors and executive officers	497	203	4,061
Other current liabilities	19,799	16,928	161,770
Total current liabilities	307,836	206,139	2,515,205
<b>Long-term liabilities:</b>			
Bonds (Notes 11 and 18)	20,000	30,000	163,412
Long-term loans and finance lease obligations (Notes 11 and 18)	29,256	35,807	239,039
Deferred tax liabilities (Note 14)	12,310	16,077	100,580
Retirement benefit liability (Note 13)	13,238	13,292	108,162
Other long-term liabilities	1,987	838	16,235
Total long-term liabilities	76,791	96,016	627,429
<b>Contingent liabilities</b> (Note 22)			
<b>Net assets:</b>			
<b>Shareholders' equity</b> (Note 16):			
Common stock:			
Authorized — 346,980,000 shares			
Issued — 120,908,285 shares in 2022 and 124,408,285 shares in 2021	9,699	9,699	79,247
Capital surplus	10,639	10,646	86,927
Retained earnings (Notes 23 and 27)	280,015	265,920	2,287,891
Treasury stock, at cost (Note 17) — 881,767 shares in 2022 and 933,995 shares in 2021	(1,534)	(1,503)	(12,534)
Total shareholders' equity	298,820	284,763	2,441,539
<b>Accumulated other comprehensive income:</b>			
Net unrealized holding gain on securities (Note 10)	31,732	43,576	259,270
Deferred gain on hedges (Note 19)	178	72	1,454
Translation adjustments	13,690	1,006	111,856
Retirement benefit liability adjustments (Note 13)	(161)	268	(1,315)
Total accumulated other comprehensive income	45,441	44,924	371,280
<b>Non-controlling interests</b>	10,830	8,743	88,488
Total net assets	355,092	338,431	2,901,315
Total liabilities and net assets	¥739,720	¥640,587	\$ 6,043,958

See notes to consolidated financial statements.

# Consolidated Statement of Income

NAGASE &amp; CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2022 and 2021)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net sales (Note 25)	¥780,557	¥625,245	\$6,377,621
Cost of sales (Note 7)	641,062	510,645	5,237,863
<b>Gross profit</b>	<b>139,494</b>	<b>114,600</b>	<b>1,139,750</b>
Selling, general and administrative expenses (Notes 20 and 21)	104,231	92,683	851,630
<b>Operating income</b> (Note 25)	<b>35,263</b>	<b>21,916</b>	<b>288,120</b>
Other income (expenses):			
Interest and dividend income	1,551	1,312	12,673
Interest expense	(1,176)	(1,064)	(9,609)
Equity in losses of affiliates	(1,031)	(327)	(8,424)
Gain on sales of shares of subsidiaries and affiliates	—	2,657	—
Gain on sales of investments in securities (Note 10)	7,037	5,774	57,497
Loss on sales of shares of subsidiaries and affiliates	59	1	482
Gain on sales of investments in capital of subsidiaries and affiliates	314	—	2,566
Loss on devaluation of investments in securities (Note 10)	(1,436)	(155)	(11,733)
Gain on sales of property, plant and equipment	16	86	131
Gain on donation of property, plant and equipment	719	—	5,875
Loss on sales of property, plant and equipment	(177)	(23)	(1,446)
Loss on disposal of property, plant and equipment	(453)	(92)	(3,701)
Loss on impairment of fixed assets (Notes 9 and 25)	(2,974)	(1,824)	(24,299)
Subsidy income	75	163	613
Other, net	1,770	846	14,462
<b>Profit before income taxes</b>	<b>39,557</b>	<b>29,272</b>	<b>323,205</b>
Income taxes (Note 14):			
Current	12,826	7,851	104,796
Deferred	(141)	1,775	(1,152)
<b>Profit</b>	<b>26,872</b>	<b>19,646</b>	<b>219,560</b>
Profit attributable to:			
Non-controlling interests	(932)	(816)	(7,615)
<b>Owners of parent</b>	<b>¥ 25,939</b>	<b>¥ 18,829</b>	<b>\$ 211,937</b>

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

NAGASE &amp; CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2022 and 2021)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>Profit</b>	<b>¥ 26,872</b>	<b>¥19,646</b>	<b>\$219,560</b>
Other comprehensive income (Note 12):			
Net unrealized holding (loss) gain on securities	(11,844)	10,945	(96,773)
Deferred gain on hedges	106	69	866
Translation adjustments	13,623	7	111,308
Retirement benefit liability adjustments	(430)	963	(3,513)
Share of other comprehensive income of affiliates accounted for by the equity method	282	254	2,304
	1,736	12,241	14,184
<b>Comprehensive income</b>	<b>¥ 28,608</b>	<b>¥31,887</b>	<b>\$233,745</b>
Total comprehensive income attributable to:			
Owners of parent	¥ 26,482	¥30,774	\$216,374
Non-controlling interests	¥ 2,126	¥ 1,112	\$ 17,371

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Net Assets

NAGASE &amp; CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2022 and 2021)

	Millions of yen											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Retirement benefit liability adjustments (Note 13)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance at April 1, 2020</b>	¥ 9,699	¥ 10,646	¥ 257,067	¥ (5,071)	¥ 272,342	¥ 32,618	¥ 3	¥ 1,051	¥ (694)	¥ 32,979	¥ 7,921	¥ 313,243
Profit attributable to owners of parent	—	—	18,829	—	18,829	—	—	—	—	—	—	18,829
Cash dividends	—	—	(5,456)	—	(5,456)	—	—	—	—	—	—	(5,456)
Purchases of treasury stock	—	—	—	(952)	(952)	—	—	—	—	—	—	(952)
Disposition of treasury stock	—	0	—	0	0	—	—	—	—	—	—	0
Retirement of treasury stock	—	(0)	(4,520)	4,520	—	—	—	—	—	—	—	—
Changes in parent's ownership interest due to transactions with non-controlling interests	—	(0)	—	—	(0)	—	—	—	—	—	—	(0)
Other changes	—	—	—	—	—	10,957	69	(45)	963	11,944	822	12,767
<b>Balance at April 1, 2021</b>	<b>9,699</b>	<b>10,646</b>	<b>265,920</b>	<b>(1,503)</b>	<b>284,763</b>	<b>43,576</b>	<b>72</b>	<b>1,006</b>	<b>268</b>	<b>44,924</b>	<b>8,743</b>	<b>338,431</b>
Profit attributable to owners of parent	—	—	25,939	—	25,939	—	—	—	—	—	—	25,939
Cash dividends	—	—	(5,876)	—	(5,876)	—	—	—	—	—	—	(5,876)
Purchases of treasury stock	—	—	—	(6,006)	(6,006)	—	—	—	—	—	—	(6,006)
Disposition of treasury stock	—	0	—	0	0	—	—	—	—	—	—	0
Retirement of treasury stock	—	(0)	(5,975)	5,975	—	—	—	—	—	—	—	—
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	—	(6)	—	—	(6)	—	—	—	—	—	—	(6)
Increase in retained earnings resulting from changes in scope of equity method	—	—	7	—	7	—	—	—	—	—	—	7
Other changes	—	—	—	—	—	(11,843)	106	12,684	(430)	516	2,086	2,603
<b>Balance at March 31, 2022</b>	<b>¥9,699</b>	<b>¥10,639</b>	<b>¥280,015</b>	<b>¥(1,534)</b>	<b>¥298,820</b>	<b>¥ 31,732</b>	<b>¥178</b>	<b>¥13,690</b>	<b>¥(161)</b>	<b>¥45,441</b>	<b>¥10,830</b>	<b>¥355,092</b>

	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 gain on hedges	Translation adjustments	Retirement benefit liability adjustments (Note 13)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance at April 1, 2021</b>	\$79,247	\$86,984	\$2,172,727	\$(12,280)	\$2,326,685	\$356,042	\$ 588	\$ 8,220	\$ 2,190	\$367,056	\$71,436	\$2,765,185
Profit attributable to owners of parent	—	—	211,937	—	211,937	—	—	—	—	—	—	211,937
Cash dividends	—	—	(48,010)	—	(48,010)	—	—	—	—	—	—	(48,010)
Purchases of treasury stock	—	—	—	(49,073)	(49,073)	—	—	—	—	—	—	(49,073)
Disposition of treasury stock	—	0	—	0	0	—	—	—	—	—	—	0
Retirement of treasury stock	—	(0)	(48,819)	48,819	—	—	—	—	—	—	—	—
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	—	(49)	—	—	(49)	—	—	—	—	—	—	(49)
Increase in retained earnings resulting from changes in scope of equity method	—	—	57	—	57	—	—	—	—	—	—	57
Other changes	—	—	—	—	—	(96,764)	866	103,636	(3,513)	4,216	17,044	21,268
<b>Balance at March 31, 2022</b>	<b>\$79,247</b>	<b>\$86,927</b>	<b>\$2,287,891</b>	<b>\$(12,534)</b>	<b>\$2,441,539</b>	<b>\$259,270</b>	<b>\$1,454</b>	<b>\$111,856</b>	<b>\$(1,315)</b>	<b>\$371,280</b>	<b>\$88,488</b>	<b>\$2,901,315</b>

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

NAGASE &amp; CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2022 and 2021)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>Operating activities:</b>			
Profit before income taxes	¥ 39,557	¥ 29,272	\$ 323,205
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization other than amortization of goodwill	11,216	11,008	91,641
Loss on impairment of fixed assets	2,974	1,824	24,299
Amortization of goodwill	2,478	2,344	20,247
Subsidy income	(75)	(163)	(613)
Share of loss of entities accounted for using equity method	1,031	327	8,424
(Decrease) increase in retirement benefit liability	(599)	1,395	(4,894)
Increase in retirement benefit asset	(869)	(1,174)	(7,100)
Interest and dividend income	(1,551)	(1,312)	(12,673)
Interest expense	1,176	1,064	9,609
Exchange gain, net	(778)	(24)	(6,367)
Gain on sales of investments in securities	(7,285)	(8,419)	(59,523)
Loss on valuation of investment securities	1,436	155	11,733
Changes in operating assets and liabilities:			
Notes and accounts receivable	(34,234)	(17,641)	(279,712)
Inventories	(49,346)	(1,034)	(403,187)
Notes and accounts payable	20,465	8,623	167,211
Other, net	4,859	2,554	39,701
Subtotal	(9,544)	28,797	(77,980)
Interest and dividends received	1,926	1,950	15,737
Interest paid	(1,202)	(1,067)	(9,821)
Income taxes paid	(8,956)	(9,288)	(73,176)
Net cash (used in) provided by operating activities	(17,776)	20,391	(145,241)
<b>Investing activities:</b>			
Purchases of property, plant and equipment	(8,830)	(8,864)	(72,146)
Proceeds from sales of property, plant and equipment	326	448	2,664
Purchases of intangible fixed assets included in other assets	(1,624)	(704)	(13,269)
Purchases of investments in securities	(1,317)	(3,260)	(10,761)
Proceeds from sales of investments in securities	7,736	6,027	63,208
Purchases of investments in capital	—	(47)	—
Proceeds from sales of investments in capital	890	57	7,272
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,848)	—	(31,440)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	587	8,010	4,796
(Increase) decrease in short-term loans receivable included in other current assets, net	(83)	319	(678)
(Increase) decrease in time deposits, net	(137)	290	(1,119)
Subsidy income	75	163	613
Payments of leasehold and guarantee deposits	(1,352)	—	(11,047)
Other, net	(86)	202	(703)
Net cash (used in) provided by investing activities	(7,664)	2,643	(62,619)
<b>Financing activities:</b>			
Increase in short-term loans, net	33,325	658	272,285
Increase (decrease) in commercial papers, net	17,000	(22,000)	138,900
Proceeds from long-term loans	1,900	4,350	15,524
Repayments of long-term loans	(12,039)	(1,891)	(98,366)
Purchase of treasury stock	(6,006)	(952)	(49,073)
Cash dividends paid	(5,876)	(5,456)	(48,010)
Cash dividends paid to non-controlling interests	(543)	(290)	(4,437)
Other, net	(477)	(285)	(3,897)
Net cash provided by (used in) financing activities	27,282	(25,866)	222,910
<b>Effects of exchange rate changes on cash and cash equivalents</b>	2,942	913	24,038
<b>Net increase (decrease) in cash and cash equivalents</b>	4,783	(1,918)	39,080
<b>Cash and cash equivalents at beginning of the year</b>	48,553	50,471	396,707
<b>Cash and cash equivalents at end of the year (Note 24)</b>	¥ 53,336	¥ 48,553	\$ 435,787

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

NAGASE &amp; CO., LTD. and Consolidated Subsidiaries (March 31, 2022)

## 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.

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 ¥122.39 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2022. 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 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

## 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.

Of the Company's subsidiaries, 34 have a December 31 year end, which is different from that of the Company. The financial statements of 11 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 23 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

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 the 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 (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) Accounting for Significant Revenues and Expenses**

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

Sales of merchandise and products are classified based on the reportable segments and revenue is recognized primarily at the time the merchandise and products are delivered to the customer, since the risks and economic value of ownership of the products are transferred and the right to receive payment is established at that time. In addition, the Group may act as an

**3. ACCOUNTING CHANGES****(a) Application of Accounting Standards for Revenue Recognition**

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

As a result, in transactions for which the Company's performance obligations in its contracts with customers are determined to be services as an agent

in certain transactions. The consideration from the customer is received primarily within one year of satisfying the performance obligation and does not include a significant financing component.

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

**(p) 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.

**(q) Research and Development Costs**

Research and development costs are charged to income when incurred.

**(r) 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 27.)

in arranging the provision of goods or services by another party, such sales to customers previously recorded on a gross basis shall be offset by the corresponding cost of sales, and revenue shall be stated on a net basis.

As a result, net sales and cost of sales each for the years ended March 31, 2022 and 2021 decreased by ¥244,835 million (\$2,000,449 thousand) and ¥204,995 million (\$1,851,639 thousand), respectively. Please note that this change has no impact on profit or loss for the current fiscal year, nor on the amount of net assets.

**(b) Application of Accounting Standard for Fair Value Measurement**

As of the beginning of the current fiscal year, the Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019). In accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July

4, 2019), new accounting policies prescribed by the Accounting Standard for Fair Value Measurement have been adopted prospectively. This change had no impact on the consolidated financial statements.

Further, information in the notes relating to the breakdown, etc. by appropriate fair value classification of financial instruments is presented in Note 18 "FINANCIAL INSTRUMENTS."

**4. SIGNIFICANT ACCOUNTING ESTIMATES****Assessment of impairment of property, plant and equipment and intangible fixed assets****(a) Amounts recorded in the consolidated financial statements as of March 31, 2022 and 2021, and for the years then ended are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Property, plant and equipment	¥72,554	¥70,896	\$592,810
Intangible fixed assets	65,070	64,598	531,661
Impairment losses	2,974	1,824	24,299

**(b) Information about significant accounting estimates pertaining to identified items**

- Method of calculation  
Non-current assets are grouped into the smallest units that generate cash flows, and are measured for impairment if any indication of impairment exists and, if so, whether an impairment loss should be recognized.  
For the grouping of non-current assets, idle assets are grouped individually, and business assets are grouped mainly by company or plant. Goodwill is principally allocated to larger unit that includes related business-use assets.  
Undiscounted future cash flows used to determine whether impairment losses need to be recognized are calculated in consideration of main assets' economic useful lives, etc., based on future business plans.  
Impairment losses are measured by calculating the recoverable amount of the relevant asset or asset group as the higher of net

realizable value or the value in use, and the difference between the book value and the recoverable amount is recorded as an impairment loss for the current fiscal year. The discount rate used for the calculation of the value in use is basically determined using the time value of money taking into account the risk related to the business.

- Key assumptions used in the calculation  
The key assumptions are the projected sales and costs of sales included in future business plans, and the discount rate used to calculate the value in use.
- Effects on consolidated financial statements for the next fiscal year  
If the actual profit or loss of each asset or asset group falls below the business plan, or if there is a significant change in the assumptions on which future business plans are based, the recoverable amount may fall below the book value and an impairment loss may be recognized in the next fiscal year.

**5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE****Accounting Standards for Fair Value Measurement, etc.**

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on June 17, 2021)

**(a) Overview**

The revised "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31 issued on June 17, 2021) is a revision of the previous July 4, 2019 guidance. As consultations with related parties and other studies on "calculation of the market value of investment trusts" were considered to take a certain period of time and also certain considerations were required for notes on the fair value of "investments in partnerships, etc.,

recorded on the balance sheet at the net amount of the equity interest," the guidance had been scheduled to be evaluated for about a year after the original version was issued.

**(b) Scheduled date of adoption**

The Company expects to adopt the implementation guidance from the beginning of the fiscal year ending March 31, 2023.

**(c) Impact of adoption**

The Company is currently evaluating the effect of the adoption of the "Implementation Guidance on Accounting Standard for Fair Value Measurement."

**6. INVENTORIES**

Inventories at March 31, 2022 and 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Merchandise and finished goods	¥142,590	¥88,130	\$1,165,046
Work in process	2,401	1,654	19,618
Raw materials and supplies	12,533	7,457	102,402
Total	¥157,525	¥97,242	\$1,287,074

## 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, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Loss on devaluation of inventories included in cost of sales	¥622	¥1,829	\$5,082

## 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, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Buildings and structures	¥ 433	¥ 401	\$ 3,538
Machinery, equipment and vehicles	774	726	6,324
Land	190	190	1,552
Total	¥1,398	¥1,318	\$11,423

## 9. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the years ended March 31, 2022 and 2021 was as follows:

Major use	Classification	Area	Millions of yen		Thousands of U.S. dollars
			2022	2021	2022
Goodwill, business-use assets for product and manufacturing process development in the resin field	Goodwill, machinery, equipment and vehicles, and other	Wisconsin, USA	¥2,911		\$23,785
Goodwill related to water soluble support materials for 3D printing production and development business	Goodwill	Wisconsin, USA	63		515
Total			¥2,974		\$24,299

Major use	Classification	Area	Millions of yen	
			2021	2022
Business-use assets for manufacturing and selling of color formers	Buildings and structures, machinery, equipment and vehicles and other	Hokuriku	¥ 632	
Business-use assets for manufacturing and selling of color formers	Buildings and structures, machinery, equipment and vehicles and other	Tennessee, USA	211	
Business-use assets for polyimide film glass bonding business	Machinery, equipment and vehicles and other	Taipei, Taiwan	951	
Business-use assets for manufacturing and selling of rechargeable battery systems	Buildings and structures, machinery, equipment and vehicles, and other	Tokai	18	
Business-use assets for processing of thin glass panels	Buildings and structures, machinery, equipment and vehicles, and other	Fujian, China	2	
Idle assets	Land	Tokai etc.	7	
Total			¥1,824	

The Company and its consolidated subsidiaries group fixed assets for business use principally based on business management segments. Fixed assets to be disposed of and idle assets are grouped individually as the smallest cash-generating units.

For the year ended March 31, 2021, due to decreasing profitability, the carrying values of certain fixed assets for business use were reduced to their recoverable amounts. As for idle assets, due to a declining fair value, the carrying fair values were reduced to their recoverable amounts.

The recoverable amounts were measured at the net selling value or the value in use. The recoverable amounts for business-use assets for the color former manufacturing and polyimide film and glass lamination were measured at the net selling value. The 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, 2022, the book value was reduced to the recoverable amount because the Company no longer expects to generate the initially anticipated earnings.

The recoverable amounts were measured at the net selling value or the value in use. Net selling value is based on the assessed value for property tax purposes or the appraised value of real estate. Goodwill related to the product and manufacturing process development business in the resin segment was measured based in the value in use.

The future cash flows are discounted at a rate of 19.0%.

## 10. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2022 and 2021 are summarized as follows:

	Millions of yen					
	2022			2021		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥57,951	¥13,108	¥44,842	¥77,661	¥15,838	¥61,822
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	2,560	2,810	(249)	835	1,010	(174)
Total	¥60,511	¥15,918	¥44,592	¥78,496	¥16,848	¥61,648

	Thousands of U.S. dollars		
	2022		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$473,495	\$107,100	\$366,386
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	20,917	22,959	(2,034)
Total	\$494,411	\$130,060	\$364,343

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

(b) Securities classified as other securities whose market value is not available and not included in the table (a) at March 31, 2022 and 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
	Carrying value	Carrying value	Carrying value
Market value not determinable:			
Unlisted equity securities	¥6,071	¥6,225	\$49,604
Total	¥6,071	¥6,225	\$49,604

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2022 and 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Proceeds from sales	¥7,736	¥6,217	\$63,208
Gain on sales	7,037	5,774	57,497
Loss on sales	6	10	49

(d) A breakdown of loss on devaluation of investments in securities for the years ended March 31, 2022 and 2021 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Loss on devaluation of investments in securities*			
Securities classified as other securities	¥1,436	¥155	\$11,733
Total loss on devaluation of investments in securities	¥1,436	¥155	\$11,733

\* 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 whose market value is not available 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, 2022 and 2021 principally represented loans and commercial papers in the form of deeds at weighted-average annual interest rates of 1.14% and 1.33% per annum, respectively.

Long-term loans, bonds and finance lease obligations at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unsecured loans from banks and insurance companies, payable in Yen, U.S. dollars, and Euros due through 2032, at rates from 0.15% to 10.00%	¥ 36,997	¥ 46,539	\$ 302,288
Unsecured bonds in Yen, due 2022, at a rate of 0.539%	10,000	10,000	81,706
Unsecured bonds in Yen, due 2024, at a rate of 0.150%	10,000	10,000	81,706
Unsecured bonds in Yen, due 2029, at a rate of 0.290%	10,000	10,000	81,706
Lease obligations	1,411	1,357	11,529
	68,408	77,896	558,935
Less current portion	(19,152)	(12,089)	(156,483)
Total	¥ 49,256	¥ 65,807	\$ 402,451

The aggregate annual maturities of bonds, long-term loans and finance lease obligations subsequent to March 31, 2022 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2023	¥19,152	\$156,483
2024	1,627	13,294
2025	17,238	140,845
2026	5,061	41,351
2027	15,041	122,894
2028 and thereafter	10,286	84,043
Total	¥68,408	\$558,935

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, 2022 and 2021 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Lines of credit	¥20,000	¥20,000	\$163,412
Credit utilized	—	—	—

## 12. OTHER COMPREHENSIVE INCOME (LOSS)

Reclassification adjustments and tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net unrealized holding (loss) gain on securities:			
Amount arising during the year	¥(10,058)	¥20,245	\$ (82,180)
Reclassification adjustments for gains and losses realized in the statement of income	(6,800)	(4,767)	(55,560)
Amount before tax effect	(16,858)	15,477	(137,740)
Tax effect	5,013	(4,532)	40,959
Net unrealized holding (loss) gain on securities	(11,844)	10,945	(96,773)
Deferred gain on hedges:			
Amount arising during the year	125	92	1,021
Reclassification adjustments for gains and losses realized in the statement of income	27	7	221
Amount before tax effect	152	99	1,242
Tax effect	(46)	(30)	(376)
Deferred gain on hedges	106	69	866
Translation adjustments:			
Amount arising during the year	13,623	7	111,308
Reclassification adjustments for gains and losses realized in the statement of income	—	—	—
Amount before tax effect	13,623	7	111,308
Tax effect	—	—	—
Translation adjustments	13,623	7	111,308
Retirement benefit liability adjustments:			
Amount arising during the year	(218)	594	(1,781)
Reclassification adjustments for gains and losses realized in the statement of income	(396)	796	(3,236)
Amount before tax effect	(614)	1,390	(5,017)
Tax effect	184	(427)	1,503
Retirement benefit liability adjustments	(430)	963	(3,513)
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	282	254	2,304
Total other comprehensive loss	¥ 1,736	¥12,241	\$ 14,184

## 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, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the year	¥34,457	¥34,228	\$281,534
Service cost	1,299	1,288	10,614
Interest cost	257	245	2,100
Actuarial differences	20	340	163
Retirement benefits paid	(1,750)	(1,270)	(14,299)
Changes in scope of consolidation	(94)	(408)	(768)
Other	28	33	229
Balance at the end of the year	¥34,218	¥34,457	\$279,582

The changes in plan assets for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the year	¥24,093	¥22,305	\$196,854
Expected return on plan assets	484	452	3,955
Actuarial differences	(198)	934	(1,618)
Contributions by the Company and its consolidated subsidiaries	761	1,070	6,218
Retirement benefits paid	(1,043)	(684)	(8,522)
Other	21	15	172
Balance at the end of the year	¥24,119	¥24,093	\$197,067

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2022 and 2021 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded retirement benefit obligation	¥ 21,481	¥ 21,671	\$ 175,513
Plan assets at fair value	(24,119)	(24,093)	(197,067)
	(2,637)	(2,422)	(21,546)
Unfunded retirement benefit obligation	12,736	12,786	104,061
Net retirement benefit liability in the balance sheet	10,098	10,363	82,507
Retirement benefit liability	13,238	13,292	108,162
Retirement benefit asset	(3,139)	(2,929)	(25,648)
Net retirement benefit liability in the balance sheet	¥ 10,098	¥ 10,363	\$ 82,507

The components of retirement benefit expenses for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥1,299	¥1,288	\$10,641
Interest cost	257	245	2,100
Expected return on plan assets	(484)	(452)	(3,955)
Amortization of actuarial differences	(396)	796	(3,236)
Retirement benefit expense	¥ 676	¥1,877	\$ 5,523

Actuarial differences included in other comprehensive income (loss) (before tax effect) for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Actuarial differences	¥(614)	¥1,390	\$(5,017)

Unrecognized actuarial differences included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized actuarial differences	¥(218)	¥400	\$(1,781)

The allocation of plan assets, by major category, as a percentage of total plan assets at fair value as of March 31, 2022 and 2021 is as follows:

	2022	2021
Bonds	59%	59%
Equity securities	23	23
Alternative investments*	16	9
Other	2	9
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:

	2022	2021
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
	2022	2021	2022
Contributions to defined contribution plans by the Company and its consolidated subsidiaries	¥592	¥494	\$4,837

## 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, 2022 and 2021.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2022 and 2021 differ from the statutory tax rates for the following reasons:

	2022	2021
Statutory tax rates	30.6%	30.6%
Adjustments for:		
Expenses not deductible for income tax purposes	1.7	1.2
Dividends and other income deductible for income tax purposes	(5.5)	(8.9)
Net adjustment resulting from elimination of dividend income upon consolidation	5.5	8.6
Different tax rates applied at overseas subsidiaries	(3.8)	(3.2)
Tax credit	(1.1)	(1.1)
Amortization of goodwill	1.9	2.5
Loss on impairment of goodwill	0.8	—
Adjustment of book value of shares of subsidiaries for consolidated taxation system	(0.1)	2.7
Equity in losses of affiliates	0.8	0.3
Valuation allowance	0.8	0.8
Other, net	0.5	(0.6)
Effective tax rates	32.1%	32.9%

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities at March 31, 2022 and 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
<b>Deferred tax assets:</b>			
Accrued bonuses for employees	¥ 1,888	¥ 1,492	\$ 15,426
Allowance for doubtful accounts	110	194	899
Unrealized gain on inventories	728	609	5,948
Accrued enterprise taxes	345	265	2,819
Tax loss carryforwards	3,034	3,158	24,790
Retirement benefit liability	3,018	3,069	24,659
Investments in securities	2,298	1,274	18,776
Loss on impairment of fixed assets	941	1,027	7,689
Other	3,731	3,827	30,485
Gross deferred tax assets	16,098	14,919	131,530
Valuation allowance	(6,370)	(4,867)	(52,047)
Total deferred tax assets	9,727	10,052	79,475
<b>Deferred tax liabilities:</b>			
Technology-based assets	(1,801)	(2,280)	(14,715)
Deferred capital gain on property	(1,055)	(1,139)	(8,620)
Reserve for special depreciation	(99)	(150)	(809)
Undistributed earnings of subsidiaries and affiliates	(406)	(610)	(3,317)
Revaluation of land	(291)	(290)	(2,378)
Net unrealized holding gain on securities	(13,276)	(18,292)	(108,473)
Other	(1,534)	(1,462)	(12,534)
Total deferred tax liabilities	(18,464)	(24,226)	(150,862)
Net deferred tax liabilities	¥ (8,737)	¥(14,174)	\$ (71,387)

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

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

related to corporate and local income taxes are based on the assumption that the non-consolidated taxation system will be applied from the next fiscal year.

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

## 15. REVENUE RECOGNITION

**(a) Information on disaggregation of revenue from contracts with customers**

Information on disaggregation of revenue from contracts with customers is presented in the Segment Information. (Refer to Note 25.)

**(b) Information that forms the basis for understanding revenues from contracts with customers**

The information that forms the basis for understanding revenues is presented in the Summary of significant accounting policies. (Refer to Note 2(o).)

**(c) Information about the relationship between the fulfillment of performance obligations based on the contract with the customer and the cash flow generated from the contract, and the amount and recognition timing of revenue from the contract with the customer existing at the end of the current consolidated fiscal year expected to be recognized in the following consolidated fiscal year**

(i) Contract balances

The following is a breakdown of contract balances of the Company and its consolidated subsidiaries for the current fiscal year. In the consolidated balance sheets, receivables from contracts with customers are included in "Notes and accounts receivable" and contract liabilities are included in "Other current liabilities." At the end of the previous consolidated fiscal year and the end of the current consolidated fiscal year, the beginning balance of contract liabilities were transferred to revenue by the end of the fiscal year, and the amount carried forward from the next consolidated fiscal year onward is not significant.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Receivables from contracts with customers	¥289,862	¥242,558	\$2,368,347
Contract liabilities	3,789	3,041	30,958

As at March 31, 2022, Accounts receivable and Notes receivable from contracts with customers included in the table above are ¥253,120 million (\$2,068,143 thousand) and ¥36,742 million (\$300,204 thousand), respectively.

(ii) Transaction price allocated to remaining performance obligations

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

## 16. 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,

2022 amounted to ¥9,634 million (\$78,716 thousand). In addition, the Company's legal reserve included in retained earnings at March 31, 2022 amounted to ¥2,424 million (\$19,806 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, 2022 and 2021 are summarized as follows:

	Number of shares			
	2022			
	April 1, 2021	Increase	Decrease	March 31, 2022
Common stock	124,408,285	—	3,500,000	120,908,285
	2021			
	April 1, 2020	Increase	Decrease	March 31, 2021
Common stock	127,408,285	—	3,000,000	124,408,285

## 17. TREASURY STOCK

Movements in treasury stock during the years ended March 31, 2022 and 2021 are summarized as follows:

	Number of shares			
	2022			
	April 1, 2021	Increase	Decrease	March 31, 2022
Treasury stock	933,995	3,447,833	3,500,061	881,767
	2021			
	April 1, 2020	Increase	Decrease	March 31, 2021
Treasury stock	3,396,695	537,380	3,000,080	933,995

The increase in treasury stock includes 3,447,500 shares resulting from the purchases of treasury stock by resolution of the Board of Directors and 333 shares resulting from the purchase of shares less than one voting unit for the year ended March 31, 2022. The decrease in treasury stock includes 3,500,000 shares resulting from the retirement of treasury stock by resolution of the Board of Directors and 61 shares resulting from the disposition of shares less than one voting unit for the year ended March 31, 2022.

The increase in treasury stock includes 537,100 shares resulting from the purchases of treasury stock by resolution of the Board of Directors and 280 shares resulting from the purchase of shares less than one voting unit for the year ended March 31, 2021. The decrease in treasury stock includes 3,000,000 shares resulting from the retirement of treasury stock by resolution of the Board of Directors and 80 shares resulting from the disposition of shares less than one voting unit for the year ended March 31, 2021.

## 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 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, 2022 and 2021, are shown in the following table. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

	Millions of yen		
	2022		
	Carrying value	Fair value	Difference
Assets:			
Notes and accounts receivable	¥289,862	¥289,862	¥ —
Investments in securities* <sup>2</sup> :			
Other securities	60,511	60,511	—
Total assets	¥350,374	¥350,374	¥ —
Liabilities:			
Notes and accounts payable	¥149,036	¥149,036	¥ —
Bonds	20,000	19,820	(180)
Long-term loans	28,244	27,992	(251)
Total liabilities	¥197,280	¥196,849	¥(431)
Derivatives* <sup>3</sup> :			
Not subject to hedge accounting	¥ (150)	¥ (150)	¥ —
Subject to hedge accounting	341	341	—
Total derivative transactions	¥ 191	¥ 191	¥ —

	Millions of yen		
	2021		
	Carrying value	Fair value	Difference
Assets:			
Cash and time deposits	¥ 49,254	¥ 49,254	¥ —
Notes and accounts receivable	242,558	242,558	—
Investments in securities* <sup>2</sup> :			
Other securities	78,496	78,496	—
Total assets	¥370,308	¥370,308	¥ —
Liabilities:			
Notes and accounts payable	¥119,941	¥119,941	¥ —
Short-term loans	33,050	33,050	—
Current portion of long-term loans	12,025	12,025	—
Commercial papers	8,000	8,000	—
Bonds	30,000	29,899	(101)
Long-term loans	34,514	34,528	13
Total liabilities	¥237,531	¥237,443	¥ (87)
Derivatives* <sup>3</sup> :			
Not subject to hedge accounting	¥ (594)	¥ (594)	¥ —
Subject to hedge accounting	56	56	—
Total derivative transactions	¥ (537)	¥ (537)	¥ —

Thousands of U.S. dollars

	2022		
	Carrying value	Fair value	Difference
Assets:			
Notes and accounts receivable	\$2,368,347	\$2,368,347	\$ —
Investments in securities* <sup>2</sup> :			
Other securities	494,411	494,411	—
Total assets	\$2,862,767	\$2,862,767	\$ —
Liabilities:			
Notes and accounts payable	\$1,217,714	\$1,217,714	\$ —
Bonds	163,412	161,941	(1,471)
Long-term loans	230,770	228,711	(2,051)
Total liabilities	\$1,611,896	\$1,608,375	\$(3,522)
Derivatives* <sup>3</sup> :			
Not subject to hedge accounting	\$ (1,226)	\$ (1,226)	\$ —
Subject to hedge accounting	2,786	2,786	—
Total derivative transactions	\$ 1,561	\$ 1,561	\$ —

\*1 Cash is omitted from the notes. Time deposits, short-term loans, current portion of long-term loans, commercial papers, and current portion of bonds are omitted from the notes because their fair values approximate their carrying amounts due to their short maturities.

\*2 Stocks and other securities without market quotations are not included in "Investment securities\*<sup>2</sup>". The carrying amount of such financial instruments on the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unlisted equity securities	¥ 6,071	¥ 6,225	\$ 49,604
Investments in unconsolidated subsidiaries and affiliates	9,017	8,997	73,674
Total	¥15,089	¥15,222	\$123,286

\*3 Receivables and payables arising from derivative transactions are presented as a net value with the amount in parentheses representing a net liability position.

The redemption schedule for time deposits and notes and accounts receivable with maturity dates at March 31, 2022 is summarized as follows:

	Millions of yen	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	¥ 50,111	¥—
Notes and accounts receivable	289,862	—
Total	¥339,974	¥—

	Thousands of U.S. dollars	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	\$ 409,437	\$—
Notes and accounts receivable	2,368,347	—
Total	\$2,777,792	\$—

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

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to determine fair value.

#### Level 1 fair value:

In the inputs related to the calculation of observable fair value, fair value is calculated based on quoted market prices for assets or liabilities whose fair value are formed in an active market.

#### Level 2 fair value

In the inputs related to the calculation of observable fair value, fair value is calculated by using inputs related to the calculation of fair value other than Level 1 input.

#### Level 3 fair value

Fair value is calculated using inputs related to the calculation of unobservable fair value.

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

Financial instruments recorded on the consolidated balance sheet at fair value.

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Other securities:				
Shares	¥60,511	¥ —	¥—	¥60,511
Derivatives:				
Forward exchange contracts	—	191	—	191
<b>Total assets</b>	<b>¥60,511</b>	<b>¥191</b>	<b>¥—</b>	<b>¥60,703</b>

	Thousands of U.S. dollars			
	2022			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Other securities:				
Shares	\$494,411	\$ —	\$—	\$494,411
Derivatives:				
Forward exchange contracts	—	1,561	—	1,561
<b>Total assets</b>	<b>\$494,411</b>	<b>\$1,561</b>	<b>\$—</b>	<b>\$495,980</b>

Financial instruments other than those recorded on the consolidated balance sheets at fair value

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable	¥—	¥289,862	¥—	¥289,862
<b>Total assets</b>	<b>¥—</b>	<b>¥289,862</b>	<b>¥—</b>	<b>¥289,862</b>
Notes and accounts payable	¥—	¥149,036	¥—	¥149,036
Bonds	—	19,820	—	19,820
Long-term loans	—	27,992	—	27,992
<b>Total liabilities</b>	<b>¥—</b>	<b>¥196,849</b>	<b>¥—</b>	<b>¥196,849</b>

	Thousands of U.S. dollars			
	2022			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable	\$—	\$2,368,347	\$—	\$2,368,347
<b>Total assets</b>	<b>\$—</b>	<b>\$2,368,347</b>	<b>\$—</b>	<b>\$2,368,347</b>
Notes and accounts payable	\$—	\$1,217,714	\$—	\$1,217,714
Bonds	—	161,941	—	161,941
Long-term loans	—	228,711	—	228,711
<b>Total liabilities</b>	<b>\$—</b>	<b>\$1,608,375</b>	<b>\$—</b>	<b>\$1,608,375</b>

Explanation of valuation techniques used, and inputs related to the calculation of fair value.

- |  |  |
|--|--|
| <p>(i) Notes and accounts receivable<br/>The fair value of notes and accounts receivable is calculated based on the present values classified by the certain period of times which are discounted respectively by the interest rate determined taking into account the remaining period to maturity and is classified as Level 2.</p> <p>(ii) Investment securities<br/>Listed stocks are valued by using quoted market prices. Since listed stocks are traded in active markets, their fair value is classified as Level 1.</p> | <p>(iii) Derivative<br/>Fair value is calculated based on prices, etc., provided by counterparty financial institutions and is classified as Level 2.<br/>The fair value of foreign currency forward exchange contracts and other derivatives that applied the allocation method is included in the fair value of the underlying accounts receivable and payable.<br/>The fair value of interest rate swaps that applied the exceptional accounting treatment is included in the long-term loans because it is accounted for as if the interest rates applied to the swaps had originally applied to the underlying long-term loans.</p> |
|--|--|

(iv) Notes and accounts payable

The fair value of notes and accounts payable is calculated based on the present values classified by the certain period of times which are discounted respectively by the interest rate determined taking into account the remaining period to maturity and is classified as Level 2.

(v) Bonds

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

(vi) Long-term loans

The fair value of long-term loans payable is calculated based on the present value of the total of principal and interest discounted by the incremental borrowing rate and is classified as Level 2.

## 19. DERIVATIVES AND HEDGING ACTIVITIES

The currency-related derivatives positions outstanding for which hedge accounting has not been applied at March 31, 2022 and 2021 are as follows:

Classification	Transaction	Millions of yen			
		2022			
		Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	Valuation gain (loss)
	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	¥13,772	¥—	¥(353)	¥(353)
	Yen	57,411	—	(64)	(64)
	Euro	13,206	—	298	298
	RMB	801	—	(45)	(45)
	Others	173	—	(11)	(11)
	Buying:				
	U.S. dollars	1,955	—	29	29
	Yen	2,310	—	(20)	(20)
	Euro	239	—	10	10
	Others	173	—	7	7
<b>Total</b>		<b>¥90,043</b>	<b>¥—</b>	<b>¥(150)</b>	<b>¥(150)</b>

Classification	Transaction	Millions of yen			
		2021			
		Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	Valuation gain (loss)
	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	¥ 6,980	¥—	¥(130)	¥(130)
	Yen	2,540	—	(38)	(38)
	Euro	9,977	—	(402)	(402)
	RMB	1,241	—	(48)	(48)
	Others	190	—	(5)	(5)
	Buying:				
	U.S. dollars	1,263	—	(14)	(14)
	Yen	1,616	—	19	19
	Euro	442	—	22	22
	Others	108	—	3	3
<b>Total</b>		<b>¥24,362</b>	<b>¥—</b>	<b>¥(594)</b>	<b>¥(594)</b>

		Thousands of U.S. dollars			
		2022			
Classification	Transaction	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	\$112,526	\$—	\$(2,884)	\$(2,884)
	Yen	469,082	—	(523)	(523)
	Euro	107,901	—	2,435	2,435
	RMB	6,545	—	(368)	(368)
	Others	1,414	—	(90)	(90)
	Buying:				
	U.S. dollars	15,974	—	237	237
	Yen	18,874	—	(163)	(163)
Euro	1,953	—	82	82	
Others	1,414	—	57	57	
Total		\$735,706	\$—	\$(1,226)	\$(1,226)

The currency-related derivatives positions outstanding for which hedge accounting has been applied at March 31, 2022 and 2021 are as follows:

		Millions of yen			
		2022			
Method for hedge accounting	Transaction	Major hedged item	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		¥ —	¥—	¥ —
	Euro	Accounts receivable	359	—	(16)
	RMB		111	—	(6)
	Others		11	—	(0)
	Buying:				
	U.S. dollars		6,185	—	349
	Euro	Accounts payable	337	—	14
	RMB		7	—	0
Others		34	—	1	
Allocation method for foreign currency forward exchange contracts (Note 2(p))	Foreign currency forward exchange contracts:				
	Selling:				
	Euro	Accounts receivable	43	—	(*)
	Others		12	—	(*)
	Buying:				
	Euro		82	—	(*)
	THB	Accounts payable	81	—	(*)
	Others		7	—	(*)
	Total		¥7,276	¥—	¥341

		Millions of yen			
		2021			
Method for hedge accounting	Transaction	Major hedged item	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		¥ —	¥—	¥ —
	Euro	Accounts receivable	299	—	(6)
	RMB		447	—	(17)
	Others		41	—	(1)
	Buying:				
	U.S. dollars		1,423	—	78
	Euro	Accounts payable	149	—	2
	RMB		0	—	0
Others		118	—	1	
Allocation method for foreign currency forward exchange contracts (Note 2(p))	Foreign currency forward exchange contracts:				
	Selling:				
	Euro		10	—	(*)
	RMB	Accounts receivable	0	—	(*)
	Others		4	—	(*)
	Buying:				
	Euro		155	—	(*)
	THB	Accounts payable	116	—	(*)
	Others		62	—	(*)
	Total		¥2,829	¥—	¥ 56

		Thousands of U.S. dollars			
		2022			
Method for hedge accounting	Transaction	Major hedged item	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		\$ —	\$—	\$ —
	Euro	Accounts receivable	2,933	—	(131)
	RMB		907	—	(49)
	Others		90	—	(1)
	Buying:				
	U.S. dollars		50,535	—	2,852
	Euro	Accounts payable	2,753	—	114
	RMB		57	—	0
Others		278	—	8	
Allocation method for foreign currency forward exchange contracts (Note 2(p))	Foreign currency forward exchange contracts:				
	Selling:				
	Euro	Accounts receivable	351	—	(*)
	Others		98	—	(*)
	Buying:				
	Euro		670	—	(*)
	RMB	Accounts payable	662	—	(*)
	Others		57	—	(*)
	Total		\$59,449	\$—	\$2,786

(\*): 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, 2022 and 2021 are as follows:

			Millions of yen		
			2022		
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	¥4,000	¥—	(*)
			Millions of yen		
			2021		
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	¥4,000	(*)
			Thousands of U.S. dollars		
			2022		
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	\$32,682	\$—	(*)

(\*): 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, 2022 and 2021 totaled ¥5,539 million (\$45,257 thousand) and ¥5,613 million, respectively.

## 21. OPERATING LEASES

Future minimum lease payments subsequent to March 31, 2022 under noncancelable operating leases are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2023	¥1,309	\$10,695
2024 and thereafter	8,649	70,668
Total	¥9,958	\$81,363

## 22. CONTINGENT LIABILITIES

At March 31, 2022, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of customers and other in the aggregate amount of ¥111 million (\$907 thousand).

In addition, at March 31, 2022, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted with banks in the amount of ¥125 million (\$1,021 thousand).

## 23. AMOUNTS PER SHARE

Amounts per share at March 31, 2022 and 2021 and for the years then ended are as follows:

	Yen		U.S. dollars
	2022	2021	2022
Profit attributable to owners of parent:			
Basic	¥ 213.46	¥151.91	\$ 1.74
Diluted	—	—	—
Net assets	2,868.22	2,670.09	23.44
Cash dividends applicable to the year	54.00	46.00	0.44

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, 2022 and 2021 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, 2022 and 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Profit attributable to owners of parent	¥25,939	¥18,829	\$211,937
Profit available for distribution to shareholders of common stock	25,939	18,829	211,937
Weighted-average number of shares	121,522,286	123,955,784	

## 24. CASH AND TIME DEPOSITS

(a) A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2022 and 2021 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
	2022	2021	2022
Cash and time deposits	¥54,211	¥49,254	\$442,937
Time deposits with maturities of more than three months	(874)	(701)	(7,141)
Cash and cash equivalents	¥53,336	¥48,553	\$435,787

(b) Summary of assets and liabilities of companies, which were excluded from the scope of consolidation as a result of sales of shares during the year ended March 31, 2021

### 1) Nagase Medicals Co., Ltd.

The following is the summary of assets and liabilities at the time of sales as well as the cost of selling the shares and income from the sales of shares associated with Nagase Medicals Co., Ltd. no longer being a consolidated subsidiary due to the sales of its shares for the year ended March 31, 2021.

	Millions of yen	Thousands of U.S. dollars
2021		
Current assets	¥ 2,434	\$ 21,985
Non-current assets	1,946	17,577
Current liabilities	(2,335)	(21,091)
Non-current liabilities	(3,010)	(27,188)
Gain on sales of shares	1,314	11,869
Selling price	350	3,161
Collection of loans to subsidiaries	4,014	36,257
Cash and cash equivalents	(0)	0
Proceeds from sales of shares of subsidiaries	¥ 4,364	¥ 39,418

## 2) Nagase Logistics Co., Ltd.

The following is the summary of assets and liabilities at the time of sales as well as the cost of selling the shares and income from the sales of shares associated with Nagase Logistics Co., Ltd. which became affiliates accounted for by the equity method due to the partial sales of its shares for the year ended March 31, 2021.

	Millions of yen	Thousands of U.S. dollars
	<b>2021</b>	
Current assets	¥ 859	\$ 7,759
Non-current assets	1,810	16,349
Current liabilities	(2,068)	(18,679)
Non-current liabilities	(51)	(461)
Investment account after sales of shares	(82)	(741)
Gain on sales of shares	1,342	12,122
Selling price	1,810	16,349
Proceeds from borrowings of subsidiaries	1,870	16,891
Cash and cash equivalents	(34)	(307)
Proceeds from sales of shares of subsidiaries	¥ 3,646	\$ 32,933

## 25. SEGMENT INFORMATION

### (a) Overview of reportable segments

#### (Change in Business Segments)

Effective from the beginning of the current fiscal year, the Electronics Segment has been renamed the Electronics & Energy Segment, and the Mobility & Energy Segment has been renamed the Mobility Segment, in addition to changing the names of these segments, the following business categories were changed.

For the purpose of promoting development of new businesses, the Energy Business Office previously classified under the Mobility & Energy Segment, as well as the Advanced Information and Communications Project Team previously classified under the Others/Corporate category, have been unified in the newly established Information and Communication-Energy Office, classified under the Electronics & Energy Segment. In addition, for the purpose of expanding market share and improving synergies, the fluorine business in the Specialty Chemicals Division, which was previously classified under the Functional Materials Segment, has been moved to the Electronics & Energy Segment.

Segment information provided for the previous consolidated fiscal year is based on post-change classification methods.

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, and adhesives, 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 solutions and environment-related commercial products, sintered metal filters, and more for the paints/inks, resins, urethane foam, organic synthesis, surfactants, electronics chemicals, communications equipment, water processing, metal processing, plastic and film processing, and other industries.

The Advanced Materials & Processing Segment is engaged in the sales of dyestuffs, pigments, functional pigments, digital print processing products, thermoplastic resins, thermosetting resins, automobile refinish paints, conductive coatings, synthetic rubber, inorganic materials, plastics products, resin molding tools/dies, and more for the dye/additive, digital print processing material, fiber processing, raw resin material, resin molding, functional film and sheet, appliance and office automation device, electronics, packaging material, construction material, and other industries.

The Electronics & Energy Segment is engaged in the sales of formulated epoxy resins, fluorine products, precision abrasives, semiconductor assembly materials and devices, adhesives and encapsulant materials, display panel components and devices, chemical management equipment for display manufacturing processes, low-temperature/vacuum equipment, liquid state analysis equipment, LEDs, 3D printing products, design and manufacture of storage battery systems, solar panels, optical wireless communication equipment, and other products for the semiconductor, electronic component, AR/VR, environmental energy, 3D printing, heavy electrical and light electrical, HDD, automotive and aircraft, display, touch panel, housing, lighting, storage battery, energy, renewable energy, security device, large-scale commercial facility, and other industries. Its main services include energy management system proposals, battery assessments, and health care services.

The Mobility Segment is engaged in the sales of plastic products in general, materials for secondary batteries, interior and exterior materials and components, materials for functional components, products for electrification, sensor components, in-vehicle electronics products, in-vehicle display-related components, self-driving-related products, and other products for the overall mobility industry and related industries.

The Life & Healthcare segment is engaged in the sale 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, surfactants, and medical appliances 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.

#### (Application of Accounting Standards for Revenue Recognition)

As described in (Accounting Changes), at the beginning of the current consolidated fiscal year, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), changing its accounting method for revenue recognition. As a result, measurement methods have similarly been changed for business segment profit and loss.

Segment information provided for the previous consolidated fiscal year is based on the changed profit or loss measurement method.

### (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.

### (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, 2022 and 2021 are as follows:

	Millions of yen										
	<b>2022</b>										
	Reportable Segments										
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	¥ 99,874	¥257,283	¥128,131	¥103,389	¥191,634	¥780,313	¥ 244	¥780,557	¥ —	¥ —	¥780,557
Intersegment sales and transfers	711	777	2,319	2,389	452	6,649	4,649	11,298	—	(11,298)	—
Net sales	100,585	258,060	130,450	105,778	192,087	786,962	4,893	791,856	—	(11,298)	780,557
Segment income	7,823	10,858	10,278	4,131	9,429	42,521	100	42,621	(7,690)	331	35,263
Segment assets	83,793	164,249	77,163	68,492	218,060	611,759	2,838	614,598	190,048	(64,926)	739,720
Other items:											
Depreciation and amortization other than amortization of goodwill	465	1,447	1,479	342	5,959	9,694	16	9,711	1,505	—	11,216
Amortization of goodwill	111	178	42	—	2,145	2,478	—	2,478	—	—	2,478
Unamortized balance of goodwill	1,853	—	452	—	27,186	29,492	—	29,492	—	—	29,492
Investments in affiliates accounted for by the equity method	1,300	1,828	2,761	1,403	3,139	10,432	95	10,528	—	(0)	10,528
Increase in property, plant and equipment, net and intangible assets	562	1,742	1,610	558	2,435	6,909	25	6,934	3,791	—	10,725

	Millions of yen										
	<b>2021</b>										
	Reportable Segments										
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	¥75,294	¥209,715	¥110,770	¥78,783	¥150,331	¥624,895	¥ 349	¥625,245	¥ —	¥ —	¥625,245
Intersegment sales and transfers	680	1,546	1,951	2,069	328	6,577	5,059	11,636	—	(11,636)	—
Net sales	75,974	211,262	112,722	80,853	150,659	631,472	5,408	636,881	—	(11,636)	625,245
Segment income	4,712	7,311	8,408	1,851	6,512	28,795	157	28,952	(7,479)	443	21,916
Segment assets	79,048	144,135	69,326	53,659	165,934	512,104	2,738	514,843	160,510	(34,766)	640,587
Other items:											
Depreciation and amortization other than amortization of goodwill	472	1,040	1,496	280	5,788	9,077	104	9,181	1,827	—	11,008
Amortization of goodwill	105	89	40	—	2,108	2,344	—	2,344	—	—	2,344
Unamortized balance of goodwill	1,787	720	451	—	27,257	30,216	—	30,216	—	—	30,216
Investments in affiliates accounted for by the equity method	1,981	1,728	3,170	1,237	2,995	11,113	82	11,196	—	(1)	11,195
Increase in property, plant and equipment, net and intangible assets	399	1,974	1,222	242	5,744	9,583	11	9,595	1,160	—	10,755

Thousands of U.S. dollars

2022											
Reportable Segments											
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	\$816,031	\$2,102,157	\$1,046,907	\$844,750	\$1,565,765	\$6,375,627	\$ 1,994	\$6,377,621	\$ —	\$ —	\$6,377,621
Intersegment sales and transfers	5,809	6,349	18,948	19,520	3,693	54,326	37,985	92,311	—	—	—
Net sales	821,840	2,108,506	1,065,855	864,270	1,569,466	6,429,953	39,979	6,469,940	—	—	6,377,621
Segment income	63,919	88,716	71,460	12,607	53,207	236,964	1,283	238,255	(63,428)	4,241	179,067
Segment assets	684,639	1,342,013	630,468	559,621	1,781,682	4,998,439	23,188	5,021,636	1,552,807	—	6,043,958
Other items:											
Depreciation and amortization other than amortization of goodwill	3,799	11,823	12,084	2,794	48,689	79,206	131	79,345	12,297	—	91,641
Amortization of goodwill	907	1,454	343	—	17,526	20,247	—	20,247	—	—	20,247
Unamortized balance of goodwill	15,140	—	3,693	—	222,126	240,967	—	240,967	—	—	240,967
Investments in affiliates accounted for by the equity method	10,622	14,936	22,559	11,463	25,648	85,236	776	86,020	—	—	86,020
Increase in property, plant and equipment, net and intangible assets	4,592	14,233	13,155	4,559	19,895	56,451	204	56,655	30,975	—	87,630

**(d) Geographical information**

Net sales by country or region for the years ended March 31, 2022 and 2021 are summarized as follows:

Millions of yen								
2022								
Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Others (Note) 3	Total	Composition (%)
Japan	¥40,971	¥ 69,123	¥ 50,640	¥ 31,555	¥ 57,825	¥244	¥250,360	32.1
Greater China	11,987	117,092	54,354	30,534	3,594	—	217,562	27.9
ASEAN	26,580	58,949	7,267	29,416	3,493	—	125,707	16.1
Americas	16,703	6,172	5,221	10,249	79,243	—	117,589	15.1
Europe	2,634	4,598	4,071	1,466	47,083	—	59,855	7.7
Other	996	1,347	6,575	167	394	—	9,481	1.1
Revenues from contracts with customers	99,874	257,283	128,131	103,389	191,634	244	780,557	100.0
Net sales to customers	99,874	257,283	128,131	103,389	191,634	244	780,557	100.0

Millions of yen								
2021								
Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Others (Note) 3	Total	Composition (%)
Japan	¥31,951	¥ 60,837	¥ 51,014	¥24,258	¥ 53,326	¥349	¥221,737	35.5
Greater China	9,741	93,581	40,298	25,771	2,677	—	172,071	27.5
ASEAN	19,132	45,756	7,158	20,692	2,887	—	95,626	15.3
Americas	12,331	3,760	4,834	6,877	58,401	—	86,204	13.8
Europe	1,600	4,622	2,870	1,043	32,722	—	42,859	6.9
Other	537	1,156	4,595	139	316	—	6,745	1.0
Revenues from contracts with customers	75,294	209,715	110,770	78,783	150,331	349	625,245	100.0
Net sales to customers	75,294	209,715	110,770	78,783	150,331	349	625,245	100.0

Thousands of U.S. dollars

2022								
Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Others (Note) 3	Total	Composition (%)
Japan	\$334,758	\$ 564,777	\$ 413,759	\$257,823	\$ 472,465	\$1,994	\$2,045,592	32.1
Greater China	97,941	956,712	444,105	249,481	29,365	—	1,777,613	27.9
ASEAN	217,175	481,649	59,376	240,346	28,540	—	1,027,102	16.1
Americas	136,474	50,429	42,659	83,741	647,463	—	960,773	15.1
Europe	21,521	37,568	33,263	11,978	384,696	—	489,051	7.7
Other	8,138	11,006	53,722	1,364	3,219	—	77,465	1.1
Revenues from contracts with customers	816,031	2,102,157	1,046,907	844,750	1,565,765	1,994	6,377,621	100.0
Net sales to customers	816,031	2,102,157	1,046,907	844,750	1,565,765	1,994	6,377,621	100.0

Notes:

1. Net sales are categorized by country or region, according to the location of the customer.

2. Major countries and regions in each category other than Japan

(1) Greater China China, Hong Kong, Taiwan

(2) ASEAN Thailand, Vietnam, Singapore

(3) Americas U.S., Mexico

(4) Europe U.K., Germany

(5) Other Korea

3. "Others" is a business segment consisting of businesses not included in Reportable Segments, and includes information processing services, and professional service. Logistics services were also included in 2021.

Information of major customers not presented here, since no single customer accounts for 10% or more of consolidated net sales.

Property, plant and equipment by country or region as of March 31, 2022 and 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Japan	¥62,185	¥61,846	\$508,089
Other	10,369	9,050	84,721
Total	¥72,554	¥70,896	\$592,810

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

Loss on impairment of fixed assets for the years ended March 31, 2022 and 2021 is as follows:

Millions of yen									
2022									
Reportable Segments									
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	¥—	¥2,974	¥—	¥—	¥—	¥2,974	¥—	¥—	¥2,974

The Company no longer expects the profitability originally anticipated for the product and manufacturing process development business related to resins in the Advanced Materials & Processing segment. Therefore, the Company has written down the book value of goodwill and other intangible fixed assets related to this business to their recoverable amounts, recording impairment losses in the amount of ¥2,911 million (\$23,785 thousand).

Millions of yen									
2021									
Reportable Segments									
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	¥—	¥843	¥973	¥—	¥—	¥1,817	¥—	¥7	¥1,824

Due to decreasing profitability, the carrying values of the assets for the color former manufacturing business in the Advanced Materials & Processing segment were reduced to their recoverable amounts and impairment losses of ¥843 million (\$7,614 thousand) were recognized.

With respect to the assets for polyimide film glass bonding business in the Electronics & Energy segment, which are held by a subsidiary in Taiwan, estimated future cash flows were less than their book values. As a result, the carrying values of these assets were reduced to their recoverable amounts and impairment losses of ¥951 million (\$8,590 thousand) were recognized.

Thousands of U.S. dollars									
2022									
Reportable Segments									
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	\$—	\$24,299	\$—	\$—	\$—	\$24,299	\$—	\$—	\$24,299

## 26. RELATED PARTY TRANSACTION

A consolidated subsidiary of the Company recorded the following transaction with a related party for the year ended March 31, 2022 and 2021:

Name of related party	Relationship with the related party	Description of the transaction	Account	Millions of yen		Thousands of U.S. dollars
				2022	2021	2022
315 Fullerton LLC* <sup>1</sup>	A director of a consolidated subsidiary of the Company owns a majority of the voting rights of the company.	Rental of real estate* <sup>2</sup>	Rent payment for real estate	¥36	¥34	\$294
Total				¥36	¥34	\$294

\*<sup>1</sup> Mr. Donald K. Thorp, a director of Prinova Group, LLC, which is a consolidated subsidiary of the Company, owns 77% of the voting rights.

\*<sup>2</sup> Rent is determined taking the transactions in the neighboring area into consideration.

## 27. 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, 2022, was approved at a meeting of the shareholders held on June 20, 2022:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥30.0 = U.S.\$0.25 per share)	¥3,600	\$29,414

# Consolidated Subsidiaries, Affiliates and Offices

Category	Company name	Description of business	Location	Year of establishment
<b>Japan</b>				
<b>Manufacturing and Processing</b>				
●	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
●	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
●	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
●	CAPEX Co., Ltd.	Manufacture and development of battery power source controllers, battery power sources and power source peripheral equipment	Aichi Pref.	2004
●	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.	2000
<b>Sales and Servicing</b>				
●	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.	Purchase and sale of thermosetting resins, silicone resins, fluororesins, inorganic and organic materials, etc.	Tokyo Pref.	1979
●	Nagase Abrasive Materials Co., Ltd.	Sale of abrasives, inorganic materials and related equipment	Osaka Pref.	1955
●	Nishinohon 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
●	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 Information Development, Ltd.	Software development and maintenance	Tokyo Pref.	1987
●	Senko Nagase Logistics co., Ltd.	Warehousing and distribution	Hyogo Pref.	1982
●	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
●	Choko Co., Ltd.	Insurance agency	Osaka Pref.	1971

● Consolidated subsidiary ● Company accounted for under the equity method (As of October 2022)

Category	Company name	Description of business	Location	Year of establishment
<b>Greater China and South Korea</b>				
<b>Manufacturing and Processing</b>				
●	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
●	Prinova (Changzhou) Solutions Co., Ltd.	Manufacture and processing of premix products	China	2010
●	Toyo Quality One (Guangzhou) Co., Ltd.	Research and development, manufacturing, processing, sale, technology consulting, and after-sale service for major automotive parts	China	2004
●	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
●	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
<b>Sales and Servicing</b>				
●	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, Xiamen 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, 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
	· Dongtan Office			
●	Nagase Wahlee Plastics Corporation	Sale of resins and related products	Taiwan	1990
	· Taichung Office, Kaohsiung Branch Office, Tainan Branch Office		Taiwan	
●	NWP International Trading (Shenzhen) Co., Ltd.	Sale of plastic products in South China	China	2004
	· Dongguan Branch Office, Guangzhou Branch Office, Xiamen Branch Office		China	
●	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
●	Nagase Watada (Hong Kong) Company Limited	Printing quality management consultant (design, development, technical consulting and technical services for printers, electronics products, household appliances, game consoles, instruction manuals, and presentations outside of product use)	China	2021

## Consolidated Subsidiaries, Affiliates and Offices

Category	Company name	Description of business	Location	Year of establishment
<b>ASEAN and the Middle East</b>				
<b>Manufacturing and Processing</b>				
●	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
●	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
<b>Sales and Servicing</b>				
●	Nagase Singapore (Pte) Ltd. · Australia Branch · Bangladesh Liaison Office · Middle East Representative Office · Turkey (Izmir) Branch Office · Vietnam Representative Office Branch	Import/export, domestic sales, marketing	Singapore Australia Bangladesh United Arab Emirates Turkey Vietnam	1975
●	Nagase (Thailand) Co., Ltd. · Eastern Office · Yangon Branch · Pakistan Liaison Office	Import/export, domestic sales, marketing	Thailand Thailand Myanmar Pakistan	1989
●	Nagase (Malaysia) Sdn. Bhd. · Johor Bahru Office · Penang Office	Import/export, domestic sales, marketing	Malaysia Malaysia Malaysia	1981
●	PT. Nagase Impor-Ekspor Indonesia · Surabaya Branch	Import/export, domestic sales, marketing	Indonesia Indonesia	1998
●	Nagase Philippines Corporation	Import/export, domestic sales, marketing	Philippines	1997
●	Nagase Philippines International Services Corporation · Makati Office · Cebu Office	Domestic sales, import/export	Philippines Philippines Philippines	2005
●	Nagase Vietnam Co., Ltd. · Ho Chi Minh City Branch · Danang Branch	Import/export, domestic sales, marketing	Vietnam Vietnam Vietnam	2008
●	Nagase India Private Ltd. · North India Branch (Gurgaon) · South India Branch (Chennai)	Import/export, domestic sales, marketing	India India India	2006
●	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

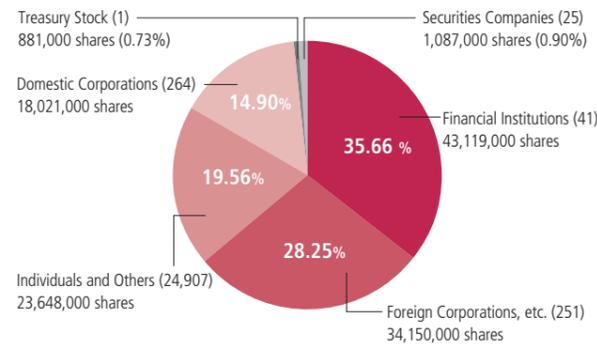
Category	Company name	Description of business	Location	Year of establishment
<b>Americas</b>				
<b>Manufacturing and Processing</b>				
●	Sofix LLC	Manufacture and sale of color formers	America	1990
●	Nagase ChemteX America LLC	Research and development, manufacture, and sales of materials for commercial 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
●	Lakeshore Technologies, LLC	Processing technologies such as powder manufacturing, micronizing and blending, and outsourced processing services including repacking, sifting, metal detection and removal	America	1997
●	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
<b>Sales and Servicing</b>				
●	Nagase Holdings America Corporation	Regional management, investment and asset management, professional service provided	America	2019
●	Nagase America LLC · Michigan Branch · California Branch	Import/export, domestic sales, marketing	America America America	1971
●	Nagase Specialty Materials NA 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
●	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	2002
●	Prinova Canada LLC	Invest and asset management	America	2015
●	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	2008
●	Nagase do Brasil Comércio de Produtos Químicos Ltda.	Import/export sales, intermediate trade, market development, information collection	Brazil	2012
●	The Ingredient House, LLC	Sales of functional food ingredients	America	2006
<b>Europe</b>				
<b>Manufacturing and Processing</b>				
●	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
<b>Sales and Servicing</b>				
●	Nagase (Europa) GmbH · Hungarian Branch · London Branch · Lyon Branch	Import/export, domestic sales, marketing	Germany Hungary England France	1980
●	Prinova Europe Limited	Sales of functional food ingredients	England	2002
●	Prinova Spain, S.L.	Sales of functional food ingredients	Spain	2011
●	Prinova Benelux and France N.V.	Sales of functional food ingredients	Belgium	2012
●	Prinova Germany GmbH	Sales of functional food ingredients	Germany	2021
●	Prinova Italy SRL	Sales and imports of functional food ingredients and provision of related products and management solutions	Italy	2021

# Investor Information

(As of March 31, 2022)

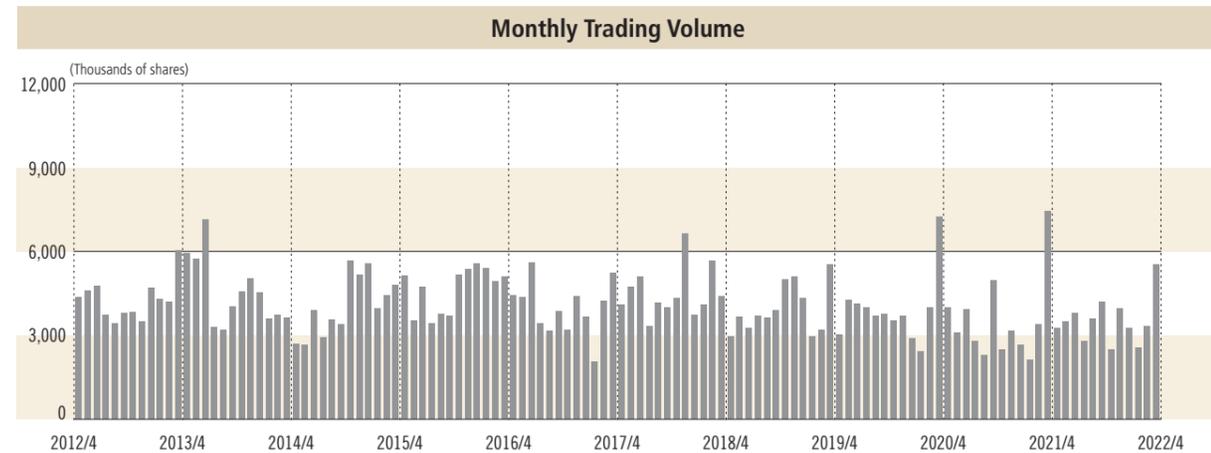
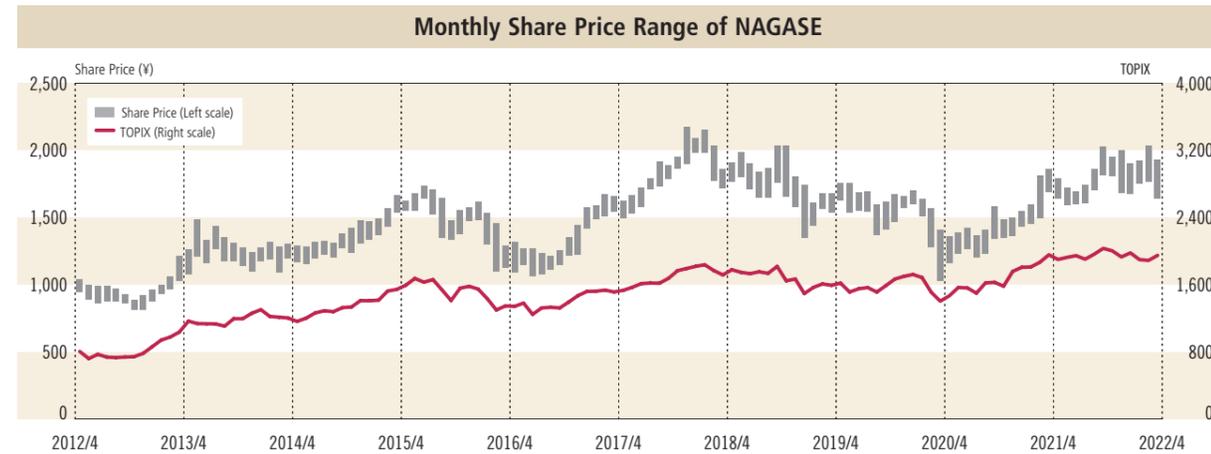
<b>Stock Exchange</b>	Tokyo (Prime Market)
<b>Code</b>	8012
<b>Stock Status</b>	Total number of shares issuable: 346,980,000 shares Issued number of shares: 120,908,285 shares
<b>Number of Shareholders</b>	25,489

## 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)	16,143	13.45
Sumitomo Mitsui Trust Bank, Limited	5,776	4.81
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,291	4.41
Custody Bank of Japan, Ltd. (Trust Account)	4,593	3.83
Sumitomo Mitsui Banking Corporation	4,377	3.65
Nippon Life Insurance Company	3,589	2.99
Reiko Nagase	3,511	2.93
NAGASE & CO., LTD. Own Share Investment Association	3,173	2.64
Nagase Shunzo Co., Ltd.	2,688	2.24
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	2,650	2.21

Note: Percentage of total shares outstanding was computed excluding treasury stock (881,767 shares).



# Corporate Information

(As of March 31, 2022)

## Overview

<b>Company Name</b>	NAGASE & CO., LTD.	
<b>Founded</b>	June 18, 1832	
<b>Establishment</b>	December 9, 1917	
<b>Capital</b>	¥9,699 million	
<b>Employees</b>	892 (Consolidated: 7,113)	
<b>Main Business</b>	Import/export and domestic sales of chemicals, plastics, electronics materials, cosmetics raw materials and food ingredients	
<b>Main Banks</b>	Sumitomo Mitsui Banking Corporation, MUFG Bank, Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	
<b>Osaka Head Office:</b>	1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka 550-8668	Tel: (81) 6-6535-2114
<b>Tokyo Head Office:</b>	Tokiwabashi Tower, 2-6-4, Otemachi, Chiyoda-ku, Tokyo 100-8142	Tel: (81) 3-3665-3021
<b>Nagoya Branch Office:</b>	3-14-18, Marunouchi, Naka-ku, Nagoya City, Aichi 460-8560	Tel: (81) 52-963-5615
<b>Nagase Bio-Innovation Center:</b>	Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, Hyogo 651-2241	Tel: (81) 78-992-3162
<b>Nagase Application Workshop:</b>	2-4-45, Higashi Tsukaguchicho, Amagasaki City, Hyogo 661-0011	Tel: (81) 6-4961-6730



## Organization

(As of April 2022)

