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Online Disclosures Relating to Notice of the 105th Annual Shareholders' Meeting

Notes to Consolidated Financial Statements

Notes to Non-Consolidated Financial Statements

(From April 1, 2019 to March 31, 2020)

NAGASE & CO., LTD.

The Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements are made available to shareholders on the Company's website pursuant to laws and regulations and Article 14 of the Company's Articles of Incorporation.

Notes to Consolidated Financial Statements

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

2. Matters relating to the scope of consolidation
   (1) Number of consolidated subsidiaries: 81
   Main subsidiaries: Nagase ChemteX Corporation, Hayashibara Co., Ltd., Prinova Group, LLC, Nagase (Thailand) Co., Ltd., and Nagase (Hong Kong) Ltd.
   (2) Changes in the scope of consolidation
   (Increase)
   - Nagase Holdings America Corporation (new establishment)
   - Prinova Group, LLC and 17 subsidiaries thereof (acquisition of equity interests)
   - Interfacial Consultants LLC and two affiliates thereof (acquisition of equity interests)

   (Decrease)
   - Nagase Electronics Technology Co., Ltd. (dissolved in an absorption-type merger (merger date: April 1, 2019), in which consolidated subsidiary Nagase (Taiwan) Co., Ltd. was the surviving company)

   (3) Name, etc. of main non-consolidated subsidiaries
   Nagase Business Management and Planning (Shanghai) Co., Ltd.
   (Reasons for excluding non-consolidated subsidiaries from the scope of consolidation)
   Those non-consolidated subsidiaries (10 companies) are small in size and their total assets, net sales, the profit or loss (based on the equity interest of NAGASE & CO., LTD. (the "Company")), and retained earnings (based on the Company's equity interest) do not have a significant effect on the consolidated financial statements.

3. Matters relating to application of the equity method
   (1) Affiliates subject to application of the equity method: 25
   Main affiliates: Nissei Technology Corporation, Nagase-OG Colors & Chemicals Co., Ltd., and Nagase Landauer, Ltd.
   (2) Changes in the scope of application of the equity method
   (Increase)
   - SCREEN DecoraPrint Co., Ltd. (new establishment)
   - 3D Glass Solutions, Inc. (acquisition of shares)
   - MINDA KYORAKU LTD. (increase in materiality)

   (Decrease)
   - Light Chemical (Changzhou) Co., Ltd. (decrease in materiality)

   (3) Name, etc. of main non-consolidated subsidiaries and affiliates
   Non-consolidated subsidiaries: Nagase Business Management and Planning (Shanghai) Co., Ltd.
   Affiliates: ON Textile Chemicals (Shanghai) Co., LTD
   (Reason for exclusion from scope of application of the equity method)
   The non-consolidated subsidiaries (10 companies) and affiliates (8 companies) that are not accounted for by the equity method are excluded from the scope of the equity method since they have immaterial effect on any of the Company's consolidated financial statements in terms of profit or loss (based on the Company's equity interest), retained earnings (based on the Company's equity interest) and others, and they are not material as a whole.

4. Matters relating to fiscal years of consolidated subsidiaries, etc.
Among the consolidated subsidiaries, there are 33 companies whose accounting periods differ from the consolidated accounting period and all those companies' fiscal year-end date is December 31. For 12 of those companies, consolidation is performed using the financial statements based on provisional settlement of accounts as of the consolidated closing date. For 21 of those companies, the financial statements as of the fiscal year-end date of each company are used, and necessary adjustments are made for major transactions that occurred between the company's fiscal year-end date and the consolidated closing date.

5. Notes relating to accounting policies
(1) Valuation criteria and policies for major assets
(i) Securities
Other securities
- Securities with market value
The market value method based on the market price as of the end of the fiscal year is adopted (all valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated based on the moving-average method).
- Securities without market value
The cost method based on the moving-average method is adopted.

(ii) Derivatives
The market value method is adopted.
(iii) Inventories
Primarily, the cost method based on the moving-average method is adopted (the lower of book value or market value based on declines in profitability).
(2) Depreciation and amortization of significant non-current assets
(i) Property, plant and equipment (except for leased assets)
The straight-line method is adopted. The estimated useful lives of major assets are as follows.

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

(ii) Intangible fixed assets (except for leased assets)
The straight-line method is adopted. The estimated useful lives of major assets are as follows.

Technology-based assets:	13 - 17 years
Software for internal use:	5 years

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

(iii) Accrued bonuses for directors and executive officers

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

(4) Method of accounting for retirement benefits

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

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

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

(5) Significant methods for hedge accounting

(i) Methods for hedge accounting

a. Foreign currency forward exchange contracts

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

b. Interest-rate swaps

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

(ii) Hedging instruments and hedged items

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

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

b. Hedging instruments: Interest-rate swaps

Hedged items: Interest rates on loans from financial institutions

(iii) Hedging policies

a. In order to manage the risks arising from adverse fluctuation in foreign currency exchange rates relating to import and export transactions, the Company enters into foreign currency forward exchange contracts primarily for accounts receivable and accounts payable in foreign currencies. Execution and management of such contracts are based on internal management rules, and foreign currency forward exchange contracts are conducted within a range of actual demand (accounts receivable, accounts payable, and actual transactions in foreign currencies).

b. In order to manage the risks of changes in loan interest rates, the Company engages in interest-rate swaps. Execution and management of such contracts are performed in accordance with internal management rules, and targets of interest-rate-swap hedging are identified individually for each contract.

(iv) Method of evaluating the effectiveness of hedging activities

a. The Company assesses the effectiveness of the hedging activities based on a comparison of the accumulated fluctuations of the hedged items and those of the hedging instruments in the period from the start of the hedging activities to the assessment date.

b. With regard to interest-rate swaps which meet the conditions for the special accounting treatment, an evaluation of effectiveness as of the end of the fiscal year is omitted.

(6) Goodwill amortization method and amortization period
Goodwill is amortized on a straight-line basis over a period when its effects will be realized within 20 years after recognition. When immaterial, goodwill is charged to income as incurred.

(7) Accounting for consumption taxes
Consumption taxes are accounted for using the tax-exclusion method.

(8) Application of consolidated taxation system
The Company and certain consolidated subsidiaries adopt the consolidated taxation system.

(9) Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System
A transition was performed to a group tax sharing system established in the "Act for Partial Amendment of the Income Tax, etc." (Act. 8 of 2020) and there was a review on the transition to a non-consolidated taxation system in line with the transition to the group tax sharing system. For the items subject to such transition or the review, the Company and certain consolidated subsidiaries in Japan do not apply the provisions of (44) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment under Paragraph (3) of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the Tax Act prior to the amendment.

6. Material changes to matters that serve as the basis for preparation of the consolidated financial statements
(Changes in accounting policy)
Effective from the current fiscal year, the Company adopted the International Financial Reporting Standards (IFRS) 16, Leases, for overseas consolidated subsidiaries that have adopted the IFRS. The effect of adoption of this accounting standard on consolidated financial statements is immaterial.

7. Notes to consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment	105,725 million yen

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

(3) Guarantee obligations

Guarantees of bank loans, etc. of trading partners	291 million yen
Guarantees of bank loans of employees	0 million yen
(4) Discounted export notes	143 million yen
(5) Notes transferred by endorsement	8 million yen

(6) The reduction entry amount from acceptance of government subsidies included in property, plant and equipment is 1,373 million yen, and the reduction entry amount has been deducted from the amount on the consolidated balance sheet.

8. Notes to consolidated statement of income

Research and development expenses	6,133 million yen

9. Notes to consolidated statement of changes in net assets

(1) Total number of issued shares as of the end of the current fiscal year

Common stock 127,408,285 shares

(2) Distribution of surplus during the current fiscal year

Resolution	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Annual Shareholders' Meeting held on June 21, 2019	Common stock	2,976	24.0	March 31, 2019	June 24, 2019
Board of Directors' meeting held on November 1, 2019	Common stock	2,728	22.0	September 30, 2019	December 2, 2019

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

Planned Resolution	Type of shares	Source of funds	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Annual Shareholders' Meeting to be held on June 22, 2020	Common stock	Retained earnings	2,728	22.0	March 31, 2020	June 23, 2020

10. Notes relating to financial instruments

(1) Matters concerning the status of financial instruments

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

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

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

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

Short-term loans are raised primarily in connection with business activities. Long-term loans and bonds are taken out principally for the purpose of making capital spending, investments and financing. Loans with variable interest rates are subject to the risk of fluctuating interest rates.

However, to reduce such risk, the Group utilizes derivatives (interest-rate swap transactions) as a hedging instrument.

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

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

(2) Matters concerning the fair value of financial instruments

The carrying value on the consolidated balance sheet, fair values and the differences as of March 31, 2020 are as shown below.

(Million yen)

	Carrying value on the consolidated balance sheet	Fair value	Difference
(1) Cash and time deposits	51,408	51,408	–
(2) Notes and accounts receivable	221,116	221,116	–
(3) Investments in securities			
Other securities	62,731	62,731	–
(4) Notes and accounts payable	108,285	108,285	–
(5) Short-term loans	30,590	30,590	–
(6) Current portion of long-term loans	1,277	1,277	–
(7) Commercial paper	30,000	30,000	–
(8) Bonds	30,000	29,879	(121)
(9) Long-term loans	42,621	42,671	50
(10) Derivatives*	98	98	–

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

Note 1. Matters relating to the calculation method of fair value of financial instruments and matters relating to securities and derivative transactions

(1) Cash and time deposits

Their carrying value approximates the fair value, and accordingly, the carrying value is used.

(2) Notes and accounts receivable

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

(3) Investments in securities

The fair value of investments in securities is based on quoted market prices.

(4) Notes and accounts payable

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

(5) Short-term loans, (6) Current portion of long-term loans, and (7) Commercial paper

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

(8) Bonds

The fair value of these bonds is based on the market prices.

(9) Long-term loans

The fair value of long-term loans with fixed interest rates is based on the present value of the total of principal and interest discounted by the interest rate to be applied assuming new loans under similar conditions to existing loans are made. Floating interest rates on long-term loans are hedged by interest-rate swap transactions (see (10)), and the fair value of those long-term loans is based on the present value of the total of principal, interest and net cash flows of swap transactions discounted by the interest rates, estimated reasonably, applicable to new loans under similar conditions.

(10) Derivatives

Since interest-rate swap transactions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying long-term loans, their fair values were included in the fair value of the long-term loans (see (9)). In addition, the fair value of foreign currency forward exchange contracts that qualify for the allocation method is included in the fair value of the underlying accounts receivable and payable since they are accounted for as an integral part of the underlying accounts receivable and payable.

Note 2. Financial instruments without fair value indicated

Category	Carrying value on the consolidated balance sheet (million yen)
Unlisted equity securities	3,731
Shares of subsidiaries and affiliates	9,661

These financial instruments do not have market prices, and as a result it is considered to be extremely difficult to determine their fair values, and consequently, they are not included in (3): Investments in securities.

11. Notes relating to per share information

(1) Net assets per share 2,462.04 yen

(2) Net income per share 122.12 yen

12. Notes relating to significant subsequent events

No applicable information.

13. Other notes

Business combination-related

(Business combination through acquisition)

(1) Outline of business combination

(i) Name and business description of the acquiree

Name of the acquiree: Prinova Group, LLC (hereinafter, "Prinova")

Business description: Sales of food ingredients, processing and contract manufacturing

(ii) Main reason for the business combination

As we at the Company have set out the "Reform Profit Structure" in the ***ACE-2020*** mid-term management plan, we have categorized Life & Healthcare as a focus area to expand the business. In addition, in order to further accelerate global expansion, we aim to boost sales and increase the Group's presence in overseas markets by designating the Americas as a focus region.

Since its founding in 1978, Prinova has been growing through shifting from the food ingredient distribution business to the high-value-added business. Prinova operates a vertically integrated business through value chains from sale of food ingredients, manufacturing of formulation products and contract manufacturing mainly in North America and Europe.

We position Prinova as a strategic base for further expanding our food ingredients business in the United States and Europe. We will expand the NAGASE Group's presence in Japan, Asia, the Americas and Europe by combining the food ingredients business of Hayashibara Co., Ltd., a 100% consolidated subsidiary of the Company.

Going forward, we will strive to maximize the synergy of the NAGASE Group by improving a governance system, while maintaining the management structure of the current management team.

(iii) Date of the business combination: August 6, 2019

(iv) Legal form of the business combination: Acquisition of equity interests for cash consideration

(v) Name of the company after combination: There is no change in the name of the company after the combination

(vi) Ratio of equity interests acquired: 93.3%

(vii) Main Basis for determining the acquirer

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

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

From August 6, 2019 to December 31, 2019

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

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

Consideration for acquisition	Cash	US$422 million	(44,747 million yen)
Acquisition cost		US$422 million	(44,747 million yen)

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

In addition to the cash payment of US$422 million in consideration for acquiring equity, cash loans of US$174 million are offered to the acquiree as a source of its debt repayment.

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

Advisory expenses and others: 796 million yen

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

(i)	Amount of goodwill arising from the business combination	US$101 million (10,747 million yen)
(ii)	Reason for the goodwill	The goodwill arose mainly from future excess earnings power that is expected from future business development.
(iii)	Amortization method and period	The straight-line method over 20 years

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

Current assets	US$329 million	(34,884 million yen)
Non-current assets	US$272 million	(28,879 million yen)
Total assets	US$602 million	(63,764 million yen)
Current liabilities	US$248 million	(26,348 million yen)
Non-current liabilities	US$9 million	(988 million yen)
Total liabilities	US$258 million	(27,336 million yen)

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

Type	Amount		Amortization period
Trademarks	US$62 million	(6,584 million yen)	20 years
Customer-related assets	US$172 million	(18,267 million yen)	19 years

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

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

(Method of calculating the approximate amount)

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

The approximate amount has not received audit certification.

Notes to Non-consolidated Financial Statements

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

2. Notes relating to significant accounting policies
   (1) Valuation criteria and policies for assets
      (i) Securities
         a. Shares of subsidiaries and affiliates
            The cost method based on the moving-average method is adopted.
         b. Other securities
            i. Securities with market value
               The market value method based on the market price as of the end of the fiscal year is adopted (all valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated based on the moving-average method).
            ii. Securities without market value
               The cost method based on the moving-average method is adopted.
      (ii) Derivatives
         The market value method is adopted.
      (iii) Inventories
         The cost method based on the moving-average method is adopted (the lower of book value or market value based on declines in profitability).
   (2) Depreciation and amortization of non-current assets
      (i) Property, plant and equipment (except for leased assets)
         The straight-line method is adopted. The estimated useful lives of major assets are as follows.

Buildings (other than structures attached to the buildings):	23 - 50 years
Machinery and equipment:	2 - 17 years

      (ii) Intangible assets (except for leased assets)
         The straight-line method is adopted. The estimated useful lives of major assets are as follows.

Software for internal use:	5 years

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

(iii) Provision for retirement benefits

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

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

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

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

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

(i) Method of accounting for deferred assets

Bond issuance costs are fully recognized as expenses when paid.

(ii) Methods for hedge accounting

a. Methods for hedge accounting

i. Foreign currency forward exchange contracts

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

ii. Interest-rate swaps

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

b. Hedging instruments and hedged items

i.	Hedging instruments:	Foreign currency forward exchange contracts, foreign currency-denominated deposits, and foreign currency-denominated loans
	Hedged items:	Foreign currency receivables and payables and forecasted transactions denominated in foreign currencies
ii.	Hedging instruments:	Interest-rate swaps
	Hedged items:	Interest rates on loans from financial institutions

c. Hedging policies

i. In order to manage the risks arising from adverse fluctuation in foreign currency exchange rates relating to import and export transactions, the Company enters into foreign currency forward exchange contracts primarily for accounts receivable - trade and accounts payable - trade in foreign currencies. Execution and management of such contracts are based on internal management rules, and foreign currency forward exchange contracts are conducted within a range of actual demand (accounts receivable - trade, accounts payable - trade, and actual transactions in foreign currencies).

ii. In order to manage the risks of changes in loan interest rates, the Company engages in interest-rate swaps. Execution and management of such contracts are performed in accordance with internal management rules, and targets of interest-rate-swap hedging are identified individually for each contract.

d. Method of evaluating the effectiveness of hedging activities

i. The Company assesses the effectiveness of the hedging activities based on a comparison of the accumulated fluctuations of the hedged items and those of the hedging instruments in the period from the start of the hedging activities to the assessment date.

ii. With regard to interest-rate swaps which meet the conditions for the special accounting treatment, an evaluation of effectiveness as of the end of the fiscal year is omitted.

(iii) Accounting for consumption taxes

Consumption taxes are accounted for using the tax-exclusion method.

(iv) Application of consolidated taxation system

The Company adopts the consolidated taxation system.

(v) Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System

A transition was performed to a group tax sharing system established in the “Act for Partial Amendment of the Income Tax, etc.” (Act. 8 of 2020) and there was a review on the transition to a non-consolidated taxation system in line with the transition to the group tax sharing system. For the items subject to such transition or the review, the Company does not apply the provisions of Paragraph (44) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) in accordance with the handling under Paragraph (3) of the “Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the Tax Act prior to the amendment.

3. Material changes to matters that serve as the basis for preparation of the financial statements

(Changes in accounting policy)

(Accounting policy for deferred assets)

Regarding the Company’s method of accounting for issuance costs, bond issuance costs included in deferred assets were previously amortized using the interest method over the redemption period of the bonds. However, effective from the fiscal year, bond issuance costs are recognized as expenses with the application of the principle method.

This change was made in order to enhance the efficiency of clerical processing and restore the financial position in the wake of a new acquisition leading to an incurrence of new bond issuance cost during the fiscal year.

As a result of this change, ordinary income and income before income taxes decreased by 118 million yen, respectively, and net income decreased by 83 million yen, compared with the case where the previous method is used.

As the effect of this change in the accounting policy on the prior periods was immaterial, the new method was not applied retrospectively.

4. Notes to non-consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment 17,186 million yen

(2) Guarantee obligations

Guarantees of bank loans, etc. of subsidiaries and affiliates	34,453 million yen
Guarantees of bank loans of employees	0 million yen

(3) Discounted export notes 140 million yen

(4) Guarantees of monetary claims against and obligations owed to subsidiaries and affiliates (except for those indicated separately)

Short-term monetary claims	47,579 million yen
Short-term monetary obligations	43,266 million yen

(5) The reduction entry amount from acceptance of government subsidies included in property, plant and equipment (buildings, tools, furniture and fixtures) is 45 million yen, and the reduction entry amount has been deducted from the amount of the non-consolidated balance sheet.

5. Notes to non-consolidated statements of income

Transactions with subsidiaries and affiliates

Net sales	143,635 million yen
Net purchases	63,269 million yen
Selling, general and administrative expenses	5,741 million yen
Non-operating transactions	10,647 million yen

6. Notes to non-consolidated statement of changes in net assets

Number of shares of treasury stock as of the end of the fiscal year 3,396,695 shares

7. Notes relating to tax effect accounting

The primary reasons for the occurrence of deferred tax assets and deferred tax liabilities

The primary reasons for the occurrence of deferred tax assets are provision for retirement benefits and accrued bonuses for employees less valuation allowances. The primary reason for the occurrence of deferred tax liabilities is net unrealized holding gain on securities.

8. Notes relating to related party transactions

Subsidiaries and affiliates

Attribute	Company name	Description of main business	Percentage of voting rights held (%)	Details of relationship		Details of transactions	Transaction amount (million yen)	Accounting category	Balance at end of fiscal year (million yen)
				Concurrent service by officers, etc.	Business relationship				
Subsidiary	Nagase Holdings America Corporation	Regional management, investment and asset management, and provision of professional services	Direct: 100.0 Indirect: —	Two officers serving concurrently, one seconded officer	Guarantee of obligations	Guarantee of obligations	5,767	—	—
Subsidiary	Hayashibara Co., Ltd.	Development, manufacture and sale of food raw materials, pharmaceutical raw materials, cosmetics raw materials, health foods raw materials, functional dyes, etc.	Direct: 100.0 Indirect: —	Three officers serving concurrently	Sale of goods, purchase of products, lease of building, loan of funds, guarantee of obligations	Purchase of products	8,978	Accounts payable-trade	706
						Loan of funds	4,000	Short-term loans receivable	10,990
								Long-term loans receivable	13,500
						Expected amounts for consolidated taxation	584	Accounts payable-other	584
Subsidiary	Nagase ChemteX Corporation	Manufacture of epoxy resins, enzymes, and chemical industry products	Direct: 100.0 Indirect: —	Four officers serving concurrently	Sale of goods, purchase of products, lease of building	Sale of goods	7,285	Accounts receivable-trade	2,541
						Purchase of products	25,275	Accounts payable-trade	6,223
						Dividends received	1,777	—	—
						Deposit of funds	—	Deposits received	1,953
Subsidiary	Totaku Industries, Inc.	Manufacture and sale of plastic products, etc.	Direct: 100.0 Indirect: —	Four officers serving concurrently, one seconded officer one transferred officer	Purchase of products, lease of building	Deposit of funds	—	Deposits received	5,166
Subsidiary	Shanghai Hua Chang Trading Co., Ltd.	Sale of plastics and related products	Direct: 16.2 Indirect: 53.8	Three officers serving concurrently, one seconded officer	Purchase and sale of goods, guarantee of obligations	Sale of goods	1,466	Accounts receivable-trade	222
						Obligations guaranteed	3,479	—	—
Subsidiary	Nagase Plastics Co., Ltd.	Sale of plastic products, etc.	Direct: 100.0 Indirect: —	Two officers serving concurrently, four transferred officers	Purchase and sale of goods, lease of building	Sale of goods	19,313	Accounts receivable-trade	6,851
						Purchase of goods	1,262	Accounts payable-trade	409
Subsidiary	Nagase Chemical Co., Ltd.	Sale of coating raw materials, dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics, etc.	Direct: 100.0 Indirect: —	Two officers serving concurrently, two transferred officer	Purchase and sale of goods, lease of building	Sale of goods	12,554	Accounts receivable-trade	6,698
						Deposit of funds	—	Deposits received	2,850

<table>
<tr><th rowspan="2">Attribute</th><th rowspan="2">Company name</th><th rowspan="2">Description of main business</th><th rowspan="2">Percentage of voting rights held (%)</th><th colspan="2">Details of relationship</th><th rowspan="2">Details of transactions</th><th rowspan="2">Transaction amount (million yen)</th><th rowspan="2">Accounting category</th><th rowspan="2">Balance at end of fiscal year (million yen)</th></tr>
<tr><th>Concurrent service by officers, etc.</th><th>Business relationship</th></tr>
<tr><td rowspan="3">Subsidiary</td><td rowspan="3">Setsunan Kasei Co., Ltd.</td><td rowspan="3">Coloring and sales of plastics</td><td rowspan="3">Direct: 100.0
Indirect: —</td><td rowspan="3">Two officers serving concurrently, one transferred officer</td><td rowspan="3">Sale of goods, purchase of products, lease of building, loan of funds, guarantee of obligations</td><td rowspan="2">Loan of funds</td><td rowspan="2">350</td><td>Short-term loans receivable</td><td>400</td></tr>
<tr><td>Long-term loans receivable</td><td>4,850</td></tr>
<tr><td>Provision of allowance for doubtful accounts for subsidiaries and an affiliate</td><td>60</td><td>Allowance for doubtful accounts</td><td>4,052</td></tr>
</table>

Notes

1. Transaction terms relating to purchase and sale of goods and purchase of products, and policies on determination of transaction terms are determined in the same manner as general transactions.
2. Deposits and loans of funds are governed by the Group cash management system, and reasonable interest rates are applied, taking into account market interest rates. About lending and borrowing of funds among participating companies taking place repeatedly on a daily basis, transaction amounts are not indicated.
3. Guarantees of obligations are guarantees relating to operating capital from outside financial institutions, and transaction amounts are balances as of the end of March 2020.
4. Transaction amounts are exclusive of consumption taxes, etc.

9. Notes relating to per share information

(1) Net assets per share 1,584.44 yen

(2) Net income per share 91.68 yen

10. Notes relating to significant subsequent events

No applicable information.