

Notice of the 109th Annual Shareholders' Meeting

(Items excluded from the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents, pursuant to laws and regulations and the Articles of Incorporation, among items for which the measures for providing information in electronic format are taken)

Matters relating to share options for the Company's shares

Independent Auditor

Company systems and policies

Consolidated Statement of Changes in Net Assets

Notes to Consolidated Financial Statements

Non-Consolidated Statement of Changes in Net Assets

Notes to Non-Consolidated Financial Statements

(From April 1, 2023 to March 31, 2024)

NAGASE & CO., LTD.

The above items are excluded from the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents, pursuant to laws and regulations and the provision of Article 14, paragraph (2) of the Company's Articles of Incorporation.

Matters relating to share options for the Company's shares

1. Status of share options issued as consideration for the execution of duties and held by the Company officers as of the end of the fiscal year
No applicable information.
2. Status of share options issued to employees and others as consideration for the execution of duties during the fiscal year
No applicable information.
3. Other significant matters relating to share options
No applicable information.

Independent Auditor

1. Name of Independent Auditor
Ernst & Young ShinNihon LLC

2. Summary of Limiting liability agreement

The Company has not entered into a liability limiting agreement specified in Article 423, paragraph (1) of the Companies Act with its Independent Auditor.

3. Amount of compensation paid to Independent Auditor during the current fiscal year

	Amount of compensation (Millions of yen)
Amount of compensation, etc. paid by the Company to Independent Auditor in relation to business specified in Article 2, paragraph (1) of the Certified Public Accountants Act	117
Amount of compensation, etc. paid by the Company to Independent Auditor in relation to business other than that specified above	0
Total compensation, etc. paid by the Company and its consolidated subsidiaries to Independent Auditor	161

Notes: 1. The audit agreement between the Company and the Independent Auditor does not distinguish between audit compensation for audits performed pursuant to the Companies Act and audits performed pursuant to the Financial Instruments and Exchange Act and compensation cannot practically be categorized in this manner, and accordingly, the total amount is reported as compensation, etc. paid to the Independent Auditor during the current fiscal year.

2. The Audit & Supervisory Board received materials necessary for investigating the amount of the Independent Auditor's compensation from relevant internal divisions, Directors, Independent Auditor, and so on, received explanations from the Independent Auditor of a summary of the audit plan for the current fiscal year, audit times for each audit item, and so on, and based on the results of its confirmation of the audit plans for prior years and implementation of those plans determined that the compensation, etc. paid to the Independent Auditor is appropriate and gave its consent pursuant to Article 399, paragraph (1) of the Companies Act.

4. Details of duties other than audits

Non-audit services include agreed procedural work associated with tax filing in foreign countries.

5. Status of audits of financial statements of the Company's main subsidiaries by Certified Public Accountants or Audit Firms other than the Company's Independent Auditor

Of the Company's main subsidiaries, Prinova Group LLC, Nagase (Hong Kong) Ltd., Nagase (Thailand) Co., Ltd. and three other overseas subsidiaries were audited by certified public accountants or an audit firm (including persons with corresponding qualifications in a foreign country) other than the Company's Independent Auditor.

6. Policy on determination to dismiss or not to reappoint Independent Auditor

In addition to dismissal of the Independent Auditor by the Audit & Supervisory Board as specified in Article 340 of the Companies Act, if the Company determines that it would be difficult for the Independent Auditor to properly perform its duties because of a violation of laws and regulations by the Independent Auditor, the occurrence of events that impair the Independent Auditor's qualifications or independence, and so on or if the Company determines that changing the Independent Auditor would be suitable for enhancing the appropriateness of audits, the Company's policy is to propose at a Shareholders' Meeting to dismiss or not to reappoint the Independent Auditor.

Company systems and policies

1. Systems for ensuring the proper implementation of business and status of operation of those systems
Summary of resolution on systems for ensuring the proper implementation of business (internal control systems)

The Company's Board of Directors adopted a resolution on basic policy for creating internal control systems entitled "Creation of Systems to Ensure that Directors Execute their Duties in Accordance with Laws and Regulations and the Articles of Incorporation and Other Systems Specified by Ministry of Justice Ordinance Necessary for Ensuring the Proper Implementation of Business by a Stock Corporation and the Corporate Group Comprising that Corporation and its Subsidiaries." Details of the policy are set forth below. Based on this basic policy, the Company will ensure the appropriateness of its business operations and conduct ongoing reviews and continuous improvement in order to appropriately reinforce governance systems even further in light of changes in the Company's business environment.

The Company has established the Internal Control Committee to build, maintain and improve the internal control system. The Committee deliberates on basic policies for the internal control systems, builds systems established under the internal control systems, and monitors the operation of the systems.

- (1) Systems to ensure that Directors and employees execute their duties in accordance with laws and regulations and the Articles of Incorporation (Article 362, paragraph (4), item (6) of the Companies Act and Article 100, paragraph (1), item (4) of the Regulations for Enforcement of the Companies Act)
 - (i) Based on management philosophy of "recognizing our responsibility to society while maintaining the highest standards of integrity," the Company has established the Code of Conduct for Risk Management & Compliance, and has created systems for ensuring that all officers and employees including those of Group companies conduct corporate activities in accordance with the Code of Conduct for Risk Management & Compliance in order to create and maintain compliance systems.
 - (ii) The Company has established Risk Management & Compliance Committee and the Committee is made up of Directors and employees. The members make all determinations relating to risk management and compliance. When necessary, the Committee engages outside experts and works to prevent violations of laws and regulations and the Articles of Incorporation.
 - (iii) The Company has formulated internal rules on individual issues, and makes decisions through multidirectional examination on compliance and other important points from a professional perspective.
 - (iv) Should employees of Nagase or its Group companies become aware of legal or other compliance issue, they immediately report to and consult with their supervisor or the relevant division and then report to the Risk Management & Compliance Committee, which promptly reports to the Board of Directors and the Audit & Supervisory Board and its members. In addition, the Risk Management & Compliance Committee has introduced an internal reporting system wherein employees and officers including those of Group companies can report or discuss issues directly. The aim is to prevent violations of laws and regulations and the Articles of Incorporation by Directors and employees in the performance of their duties, and to prevent such violations from being left unattended or unaddressed.
 - (v) Awareness regarding legal compliance among officers and employees including those of Group companies is raised by conducting courses taught by outside experts and through other means. And efforts are made to disseminate information regarding the management philosophy by the Committee.

- (vi) Our Audit Office conducts internal audits relating to the status of execution of duties by Directors and employees in accordance with the Internal Audit Rules.

- (2) Systems for retaining and managing information relating to the execution of duties by Directors (Article 100, paragraph (1), item (1) of the Regulations for Enforcement of the Companies Act)
Information relating to the execution of duties by Directors is recorded on paper or electromagnetically in accordance with internal rules and is retained and managed. Directors and Audit & Supervisory Board members can access and view these documents at any time.

- (3) Rules relating to management of loss-related risks and other systems (Article 100, paragraph (1), item (2) of the Regulations for Enforcement of the Companies Act)
 - (i) The Company has established the Risk Management & Compliance Committee as the organization that performs comprehensive management relating to loss-related risks for the Company and Group companies, determined the committee's functions and authority, and created a system that clarifies its roles and responsibilities.
 - (ii) Each responsible division establishes rules and guidelines, conducts training, prepares and distributes manuals, and takes other measures concerning individual risks relating to the business activities of the Company and Group companies.
 - (iii) When new risks arise, the Risk Management & Compliance Committee promptly designates the responsible division to address the risks, and also develops a system for prompt and appropriate communication and emergency procedures in case that an incident occurs within the Group.

- (4) Systems for ensuring the efficient execution of duties by Directors (Article 100, paragraph (1), item (3) of the Regulations for Enforcement of the Companies Act)
 - (i) The Board of Directors is clearly positioned as the body in charge of making decisions on management policies and strategies, and it supervises the execution of operations. The Board of Directors holds regular monthly meetings as well as extraordinary meetings when necessary.
 - (ii) The Group Management Committee, consisting of executive officers appointed by the Board of Directors, has been established to discuss important matters such as management strategies and investment projects, as a way to support management decision-making, and holds regular meetings once a month in principle. Directors and Audit & Supervisory Board Members may attend the Group Management Committee meetings.
 - (iii) With regard to the performance of business in accordance with the decisions of the Board of Directors, organizational operations rules and divisions of work responsibilities established under an executive officer system specify responsible parties, their responsibilities, and procedures for carrying out those responsibilities.

- (5) Systems for ensuring the proper implementation of business by the corporate group comprising a stock corporation and its subsidiaries (Article 100, paragraph (1), item (5) of the Regulations for Enforcement of the Companies Act)
 - (i) Systems for reporting to the Company on matters pertaining to the execution of duties by directors, etc. of subsidiaries (Article 100, paragraph (1), item (5)(a) of the Regulations for Enforcement of the Companies Act)
 - a. The Company has established operational standards and established a system that requires approval from or reporting to the Company after Group companies make decisions on certain matters.

- b. In principle, the Company dispatches officers to Group companies and ensures the proper conduct of business.
- (ii) Rules relating to management of loss-related risks of the subsidiaries and other systems (Article 100, paragraph (1), item (5)(b) of the Regulations for Enforcement of the Companies Act)
The Company and Group companies perform Group-wide risk management with the Risk Management & Compliance Committee playing a central role and in coordination with risk management & compliance committees established at main subsidiaries. Important matters relating to Group-wide compliance are discussed and decisions are made while tasks and measures to promote the risk management are deliberated and decided on. In order to further enhance the reliability of financial reports, the status of company-wide internal controls as well as the process for preparing financial statements has been codified in light of the Financial Instruments and Exchange Act and evaluation and improvement efforts are made on a consolidated basis.
 - (iii) Systems for ensuring the efficient execution of duties by directors, etc. of subsidiaries (Article 100, paragraph (1), item (5)(c) of the Regulations for Enforcement of the Companies Act)
Under the Medium-term Management Plan and a system of annual budgets, clear targets are set and budget and results management is performed for the Company and each Group company.
 - (iv) Systems to ensure that directors, etc. and employees of subsidiaries execute their duties in accordance with laws and the Articles of Incorporation (Article 100, paragraph (1), item (5)(d) of the Regulations for Enforcement of the Companies Act)
 - a. The Code of Conduct for Risk Management & Compliance is disseminated to all officers and employees of Group companies to ensure that their corporate activities are conducted in accordance with the Code.
 - b. The Audit Office of the Company conducts audits of the Company and Group companies in accordance with the Internal Audit Rules.
 - c. The Risk Management & Compliance Committee has introduced an internal reporting system wherein employees and officers including those of Group companies can report or discuss issues directly. The aim is to prevent violations of laws and regulations and the Articles of Incorporation by Directors and employees in the performance of their duties, and to prevent such violations from being left unattended or unaddressed.
- (6) Matters pertaining to employees when Audit & Supervisory Board members request the appointment of employees to assist them in the execution of their duties (Article 100, paragraph (3), item (1) of the Regulations for Enforcement of the Companies Act)
Upon request from Audit & Supervisory Board members, in order to ensure their auditing effectiveness, the Company appoints employees to support the Audit & Supervisory Board members' work. Such employees are assigned to the Audit Office.
 - (7) Matters pertaining to ensuring the independence of employees specified in the preceding paragraph from Directors and ensuring the effectiveness of instructions from Audit & Supervisory Board members (Article 100, paragraph (3), item (2) and (3) of the Regulations for Enforcement of the Companies Act)
 - (i) When such employees are transferred, evaluations are conducted, and so on, prior consultations are conducted with Audit & Supervisory Board members and their opinions are sought.
 - (ii) Efforts are made to ensure the effectiveness of instructions to such employees, adequately taking into consideration the selection of such employees and the period for which they will work supporting the execution of duties by Audit & Supervisory Board members.

- (8) Systems for Directors and employees to report to Audit & Supervisory Board members and other systems for reporting to Audit & Supervisory Board members (Article 100, paragraph (3), item (4) of the Regulations for Enforcement of the Companies Act)
- (i) Audit & Supervisory Board members attend the Board of Directors meetings and other important meetings, exchange opinions with managers, review requests for decisions, reports, and so on so that they can understand the overall status of operations of the Company and Group companies at all times.
 - (ii) The Risk Management & Compliance Committee Rules stipulate that Directors, employees, and so on of the Company and Group companies shall report to Audit & Supervisory Board members promptly regarding the following matters individually or through the Risk Management & Compliance Committee.
 - i. Occurrence and reporting of improper implementation, violations of laws and regulations or the Articles of Incorporation, or other compliance-related issues regarding the performance of duties by Directors;
 - ii. Occurrence and reporting of facts that pose a risk of substantial harm to the Company; and
 - iii. Occurrence and reporting of disclosure of material information.
 - (iii) The result of internal audits of the business execution of the Company and Group companies conducted by the Audit Office are reported to full-time Audit & Supervisory Board members.
- (9) System to ensure that a person who makes a report under the preceding paragraph is not subject to any disadvantageous treatment for making such a report (Article 100, paragraph (3), item (5) of the Regulations for Enforcement of the Companies Act)
- Detrimental treatment of persons who make reports is prohibited in cases where a report is made by a Director or employee of the Company or Group companies directly to an Audit & Supervisory Board member. This information is distributed throughout the Group and is clearly stated within internal reporting system.
- (10) Matters concerning procedures for prepayment or reimbursement of expenses incurred in the execution of duties by Audit & Supervisory Board members and other policies concerning the treatment of expenses or liabilities incurred in the execution of such duties (Article 100, paragraph (3), item (6) of the Regulations for Enforcement of the Companies Act)
- When advice is sought from attorneys, certified public accountants, and other outside professionals or expenses are requested for outsourcing investigations, appraisals, or other administrative tasks so that the Audit & Supervisory Board or its members can perform audits, the Company may not refuse such requests except when the expenses relating to a request are deemed unnecessary for the performance of duties by the Audit & Supervisory Board or its members.
- (11) Other systems to ensure that audits are conducted effectively by Audit & Supervisory Board members (Article 100, paragraph (3), item (7) of the Regulations for Enforcement of the Companies Act)
- (i) The Representative Directors and the outside Directors hold periodic meetings for the exchange of opinions with Audit & Supervisory Board members.

- (ii) Full-time Audit & Supervisory Board members of the Company concurrently serve as audit & supervisory board members at main subsidiaries in Japan.

Overview of the Status of Implementation of Systems for Ensuring Proper Implementation of Business

The Company has established the Internal Control Committee that consists of Directors and executive officers, in order to build, maintain and improve the internal control systems. The Committee monitors the operational status of internal controls.

- The Board of Directors is positioned as the decision-making body regarding management policies and strategies, and it supervises the execution of operations. The Board of Directors met a total of 16 times this fiscal year. With regard to the performance of business in accordance with the decisions of the Board of Directors, business is efficiently executed in accordance with organizational operations rules and divisions of work responsibilities established under an executive officer system.
- The Group Management Committee consists of executive officers appointed by the Board of Directors and discusses important matters such as management strategies and investment projects. This Committee held 12 meetings this fiscal year.
- The Company has adopted the “Code of Conduct for Risk Management & Compliance,” and conducts all business activities in accordance with various internal rules based on said code. The Risk Management & Compliance Committee shares important risk management and compliance matters of the Group and discusses ways to handle issues. This Committee was held three times this fiscal year. In addition, the Risk Management & Compliance Committee Secretariat conducts various activities including the provision of support for establishing the Group’s risk management system and legal compliance education in accordance with the policy indicated by the Risk Management & Compliance Committee. This Secretariat held monthly regular meetings. Furthermore, the Group has been building a structure through an initiative called risk communication that enables each section and the Risk Management & Compliance Committee Secretariat, working together, to handle individual risks, and developing a system for prompt and appropriate communication and emergency procedures. Activity plans and activity details are reported to the Board of Directors.
- Under its internal reporting system, the Company has set up a desk for handling direct reporting and consultation requests within Group companies in Japan and overseas, aiming to grasp behaviors in violation of law, etc., and prevent the occurrence of these behaviors. We also adopt and disseminate within the Group both the NAGASE Group Compliance Consultation and Reporting Basic Policy, which provides important and basic matters as a global policy, and the Compliance Hotline Rules, which are applicable to the Group companies in Japan so that those who report certain behaviors do not suffer detrimental treatment.
- The Company and its Group companies have established operational standards to ensure the proper implementation of business. Under these standards, decisions on certain matters that Group companies make are required to be approved by or reported to the Company, and the Company dispatches officers to Group companies in principle. The Audit Office of the Company conducts audits of the Company and its Group companies in accordance with the Internal Audit Rules.
- From the standpoint of reliability of financial reports, the status of company-wide internal controls and the process for preparing financial statements have been codified in light of the Financial Instruments and Exchange Act, and evaluation and improvement efforts are made on a consolidated basis.

- Audit & Supervisory Board members attend the Board of Directors meetings, Group Management Committee meetings, and other important meetings, and exchange opinions regularly with the Representative Directors, outside Directors, and management executives. These members also regularly receive reports from and exchange opinions with Independent Auditors, the Audit Office, and Audit & Supervisory Board members of affiliated companies. The Company has established an information system enabling Audit & Supervisory Board members to review requests for decisions, meeting minutes, and reports, etc., regarding the execution of duties by Directors as well as other information to enable these members to understand the status of operations of the Company and its Group companies. We also clarify matters to be reported promptly to the Audit & Supervisory Board members, such as events and internal reports that may have a material impact on management, to ensure timely and appropriate reporting to these members. A budget for the expenses to be incurred in connection with audits conducted by the Audit & Supervisory Board members is provided and these expenses are paid based on mutual approval by the Audit & Supervisory Board members, employees who assist the Audit & Supervisory Board members in the execution of these members' duties are chosen from the Audit Office staff to ensure independence and the effectiveness of instructions from these members.

2. Policy on decisions concerning distribution of surplus

The Company resolved at the Board of Directors meeting held on May 8, 2024 to change its shareholder returns policy to “total return ratio of 100%” as a tentative measure for two years until fiscal 2025, which is the final year of **ACE 2.0**, to achieve ROE of 8.0% or higher, a quantitative target under **ACE 2.0**.

We will pay dividends based on consolidated cash flow and investment status, with a basic policy of “continuously increasing dividends” in consideration of consolidated performance and financial structure, while improving profitability and strengthening the corporate structure, as set out previously. We previously set the amount of strategic cross-shareholdings sold during the period of **ACE 2.0** as the limitation on the amount of repurchases of treasury stock. However, under the policy above, we will repurchase treasury stock in a flexible manner, while keeping efficiency in mind.

Consolidated Statement of Changes in Net Assets
(April 1, 2023 – March 31, 2024)

(Amounts of less than one million yen are rounded down.)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2023	9,699	10,636	290,279	(1,550)	309,064
Cumulative effects of changes in accounting policies			(72)		(72)
Restated balance	9,699	10,636	290,207	(1,550)	308,992
Changes					
Cash dividends			(9,281)		(9,281)
Net income attributable to owners of the parent			22,402		22,402
Purchases of treasury stock				(8,001)	(8,001)
Disposal of treasury stock				7	7
Changes in parent's ownership interest due to transactions with non-controlling interests		(1,287)			(1,287)
Other changes					
Total changes	-	(1,287)	13,121	(7,993)	3,840
Balance at March 31, 2024	9,699	9,348	303,328	(9,543)	312,832

	Accumulated other comprehensive income (loss)					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2023	28,928	(7)	30,414	(726)	58,610	10,713	378,388
Cumulative effects of changes in accounting policies							(72)
Restated balance	28,928	(7)	30,414	(726)	58,610	10,713	378,315
Changes							
Cash dividends							(9,281)
Net income attributable to owners of the parent							22,402
Purchases of treasury stock							(8,001)
Disposal of treasury stock							7
Changes in parent's ownership interest due to transactions with non-controlling interests							(1,287)
Other changes	4,834	126	14,431	3,229	22,622	(3,462)	19,159
Total changes	4,834	126	14,431	3,229	22,622	(3,462)	22,999
Balance at March 31, 2024	33,763	119	44,846	2,503	81,232	7,250	401,315

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: 75
Main subsidiaries: Nagase ChemteX Corporation, Hayashibara Co., Ltd., Prinova Group LLC, Nagase (Thailand) Co., Ltd., Nagase (Hong Kong) Ltd., and Shanghai Nagase Trading Co., Ltd.
 - (2) Changes in the scope of consolidation
(Increase)
 - Flavor Tec - Aromas de Frutas Ltda (acquisition of equity interests on June 28, 2023)
 - Fruttini Sucos de Frutas Ltda (acquisition of equity interests on June 28, 2023)
(Decrease)
 - INFINITE MATERIAL SOLUTIONS, LLC (dissolved in an absorption-type merger, in which consolidated subsidiary INTERFACIAL CONSULTANTS LLC was the surviving company, on April 1, 2023)
 - PRINOVA GERMANY LIMITED (liquidation on April 11, 2023)
 - Inkron Technologies GmbH (liquidation on May 17, 2023)
 - Lakeshore Technologies, LLC (dissolved in an absorption-type merger, in which consolidated subsidiary Prinova US LLC was the surviving company, on January 1, 2024)
 - (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 (seven 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: 19
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
(Decrease)
 - Sun Delta Corporation (liquidation on November 28, 2023)
 - (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 Colors & Chemicals (Shanghai) Co., Ltd.
(Reason for exclusion from scope of application of the equity method)
The non-consolidated subsidiaries (seven companies) and affiliates (five 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 11 of those companies, consolidation is performed using the financial statements based on provisional settlement of accounts as of the consolidated closing date. For 22 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 other than equity securities with no market price
The market value method 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).
 - Equity securities with no market price
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.
 - (iv) Provision for share awards
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.
- (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) Accounting for significant revenues and expenses
The following is a description of the principal performance obligations in the Company and its consolidated subsidiaries' principal businesses relating to revenue from contracts with customers and the usual time at which such performance obligations are satisfied (the usual time at which revenue is recognized).
The Group sells merchandise and products by reportable segment and recognizes revenue 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 Company is obligated to act as an agent for certain transactions. The consideration for the transactions is received primarily within one year of satisfying the performance obligation and does not include a significant financial component.
When the Group is acting as a party to a transaction, revenue is presented in a gross amount of consideration received from the customer, and when the Group is acting as an agent for a third party, revenue is presented in a net amount of fees which is the gross amount of consideration received from the customer minus the amount collected for the third party.
- (6) Significant methods for hedge accounting
- (i) Methods for hedge accounting
 - a. Foreign currency forward exchange contracts
The deferral hedge accounting method is mainly used.
 - 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.
- (7) 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.

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

(Changes in accounting policies)

(Adoption of U.S. FASB Accounting Standards Codification (ASC) No. 326, “Financial Instruments-Credit Losses”)

Certain foreign consolidated subsidiaries that adopted U.S. GAAP apply ASC No. 326, Financial Instruments-Credit Losses, at the beginning of the current fiscal year. As a result, the subsidiaries in question are required to revise the methods used to measure financial instruments and recognize impairment of financial assets using the expected credit loss model.

In applying this accounting standard, the subsidiary recognized the cumulative effect as of the date of adoption, which is permitted under the transitional provisions.

The impact of this accounting treatment on the consolidated statements of income is immaterial.

(Changes in Significant Hedge Accounting Methods)

The Company previously used the allocation method for foreign currency receivables and payables with foreign exchange contracts, if said receivables and payables qualified for the allocation method. However, from December 2023, the Company switched accounting methods to the principle accounting method.

As the Company reforms its enterprise system, the Company reviewed its management of foreign exchange contracts and changed this approach to reflect derivative transactions more appropriately in Company financial statements.

Note that as impact from this change in accounting methods is minor, the change is not applied retroactively.

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	87,392 million yen
Intangible fixed assets	69,349 million yen
Impairment losses	2,276 million yen

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

(i) Method of calculating the amount

Non-current assets are grouped into the smallest units that generate cash flows, and are measured for impairment after determining whether there is any indication of impairment and, if so, whether an impairment loss should be recognized.

For the grouping of non-current assets, idle assets are grouped by individual properties, and business assets are grouped mainly by company or plant. With respect to goodwill, a larger unit that includes related business-use assets is used principally to group assets.

Undiscounted future cash flows used to determine whether to recognize impairment losses are calculated in consideration of main assets’ economic useful lives, etc., under future business plans. Impairment losses are measured by calculating the recoverable amount of the relevant asset or asset group as the higher of net realizable value or the value in use, and the difference between the book value and the recoverable amount is recorded as an impairment loss in the current fiscal 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

If the actual profit or loss of each asset or asset group falls below the business plan, or if there is a significant change in the assumptions on which future business plans are based, the recoverable amount may fall below the book value and an impairment loss may be recognized in the next fiscal year.

8. Notes to consolidated balance sheet

- (1) Accumulated depreciation of property, plant and equipment 113,840 million yen
- (2) Guarantee obligations
Guarantees of bank loans, etc. of trading partners 980 million yen
* The actual balance of guarantees has been shown previously as the amount of guarantees; however, the limit amount is shown from this consolidated fiscal year.
- (3) Discounted export notes 252 million yen
- (4) The reduction entry amount from acceptance of government subsidies included in property, plant and equipment is 1,322 million yen, and the reduction entry amount has been deducted from the amount on the consolidated balance sheet.
- (5) Notes matured on the last day of a consolidated fiscal year are treated as settled on the clearance date of notes. The following notes matured on the last day of this consolidated fiscal year are included in the balance as of the end of the consolidated fiscal year since the last day of the consolidated fiscal year fell on a bank holiday.
- Notes receivable 2,457 million yen
Notes payable 655 million yen

9. Notes to consolidated statement of income

Research and development expenses 5,987 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 shares 117,908,285 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 20, 2023	Common shares	4,696	40.0	March 31, 2023	June 21, 2023
Board of Directors' meeting held on November 1, 2023	Common shares	4,585	40.0	September 30, 2023	December 4, 2023

- (Notes) 1. Total amount of dividends for common shares of 4,696 million yen which is resolved at the Annual Shareholders' Meeting held on June 20, 2023 includes dividends of 11 million yen in relation to the Company's shares held by the "Share Delivery Trust for Officers."
2. Total amount of dividends for common shares of 4,585 million yen which is resolved at the Board of Directors' meeting held on November 1, 2023 includes dividends of 11 million yen in relation to the Company's shares held by the "Share Delivery Trust for Officers."

(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 21, 2024	Common shares	Retained earnings	4,562	40.0	March 31, 2024	June 24, 2024

(Note) Total amount of dividends for common shares of 4,562 million yen which is to be resolved at the Annual Shareholders' Meeting to be held on June 21, 2024 includes dividends of 11 million yen in relation to the Company's shares held by the "Share Delivery Trust for Officers."

11. Notes relating to financial instruments

(1) Matters concerning the status of financial instruments

With regard to Group's 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 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 related to receivables and payables denominated in foreign currencies 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, 2024 are as shown below.

Cash has been omitted from the notes, and time deposits, short-term loans, current portion of long-term loans, commercial paper, and current portion of bonds also have been omitted from the notes since they are settled in a short period of time and their fair values approximate their book values.

(Millions of yen)

	Carrying value on the consolidated balance sheet	Fair value	Difference
(1) Notes and accounts receivable	321,126	321,126	–
(2) Investments in securities			
Other securities	61,116	61,116	–
(3) Notes and accounts payable	156,352	156,352	–
(4) Bonds	20,000	19,292	(708)
(5) Long-term loans	27,533	27,173	(359)
(6) Derivatives*	(158)	(158)	–

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

Note: Equity securities with no market price are not included in “(2) Investments in securities.” The consolidated balance sheet amounts of such financial instruments are as follows.

Category	Carrying value on the consolidated balance sheet (Millions of yen)
Unlisted equity securities	4,823
Shares of subsidiaries and affiliates	10,286

- (3) Matters related to the breakdown, etc. of the fair value of financial instruments by level
The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs on fair value calculation.

Level 1 fair value: Among the inputs on observable fair value calculation, fair value calculated based on quoted market prices for the assets or liabilities for which such fair value is calculated that are formed in active markets

Level 2 fair value: Among the inputs on observable fair value calculation, fair value calculated using inputs on fair value calculation other than Level 1 inputs

Level 3 fair value: Fair value calculated using inputs on unobservable fair value calculation

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

- (i) Financial assets and liabilities that are recorded with fair value in the consolidated balance sheets

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Equity securities	61,116	–	–	61,116
Derivatives				
Foreign currency forward exchange contracts	–	(158)	–	(158)

- (ii) Financial assets and liabilities that are not recorded with fair value in the consolidated balance sheets

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable	–	321,126	–	321,126
Notes and accounts payable	–	156,352	–	156,352
Bonds	–	19,292	–	19,292
Long-term loans	–	27,173	–	27,173

Note: Explanation on valuation method and inputs used for the calculation of fair value

Notes and accounts receivable

The fair value of notes and accounts receivable is based on their present values discounted by the interest rate determined taking into account the remaining period to maturity for each receivable classified by the settlement date, and is classified as Level 2 fair value.

Investments in securities

Listed equity securities are valued using quoted market prices. Since equity securities are traded in active markets, their fair value is classified as Level 1.

Derivatives

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

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.

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, and is classified as Level 2 fair value.

Bonds

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

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, and is classified as Level 2 fair value.

12. Notes relating to revenue recognition

(1) Information that disaggregates revenue from contracts with customers

The Group's net sales in the current fiscal year mainly consist of revenues recognized from contracts with customers, and the breakdown of net sales by region for each reportable segment is as follows.

(Millions of yen)

	Reportable segments					Others (Note) 3	Total	Component (%)
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare			
Japan	64,933	34,694	56,442	42,163	70,490	146	268,872	29.9
Greater China	17,881	96,356	59,803	31,724	3,866	-	209,632	23.3
ASEAN	34,198	60,586	7,403	37,665	6,200	-	146,053	16.2
Americas	22,847	4,509	8,880	18,716	123,756	-	178,710	19.9
Europe	5,899	1,133	4,021	1,562	73,068	-	85,685	9.5
Other	1,044	1,263	8,206	285	396	-	11,196	1.2
Revenue from contracts with customers	146,804	198,543	144,758	132,117	277,779	146	900,149	100.0
Net sales to customers	146,804	198,543	144,758	132,117	277,779	146	900,149	100.0

Notes:

1. Net sales are categorized by country or region, according to the location of the Company and its 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..... UK, 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 services.

(2) Information for understanding the amount of revenue for the current fiscal year and after 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 from contracts with customers and contract assets are included in "Notes and accounts receivable and contract assets" and contract liabilities are included in "Other current liabilities." The beginning balance of the contract liabilities was transferred to revenue by the end of the period, and there is no materiality for the amount carried forward after the next fiscal year.

Category	Carrying value on the consolidated balance sheet (Millions of yen)
Receivables from contracts with customers	320,347
Contract assets	778
Contract liabilities	4,581

(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.

13. Notes relating to per share information

- (1) Net assets per share 3,463.84 yen
(2) Net income per share 194.96 yen

(Note) The Company's shares held by the share delivery trust for officers are included in Treasury stock in Shareholders' equity. These are excluded from the calculation of the total number of issued shares at the end of the period when calculating net assets per share. Also, these are excluded from the average number of shares during the period when calculating net income per share. The number of such shares at the end of the period excluded from the calculation of net assets per share was 288,500, while the average number of shares during the period excluded from the calculation of net income per share was 289,923.

14. Notes relating to significant subsequent events

(Acquisition of treasury stock)

The Company resolved on matters relating to the acquisition of treasury stock at the meeting of its Board of Directors held on May 8, 2024 as follows, pursuant to the provision of Article 156, as applied pursuant to Article 165, paragraph (3) of the Companies Act.

(1) Reason for the acquisition of treasury stock

The Company resolved at the Board of Directors meeting held on May 8, 2024 to change its shareholder returns policy under the Medium-term Management Plan **ACE 2.0**, to implement total return ratio of 100% as a tentative measure for two years. The Company will acquire treasury stock in accordance with this policy.

(2) Details of matters relating to the acquisition

- (i) Type of shares to be acquired Common shares of the Company
(ii) Total number of shares that can be acquired 5,500,000 shares (maximum) (4.82% of total number of issued shares (excluding treasury stock))
(iii) Total value of shares that can be acquired 10 billion yen (maximum)
(iv) Acquisition period From May 9, 2024 to October 31, 2024
(v) Acquisition method To be purchased on the market

(Cancellation of treasury stock)

The Company resolved on matters relating to the cancellation of treasury stock at the meeting of its Board of Directors held on May 8, 2024 as follows, pursuant to the provision of Article 178 of the Companies Act.

(i) Type of shares to be cancelled	Common shares of the Company
(ii) Number of shares to be cancelled	3,000,000 shares (2.54% of total number of issued shares (excluding treasury stock))
(iii) Date of cancellation	May 31, 2024

* Reference: Treasury stock held as of April 30, 2024

Total number of issued shares (excluding treasury stock)	114,053,648 shares
Number of treasury stock	3,854,637 shares

(*) Treasury stock in the above does not include 288,500 shares of the Company's shares held by the share delivery trust for officers.

15. Other notes

(Stock-based compensation system)

The Company introduced a stock-based compensation system (the "System" hereinafter) for Directors (excluding Outside Directors; same below) and Executive Officers (the "Persons Eligible for the System" hereinafter) from the previous fiscal year. The System aims to increase awareness of contributions toward improving business performance and increasing corporate value over the medium to long term. The Company expects this can be achieved by making the linkage between the compensation of the Persons Eligible for the System and the business performance and the value of the Company's shares clearer, and by having the Persons Eligible for the System share benefits and risks of fluctuations in the share price with the shareholders.

(1) Overview of the transaction

The System is a stock-based compensation system through which a trust to be established with monies contributed by the Company (the "Trust" hereinafter) acquires the shares of the Company, and the Company grants points to the respective Persons Eligible for the System and delivers the shares of the Company in the number corresponding to that of the points through the Trust to the respective Persons Eligible for the System. The timing of such delivery shall, in principle, be upon retirement of the relevant Person Eligible for the System.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the Trust is recorded as Treasury stock in Net assets at the book value at the Trust (excluding ancillary expenses). The book value of the relevant treasury stock as at the end of the fiscal year is 612 million yen for 288,500 shares.

Non-Consolidated Statement of Changes in Net Assets
(April 1, 2023 – March 31, 2024)

(Amounts of less than one million yen are rounded down.)
(Millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Reserve for reduction entry	General reserve	Retained earnings brought forward	
Balance, at April 1, 2023	9,699	9,634	9,634	2,424	2,058	95,579	55,243	155,305
Changes								
Reversal of reserve for reduction entry					(13)		13	-
Cash dividends							(9,281)	(9,281)
Net income							5,143	5,143
Purchases of treasury stock								
Disposal of treasury stock								
Other changes								
Total changes	-	-	-	-	(13)	-	(4,124)	(4,138)
Balance, at March 31, 2024	9,699	9,634	9,634	2,424	2,045	95,579	51,118	151,167

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Total valuation and translation adjustments	
Balance, at April 1, 2023	(1,550)	173,090	28,121	(7)	28,114	201,204
Changes						
Reversal of reserve for reduction entry		-				-
Cash dividends		(9,281)				(9,281)
Net income		5,143				5,143
Purchases of treasury stock	(8,001)	(8,001)				(8,001)
Disposal of treasury stock	7	7				7
Other changes			4,749	126	4,876	4,876
Total changes	(7,993)	(12,131)	4,749	126	4,876	(7,254)
Balance, at March 31, 2024	(9,543)	160,958	32,871	119	32,991	193,949

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 other than equity securities with no market price
The market value method 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. Equity securities with no market price
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
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 - (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.

(iv) Provision for loss on guarantees

In order to provide for loss on guarantees to the subsidiaries and affiliates, etc., a reserve for estimated amount of loss based on the financial conditions, etc. of the guaranteed companies is accrued.

(v) Provision for share awards

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.

(vi) Provision for loss on business of subsidiaries and affiliates

An estimated amount of loss is recorded to provide for loss on businesses of our subsidiaries and affiliates in the consideration of the financial condition of a relevant company.

(4) Accounting for significant revenues and expenses

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

The Company sells merchandise and products by reportable segment and recognizes revenue 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 Company is obligated to act as an agent for certain transactions. The consideration for the transactions is received primarily within one year of satisfying the performance obligation and does not include a significant financial component.

When the Company is acting as a party to a transaction, revenue is presented in a gross amount of consideration received from the customer, and when the Company is acting as an agent for a third party, revenue is presented in a net amount of fees which is the gross amount of consideration received from the customer minus the amount collected for the third party.

(5) 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

The deferral hedge accounting method is used.

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.

3. Material changes to matters that serve as the basis for preparation of the financial statements
 (Changes in accounting policies)

(Changes in Significant Hedge Accounting Methods)

The Company previously used the allocation method for foreign currency receivables and payables with foreign exchange contracts, if said receivables and payables qualified for the allocation method. However, from December 2023, the Company switched accounting methods to the principle accounting method.

As the Company reforms its enterprise system, the Company reviewed its management of foreign exchange contracts and changed this approach to reflect derivative transactions more appropriately in Company financial statements.

Note that as impact from this change in accounting methods is minor, the change is not applied retroactively.

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 101,210 million yen

Loss on valuation of shares of subsidiaries and affiliates - million yen

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

(i) Method of calculating the amount

As all shares of subsidiaries and affiliates the Company holds are equity securities with no market price, 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 associate were used.

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

If the actual earnings or losses of each subsidiary or associate are lower than estimated or if there is a material change in the assumptions underlying future business plans, impairment losses may be recognized in the following fiscal year.

5. Notes to non-consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment 16,777 million yen

(2) Guarantee obligations

Guarantees of bank loans, etc. of subsidiaries and affiliates 115,303 million yen

* The actual balance of guarantees has been shown previously as the amount of guarantees; however, the limit amount is shown from this consolidated fiscal year.

(3) Discounted export notes 252 million yen

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

Short-term monetary claims 61,422 million yen

Short-term monetary obligations 56,628 million yen

(5) The reduction entry amount from acceptance of government subsidies included in property, plant and equipment (buildings, tools, furniture and fixtures) is 70 million yen, and the reduction entry amount has been deducted from the amount of the non-consolidated balance sheet.

(6) Notes matured on the last day of a fiscal year are treated as settled on the clearance date of notes or the settlement date. The following notes matured on the last day of this fiscal year are included in the balance as of the end of the fiscal year since the last day of the fiscal year fell on a bank holiday.

Notes receivable	377 million yen
Electronically recorded monetary claims – operating	1,417 million yen
Electronically recorded obligations – operating	381 million yen

6. Notes to non-consolidated statements of income

Transactions with subsidiaries and affiliates

Net sales	106,233 million yen
Net purchases	35,449 million yen
Selling, general and administrative expenses	8,367 million yen
Non-operating transactions	14,222 million yen

7. Notes relating to revenue recognition

Information that forms the basis for understanding revenue from contracts with customers has been omitted from the notes because the same information is presented in “Notes to Consolidated Financial Statements, 5. Notes relating to accounting policies, (5) Accounting for significant revenues and expenses.”

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

Number of shares of treasury stock as of the end of the fiscal year 4,143,115 shares

(Note) Treasury stock in the above includes 288,500 shares of the Company’s shares held by the share delivery trust for officers.

9. 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.

10. 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: —	One officer serving concurrently, one seconded officer	Guarantee of obligations	Deposit of funds	—	Deposits received	8,370
						Guarantee of obligations	6,132	—	—
Subsidiary	Prinova Group LLC	Sales and processing of food ingredients, etc., contracted manufacture of finished products	Direct: — Indirect: 100.0	Two officers serving concurrently	Sale of goods, purchase of products, loan of funds	Loan of funds	—	Short-term loans receivable	36,746
						Receipt of interests	2,080		
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	6,050	Accounts payable-trade	2,738
						Loan of funds	2,000	Short-term loans receivable	8,450
								Long-term loans receivable	3,800
Subsidiary	Nagase ChemteX Corporation	Manufacture and sale of high-performance resins, such as formulated epoxy resins, photolithography materials, epichlorohydrin derivatives, acrylic polymer, electroconductive paints, and sterilization and antibacterial agents	Direct: 100.0 Indirect: —	Four officers serving concurrently	Sale of goods, purchase of products, lease of building	Sale of goods	721	Accounts receivable-trade	1,623
						Purchase of products	9,125	Accounts payable-trade	5,464
						Deposit of funds	—	Deposits received	1,409
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	2,820	Accounts receivable-trade	748
						Obligations guaranteed	17,564	—	—
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	Obligations guaranteed	12,103	—	—
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	1,856	Accounts receivable-trade	6,996
						Purchase of goods	1,020	Accounts payable-trade	517
Subsidiary	Nagase Chemical Co., Ltd.	Sale of coating raw materials, dyestuffs, paper chemicals, industrial chemicals, plastics, and various machinery	Direct: 100.0 Indirect: —	Two officers serving concurrently, two transferred officers	Purchase and sale of goods, lease of building	Sale of goods	5,599	Accounts receivable-trade	13,154
						Deposit of funds	—	Deposits received	1,840

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	Fukui Yamada Chemical Co., Ltd.	Manufacture and sale of color formers	Direct: 100.0	Three officers serving concurrently	Sale of goods, purchase of products, loan of funds, guarantee of obligations	Loan of funds	—	Short-term loans receivable	1,595
			Indirect: —					Long-term loans receivable	2,900
			—			Provision of allowance for doubtful accounts for subsidiaries and affiliates	2,125	Allowance for doubtful accounts	2,125
Subsidiary	Shanghai Nagase Trading Co., Ltd.	Import/export, intermediate trade, market development, information collection	Direct: —	One officer serving concurrently, one seconded officer	Purchase and sale of goods, guarantee of obligations	Sale of goods	22,970	Accounts receivable-trade	5,023
			Indirect: 100.0			Purchase of goods	6,571	Accounts payable-trade	1,398
			—			Obligations guaranteed	9,068	—	—
Subsidiary	Nagase Vietnam Co., Ltd.	Import/export, intermediate trade, market development, information collection	Direct: 100.0	One officer serving concurrently, three seconded officers	Purchase and sale of goods, guarantee of obligations	Sale of goods	3,794	Accounts receivable-trade	1,263
			Indirect: —			Obligations guaranteed	12,099	—	—
Subsidiary	Interfacial Consultants LLC	Contract products, manufacturing process development, composite substrate, manufacturing of various masterbatches	Direct: —	One seconded officer	Sale of goods, purchase of products, loan of funds	Loan of funds	—	Short-term loans receivable	3,293
			Indirect: 80.0			Provision of allowance for doubtful accounts for subsidiaries and affiliates	1,505	Allowance for doubtful accounts	3,286
Subsidiary	P.T. Nagase Impor-Ekspor Indonesia	Import/export, intermediate trade, market development, information collection	Direct: 99.8	One officer serving concurrently, four seconded officers	Purchase and sale of goods, guarantee of obligations	Sale of goods	2,893	Accounts receivable-trade	963
			Indirect: —			Obligations guaranteed	7,570	—	—
Subsidiary	Tianjin Nagase International Trading Co., Ltd.	Import/export, intermediate trade, market development, information collection	Direct: —	One officer serving concurrently, two seconded officers	Purchase and sale of goods, guarantee of obligations	Sale of goods	1,532	Accounts receivable-trade	345
			Indirect: 100.0			Obligations guaranteed	8,465	—	—
Subsidiary	Nagase Philippines International Services Corp.	Domestic sales, import/export	Direct: 100.0	Three seconded officers	Purchase and sale of goods, guarantee of obligations	Sale of goods	1,361	Accounts receivable-trade	532
			Indirect: —			Obligations guaranteed	7,721	—	—
Subsidiary	NWP International Trading (Shenzhen) Co., Ltd.	Sale of plastic products in South China	Direct: — Indirect: 100.0	Two seconded officers	Sale of goods, guarantee of obligations	Obligations guaranteed	5,907	—	—

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. Transaction amounts of obligations guaranteed are balances as of the end of March 2024. The actual balance of guarantees has been shown previously; however, the limit amount is shown from this fiscal year.
4. Hayashibara Co., Ltd. changed its trade name to Nagase Viita Co., Ltd. effective April 1, 2024.

11. Notes relating to per share information

- | | |
|--------------------------|--------------|
| (1) Net assets per share | 1,704.83 yen |
| (2) Net income per share | 44.76 yen |

(Note) As stated in “Notes to Consolidated Financial Statements, 13. Notes relating to per share information,” the Company’s shares held by the share delivery trust for officers are excluded from the calculation for the said notes.

12. Notes relating to significant subsequent events

As the same information is included in “Notes to Consolidated Financial Statements, 14. Notes relating to significant subsequent events,” this note is omitted.

13. Other notes

(Stock-based compensation system)

As the same information of a stock-based compensation system for Directors and Executive Officers is included in “Notes to Consolidated Financial Statements, 15. Other notes,” this note is omitted.