NAGASE
Nagase & Co., Ltd.

Consolidated Financial Statements

NAGASE & CO., LTD.

Year ended March 31, 2026

with Independent Auditor's Report

CONTENTS

Consolidated Balance Sheet

March 31, 2026

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Assets			
Current assets:			
Cash and time deposits (Notes 21 and 28)	**¥ 45,599**	¥ 66,310	**$ 285,208**
Notes and accounts receivable and contract assets (Note 21)	**321,435**	311,251	**2,010,477**
Inventories (Notes 8 and 9)	**177,559**	166,224	**1,110,577**
Other current assets	**22,660**	17,387	**141,731**
Less allowance for doubtful accounts	**(936)**	(1,048)	**(5,854)**
Total current assets	**566,319**	560,126	**3,542,150**
Non-current assets			
Property, plant and equipment, at cost (Notes 10,11 and 26):			
Land	**23,104**	20,114	**144,508**
Buildings and structures	**70,259**	59,437	**439,448**
Machinery, equipment and vehicles	**117,829**	97,913	**736,984**
Leased assets	**20,408**	14,685	**127,646**
Construction in progress	**16,551**	6,452	**103,521**
	248,154	198,603	**1,552,127**
Less accumulated depreciation	**(124,180)**	(106,931)	**(776,708)**
Property, plant and equipment, net (Note 29)	**123,973**	91,671	**775,413**
Investments and other assets:			
Investments in securities (Notes 12 and 21):			
Unconsolidated subsidiaries and affiliates	**13,467**	11,161	**84,232**
Other	**74,128**	60,866	**463,648**
	87,595	72,028	**547,880**
Long-term loans receivable	**1,329**	1,257	**8,312**
Goodwill (Note 29)	**28,384**	25,400	**177,533**
Technology-based assets	**3,060**	1,289	**19,139**
Retirement benefit asset (Note 15)	**9,628**	6,072	**60,220**
Deferred tax assets (Note 16)	**6,029**	5,700	**37,710**
Other assets (Note 11)	**46,300**	45,775	**289,592**
Less allowance for doubtful accounts	**(1,093)**	(1,179)	**(6,836)**
Total investments and other assets	**181,233**	156,345	**1,133,556**
Total non-current assets	**305,207**	248,017	**1,908,975**
Total assets (Note 29)	**¥ 871,526**	¥ 808,143	**$5,451,126**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable (Note 21)	¥159,845	¥151,269	$ 999,781
Short-term loans (Notes 13 and 21)	20,175	42,310	126,188
Current portion of long-term loans and lease obligations (Notes 13, 21 and 26)	17,776	8,644	111,183
Commercial papers (Notes 13 and 21)	47,000	19,500	293,970
Accrued income taxes (Note 16)	6,934	3,753	43,370
Accrued expenses	9,340	10,417	58,419
Accrued bonuses for employees	9,533	8,518	59,626
Accrued bonuses for directors and executive officers	404	394	2,527
Provision for directors' stock benefit	49	–	306
Provision for loss on business withdrawal	1,306	1,917	8,169
Other current liabilities	24,640	22,850	154,116
Total current liabilities	297,008	269,576	1,857,693
Long-term liabilities:			
Bonds (Notes 13 and 21)	40,000	40,000	250,188
Long-term loans and lease obligations (Notes 13,21 and 26)	66,077	64,926	413,291
Deferred tax liabilities (Note 16)	19,600	13,275	122,592
Retirement benefit liability (Note 15)	10,981	12,289	68,683
Provision for directors' stock benefit	315	111	1,970
Other long-term liabilities	3,517	1,503	21,998
Total long-term liabilities	140,493	132,106	878,740
Contingent liabilities (Note 25)			
Net assets:			
Shareholders' equity (Note 18):			
Common stock:			
Authorized – 346,980,000 shares Issued – 109,908,285 shares in 2026 and 114,908,285 shares in 2025	9,699	9,699	60,664
Capital surplus	9,336	9,348	58,394
Retained earnings (Notes 27 and 31)	321,076	312,244	2,008,231
Treasury stock, at cost (Note 19) – 7,950,152 shares in 2026 and 6,443,222 shares in 2025	(26,233)	(19,579)	(164,079)
Total shareholders' equity	313,878	311,712	1,963,210
Accumulated other comprehensive income:			
Net unrealized holding gain on securities (Note 12)	40,477	30,665	253,171
Deferred gain (loss) on hedges (Note 22)	(123)	6	(769)
Translation adjustments	68,119	56,864	426,063
Retirement benefit liability adjustments (Note 15)	3,094	(196)	19,352
Total accumulated other comprehensive income	111,567	87,340	697,817
Non-controlling interests	8,578	7,406	53,653
Total net assets	434,025	406,459	2,714,692
Total liabilities and net assets	¥871,526	¥808,143	$5,451,126

See notes to consolidated financial statements.

Consolidated Statement of Income

Year ended March 31, 2026

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Net sales (Note 29)	¥972,783	¥944,961	$6,084,457
Cost of sales (Note 9 and 23)	785,096	771,660	4,910,533
Gross profit	187,687	173,301	1,173,924
Selling, general and administrative expenses (Notes 23 and 24)	142,959	134,222	894,164
Operating income (Note 29)	44,727	39,078	279,754
Other income (expenses):			
Interest and dividend income	2,794	2,989	17,476
Interest expense	(3,348)	(3,734)	(20,941)
Equity in earnings of affiliates	416	979	2,602
Gain on sales of investments in securities (Note 12)	3,497	2,792	21,873
Loss on sales of investments in capital of subsidiaries and affiliates	–	(108)	–
Gain on sales of shares of subsidiaries and affiliates	485	–	3,034
Loss on sales of investment securities	–	(19)	–
Loss on devaluation of investments in securities (Note 12)	(516)	(1,234)	(3,227)
Gain on sales of property, plant and equipment	36	2,159	225
Loss on sales of property, plant and equipment	(71)	(388)	(444)
Loss on disposal of property, plant and equipment	(224)	(575)	(1,401)
Loss on impairment of fixed assets (Notes 11 and 29)	(100)	(1,173)	(625)
Subsidy income	231	258	1,445
Gain on liquidation of subsidiaries and affiliates	–	74	–
Gain on bargain purchase	1,780	–	11,133
Loss on business withdrawal	(2,726)	(2,048)	(17,050)
Other, net	(1,003)	(921)	(6,273)
Profit before income taxes	45,977	38,130	287,572
Income taxes (Note 16):			
Current	13,776	10,958	86,165
Deferred	(1,709)	901	(10,689)
Profit	33,910	26,270	212,097
Profit attributable to:			
Non-controlling interests	(790)	(748)	(4,941)
Owners of parent	¥ 33,119	¥ 25,521	$ 207,149

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended March 31, 2026

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Profit	¥33,910	¥26,270	$212,097
Other comprehensive income (Note 14):			
Net unrealized holding gain (loss) on securities	9,813	(3,091)	61,377
Deferred loss on hedges	(128)	(113)	(801)
Translation adjustments	11,793	11,824	73,762
Retirement benefit liability adjustments	3,290	(2,699)	20,578
Share of other comprehensive income of affiliates accounted for by the equity method	363	109	2,270
	25,133	6,028	157,199
Comprehensive income	¥59,043	¥32,299	$369,296
Total comprehensive income attributable to:			
Owners of parent	¥57,346	¥31,668	$358,682
Non-controlling interests	¥ 1,696	¥ 630	$ 10,608

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2026

	Millions of yen					
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities
Balance at April 1, 2024	¥9,699	¥9,348	¥303,328	¥ (9,543)	¥312,832	¥33,763
Profit attributable to owners of parent	–	–	25,521	–	25,521	–
Cash dividends	–	–	(9,557)	–	(9,557)	–
Purchases of treasury stock	–	–	–	(17,000)	(17,000)	–
Disposition of treasury stock	–	–	–	12	12	–
Cancellation of treasury stock	–	–	(6,951)	6,951	–	–
Decrease in retained earnings resulting from changes in scope of equity method	–	–	(96)	–	(96)	–
Other changes	–	–	–	–	–	(3,097)
Balance at April 1, 2025	**9,699**	**9,348**	**312,244**	**(19,579)**	**311,712**	**30,665**
Profit attributable to owners of parent	**–**	**–**	**33,119**	**–**	**33,119**	**–**
Cash dividends	**–**	**–**	**(9,604)**	**–**	**(9,604)**	**–**
Purchases of treasury stock	**–**	**–**	**–**	**(24,675)**	**(24,675)**	**–**
Disposition of treasury stock	**–**	**414**	**–**	**2,616**	**3,031**	**–**
Cancellation of treasury stock	**–**	**(720)**	**(14,683)**	**15,404**	**–**	**–**
Changes in ownership interests in subsidiaries	**–**	**(11)**	**–**	**–**	**(11)**	**–**
Tax effect adjustment related to changes in ownership interests	**–**	**306**	**–**	**–**	**306**	**–**
Other changes	**–**	**–**	**–**	**–**	**–**	**9,811**
Balance at March 31, 2026	**¥9,699**	**¥9,336**	**¥321,076**	**¥(26,233)**	**¥313,878**	**¥40,477**

	Millions of yen					
	Deferred gain (loss) on hedges	Translation adjustments	Retirement benefit liability adjustments (Note 15)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2024	¥ 119	¥44,846	¥ 2,503	¥ 81,232	¥7,250	¥401,315
Profit attributable to owners of parent	–	–	–	–	–	25,521
Cash dividends	–	–	–	–	–	(9,557)
Purchases of treasury stock	–	–	–	–	–	(17,000)
Disposition of treasury stock	–	–	–	–	–	12
Cancellation of treasury stock	–	–	–	–	–	–
Decrease in retained earnings resulting from changes in scope of equity method	–	–	–	–	–	(96)
Other changes	(113)	12,018	(2,699)	6,107	156	6,264
Balance at April 1, 2025	**6**	**56,864**	**(196)**	**87,340**	**7,406**	**406,459**
Profit attributable to owners of parent	**–**	**–**	**–**	**–**	**–**	**33,119**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**(9,604)**
Purchases of treasury stock	**–**	**–**	**–**	**–**	**–**	**(24,675)**
Disposition of treasury stock	**–**	**–**	**–**	**–**	**–**	**3,031**
Cancellation of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**
Changes in ownership interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**(11)**
Tax effect adjustment related to changes in ownership interests	**–**	**–**	**–**	**–**	**–**	**306**
Other changes	**(129)**	**11,255**	**3,290**	**24,227**	**1,171**	**25,399**
Balance at March 31, 2026	**¥(123)**	**¥68,119**	**¥ 3,094**	**¥111,567**	**¥8,578**	**¥434,025**

See notes to consolidated financial statements.

	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
Balance at April 1, 2025	**$60,664**	**$58,469**	**$1,952,990**	**$(122,461)**	**$1,949,662**	**$191,800**
Profit attributable to owners of parent	**–**	**–**	**207,149**	**–**	**207,149**	**–**
Cash dividends	**–**	**–**	**(60,070)**	**–**	**(60,070)**	**–**
Purchases of treasury stock	**–**	**–**	**–**	**(154,335)**	**(154,335)**	**–**
Disposition of treasury stock	**–**	**2,589**	**–**	**16,362**	**18,958**	**–**
Cancellation of treasury stock	**–**	**(4,503)**	**(91,838)**	**96,347**	**–**	**–**
Changes in ownership interests in subsidiaries	**–**	**(69)**	**–**	**–**	**(69)**	**–**
Tax effect adjustment related to changes in ownership interests	**–**	**1,914**	**–**	**–**	**1,914**	**–**
Other changes	**–**	**–**	**–**	**–**	**–**	**61,365**
Balance at March 31, 2026	**$60,664**	**$58,394**	**$2,008,231**	**$(164,079)**	**$1,963,210**	**$253,171**

	Thousands of U.S. dollars (Note 1)					
	Deferred gain (loss) on hedges	Translation adjustments	Retirement benefit liability adjustments (Note 15)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2025	**$ 38**	**$355,667**	**$(1,226)**	**$546,285**	**$46,322**	**$2,542,275**
Profit attributable to owners of parent	**–**	**–**	**–**	**–**	**–**	**207,149**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**(60,070)**
Purchases of treasury stock	**–**	**–**	**–**	**–**	**–**	**(154,335)**
Disposition of treasury stock	**–**	**–**	**–**	**–**	**–**	**18,958**
Cancellation of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**
Changes in ownership interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**(69)**
Tax effect adjustment related to changes in ownership interests	**–**	**–**	**–**	**–**	**–**	**1,914**
Other changes	**(807)**	**70,397**	**20,578**	**151,532**	**7,324**	**158,863**
Balance at March 31, 2026	**$(769)**	**$426,063**	**$19,352**	**$697,817**	**$53,653**	**$2,714,692**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2026

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Operating activities:			
Profit before income taxes	**¥ 45,977**	¥ 38,130	**$ 287,572**
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization other than amortization of goodwill	**16,636**	15,329	**104,053**
Loss on impairment of fixed assets	**100**	1,173	**625**
Amortization of goodwill	**2,963**	2,722	**18,533**
Subsidy income	**(231)**	(258)	**(1,445)**
Share of gain of entities accounted for using equity method	**(416)**	(979)	**(2,602)**
Loss on business withdrawal	**2,726**	2,048	**17,050**
Settlement payments	**364**	–	**2,277**
Gain on bargain purchase	**(1,780)**	–	**(11,133)**
Decrease in retirement benefit liability	**(1,185)**	(798)	**(7,412)**
Increase in retirement benefit asset	**(3,552)**	(3,347)	**(22,217)**
Interest and dividend income	**(2,794)**	(2,989)	**(17,476)**
Interest expense	**3,348**	3,734	**20,941**
Exchange gain, net	**(2,533)**	(689)	**(15,843)**
Gain on sales of investments in securities	**(3,981)**	(2,773)	**(24,900)**
Loss on valuation of investment securities	**516**	1,234	**3,227**
Changes in operating assets and liabilities:			
Notes and accounts receivable	**3,888**	11,502	**24,318**
Inventories	**(1,254)**	(13,093)	**(7,843)**
Notes and accounts payable	**123**	(6,617)	**769**
Other, net	**55**	3,929	**344**
Subtotal	**58,968**	48,259	**368,827**
Interest and dividends received	**3,389**	3,708	**21,197**
Interest paid	**(3,413)**	(3,676)	**(21,347)**
Subsidy income	**231**	258	**1,445**
Settlement paid	**(104)**	–	**(650)**
Income taxes paid	**(11,266)**	(12,228)	**(70,465)**
Net cash provided by operating activities	**47,805**	36,321	**299,006**
Investing activities:			
Purchases of property, plant and equipment	**(25,351)**	(12,554)	**(158,563)**
Proceeds from sales of property, plant and equipment	**223**	2,623	**1,395**
Purchases of intangible fixed assets included in other assets	**(2,749)**	(2,630)	**(17,194)**
Purchases of investments in securities	**(2,377)**	(953)	**(14,867)**
Proceeds from sales of investments in securities	**4,399**	3,315	**27,514**
Proceeds from sales of investments in capital	**–**	256	**–**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	**622**	–	**3,890**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(19,071)**	–	**(119,283)**
Decrease in short-term loans receivable included in other current assets, net	**22**	403	**138**
Decrease (increase) in time deposits, net	**211**	(219)	**1,320**
Other, net	**(2,441)**	(1,856)	**(15,268)**
Net cash used in investing activities	**(46,511)**	(11,615)	**(290,912)**
Financing activities:			
Decrease in short-term loans, net	**(24,292)**	(7,909)	**(151,939)**
Increase (decrease) in commercial papers, net	**27,500**	(17,500)	**172,004**
Proceeds from long-term loans	**12,000**	32,036	**75,056**
Repayments of long-term loans	**(6,511)**	(6,941)	**(40,724)**
Proceeds from issuance of bonds	**–**	20,000	**–**
Redemption of bonds	**–**	(10,000)	**–**
Purchase of treasury stock	**(23,037)**	(17,018)	**(144,089)**
Cash dividends paid	**(9,604)**	(9,557)	**(60,070)**
Cash dividends paid to non-controlling interests	**(540)**	(474)	**(3,378)**
Other, net	**(897)**	(847)	**(5,610)**
Net cash used in financing activities	**(25,384)**	(18,212)	**(158,769)**
Effects of exchange rate changes on cash and cash equivalents	**3,577**	223	**22,373**
Net (decrease) increase in cash and cash equivalents	**(20,513)**	6,717	**(128,302)**
Cash and cash equivalents at beginning of the year	**65,903**	59,185	**412,203**
Cash and cash equivalents at end of the year (Note 28)	**¥ 45,390**	¥ 65,903	**$ 283,900**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended March 31, 2026

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 ¥159.88 = U.S.$1.00, the rate of exchange prevailing on March 31, 2026. 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 its 75 domestic and foreign subsidiaries, the management of which is controlled by the Company. The changes in the scope of consolidation are as follows.

[Increase]

- APLIQUIMICA APLICACOES QUIMICAS ESPECIAIS LTDA (*1)
- SACHEM Japan Holding GK (*2)
- SACHEM Japan Co., Ltd. (*2)
- SN Tech Corporation (*2)
- Nagase Circrea (Wuxi) Co., Ltd. (*3)
- SACHEM Korea Ltd. (*4)
- NAGASE WAHLEE INDIA PRIVATE LIMITED (*5)
- Nagase Diagnostics Co., Ltd. (*6)

[Decrease]

- Nagase Abrasive Materials Co., Ltd. (*7)
- SACHEM Japan Holding GK (*2)
- SN Tech Corporation (*2)
- Inkron Oy (*8)
- The Ingredient House, LLC (*9)
- Fruttini Sucos de Frutas Ltda (*10)

(*1) On April 1, 2025, the company became a consolidated subsidiary through the acquisition of equity interests.

(*2) On June 3, 2025, SACHEM Japan Holding GK and SACHEM Japan GK became consolidated subsidiaries through the acquisition of equity interests. SN Tech Corporation changed from an affiliate subject to application of the equity method to a consolidated subsidiary through an additional acquisition of shares. On January 1, 2026, an absorption-type merger was conducted with SACHEM Japan Holding GK and SN Tech Corporation as the dissolved companies and SACHEM Japan GK as the surviving company. The surviving company was subsequently reorganized into SACHEM Japan Co., Ltd. and changed its name to Nagase Circrea Co., Ltd. on April 1, 2026.

(*3) On June 3, 2025, the company became a consolidated subsidiary through the acquisition of equity interests and changed its name from SACHEM Wuxi Co., Ltd. on March 16, 2026.

(*4) On June 3, 2025, the company became a consolidated subsidiary through the acquisition of shares. In addition, the company changed its name to Nagase Circrea Korea Co., Ltd. on April 1, 2026.

(*5) On June 24, 2025, the company was newly established through an investment and became a consolidated subsidiary.

(*6) On July 1, 2025, the company became a consolidated subsidiary through the acquisition of shares.

(*7) On April 1, 2025, the company was dissolved in an absorption-type merger in which NAGASE ELEX CO., LTD., a consolidated subsidiary, was the surviving company.

(*8) On October 31, 2025, the company was excluded from consolidation due to a transfer of shares.

(*9) On December 31, 2025, the company was dissolved in an absorption-type merger in which Prinova US LLC was the surviving company.

(*10) On January 29, 2026, the company was dissolved in an absorption-type merger in which Flavor Tec - Aromas de Frutas Ltda was the surviving company.

Affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. The Company has 17 affiliates accounted for by the equity method. The changes in the scope of application of the equity method are as follows.

[Decrease]

- SN Tech Corporation (*1)

(*1) On June 3, 2025, the company changed from an equity-method affiliate to a consolidated subsidiary through an additional acquisition of shares.

All significant intercompany balances and transactions have been eliminated in consolidation. The 9 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 main unconsolidated subsidiary is CHOKO CO., LTD. The 9 unconsolidated subsidiaries and 5 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. The main affiliate is ON Colors & Chemicals (Shanghai) Co., Ltd.

Of the Company's subsidiaries, 34 have a December 31 year end, which is different from that of the Company. The financial statements of 13 subsidiaries have been included in consolidation based on a provisional statement of accounts for a full fiscal year ending March 31. As for the other 21 subsidiaries, adjustments have been made for any significant intercompany transactions that took place during the period between the year end of these subsidiaries and the year end of the Company.

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

(b) Foreign Currency Translation

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

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

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding non-controlling interests, net unrealized holding gain on securities, and deferred gain or loss on hedges are translated at their historical exchange rates. Revenue and 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 profit 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 15 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.

(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) Provision for Directors' Stock Benefit
In order to provide for the payment of shares, etc. of the Company to Directors (excluding Outside Directors) and executive officers, the estimated amount of stock-based compensation payable in accordance with the Stock-Grant Rules for Directors (internal rules) is recorded.

(o) Provision for Loss on Business Withdrawal
For businesses for which a decision to withdraw has been made, the estimated amount of future losses associated with the withdrawal is reasonably calculated and recognized as a provision for loss on business withdrawal.

(p) 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.

(q) 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 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 the 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.

(r) 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;otherwise, the deferral hedge accounting method is applied.

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 or the risk that interest rates may deviate from future market interest rate levels. 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.

(s) Research and Development Costs
Research and development costs are charged to income when incurred.

(t) 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 31(a).)

3. ACCOUNTING CHANGES

Revised Classification of Manufacturing Costs
Effective from the beginning of the current fiscal year, the Company has revised the classification of manufacturing costs at the manufacturing subsidiaries of the Prinova Group, a consolidated subsidiary. Following the full acquisition of the Prinova Group in FY 2023, this revision was implemented to strengthen cost control practices, leveraging the introduction of a new accounting system.

Accordingly, certain expense items that had previously been recorded as selling, general and administrative expenses are now recorded as cost of sales. This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been restated accordingly.

As a result of the retrospective application, cost of sales increased by ¥7,990 million and selling, general and administrative expenses decreased by the same amount (comprising ¥1,783 million in selling expenses, ¥1,800 million in employee salaries and allowances, ¥1,149 million in depreciation and amortization other than amortization of goodwill, and ¥3,256 million in other expenses) for the previous fiscal year, resulting in a ¥7,990 million decrease in gross profit compared with the amount before the retrospective adjustment. There was no impact on operating income, ordinary income, profit attributable to owners of the parent, opening balance of retained earnings and per share data.

4. SIGNIFICANT ACCOUNTING ESTIMATES

Fair Value Measurement of Intangible Assets Recognized in a Business Combination

(a) Amounts Recognized in the Consolidated Financial Statements for the Current Fiscal Year
In the current fiscal year, the Group completed a business combination through the acquisition of the semiconductor high-purity chemicals business in the Asia region of SACHEM, Inc. in the United States. The principal goodwill and identifiable intangible assets newly recognized in connection with this business combination are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2026	2026
Goodwill	¥4,083	$25,538
Technology-based assets	2,099	13,129

(b) Information about significant accounting estimates pertaining to identified items
(i) Method of calculation
The purchase consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase consideration over the fair value of the net identifiable assets acquired has been recognized as goodwill.

The fair value of technology-based assets has been measured using the relief-from-royalty method, based on the business plan for the acquired business.

(ii) Key assumptions used in the calculation
The principal assumptions used in measuring the fair value of technology-based assets include projected revenues of the specific business, expected growth rates, royalty rates and discount rates.

(iii) Effects on consolidated financial statements for the next fiscal year
The assumptions used in the accounting estimates and judgments described above are based on information available as of the end of the current fiscal year; however, such estimates inherently involve uncertainty. Accordingly, if events occur that require these assumptions to be revised, there is a possibility that the measurement of goodwill and technology-based assets could be materially affected in the consolidated financial statements for the next fiscal year.

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting Standard for Leases (ASBJ Statement No. 34, issued on September 13, 2024)
Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, issued on September 13, 2024), etc.

(a) Overview
As part of its efforts to align Japanese GAAP with international standards, the ASBJ has developed a new accounting standard for leases under which lessees are required to recognize all leases as assets and liabilities. This standard is based on the single accounting model adopted in IFRS 16 "Leases." However, rather than incorporating all provisions of IFRS 16, the ASBJ has selectively adopted the main elements in order to achieve a simplified and practical approach. The aim is to make the new standard user-friendly while minimizing the need for adjustments when using IFRS 16 in preparing non-consolidated financial statements.

Under the lessee accounting model, depreciation of the right-of-use assets and interest expense on the lease liabilities are recognized for all leases, regardless of whether they are classified as finance leases or operating leases, in accordance with the IFRS 16 model.

(b) Scheduled date of adoption
The Company expects to adopt the accounting standard and related implementation guidance from the beginning of the fiscal year ending March 31, 2028.

(c) Impact of adoption
The Company is currently evaluating the effect of the adoption of the "Accounting Standard for Leases" and related guidance on its consolidated financial statements.

6. CHANGES IN PRESENTATION

Consolidated Balance Sheet
In the previous fiscal year, "Provision for loss on business withdrawal" was included in "Other current liabilities" under current liabilities. However, in view of its materiality, it has been presented separately from the current fiscal year. Accordingly, the consolidated balance sheet for the previous fiscal year has been reclassified, and the ¥24,767 million previously included in "Other current liabilities" under current liabilities is now presented as "Provision for loss on business withdrawal" of ¥1,917 million and "Other current liabilities" of ¥22,850 million.

In the previous fiscal year, "Long-term income taxes payable" was separately presented under non-current liabilities. However, since there was no balance in the current fiscal year, it has been included in "Other long-term liabilities" Accordingly, the consolidated balance sheet for the previous fiscal year has been reclassified, and "Long-term income taxes payable" of ¥22 million and "Other long-term liabilities" of ¥1,481 million under non-current liabilities are now presented as "Other long-term liabilities" of ¥1,503 million.

Consolidated Statement of Cash Flows
In the previous fiscal year, "Gain on sales of property, plant and equipment" was separately presented under cash flows from operating activities. However, due to its decreased materiality, it has been included in "Other, net" from the current fiscal year. Accordingly, the consolidated statement of cash flows for the previous fiscal year has been reclassified, and "Gain on sales of property, plant and equipment" of ¥(1,771) million and "Other, net" of ¥5,700 million under cash flows from operating activities are now presented as "Other, net" of ¥3,929 million.

7. CHANGES IN ACCOUNTING ESTIMATES

Provision for Loss on Business Withdrawal
In the previous fiscal year, the Company recorded a provision for loss on business withdrawal related to the loss incurred from the thin-film processing business for glass substrates in China, the decision for which was made in fiscal 2020.However, due to the acquisition of new information regarding soil remediation costs, the Company revised estimates during the current fiscal year.

As a result of this change in estimate, the provision for loss on business withdrawal for the current fiscal year increased by ¥2,969 million($18,570 thousand) and income before income taxes decreased by ¥2,726 million($17,050 thousand).

8. INVENTORIES

Inventories as of March 31, 2026 and 2025 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Merchandise and finished goods	¥157,496	¥146,834	$ 985,089
Work in process	3,282	2,320	20,528
Raw materials and supplies	16,781	17,068	104,960
Total	¥177,559	¥166,224	$1,110,577

9. 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 the following loss on devaluation of inventories is included in cost of sales for the years ended March 31, 2026 and 2025:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Loss on devaluation of inventories included in cost of sales	¥(218)	¥2,106	$(1,364)

To more clearly present the actual impact on cost of sales and other related figures, the Company has changed the method of aggregating loss on devaluation of inventories included in cost of sales from the current fiscal year. The amount for the previous fiscal year, restated under the new aggregation method, was ¥(5) million.

10. REDUCTIONS IN ACQUISITION COSTS DUE TO SUBSIDIES

The amounts of subsidies received from the Japanese national government and deducted from the acquisition costs of non-current assets at March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Buildings and structures	¥ 402	¥ 402	$2,514
Machinery, equipment and vehicles	703	721	4,397
Land	190	190	1,188
Other assets	1	–	6
Total	¥1,298	¥1,314	$8,119

11. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the years ended March 31, 2025 was as follows:

			Millions of yen
Major use	Classification	Area	2025
Goodwill, etc. related to sales of pharmaceutical and cosmetic ingredients	Goodwill,and intangible assets included in other assets	Illinois, USA	¥1,173

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, 2025, the book values were reduced to their recoverable amounts as the originally expected profits are no longer expected.

The recoverable amounts were measured based on the value in use.

12. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2026 and 2025 are summarized as follows:

	Millions of yen					
	2026			2025		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥68,444**	**¥11,048**	**¥57,395**	¥54,426	¥10,965	¥43,460
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**258**	**295**	**(36)**	1,128	1,162	(34)
Total	**¥68,703**	**¥11,343**	**¥57,359**	¥55,554	¥12,128	¥43,425

	Thousands of U.S. dollars (Note 1)		
	2026		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$428,096**	**$69,102**	**$358,988**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**1,614**	**1,845**	**(225)**
Total	**$429,716**	**$70,947**	**$358,763**

"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, 2026 and 2025 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
	Carrying value	Carrying value	Carrying value
Market value not available:			
Unlisted equity securities	**¥5,424**	¥5,312	**$33,925**
Total	**¥5,424**	¥5,312	**$33,925**

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2026 and 2025 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Proceeds from sales	**¥4,473**	¥3,283	**$27,977**
Gain on sales	**3,497**	2,792	**21,873**
Loss on sales	**0**	18	**0**

(d) A breakdown of loss on devaluation of investments in securities for the years ended March 31, 2026 and 2025 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Loss on devaluation of investments in securities [*]			
Securities classified as other securities	**¥516**	¥1,225	**$3,227**
Other investments in capital	**–**	9	**–**
Total loss on devaluation of investments in securities	**¥516**	¥1,234	**$3,227**

(*) 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.

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

Short-term loans at March 31, 2026 and 2025 principally represented loans and commercial papers in the form of deeds at weighted-average annual interest rates of 3.97% and 5.37% per annum, respectively.

Long-term loans, bonds and lease obligations at March 31, 2026 and 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Unsecured loans from banks and insurance companies, payable in Yen due through 2034, at rates from 0.30% to 1.53%	**¥ 65,000**	¥ 59,493	**$ 406,555**
Unsecured bonds in Yen, due 2029, at a rate of 0.290%	**10,000**	10,000	**62,547**
Unsecured bonds in Yen, due 2032, at a rate of 0.640%	**10,000**	10,000	**62,547**
Unsecured bonds in Yen, due 2029, at a rate of 1.053%	**10,000**	10,000	**62,547**
Unsecured bonds in Yen, due 2034, at a rate of 1.690%	**10,000**	10,000	**62,547**
Lease obligations	**18,854**	14,077	**117,926**
	123,854	113,570	**774,669**
Less current portion	**(17,776)**	(8,644)	**(111,183)**
Total	**¥106,077**	¥104,926	**$ 663,479**

The aggregate annual maturities of bonds, long-term loans and lease obligations subsequent to March 31, 2026 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2027	**¥ 17,776**	**$111,183**
2028	**8,511**	**53,234**
2029	**2,120**	**13,260**
2030	**32,977**	**206,261**
2031	**6,331**	**39,598**
2032 and thereafter	**56,138**	**351,126**
Total	**¥123,854**	**$774,669**

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, 2026 and 2025 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Lines of credit	**¥10,000**	¥20,000	**$62,547**
Credit utilized	**–**	–	**–**

14. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Net unrealized holding gain (loss) on securities:			
Amount arising during the year	**¥17,306**	¥(2,295)	**$108,244**
Reclassification adjustments for gains and losses realized in the statement of income	**(3,070)**	(1,689)	**(19,202)**
Amount before tax effect	**14,235**	(3,984)	**89,036**
Tax effect	**(4,422)**	893	**(27,658)**
Net unrealized holding gain (loss) on securities	**9,813**	(3,091)	**61,377**
Deferred gain (loss) on hedges:			
Amount arising during the year	**(118)**	(142)	**(738)**
Reclassification adjustments for gains and losses realized in the statement of income	**(74)**	(20)	**(463)**
Adjustments to acquisition costs of assets	**5**	–	**31**
Amount before tax effect	**(187)**	(163)	**(1,170)**
Tax effect	**59**	49	**369**
Deferred gain (loss) on hedges	**(128)**	(113)	**(801)**
Translation adjustments:			
Amount arising during the year	**11,870**	12,098	**74,243**
Reclassification adjustments for gains and losses realized in the statement of income	**–**	(274)	**–**
Amount before tax effect	**11,870**	11,824	**74,243**
Tax effect	**(77)**	–	**(482)**
Translation adjustments	**11,793**	11,824	**73,762**
Retirement benefit liability adjustments:			
Amount arising during the year	**4,523**	(357)	**28,290**
Reclassification adjustments for gains and losses realized in the statement of income	**285**	(3,536)	**1,783**
Amount before tax effect	**4,808**	(3,894)	**30,073**
Tax effect	**(1,517)**	1,194	**(9,488)**
Retirement benefit liability adjustments	**3,290**	(2,699)	**20,578**
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	**368**	188	**2,302**
Reclassification adjustments for gains and losses realized in the statement of income	**(4)**	(79)	**(25)**
Amount before tax effect	**363**	109	**2,270**
Tax effect	**–**	–	**–**
Share of other comprehensive income of affiliates accounted for by the equity method	**363**	109	**2,270**
Total other comprehensive income	**¥25,133**	¥ 6,028	**$157,199**

15. 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, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Balance at the beginning of the year	**¥29,780**	¥30,293	**$186,265**
Service cost	**1,284**	1,249	**8,031**
Interest cost	**457**	426	**2,858**
Actuarial differences	**(3,813)**	15	**(23,849)**
Retirement benefits paid	**(1,966)**	(2,209)	**(12,297)**
Other	**(198)**	4	**(1,238)**
Balance at the end of the year	**¥25,544**	¥29,780	**$159,770**

The changes in plan assets for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Balance at the beginning of the year	**¥23,563**	¥24,165	**$147,379**
Expected return on plan assets	**486**	504	**3,040**
Actuarial differences	**707**	(314)	**4,422**
Contributions by the Company and its consolidated subsidiaries	**399**	417	**2,496**
Retirement benefits paid	**(984)**	(1,201)	**(6,155)**
Other	**19**	(8)	**119**
Balance at the end of the year	**¥24,191**	¥23,563	**$151,307**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2026 and 2025 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Funded retirement benefit obligation	**¥ 14,671**	¥ 17,834	**$ 91,763**
Plan assets at fair value	**(24,191)**	(23,563)	**(151,307)**
	(9,519)	(5,728)	**(59,538)**
Unfunded retirement benefit obligation	**10,872**	11,945	**68,001**
Net retirement benefit liability in the balance sheet	**1,352**	6,216	**8,456**
Retirement benefit liability	**10,981**	12,289	**68,683**
Retirement benefit asset	**(9,628)**	(6,072)	**(60,220)**
Net retirement benefit liability in the balance sheet	**¥ 1,352**	¥ 6,216	**$ 8,456**

The components of retirement benefit expenses for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Service cost	¥1,284	¥ 1,249	$ 8,031
Interest cost	457	426	2,858
Expected return on plan assets	(486)	(504)	(3,040)
Amortization of actuarial differences	285	(3,536)	1,783
Other	(293)	–	(1,833)
Retirement benefit expense	¥1,247	¥(2,365)	$ 7,800

Actuarial differences included in other comprehensive income (loss) (before tax effect) for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Actuarial differences	¥4,808	¥(3,894)	$30,073

Unrecognized actuarial differences included in accumulated other comprehensive income (before tax effect) as of March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Unrecognized actuarial differences	¥4,550	¥(257)	$28,459

The allocation of plan assets, by major category, as a percentage of total plan assets at fair value as of March 31, 2026 and 2025 is as follows:

	2026	2025
Bonds	59%	61%
Equity securities	20	19
Alternative investments (*)	14	17
Other	7	3
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:

	2026	2025
Discount rate	2.4%	1.6%
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 (Note 1)
	2026	2025	2026
Contributions to defined contribution plans by the Company and its consolidated subsidiaries	¥1,089	¥851	$6,811

16. 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, 2026 and 2025.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2026 differs from the statutory tax rate for the following reasons.

The breakdown for the year ended March 31, 2025 is not presented as the difference between the statutory rate and the Company's effective tax rate was less than 5%.

	2026	2025
Statutory tax rates	30.6%	–%
Adjustments for:		
Expenses not deductible for income tax purposes	1.6	–
Dividends and other income deductible for income tax purposes	(9.4)	–
Net adjustment resulting from elimination of dividend income upon consolidation	9.9	–
Different tax rates applied at overseas subsidiaries	(5.4)	–
Tax credit	(1.7)	–
Amortization of goodwill	1.8	–
Foreign withholding tax	1.1	–
Equity in losses (gains) of affiliates	(0.3)	–
Valuation allowance	(1.4)	–
Gain on bargain purchase	(1.2)	–
Other, net	0.6	–
Effective tax rates	26.2	–

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities at March 31, 2026 and 2025 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Deferred tax assets:			
Accrued bonuses for employees	¥ 2,384	¥ 2,143	$ 14,911
Allowance for doubtful accounts	342	389	2,139
Unrealized gain on inventories	903	714	5,648
Accrued enterprise taxes	368	241	2,302
Tax loss carryforwards	2,929	1,919	18,320
Retirement benefit liability	1,851	1,988	11,577
Investments in securities	3,899	2,210	24,387
Loss on impairment of fixed assets	2,416	1,124	15,111
Lease liability	3,655	2,523	22,861
Loss on devaluation of inventories	1,341	1,161	8,388
Fair value measurement difference related to a non-qualified company split	851	–	5,323
Other	6,330	6,327	39,592
Gross deferred tax assets	27,273	20,743	170,584
Valuation allowance	(9,293)	(7,981)	(58,125)
Total deferred tax assets	¥ 17,979	¥ 12,761	$ 112,453

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Deferred tax liabilities:			
Technology-based assets	¥ (857)	¥ (392)	$ (5,360)
Deferred capital gain on property	(942)	(1,218)	(5,892)
Undistributed earnings of subsidiaries and affiliates	(672)	(733)	(4,203)
Revaluation of land	(287)	(279)	(1,795)
Net unrealized holding gain on securities	(17,717)	(13,267)	(110,814)
Right of use assets	(3,311)	(2,094)	(20,709)
Remeasurements of defined benefit plans	(1,423)	–	(8,900)
Fair value measurement difference related to a non-qualified company split	(3,045)	–	(19,046)
Other	(3,291)	(2,350)	(20,584)
Total deferred tax liabilities	(31,550)	(20,336)	(197,336)
Net deferred tax liabilities	¥(13,571)	¥ (7,574)	$ (84,882)

17. 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 29.)

(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(q).)

(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 fiscal year expected to be recognized in the following fiscal year

(i) Contract balances

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Receivables from contracts with customers	¥320,417	¥309,712	$2,004,109
Contract assets	1,018	1,539	6,367
Contract liabilities	5,291	5,804	33,094

As of March 31, 2026, accounts receivable and notes receivable from contracts with customers included in the table above are ¥279,571 million ($1,748,630 thousand) and ¥40,846 million ($255,479 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.

18. 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, 2026 amounted to ¥9,634 million ($60,258 thousand). In addition, the Company's legal reserve included in retained earnings at March 31, 2026 amounted to ¥2,424 million ($15,161 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, 2026 and 2025 are summarized as follows:

	Number of shares			
	2026			
	April 1, 2025	Increase	Decrease	March 31, 2026
Common stock	**114,908,285**	**–**	**5,000,000**	**109,908,285**
	2025			
	April 1, 2024	Increase	Decrease	March 31, 2025
Common stock	117,908,285	–	3,000,000	114,908,285

(*) Although the Company enacted a four-for-one stock split of its common stock with an effective date of April 1, 2026, the above information is based on the number of shares prior to the stock split.

The decrease in common stock consists of 5,000,000 shares resulting from cancellation of treasury stock by resolution of the Board of Directors for the year ended March 31, 2026.

The decrease in common stock consists of 3,000,000 shares resulting from cancellation of treasury stock by resolution of the Board of Directors for the year ended March 31, 2025.

19. TREASURY STOCK

Movements in treasury stock during the years ended March 31, 2026 and 2025 are summarized as follows:

	Number of shares			
	2026			
	April 1, 2025	Increase	Decrease	March 31, 2026
Treasury stock	**6,443,222**	**7,353,930**	**5,847,000**	**7,950,152**
	2025			
	April 1, 2024	Increase	Decrease	March 31, 2025
Treasury stock	4,143,115	5,306,207	3,006,100	6,443,222

(*1) Treasury stock at the beginning of the current fiscal year does include 282,400 shares of the Company's shares held by the Stock-Granting Trust for Directors.
(*2) Treasury stock at the end of the current fiscal year does include 730,000 shares of the Company's shares held by the Stock-Granting Trust for Directors.
(*3) Although the Company enacted a four-for-one stock split of its common stock with an effective date of April 1, 2026, the above information is based on the number of shares prior to the stock split.

The increase in treasury stock includes 6,889,500 shares resulting from the purchases of treasury stock by resolution of the Board of Directors, 230 shares resulting from the purchase of shares less than one voting unit and 464,200 shares resulting from the acquisition of treasury stock by the Stock-Granting Trust for Directors for the year ended March 31, 2026. The decrease in treasury stock includes 5,000,000 shares resulting from the cancellation of treasury stock by resolution of the Board of Directors, 464,200 shares resulting from the disposal of treasury stock as stock-based compensation, 366,200 shares resulting from the disposal of treasury stock as restricted stock for an employee stock ownership plan, and 16,600 shares resulting from the grant of treasury stock by the Stock-Granting Trust for Directors for the year ended March 31, 2026.

The increase in treasury stock includes 5,306,000 shares resulting from the purchases of treasury stock by resolution of the Board of Directors and 207 shares resulting from the purchase of shares less than one voting unit for the year ended March 31, 2025. The decrease in treasury stock includes 3,000,000 shares resulting from the cancellation of treasury stock by resolution of the Board of Directors and 6,100 shares resulting from the grant of treasury stock by the Stock-Granting Trust for Directors for the year ended March 31, 2025.

20. BUSINESS COMBINATION

Business combination through acquisition

(1) Outline of business combination

(i) Names and business descriptions of the acquirees

Names of the acquirees: SACHEM Japan Holding GK, SACHEM Japan GK, SN Tech Corporation ("SN Tech"), SACHEM (Wuxi) Co., Ltd., and SACHEM Korea Ltd.

In January 2026, an absorption-type merger was conducted with SACHEM Japan Holding GK and SN Tech Corporation as the dissolved companies and SACHEM Japan GK as the surviving company. The surviving company was subsequently reorganized into SACHEM Japan Co., Ltd.

Business descriptions:

Manufacture of catalysts, specialty chemicals, and high-purity chemicals for the electronics field; research and development of other production processes; provision of after-sales technical services; and recovery and recycling of high-purity developers used in semiconductor manufacturing.

(ii) Main reason for the business combination

On March 18, 2025, the Company's Board of Directors resolved to acquire the Asian high-purity chemicals business for semiconductors of SACHEM, Inc. in the United States (the "Business").

Under the growth strategy set forth in its medium-term management plan, ACE 2.0, the Company has identified four areas: foundation, focus, development, and improvement, and promotes its business activities based on its trading, manufacturing, and research and development functions. The semiconductor-related manufacturing business is positioned as one of the focus areas.

SACHEM, Inc. possesses advanced technologies and expertise in catalysts, specialty chemicals, and high-purity chemicals. The Company, together with its wholly owned subsidiary Nagase ChemteX Corporation and SACHEM, Inc., established SN Tech as a joint venture and has been engaged in the recovery and recycling of high-purity developers used in semiconductor manufacturing.

Through the acquisition of the Business, including SN Tech, the Company aims to expand its semiconductor business and further strengthen its position as a semiconductor materials manufacturer in the semiconductor market, which is expected to continue growing. In addition, the Company intends to combine the Group's manufacturing and development technologies for advanced semiconductor materials to promote the development of materials and equipment for advanced semiconductors.

(iii) Date of the business combination:

June 3, 2025 (deemed acquisition date: June 30, 2025)

(iv) Legal form of the business combination:

Acquisition of shares and equity interests for cash consideration.

(v) Names of the company after the business combination:

Following the acquisition of shares, SACHEM (Wuxi) Co., Ltd. was renamed Nagase Circrea (Wuxi) Co., Ltd. in March 2026.

In addition, in April 2026, SACHEM Japan Co., Ltd. was renamed Nagase Circrea Co., Ltd., and SACHEM Korea Ltd. was renamed Nagase Circrea Korea Co., Ltd.

(vi) Ratio of equity interests acquired:

SN Tech

Voting rights held immediately before the business combination:	40%
Additional voting rights acquired on the date of the business combination:	60%
Voting rights after the acquisition:	100%

The other four acquirees

Voting rights acquired on the date of the business combination:	100%

(vii) Main basis for determining the acquirer

The Company was determined to be the acquirer because it acquired the shares and equity interests for cash consideration.

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

From July 1, 2025 to March 31, 2026.

Since SN Tech had been an affiliate accounted for by the equity method among the acquirees, its operating results for the period from April 1, 2025 to June 30, 2025 were recognized as "Equity in earnings of affiliates".

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

	Millions of yen	Thousands of U.S. dollars (Note 1)
Fair value, as of the date of the business combination, of the shares held immediately before the business combination:	**$ 1**	**¥ 194**
Cash and time deposits:	**80**	**12,034**
Acquisition cost:	**$81**	**¥12,229**

The above yen amounts were translated using the exchange rates specified in the foreign exchange forward contracts.

(4) Difference between the acquisition cost of the acquiree and the aggregate acquisition cost of the transactions leading to the acquisition

Loss on step acquisition: ¥3 million

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

Advisory expenses and others: ¥432 million

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

(i) Amount of goodwill arising from the business combination:
US$28 million (¥4,064 million)

(ii) Reason for the goodwill:
Goodwill arose mainly from excess earnings power expected from future business development.

(iii) Amortization method and period:
Straight-line method over 15 years

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

	Millions of U.S. dollars (Note 1)	Millions of yen
Current assets	**$ 39**	**¥ 5,692**
Non-current assets	**65**	**9,432**
Total assets	**$104**	**¥15,125**
Current liabilities	**$ 42**	**¥ 6,142**
Non-current liabilities	**7**	**1,084**
Total liabilities	**$ 49**	**¥ 7,227**

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

	Amount		
Type	Millions of U.S. dollars (Note 1)	Millions of yen	Amortization period
Technology-based assets	**$13**	**¥2,002**	**15 years**

21. FINANCIAL INSTRUMENTS

(a) Policy for financial instruments
With regard to the Group's 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, or the risk that fixed interest rates may deviate from future market interest rate levels, 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. Some fixed-rate long-term loans are subject to the risk that interest rates may deviate from future market interest rate levels. However, to reduce such risk, the Group utilizes derivatives (interest-rate swap transactions) as a hedging instrument.

Derivatives mainly 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 or the risk that interest rates may deviate from future market interest rate levels.

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, 2026 and 2025, are shown in the following table. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

	Millions of yen					
	2026			2025		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Investments in securities (*2)						
Other securities	**¥68,703**	**¥68,703**	**¥ –**	¥55,554	¥55,554	¥ –
Total assets	**¥68,703**	**¥68,703**	**¥ –**	¥55,554	¥55,554	¥ –
Liabilities						
Bonds	**¥40,000**	**¥37,144**	**¥(2,856)**	¥40,000	¥38,099	¥(1,901)
Long-term loans	**50,000**	**47,633**	**(2,366)**	53,454	52,499	(954)
Total liabilities	**¥90,000**	**¥84,777**	**¥(5,222)**	¥93,454	¥90,598	¥(2,855)
Derivatives (*3)						
Not subject to hedge accounting	**¥ (156)**	**¥ (156)**	**¥ –**	¥ 558	¥ 558	¥ –
Subject to hedge accounting	**(179)**	**(179)**	**–**	6	6	–
Total derivative transactions	**¥ (335)**	**¥ (335)**	**¥ –**	¥ 564	¥ 564	¥ –

	Thousands of U.S. dollars (Note 1)		
	2026		
	Carrying value	Fair value	Difference
Assets			
Investments in securities (*2)			
Other securities	**$ 429,716**	**$429,716**	**$ –**
Total assets	**$ 429,716**	**$429,716**	**$ –**
Liabilities			
Bonds	**$250,188**	**$232,324**	**$(17,863)**
Long-term loans	**312,735**	**297,930**	**(14,799)**
Total liabilities	**$562,922**	**$530,254**	**$(32,662)**
Derivatives (*3)			
Not subject to hedge accounting	**$ (976)**	**$ (976)**	**$ –**
Subject to hedge accounting	**(1,120)**	**(1,120)**	**–**
Total derivative transactions	**$ (2,095)**	**$ (2,095)**	**$ –**

(*1) Cash is omitted from the notes. Time deposits, notes and accounts receivable, notes and accounts payable, 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 (*2)". The carrying amount of such financial instruments on the consolidated balance sheet is as follows.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Unlisted equity securities	**¥ 5,424**	¥ 5,312	**$ 33,925**
Investments in unconsolidated subsidiaries and affiliates	**12,179**	11,161	**76,176**
Other securities of subsidiaries and affiliates	**1,287**	–	**8,050**
Total	**¥18,891**	¥16,474	**$118,157**

(*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, 2026 is summarized as follows:

	Millions of yen	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	**¥ 44,392**	**¥–**
Notes and accounts receivable	**320,417**	**–**
Total	**¥364,810**	**¥–**

	Thousands of U.S. dollars	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	**$ 277,658**	**$–**
Notes and accounts receivable	**2,004,109**	**–**
Total	**$2,281,774**	**$–**

With respect to the redemption schedule of bonds, long-term loans and finance lease obligations, please refer to Note 13.

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							
	2026				2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investments in securities								
Other securities								
Shares	**¥68,703**	**¥ –**	**¥–**	**¥68,703**	¥55,554	¥ –	¥–	¥55,554
Derivatives								
Currency related	**–**	**(47)**	**–**	**(47)**	–	564	–	564
Interest related	**–**	**(288)**	**–**	**(288)**	–	–	–	–
Total assets	**¥68,703**	**¥(335)**	**¥–**	**¥68,367**	¥55,554	¥564	¥–	¥56,119

	Thousands of U.S. dollars (Note 1)			
	2026			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Shares	**$429,716**	**$ –**	**$–**	**$429,716**
Derivatives				
Currency related	**–**	**(294)**	**–**	**(294)**
Interest related	**–**	**(1,801)**	**–**	**(1,801)**
Total assets	**$429,716**	**$(2,095)**	**$–**	**$427,614**

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

	Millions of yen							
	2026				2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Bonds	**¥–**	**¥37,144**	**¥–**	**¥37,144**	¥–	¥38,099	¥–	¥38,099
Long-term loans	**–**	**47,633**	**–**	**47,633**	–	52,499	–	52,499
Total liabilities	**¥–**	**¥84,777**	**¥–**	**¥84,777**	¥–	¥90,598	¥–	¥90,598

	Thousands of U.S. dollars (Note 1)			
	2026			
	Level 1	Level 2	Level 3	Total
Bonds	**$–**	**$232,324**	**$–**	**$232,324**
Long-term loans	**–**	**297,930**	**–**	**297,930**
Total liabilities	**$–**	**$530,254**	**$–**	**$530,254**

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

(i) Investment securities
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.

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

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.

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.

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

(iv) 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.

22. DERIVATIVES AND HEDGING ACTIVITIES

The currency-related derivatives positions outstanding for which hedge accounting has not been applied at March 31, 2026 and 2025 are as follows:

		Millions of yen			
		2026			
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	**¥ 6,792**	**¥–**	**¥(180)**	**¥(180)**
	Yen	**207**	**–**	**(3)**	**(3)**
	Euro	**13,892**	**–**	**(129)**	**(129)**
	RMB	**588**	**–**	**(15)**	**(15)**
	IDR	**4,417**	**–**	**21**	**21**
	Others	**184**	**–**	**1**	**1**
	Buying:				
	U.S. dollars	**6,200**	**–**	**134**	**134**
	Yen	**2,862**	**–**	**9**	**9**
	Euro	**795**	**–**	**17**	**17**
	Others	**268**	**–**	**0**	**0**
	Currency swap:				
	Pay U.S. dollars and receive RMB	**9,260**	**–**	**(11)**	**(11)**
Total		**¥45,469**	**¥–**	**¥(156)**	**¥(156)**

		Millions of yen			
		2025			
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	¥ 5,123	¥–	¥ 32	¥ 32
	Yen	52	–	(0)	(0)
	Euro	11,964	–	514	514
	RMB	495	–	5	5
	IDR	2,870	–	3	3
	Others	175	–	(1)	(1)
	Buying:				
	U.S. dollars	3,165	–	(12)	(12)
	Yen	2,446	–	9	9
	Euro	593	–	8	8
	Others	230	–	(4)	(4)
	Currency swap:				
	Pay U.S. dollars and receive RMB	6,170	–	3	3
Total		¥33,287	¥–	¥558	¥558

Classification	Transaction	Thousands of U.S. dollars (Note 1) 2026 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	$ 42,482	$–	$(1,126)	$(1,126)
	Yen	1,295	–	(19)	(19)
	Euro	86,890	–	(807)	(807)
	RMB	3,678	–	(94)	(94)
	IDR	27,627	–	131	131
	Others	1,151	–	6	6
	Buying:				
	U.S. dollars	38,779	–	838	838
	Yen	17,901	–	56	56
	Euro	4,972	–	106	106
	Others	1,676	–	0	0
	Currency swap:				
	Pay U.S. dollars and receive RMB	57,918	–	(69)	(69)
Total		$284,395	$–	$ (976)	$ (976)

The currency-related derivatives positions outstanding for which hedge accounting has been applied at March 31, 2026 and 2025 are as follows:

Method for hedge accounting	Transaction	Major hedged item	Millions of yen 2026 Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Deferral hedge accounting	Foreign currency forward exchange contracts:				
	Selling:				
	Euro	Accounts receivable	¥ 260	¥–	¥ (2)
	RMB		95	–	(2)
	Others		38	–	0
	Buying:				
	U.S. dollars	Accounts payable	3,781	–	76
	Euro		1,675	–	36
	Others		17	–	0
Allocation method for foreign currency forward exchange contracts (Note 2(r))	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	1	–	(*)
	Buying:				
	U.S. dollars	Accounts payable	9	–	(*)
Total			¥5,880	¥–	¥109

Method for hedge accounting	Transaction	Major hedged item	Millions of yen 2025 Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Deferral hedge accounting	Foreign currency forward exchange contracts:				
	Selling:				
	Euro	Accounts receivable	¥ 366	¥–	¥(6)
	RMB	Accounts receivable	18	–	0
	Others	Accounts receivable	25	–	0
	Buying:				
	U.S. dollars	Accounts payable and Acquisition of subsidiary shares	14,729	–	(1)
	Euro	Accounts payable	969	–	13
	Others	Accounts payable	2	–	0
Allocation method for foreign currency forward exchange contracts (Note 2(r))	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	0	–	(*)
	Buying:				
	U.S. dollars	Accounts payable	81	–	(*)
Total			¥16,192	¥–	¥ 6

Method for hedge accounting	Transaction	Major hedged item	Thousands of U.S. dollars (Note 1) 2026 Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Deferral hedge accounting	Foreign currency forward exchange contracts:				
	Selling:				
	Euro	Accounts receivable	**$ 1,626**	**$–**	**$ (13)**
	RMB	Accounts receivable	**594**	**–**	**(13)**
	Others	Accounts receivable	**238**	**–**	**0**
	Buying:				
	U.S. dollars	Accounts payable	**23,649**	**–**	**475**
	Euro	Accounts payable	**10,477**	**–**	**225**
	Others	Accounts payable	**100**	**–**	**0**
Allocation method for foreign currency forward exchange contracts (Note 2(r))	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	**6**	**–**	**(*)**
	Buying:				
	U.S. dollars	Accounts payable	**56**	**–**	**(*)**
Total			**$36,778**	**$–**	**$682**

(*): 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, 2026 and 2025 are as follows:

			Millions of yen		
			2026		
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Fair value hedge accounting	Interest-rate swap transactions (receive-fixed, Pay-variable)	Long-term loans	**¥10,000**	**¥10,000**	**¥(288)**

			Millions of yen		
			2025		
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Fair value hedge accounting	Interest-rate swap transactions (receive-fixed, Pay-variable)	Long-term loans	¥–	¥–	¥–

			Thousands of U.S. dollars (Note 1)		
			2026		
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Fair value hedge accounting	Interest-rate swap transactions (receive-fixed, Pay-variable)	Long-term loans	**$62,547**	**$62,547**	**$(1,801)**

23. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in cost of sales, and selling, general and administrative expenses for the years ended March 31, 2026 and 2025 totaled ¥5,934 million ($37,115 thousand) and ¥5,723 million, respectively.

24. OPERATING LEASES

Future minimum lease payments subsequent to March 31, 2026 under noncancelable operating leases are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2027	**¥ 500**	**$ 3,127**
2028 and thereafter	**1,368**	**8,556**
Total	**¥1,868**	**$11,684**

25. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries had contingent liabilities as guarantors of loans and other obligations of subsidiaries and affiliates, with total maximum guarantee amounts of ¥1,101 million ($6,886 thousand) and ¥948 million at March 31, 2026 and 2025, respectively.

In addition, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted with banks in the amounts of ¥130 million ($813 thousand) and ¥154 million at March 31, 2026 and 2025, respectively.

26. PLEDGED ASSETS

Pledged assets at March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Machinery, equipment and vehicles	**¥ –**	¥ 40	**$ –**
Investments in securities			
Other securities (*)	**311**	–	**1,945**
Total	**¥ 311**	¥ 40	**$ 1,945**

* Within the assets pledged as collateral, other securities are pledged as collateral for borrowings of investees, and there are no liabilities with collateral.

Secured liabilities at March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Current portion of long-term loans	**¥–**	¥ 9	**$–**
Long-term loans	**–**	27	**–**
Total	**¥–**	¥36	**$–**

27. AMOUNTS PER SHARE

Amounts per share as of March 31, 2026 and 2025, and for the years then ended are as follows:

	Yen		U.S. dollars (Note 1)
	2026	2025	**2026**
Profit attributable to owners of parent:			
Basic	**¥ 78.89**	¥ 57.60	**$0.49**
Diluted	**–**	–	**–**
Net assets	**1,043.19**	919.77	**6.52**
Cash dividends applicable to the year	**100.00**	90.00	**0.63**

The Company enacted a four-for-one stock split of its common stock with an effective date of April 1, 2026. "Net assets per share" and "Profit attributable to owners of parent per share" are calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

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 share-holders 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, 2026 and 2025 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. Cash dividends applicable to the years ended March 31, 2026 and 2025, are presented based on the amounts before the stock split.

The Company's shares held by the Stock-Granting Trust for Directors are included in treasury stock in shareholders' equity. These are excluded from the total number of issued shares at the end of the period when calculating net assets per share. In addition, these are excluded from the calculation of average number of shares during the period when calculating profit attributable to owners of parent per share.

The number of such shares at the end of the period excluded from the calculation of net assets per share based on the number of shares after the stock split was 2,920,000 shares, while the average number of shares during the period excluded from the calculation of profit attributable to owners of parent per share based on the number of shares after the stock split was 1,660,062 shares.

The financial data used in the computation of basic profit attributable to owners of parent per share for the years ended March 31, 2026 and 2025 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Profit attributable to owners of parent	**¥33,119**	¥25,521	**$207,149**
Profit available for distribution to shareholders of common stock	**33,119**	25,521	**207,149**
Weighted-average number of shares	**419,816,183**	443,098,504	

28. CASH AND TIME DEPOSITS

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2026 and 2025 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 (Note 1)
	2026	2025	**2026**
Cash and time deposits	**¥45,599**	¥66,310	**$285,208**
Time deposits with maturities of more than three months	**(209)**	(406)	**(1,307)**
Cash and cash equivalents	**¥45,390**	¥65,903	**$283,900**

29. SEGMENT INFORMATION

(a) Overview of reportable segments
The Company's reportable segments are those units comprising the NAGASE Group for which separate financial information is available and for which the board of directors makes regular decisions regarding resource allocation and regularly reviews operating performance.

The Company classifies reportable segments according to the location of the business in the value chain and the market(s) targeted. Accordingly, the Company has defined five segment categories: Functional Materials (located at the top of the value chain), Advanced Materials & Processing (located in the next stage of the value chain), Electronics & Energy, Mobility, and Life & Healthcare (functioning in the value chain of their respective industries).

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

The Functional Materials segment is engaged in the sales of resin raw materials, resins, special epoxy, solvents, pigments and dispersions, dyestuffs, colorants, various additives, urethane raw materials, release agents, conductive materials, functional films, adhesives, hygiene materials, organic chemicals, inorganic chemicals, high-purity chemicals, silicone products, silicone raw materials, bio-products, special acrylic rubber, polymer filters, enzymes, Mixing Concierge™, total coordination services for dispersion and processing, raw material search services for CASE applications, Chemical AI Joint Logistics Matching Service, original VR safety goggles for the chemical industry, water treatment equipment, MOF, CO_2 Capture System, and more for the paints/inks, pigments, additives, resins, urethane foam, organic synthesis, surfactants, electronics chemicals, information printing-related materials, communications equipment, water treatment, metal processing, plastics/film processing, stationery, functional film/sheet, hygiene materials, and other industries.

The Advanced Materials & Processing segment is engaged in the sales of plastic compounds, masterbatch, raw resin material, engineering plastics, general-purpose plastics, packaging materials, and other plastics-related products and services for the home appliance/office equipment, electrical equipment, packaging, daily commodities, household goods, construction materials, and other industries.

The Electronics & Energy segment is engaged in the sales of formulated epoxy resins and related products, precision abrasives, display optical materials, touch panel components, functional coatings, conductive and insulating materials, adhesives and encapsulant materials, high heat-resistant films, optical lenses, high-frequency devices, low dielectric materials, sensing modules, semiconductor and electronic device-related equipment, battery evaluation and consulting services, battery pack prototyping and development, photolithography materials for flat panel displays and semiconductors, and other products for the semiconductor, electronic component, AR/VR, environmental energy, heavy electrical and light electrical, HDD, automotive and aircraft, display, touch panel, housing, lighting, renewable energy, large-scale commercial facility, storage battery and energy-related companies, and other industries.

The Mobility segment is engaged in the sales of various plastics, functional coatings, adhesives, light-weight components, decorative parts, HMI components, CASE-related products (xEV-related components, heat management components, battery materials, various sensors, LiDAR-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 sales of pharmaceutical materials (active pharmaceutical ingredients, additives, intermediates, and other raw materials), in-vitro diagnostics reagents, raw materials for cosmetics and household products (active ingredients, additives, emulsifiers, and fragrances), food ingredients (nutrition ingredients, functional carbohydrates such as TREHA®, glycosides, and processing aids such as enzymes), nutrient premixes (OEM, ODM), agricultural, fisheries, and livestock-related materials, endotoxin removal services, and other products and services for the pharmaceutical, food and beverage, cosmetics, agricultural, toiletries, and health care, and other industries.

(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 years ended March 31, 2026 and 2025 are as follows:

Millions of yen

	2026										
	Reportable Segments										
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	¥153,642	¥206,690	¥172,891	¥130,256	¥309,207	¥972,689	¥ 94	¥972,783	¥ –	¥ –	¥972,783
Intersegment sales and transfers	694	818	2,386	2,086	856	6,843	6,362	13,205	–	(13,205)	–
Net sales	154,337	207,508	175,277	132,343	310,064	979,532	6,456	985,989	–	(13,205)	972,783
Segment income or loss	9,305	7,650	14,859	3,785	9,832	45,434	282	45,716	(1,348)	360	44,727
Segment assets	122,493	116,249	111,954	70,069	284,077	704,843	3,002	707,846	223,546	(59,865)	871,526
Other items											
Depreciation and amortization other than amortization of goodwill	802	886	2,805	257	7,518	12,269	169	12,439	4,197	–	16,636
Amortization of goodwill	149	–	264	–	2,549	2,963	–	2,963	–	–	2,963
Unamortized balance of goodwill	1,786	–	4,431	–	22,165	28,384	–	28,384	–	–	28,384
Investments in affiliates accounted for by the equity method	3,010	1,147	2,769	1,625	3,159	11,713	134	11,848	–	(5)	11,842
Increase in property, plant and equipment, net and intangible assets	1,949	1,366	4,591	171	6,471	14,550	295	14,846	12,015	(344)	26,517

	Millions of yen										
	2025										
	Reportable Segments										
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	¥153,746	¥210,627	¥161,315	¥132,091	¥287,079	¥944,860	¥ 101	¥944,961	¥ –	¥ –	¥944,961
Intersegment sales and transfers	1,215	783	2,221	2,028	491	6,740	7,046	13,787	–	(13,787)	–
Net sales	154,962	211,411	163,536	134,120	287,570	951,601	7,147	958,749	–	(13,787)	944,961
Segment income	9,213	6,684	12,302	4,238	3,423	35,862	239	36,102	2,443	533	39,078
Segment assets	123,699	110,117	84,961	68,727	262,916	650,422	3,824	654,246	211,926	(58,029)	808,143
Other items											
Depreciation and amortization other than amortization of goodwill	762	778	1,997	228	7,713	11,479	68	11,548	3,781	–	15,329
Amortization of goodwill	151	–	57	–	2,513	2,722	–	2,722	–	–	2,722
Unamortized balance of goodwill	1,819	–	382	–	23,198	25,400	–	25,400	–	–	25,400
Investments in affiliates accounted for by the equity method	2,685	1,011	2,765	1,425	3,533	11,422	122	11,544	–	(3)	11,541
Increase in property, plant and equipment, net and intangible assets	1,269	1,291	2,811	677	3,987	10,037	439	10,476	5,733	–	16,209

	Thousands of U.S. dollars (Note 1)										
	2026										
	Reportable Segments										
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	**$960,983**	**$1,292,782**	**$1,081,380**	**$814,711**	**$1,933,994**	**$6,083,869**	**$ 588**	**$6,084,457**	**$ –**	**$ –**	**$6,084,457**
Intersegment sales and transfers	**4,341**	**5,116**	**14,924**	**13,047**	**5,354**	**42,801**	**39,792**	**82,593**	**–**	**(82,593)**	**–**
Net sales	**965,330**	**1,297,898**	**1,096,303**	**827,765**	**1,939,355**	**6,126,670**	**40,380**	**6,167,057**	**–**	**(82,593)**	**6,084,457**
Segment income or loss	**58,200**	**47,848**	**92,938**	**23,674**	**61,496**	**284,176**	**1,764**	**285,939**	**(8,431)**	**2,252**	**279,754**
Segment assets	**766,156**	**727,102**	**700,238**	**438,260**	**1,776,814**	**4,408,575**	**18,777**	**4,427,358**	**1,398,211**	**(374,437)**	**5,451,126**
Other items											
Depreciation and amortization other than amortization of goodwill	**5,016**	**5,542**	**17,544**	**1,607**	**47,023**	**76,739**	**1,057**	**77,802**	**26,251**	**–**	**104,053**
Amortization of goodwill	**932**	**–**	**1,651**	**–**	**15,943**	**18,533**	**–**	**18,533**	**–**	**–**	**18,533**
Unamortized balance of goodwill	**11,171**	**–**	**27,715**	**–**	**138,635**	**177,533**	**–**	**177,533**	**–**	**–**	**177,533**
Investments in affiliates accounted for by the equity method	**18,827**	**7,174**	**17,319**	**10,164**	**19,759**	**73,261**	**838**	**74,106**	**–**	**(31)**	**74,068**
Increase in property, plant and equipment, net and intangible assets	**12,190**	**8,544**	**28,715**	**1,070**	**40,474**	**91,006**	**1,845**	**92,857**	**75,150**	**(2,152)**	**165,856**

(d) Geographical information

Net sales by country or region for the years ended March 31, 2026 and 2025 are summarized as follows:

	Millions of yen							
	2026							
	Reportable Segments							
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Others (Note 3)	Total	Composition (%)
Japan	**¥ 72,214**	**¥ 37,173**	**¥ 61,042**	**¥ 41,538**	**¥ 77,376**	**¥94**	**¥289,441**	**29.8**
Greater China	**22,031**	**92,719**	**76,709**	**25,122**	**5,583**	**–**	**222,166**	**22.8**
ASEAN	**33,547**	**67,740**	**11,455**	**40,586**	**7,221**	**–**	**160,550**	**16.5**
Americas	**18,852**	**4,771**	**7,356**	**20,809**	**137,508**	**–**	**189,297**	**19.5**
Europe	**5,891**	**1,439**	**6,007**	**1,992**	**81,138**	**–**	**96,469**	**9.9**
Other	**1,105**	**2,845**	**10,320**	**207**	**378**	**–**	**14,857**	**1.5**
Revenues from contracts with customers	**153,642**	**206,690**	**172,891**	**130,256**	**309,207**	**94**	**972,783**	**100.0**
Net sales to customers	**153,642**	**206,690**	**172,891**	**130,256**	**309,207**	**94**	**972,783**	**100.0**

1. Net sales are categorized by country or region, according to the location of the Company and the consolidated subsidiaries.
2. Major countries and regions in each category other than Japan
   (1) Greater China .. China, Hong Kong, Taiwan
   (2) ASEAN.............. Thailand, Vietnam, Indonesia
   (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.

	Millions of yen							
	2025							
	Reportable Segments							
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Others (Note 3)	Total	Composition (%)
Japan	¥71,237	¥ 35,795	¥ 56,726	¥ 41,574	¥ 72,169	¥101	¥277,605	29.4
Greater China	19,665	94,774	69,579	28,937	4,561	–	217,517	23.0
ASEAN	31,598	72,465	10,428	38,842	7,257	–	160,593	17.0
Americas	22,767	4,427	10,190	20,910	128,606	–	186,902	19.8
Europe	7,427	1,281	5,351	1,540	74,077	–	89,678	9.5
Other	1,048	1,883	9,038	286	408	–	12,664	1.3
Revenues from contracts with customers	153,746	210,627	161,315	132,091	287,079	101	944,961	100.0
Net sales to customers	153,746	210,627	161,315	132,091	287,079	101	944,961	100.0

1. Net sales are categorized by country or region, according to the location of the Company and the consolidated subsidiaries.
2. Major countries and regions in each category other than Japan
   (1) Greater China .. China, Hong Kong, Taiwan
   (2) ASEAN.............. Thailand, Vietnam, Indonesia
   (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.

	Thousands of U.S. dollars (Note 1)							
	2026							
	Reportable Segments							
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Others (Note 3)	Total	Composition (%)
Japan	**$451,676**	**$ 232,506**	**$ 381,799**	**$259,807**	**$ 483,963**	**$588**	**$1,810,364**	**29.8**
Greater China	**137,797**	**579,929**	**479,791**	**157,130**	**34,920**	**–**	**1,389,580**	**22.8**
ASEAN	**209,826**	**423,693**	**71,647**	**253,853**	**45,165**	**–**	**1,004,191**	**16.5**
Americas	**117,913**	**29,841**	**46,010**	**130,154**	**860,070**	**–**	**1,183,994**	**19.5**
Europe	**36,846**	**9,001**	**37,572**	**12,459**	**507,493**	**–**	**603,384**	**9.9**
Other	**6,911**	**17,795**	**64,548**	**1,295**	**2,364**	**–**	**92,926**	**1.5**
Revenues from contracts with customers	**960,983**	**1,292,782**	**1,081,380**	**814,711**	**1,933,994**	**588**	**6,084,457**	**100.0**
Net sales to customers	**960,983**	**1,292,782**	**1,081,380**	**814,711**	**1,933,994**	**588**	**6,084,457**	**100.0**

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, 2026 and 2025 are summarized as follows:

Millions of yen				
2026				
	Americas			
Japan	U.S.	Other	Other	Total
¥83,537	**¥25,292**	**¥231**	**¥14,912**	**¥123,973**

Millions of yen			
2025			
Japan	Americas	Other	Total
¥62,858	¥21,072	¥7,740	¥91,671

Thousands of U.S. dollars (Note 1)				
2026				
	Americas			
Japan	U.S.	Other	Other	Total
$522,498	**$158,194**	**$1,445**	**$93,270**	**$775,413**

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

Loss on impairment of fixed assets for the years ended March 31, 2026 and 2025 is as follows:

	Millions of yen								
	2026								
	Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	**¥–**	**¥–**	**¥–**	**¥100**	**¥–**	**¥100**	**¥–**	**¥–**	**¥100**

	Millions of yen								
	2025								
	Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	¥–	¥–	¥–	¥–	¥1,173	¥1,173	¥–	¥–	¥1,173

The Life & Healthcare segment recorded impairment losses of ¥1,173 million for goodwill and other assets related to the pharmaceuticals and cosmetic ingredients sales business in the U.S., as the originally expected profits are no longer expected. The Company wrote down the book value of these assets to their recoverable amounts.

	Thousands of U.S. dollars (Note 1)								
	2026								
	Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	**$–**	**$–**	**$–**	**$625**	**$–**	**$625**	**$–**	**$–**	**$625**

(f) Information About Gain on Bargain Purchase for Each Reportable Segment

For the year ended March 31, 2026, the Company acquired shares in Nagase Diagnostics Co., Ltd., making said company a consolidated subsidiary of the Company included in the Life & Healthcare segment and resulting in a gain on bargain purchase. The gain on bargain purchase resulting from this acquisition amounted to ¥1,780 million. Said gain has not been included in the income of the Life & Healthcare segment, but is recognized in other income in the consolidated statement of income for the year ended March 31, 2026.

30. RELATED PARTY TRANSACTION

The Company and its consolidated subsidiaries recorded the following related-party transactions for the years ended March 31, 2026 and 2025:

Name of related party	Relationship with the related party	Description of the transaction	Account	Millions of yen 2026	Millions of yen 2025	Thousands of U.S. dollars (Note 1) 2026
Hiroshi Nagase	Director of Nagase & Co., Ltd.	Purchase of shares of affiliated companies (*1)	Investments in securities	–	¥45	–
315 Fullerton LLC (*2)	A director of a consolidated subsidiary of the Company owns a majority of the voting rights of the entity.	Rental of real estate (*3)	Rent payment for real estate	–	¥53	–
Interfacial Holdings LLC (*4)	A director of a consolidated subsidiary of the Company owns a majority of the voting rights of the entity.	Lease of factory (*5)	Selling, general and administrative expenses	¥ 103	–	$ 644
			Leased assets	¥ 459	–	$2,871
			Current portion of lease obligations	¥ 84	–	$ 525
			Lease obligations	¥ 376	–	$2,352
Total				¥1,022	¥98	$6,392

(*1): The acquisition price of shares of affiliated companies is determined upon consultation, taking into consideration the net asset value and other factors, while referring to the opinion of a third-party institution.

(*2): Mr. Donald K. Thorp, a director of Prinova Group LLC, which is a consolidated subsidiary of the Company, owns 77% of the voting rights. Mr. Donald K. Thorp resigned from the board of directors of Prinova Group LLC effective March 31, 2025.

(*3): Rent is determined by taking the transactions in the neighboring area into consideration.

(*4): Mr. Jeffrey Cernohous, a director of Interfacial Consultants LLC, which is a consolidated subsidiary of the Company, owns 88% of the voting rights.

(*5): Rent is determined by taking the transactions in the neighboring area into consideration. Transaction amounts represent lease fees recognized as expenses, and amounts recognized as assets and liabilities during the current fiscal year. The balances of right-of-use assets and lease liabilities arising from the lease agreement at the end of the current fiscal year are as shown in the table above.

31. SUBSEQUENT EVENTS

(a) Cash Dividends

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, 2026, was approved at a meeting of the shareholders held on June 17, 2026:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash dividends (¥55.0 = U.S.$0.34 per share)	**¥5,647**	**$35,320**

(*): Total amount of dividends for common stock of ¥5,647 million includes dividends of ¥40 million in relation to the Company's shares held by the Stock-Granting Trust for Directors.

(b) Share split

The Company conducted a stock split, effective April 1, 2026, based on a resolution adopted at the Board of Directors meeting held on October 24, 2025.

(1) Purpose of share split
The purpose of this is to improve the liquidity of The Company's shares and expand the investor base by conducting a share split and lowering the amount per investment unit.

(2) Overview of share split
(i) Method of share split
The Company conducted a share split at a ratio of four shares for every one common share held by shareholders recorded on the final shareholder register on March 31, 2026.

(ii) Increase in number of shares due to share split

Total number of issued shares before the share split	109,908,285 shares
Increase in number of shares due to share split	329,724,855 shares
Total number of issued shares after the share split	439,633,140 shares
Total number of shares authorized to be issued after the share split	1,387,920,000 shares

(iii) Schedule of the share split

Date of public notice of the record date	March 16, 2026
Record date	March 31, 2026
Effective date	April 1, 2026

(3) Impact on per-share data
See 27.AMOUNTS PER SHARE for the impact of the stock split.

(4) Others
There has been no change in the amount of share capital following this share split.

(c) Change in Reportable Segments
At a meeting held on May 7, 2026, the Company's Board of Directors resolved to revise the reportable segments, beginning with the year ending March 31, 2027.

1. Overview of Segment Changes
The Company consolidated the previous five-segment structure into three segments: Materials, Electronics, and Life Science. The new structure will accelerate delegation of authority to each segment head and speed up decision-making. The Company will continue to build on the stable earnings base of the Materials business while further expanding Electronics and Life Science. To more appropriately manage the earnings of reportable segments, the Company also revised part of the allocation method for company-wide common expenses and changed the method used to measure reportable Segment income or loss. The following sections outline the businesses included in each segment after the changes.

(Materials)
The Materials segment is engaged in the sales of paints/inks, pigments/additives, resins, raw resin materials/resin molded products, plastic compounds, masterbatch, urethane foam, organic synthesis, surfactants, electronics chemicals, information printing-related materials, communications equipment, water treatment, metal processing, plastics/film processing, stationery, functional film/sheet, hygiene materials, home appliance/OA equipment, electronics, packaging, daily commodities, household goods, construction materials, and the overall mobility industry and related industries, as principal products: resin raw materials, resins, special epoxy, engineering plastics, general-purpose plastics, packaging materials, and other plastics-related products and services, solvents, pigments and dispersions, dyestuffs, functional coatings, colorants, various additives, urethane raw materials, release agents, conductive materials, functional films, pressure-sensitive adhesives, adhesives, hygiene materials, organic chemicals, inorganic chemicals, high-purity chemicals, silicone products, silicone raw materials, bio-products, special acrylic rubber, polymer filters, enzymes, light-weight components, decorative parts, HMI components, CASE-related products (xEV-related components, heat management components, battery materials, various sensors, LiDAR-related components, self-driving-related products), Mixing Concierge™, total coordination services for dispersion and processing, raw material search services for CASE applications, Chemical AI Joint Logistics Matching Service, original VR safety goggles for the chemical industry, water treatment equipment, MOF, CO_2 Capture System, and other products and services.

(Electronics)
The Electronics segment is engaged in the sales of semiconductor, electronic component, AR/VR, environmental energy, heavy electrical and light electrical, HDD, automotive and aircraft, display, touch panel, housing, lighting, renewable energy, large-scale commercial facility, storage battery and energy-related industries, offering as principal products formulated epoxy resins and related products, precision abrasives, display optical materials, touch panel components, functional coatings, conductive and insulating materials, adhesives and encapsulant materials, high heat-resistant films, optical lenses, high-frequency devices, low dielectric materials, sensing modules, semiconductor and electronic device-related equipment, battery evaluation and consulting services, battery pack prototyping and development, photolithography materials for flat panel displays and semiconductors, and other products and services.

(Life Science)
The Life Science segment is engaged in the sales of pharmaceutical materials (active pharmaceutical ingredients, additives, intermediates, and other raw materials), in-vitro diagnostics reagents, raw materials for cosmetics and household products (active ingredients, additives, emulsifiers, and fragrances), food ingredients (nutrition ingredients, functional carbohydrates such as TREHA®, glycosides, and processing aids such as enzymes), nutrient premixes (OEM, ODM), agricultural, fisheries, and livestock-related materials, endotoxin removal services, and other products and services for the pharmaceutical, food and beverage, cosmetics, agricultural, toiletries, and health care, and other industries. In addition, the segment provides cosmetics, dietary supplements, beauty supplements and other products to end consumers.

2. Impact of Segment Changes
The Company is currently calculating information regarding net sales, profit or loss, assets, and other items by reportable segment for the current fiscal year under the revised segment classification.

Independent Auditor's Report

The Board of Directors
NAGASE & CO., LTD.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of NAGASE & CO., LTD. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2026, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Allocation of costs related to the acquisition of the Asian business of the SACHEM, Inc.	
Description of Key Audit Matter	**Auditor's Response**
As described in Note 20, "Business Combination" and Note 4 "Significant Accounting Estimates" in the notes to consolidated financial statements, NAGASE & CO., LTD. (the "Company") acquired the Asian high-purity chemicals business for semiconductors of SACHEM, Inc. in the United States. The Company has made SACHEM (Wuxi) Co., Ltd., SACHEM Korea Ltd., SACHEM Japan Holding GK, SACHEM Japan GK, and SN Tech Corporation wholly owned subsidiaries as a result of the acquisition. The transaction qualifies as an acquisition under the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019). The Company engaged external specialists to allocate the acquisition cost to identifiable assets acquired and liabilities assumed at fair value as of the acquisition date (the "Allocation of Acquisition Costs"), resulting in the recognition of technology-based assets of ¥2,099 million (accounting for 0.2% of consolidated total assets) and goodwill of ¥4,083 million (accounting for 0.5% of consolidated total assets), which represents the excess of the acquisition costs over the Allocation of Acquisition Cost amounts. The technology-related assets were measured using the relief-from-royalty method based on the business plan, and the principal assumptions used in the valuation	We mainly performed the following procedures in considering the appropriateness of the Allocation of Acquisition Costs related to the acquisition of Asian business of the SACHEM, Inc. (1) Assessment of internal controls We evaluated the effectiveness of the design of internal controls related to determining the amount of intangible assets, including goodwill. (2) Understanding of the objectives of business acquisition In order to understand the nature and objectives of the transaction relating to the business acquisition, we made inquiries to relevant responsible personnel and reviewed related materials, including minutes of meetings of the board of directors and contracts. (3) Consideration of accounting treatment for the business acquisition 1. With respect to the projected revenues of the specific businesses underlying the business plan, we made inquiries of management regarding the basis for the projections and analyzed differences between the business plans and actual results to assess whether any management bias existed that should be considered as uncertainty in future business plans. We also compared the expected growth rates against external data sources, including market forecast reports. 2. We mainly performed the following procedures, involving valuation specialists

include projected revenues of the specific businesses, expected growth rates, royalty rates, and discount rates. The recorded amounts of technology-based assets and goodwill are material to the consolidated financial statements, and the key assumptions used in their measurement require management to exercise judgment and involve estimation uncertainty. In addition, the Allocation of Acquisition Costs is complex in terms of how the allocation amounts are calculated, requiring highly specialized knowledge. We therefore determined that, among the accounting treatments applied to the business combination resulting from the acquisition of the Asian business of the SACHEM, Inc., the appropriateness of the Allocation of Acquisition Costs was of particular significance in the audit of the consolidated financial statements for the current fiscal year and, accordingly, is a key audit matter.	from our network firms, to assess the appropriateness of the valuation methods applied by the Company, the reasonableness of the data used in measuring the fair value of the identified technology-based assets, and the resulting valuation outcomes. ・To assess the reasonableness of the royalty rates, we compared them with royalty rates of comparable companies in similar industries. ・To assess the reasonableness of the discount rates determined by the Company using external specialists, we evaluated the appropriateness of the calculation methods and the input data used.

Other Information

The other information comprises the information included in disclosure documents that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 24, 2026

Eri Sekiguchi
Designated Engagement Partner
Certified Public Accountant

Takuya Suzuki
Designated Engagement Partner
Certified Public Accountant