Online Disclosures Relating to Notice of the 106th Annual Shareholders' Meeting

Notes to Consolidated Financial Statements

Notes to Non-Consolidated Financial Statements

(From April 1, 2020 to March 31, 2021)

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: 77
   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
   (Decrease)
   - Nagase Tool Matex Co., Ltd. (dissolved in an absorption-type merger (merger date: April 1, 2020), in which consolidated subsidiary Nagase Elex Co., Ltd. was the surviving company)
   - Shenzhen Nagase Trading Ltd. (dissolved in an absorption-type merger (merger date: June 30, 2020), in which consolidated subsidiary Guangzhou Nagase Trading Co., Ltd. was the surviving company)
   - Nagase Medicals Co., Ltd. (all shares were sold on October 1, 2020)
   - Senko Nagase Logistics Co., Ltd. (changed from a consolidated subsidiary to an affiliate subject to application of the equity method due to sale of shares on December 1, 2020)
     Nagase Logistics Co., Ltd. changed its company name to Senko Nagase Logistics Co., Ltd. on December 1, 2020.

   (3) Name, etc. of main non-consolidated subsidiaries
   Choko Co., Ltd.
   (Reasons for excluding non-consolidated subsidiaries from the scope of consolidation)
   Those non-consolidated subsidiaries (six 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: 26
   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)
   - Senko Nagase Logistics Co., Ltd. (changed from a consolidated subsidiary to an affiliate subject to application of the equity method due to sale of shares on December 1, 2020)
     Nagase Logistics Co., Ltd. changed its company name to Senko Nagase Logistics Co., Ltd. on December 1, 2020.

   (3) Name, etc. of main non-consolidated subsidiaries and affiliates that are not accounted for by the equity method
   Non-consolidated subsidiaries: Choko Co., Ltd.
   Affiliates: ON Textile Chemicals (Shanghai) Co., LTD
   (Reason for exclusion from scope of application of the equity method)
   The non-consolidated subsidiaries (six companies) and affiliates (eight 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 32 companies whose accounting periods differ from the consolidated accounting period and all those companies' fiscal year-end date is December 31. For 11 of those companies, consolidation is performed using the financial statements based on provisional settlement of accounts as of the consolidated closing date. For 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 presentation)

(Changes associated with the adoption of the "Accounting Standard for Disclosure of Accounting Estimates")

From the current fiscal year, the Group adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020). Accordingly, notes relating to accounting estimates are included in the Notes to Consolidated Financial Statements.

(Additional information)

(Effects of COVID-19 Pandemic When Making Accounting Estimates)

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

The impact of the spread of COVID-19 on the Group's earnings during the current fiscal year has been limited overall. The most prominent impact was on the first quarter results of the automobile-related business. However, since the second quarter, certain business recoveries have been observed (e.g. an electronics business recovery in the Electronics segment and a resins business recovery in the Advanced Materials & Processing segment supported by demand driven by teleworking and other factors).

Accounting estimates relating to the impact of the COVID-19 pandemic in and after fiscal 2021 are reflected in the Group's accounting treatment based on the assumption that the current unstable business environment will continue in the first half of fiscal 2021, and the normalization of economic activities will progress gradually in and after the second half due to the spread of vaccination.
Many uncertain factors regarding the impact of COVID-19 remain, which may affect the financial position and operating performance of the Group in the next fiscal year and thereafter.

7. Notes to accounting estimates

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

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

Property, plant and equipment	70,896 million yen
Intangible fixed assets	64,598 million yen
Impairment losses	1,824 million yen

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

(i) Method of calculating the amount

If a sign of impairment appears with regard to an asset or asset group, the Company determines whether to recognize an impairment loss based on undiscounted future cash flows. The said undiscounted cash flows are calculated in consideration of main assets' economic useful lives, etc., under future business plans.
When recognizing an impairment loss for a particular year, the Company calculates a recoverable amount, which is the net realizable value or the value in use, whichever is larger, and then reduces the book value to the recoverable amount. The amount reduced is posted as an impairment loss for the year. A discount rate used for the calculation of the value in use is basically set by linking the relevant business risk to the time value of money.

(ii) Key assumptions used for amount calculation

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

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

Except the assets for which impairment losses were recognized in the consolidated statement of income for the current fiscal year, the book values of property, plant and equipment and intangible assets were considered recoverable at the end of the current fiscal year. However, due to the inherent uncertainty of accounting estimates, if the said key assumption should change beyond the projectable range, the recoverable amount may fall below the book value, and an impairment loss may arise.

8. Notes to consolidated balance sheet
   (1) Accumulated depreciation of property, plant and equipment 101,516 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 363 million yen
      Guarantees of bank loans of employees 0 million yen
   (4) Discounted export notes 170 million yen
   (5) Notes transferred by endorsement 4 million yen
   (6) The reduction entry amount from acceptance of government subsidies included in property, plant and equipment is 1,318 million yen, and the reduction entry amount has been deducted from the amount on the consolidated balance sheet.

9. Notes to consolidated statement of income
   Research and development expenses 5,613 million yen

10. Notes to consolidated statement of changes in net assets
   (1) Total number of issued shares as of the end of the current fiscal year
   Common stock 124,408,285 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 22, 2020	Common stock	2,728	22.0	March 31, 2020	June 23, 2020
Board of Directors' meeting held on November 4, 2020	Common stock	2,728	22.0	September 30, 2020	December 7, 2020

   (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 23, 2021	Common stock	Retained earnings	2,963	24.0	March 31, 2021	June 24, 2021

11. Notes relating to financial instruments
   (1) Matters concerning the status of financial instruments
   The Group invests excess funds in highly secure and short-term financial assets, whose principal is guaranteed to be recoverable. With regard to financing policy, short-term working funds are raised by bank borrowings and issuance of commercial paper, and long-term funds are raised by bank borrowings and the issuance of bonds. The policy for derivative transactions is that those are utilized to mitigate the fluctuation risk related to foreign currency exchange rates arising from 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, 2021 are as shown below.

(Million yen)

	Carrying value on the consolidated balance sheet	Fair value	Difference
(1) Cash and time deposits	49,254	49,254	–
(2) Notes and accounts receivable	242,558	242,558	–
(3) Investments in securities			
Other securities	78,496	78,496	–
(4) Notes and accounts payable	119,941	119,941	–
(5) Short-term loans	33,050	33,050	–
(6) Current portion of long-term loans	12,025	12,025	–
(7) Commercial paper	8,000	8,000	–
(8) Bonds	30,000	29,899	(101)
(9) Long-term loans	34,514	34,528	13
(10) Derivatives*	(537)	(537)	–

* 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	6,225
Shares of subsidiaries and affiliates	8,997

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.

12. Notes relating to per share information

(1) Net assets per share 2,670.09 yen

(2) Net income per share 151.91 yen

13. Notes relating to significant subsequent events

No applicable information.

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 presentation)

(Changes associated with the adoption of the "Accounting Standard for Disclosure of Accounting Estimates")

From the current fiscal year, the Company adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020). Accordingly, notes relating to accounting estimates are included in the Notes to Non-consolidated Financial Statements.

(Additional information)

(Effects of COVID-19 Pandemic When Making Accounting Estimates)

The Company makes accounting estimates relating to impairment loss on non-current assets and recoverability of deferred tax assets, etc., based on information available at the time the non-consolidated financial statements are prepared.

The impact of the spread of COVID-19 on the Company's earnings during the current fiscal year has been limited overall. The most prominent impact was on the first quarter results of the automobile-related business. However, since the second quarter, certain business recoveries have been observed (e.g. an electronics business recovery in the Electronics segment and a resins business recovery in the Advanced Materials & Processing segment supported by demand driven by teleworking and other factors).

Accounting estimates relating to the impact of the COVID-19 pandemic in and after fiscal 2021 are reflected in the Company's accounting treatment based on the assumption that the current unstable business environment will continue in the first half of fiscal 2021, and the normalization of economic activities will progress gradually in and after the second half due to the spread of vaccination.

Many uncertain factors regarding the impact of COVID-19 remain, which may affect the financial position and operating performance of the Company in the next fiscal year and thereafter.

4. Notes to accounting estimates

(Assessment of shares of subsidiaries and affiliates)

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

Shares of subsidiaries and affiliates 104,742 million yen

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

(i) Method of calculating the amount

Regarding the shares of subsidiaries and affiliates, the acquisition cost thereof is recorded on the balance sheet, and in case the real value of these shares decreases significantly due to deterioration of financial conditions of an issuer of these shares, an impairment loss is recorded.

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

(ii) Key assumptions used for amount calculation

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

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

Due to inherent uncertainty of accounting estimates, if the said key assumptions should change beyond the projectable range, our judgments on business plan-based recoverability and deterioration of excess earning power may change and an impairment loss may arise.

5. Notes to non-consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment — 17,805 million yen

(2) Guarantee obligations

Guarantees of bank loans, etc. of subsidiaries and affiliates	37,837 million yen
Guarantees of bank loans of employees	0 million yen

(3) Discounted export notes — 170 million yen

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

Short-term monetary claims	51,160 million yen
Short-term monetary obligations	49,757 million yen

(5) The reduction entry amount from acceptance of government subsidies included in property, plant and equipment (buildings, tools, furniture and fixtures) is 69 million yen, and the reduction entry amount has been deducted from the amount of the non-consolidated balance sheet.

6. Notes to non-consolidated statements of income

Transactions with subsidiaries and affiliates

Net sales	139,903 million yen
Net purchases	61,045 million yen
Selling, general and administrative expenses	7,369 million yen
Non-operating transactions	12,240 million yen

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

Number of shares of treasury stock as of the end of the fiscal year — 933,995 shares

8. 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.

9. 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	5,424	—	—
Subsidiary	Prinova Group, LLC	Sales and processing of food ingredients, etc., contracted manufacture of finished products	Direct: — Indirect: 93.3	Two officers serving concurrently	Sale of goods, purchase of products, loan of funds	Loan of funds	4,771	Short-term loans receivable	4,771
Subsidiary	Hayashibara Co., Ltd.	Development, manufacture and sale of food raw materials, pharmaceutical raw materials, cosmetics raw materials, health foods raw materials, functional dyes, etc.	Direct: 100.0 Indirect: —	Three officers serving concurrently	Sale of goods, purchase of products, lease of building, loan of funds	Purchase of products	9,088	Accounts payable-trade	964
						Loan of funds	22,510	Short-term loans receivable	10,510
								Long-term loans receivable	12,000
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	6,940	Accounts receivable-trade	2,491
						Purchase of products	24,965	Accounts payable-trade	6,570
						Dividends received	1,777	—	—
						Deposit of funds	—	Deposits received	3,296
Subsidiary	Totaku Industries, Inc.	Manufacture and sale of plastic products, etc.	Direct: 100.0 Indirect: —	Three officers serving concurrently, one seconded officer one transferred officer	Purchase of products, lease of building	Deposit of funds	—	Deposits received	5,522
Subsidiary	Guangzhou Nagase Trading Co., Ltd.	Import/export, intermediate trade, market development, information collection	Direct: — Indirect: 100.0	One officer serving concurrently, three seconded officers	Purchase and sale of goods, guarantee of obligations	Sale of goods	3,976	Accounts receivable-trade	1,106
						Obligations guaranteed	5,021	—	—
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	1,558	Accounts receivable-trade	413
						Obligations guaranteed	5,406	—	—
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	16,905	Accounts receivable-trade	6,709
						Purchase of goods	1,252	Accounts payable-trade	515

Attribute	Company name	Description of main business	Percentage of voting rights held (%)	Details of relationship		Details of transactions	Transaction amount (million yen)	Accounting category	Balance at end of fiscal year (million yen)
				Concurrent service by officers, etc.	Business relationship				
Subsidiary	Nagase Chemical Co., Ltd.	Sale of coating raw materials, dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics, etc.	Direct: 100.0 Indirect: —	Two officers serving concurrently, two transferred officers	Purchase and sale of goods, lease of building	Sale of goods	11,089	Accounts receivable-trade	5,532
						Deposit of funds	—	Deposits received	1,995
Subsidiary	Setsunan Kasei Co., Ltd.	Coloring and sales of plastics	Direct: 100.0 Indirect: —	Two officers serving concurrently, one transferred officer	Sale of goods, purchase of products, lease of building, loan of funds, guarantee of obligations	Loan of funds	5,343	Short-term loans receivable	443
								Long-term loans receivable	4,900
						Reversal of allowance for doubtful accounts for subsidiaries and affiliates	27	Allowance for doubtful accounts	4,025
Affiliate	Senko Nagase Logistics Co., Ltd.	Warehousing	Direct: 15.0 Indirect: —	One officer serving concurrently	Payment of costs of warehousing the Company's products, taking land on lease, lease of building	Dividends received	1,872	—	—

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 2021.
4. Transaction amounts are exclusive of consumption taxes, etc.

10. Notes relating to per share information

(1) Net assets per share 1,745.57 yen

(2) Net income per share 118.65 yen

11. Notes relating to significant subsequent events

No applicable information.