



**Consolidated Financial Statements for the Fiscal Year Ended March 31, 2017**  
**<Under Japanese GAAP>**

May 2, 2017

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

**NAGASE & CO., LTD.**

Stock exchange listing: Tokyo (First Section)

Code number: 8012 URL (<http://www.nagase.co.jp/english/>)

Representative: Kenji Asakura, Representative Director and President

Contact: Akira Takami, General Manager, Accounting Division

TEL: +81-3-3665-3103

Annual general meeting of stockholders (scheduled): June 28, 2017

Start of distribution of dividends (scheduled): June 29, 2017

Securities report filing (scheduled): June 29, 2017

Supplementary documents: Yes

Investors' meeting: Yes

(Note: Amounts have been rounded down to the nearest million yen.)

**1. Consolidated Results for the Fiscal Year Ended March 31, 2017**

**(April 1, 2016 to March 31, 2017)**

(1) Consolidated Operating Results

(% = year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FYE March 2017	722,384	(2.7)	15,030	(16.6)	16,361	(11.0)	10,331	(16.1)
FYE March 2016	742,194	(2.3)	18,024	(0.7)	18,390	(9.7)	12,316	8.8

(Notes) Comprehensive income FYE March 2017: ¥21,798 million (—%)

FYE March 2016: (¥3,845) million (—%)

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
FYE March 2017	81.65	—	3.7	3.1	2.1
FYE March 2016	96.96	—	4.4	3.5	2.4

(Reference) Equity in earnings of affiliates FYE March 2017: ¥217 million

FYE March 2016: (¥48) million

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FYE March 2017	530,775	295,198	54.7	2,301.10
FYE March 2016	512,081	279,149	53.5	2,156.67

(Reference) Equity capital FYE March 2017: ¥290,217 million

FYE March 2016: ¥273,963 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FYE March 2017	14,527	(6,518)	(10,592)	39,730
FYE March 2016	29,376	(12,600)	(12,822)	42,900

## 2. Dividends

	Annual Dividends per Share					Total dividends paid (full fiscal year)	Payout ratio (consolidated)	Dividends/ net assets (consolidated)
	1Q	2Q	3Q	Fiscal year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FYE March 2016	–	16.00	–	16.00	32.00	4,064	33.0	1.5
FYE March 2017	–	16.00	–	17.00	33.00	4,162	40.4	1.5
FYE March 2018 (estimate)	–	17.00	–	18.00	35.00		35.3	

## 3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% = year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q (cumulative)	–	–	–	–	–	–	–	–	–
Full fiscal year	732,000	1.3	19,100	27.1	20,900	27.7	12,500	21.0	99.11

(Note) As the Company only discloses full-year earnings targets, we have omitted presentation of interim consolidated results here.

### \* Notes

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): No

New: — (Company name: ) Excluded: — (Company name: )

(2) Changes of accounting principles, changes in accounting estimates, and restatement of prior period financial statements after error corrections

i. Changes in accordance with revisions to accounting and other standards: No

ii. Changes in items other than (i) above: Yes

iii. Changes in accounting estimates: No

iv. Restatement of prior period financial statements after error corrections: No

(3) Number of shares issued and outstanding (common stock)

i. Number of shares issued and outstanding as of the fiscal period end (including treasury stock)

March 31, 2017	127,408,285 shares	March 31, 2016	127,408,285 shares
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ii. Number of treasury stock as of the fiscal period end

March 31, 2017	1,287,366 shares	March 31, 2016	377,300 shares
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iii. Average number of shares during the period

March 31, 2017	126,541,671 shares	March 31, 2016	127,031,413 shares
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**\* These consolidated financial statements are not subject to audit by an independent audit corporation**

### \* Cautionary Statement with Respect to Forecasts of Consolidated Business Results

The earnings forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts.

Please refer to “1. Business Performance” on pages 2 through 5 of this document.

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## 1. Business Performance

### (1) Review of Business Performance

#### (Performance for the Fiscal Year Ended March 2017)

##### a. General Summary of Results

Despite weakness in personal spending, improved corporate earnings, employment, and payrolls led to a gradual recovery in the economy of Japan during the current consolidated fiscal year. The global economy continued to grow at a moderate pace, despite slowing growth in China and other emerging economies. Other worrisome factors include uncertainty surrounding the economic and trade policies of the new U.S. administration and the impact of the British exit from the EU.

In this environment, the Company recorded domestic sales of ¥369.36 billion for the consolidated fiscal year, which represented a 1.7% increase year on year. Overseas sales, impacted by the comparatively strong yen, fell to ¥353.01 billion (6.9% decrease). In total, the Company recorded ¥722.38 billion in net sales, a decrease of 2.7%.

The Company recorded gross profit of ¥91.5 billion (0.2% decrease) in conjunction with lower revenues. Operating income amounted to ¥15.03 billion, a decrease of 16.6%. This decrease was mainly due to an increase in retirement benefit expense in connection with the amortization of actuarial losses. Ordinary income amounted to ¥16.36 billion (11.0% decrease), while profit attributable to owners of the parent amounted to ¥10.33 billion (16.1% decrease).

##### b. Segment Summary

###### Functional Materials

The Functional Materials segment recorded slightly lower sales in both domestic and overseas markets.

The Performance Chemicals business recorded slightly lower sales as a whole, mainly due to lower naphtha prices driving sales of coating raw materials and urethane materials down in Japan and Greater China.

The Speciality Chemicals business recorded slightly lower sales for the year. While sales of plastic additives and silicone materials were strong in the Americas, sales fell in other regions.

As a result, the segment recorded sales of ¥153.54 billion for the year, representing a ¥3.6 billion (2.3%) decrease compared to the prior consolidated fiscal year. Operating income for the segment was ¥4.18 billion, representing a ¥500 million (13.7%) increase. This increase was mainly due to lower raw materials procurement costs at domestic manufacturing subsidiaries.

###### Advanced Materials & Processing

The Advanced Materials & Processing segment recorded lower sales in both domestic and overseas markets.

The Colors & Advanced Processing business recorded lower sales. Despite higher sales of conductive materials from domestic manufacturing subsidiaries, sales of plastic resins for packaging applications and digital print processing materials were lower both in Japan and overseas.

The Polymer Global Account business mainly sells plastics to office equipment, appliance, and video game device markets. Here, sales were lower as a whole, as performance declines in sales of thermoplastic resins were lower in Greater China and other overseas markets, despite gains from domestic manufacturing subsidiaries.

As a result, the segment recorded sales of ¥242.6 billion for the year, representing a ¥12.89 billion (5.0%) decrease compared to the prior consolidated fiscal year. Meanwhile, operating income increased ¥110 million (2.3%) to ¥5.09 billion, mainly due to improved product mix and cost reduction measures at domestic manufacturing subsidiaries.

**Electronics**

The Electronics segment recorded segment sales level with the prior year. Despite higher sales in Japan, driven by the performance of domestic manufacturing subsidiaries, overseas sales were lower.

The Electronic Chemicals business recorded increased sales for the period, driven by higher sales of formulated epoxy resin to the electronic components and semiconductor industries.

The Electronic Materials business recorded lower net sales, mainly due to lower sales of materials for touch panels and thin glass processing.

As a result, the segment recorded sales of ¥127.72 billion for the year, representing a ¥200 million (0.2%) decrease compared to the prior consolidated fiscal year. Operating income for the segment was ¥6.33 billion, representing a ¥70 million (1.2%) increase. This increase was mainly due to the contribution of higher revenues raising profits at domestic manufacturing subsidiaries.

**Automotive & Energy**

The Automotive Solutions business recorded slightly lower sales for the year. While sales increased thanks to growth in the resins business in Japan, the impact of lower naphtha prices drove sales down overseas.

As a result, the segment recorded sales of ¥112.95 billion for the year, representing a ¥2.39 billion (2.1%) decrease compared to the prior consolidated fiscal year. Operating income for the segment was ¥1.53 billion, representing a ¥230 million (18.4%) increase. This increase was mainly due to the profit improvements at domestic manufacturing subsidiaries.

**Life & Healthcare**

The Life & Healthcare segment recorded net sales slightly lower compared to the same period in the prior fiscal year. While sales were level domestically, sales from Greater China and other overseas regions were lower.

The Life & Healthcare Products business recorded slightly lower sales of TREHA™ and other products to food ingredient makers in Japan, while sales were also lower in overseas markets. Although the business recorded lower sales of AA2G™ to major Japanese customers in the skin care and toiletries field, sales from raw materials sales to the same field in Japan and overseas grew year on year. In the pharmaceuticals and medical fields, sales of raw pharmaceuticals and intermediates grew, significantly, while sales of medical materials were lower. As a result, the business recorded sales slightly lower compared to the prior year.

The Beauty Care Products business, which includes sales of cosmetics and health foods, recorded lower sales, mainly due to weakness in the performance of existing products, despite growth in new product sales.

As a result, the segment recorded sales of ¥84.9 billion for the year, representing a ¥660 million (0.8%) decrease compared to the prior consolidated fiscal year. Operating income for the segment was ¥3.33 billion, which was ¥530 million (13.8%) lower. This decrease was mainly due to lower profits in connection with lower sales of cosmetics and health foods.

**Other**

No special matters to disclose.

**(Forecast for the Fiscal Year Ending March 2018)****a. Performance Forecast for the Fiscal Year Ending March 2018**

Personal spending is expected to remain strong throughout the next fiscal year, buoyed by an improving picture in domestic employment and payrolls. Overseas, corporate earnings and strong personal spending in the United States is expected to continue. However, the impact of policies introduced by the new U.S. administration on China and other emerging economies is unclear, leading to continued instability in the overall business environment.

For the year ending March 2018, we forecast consolidated net sales of ¥732 billion (1.3% year-on-year increase), operating income of ¥19.1 billion (27.1% increase), ordinary income of ¥20.9 billion (27.7% increase), and profit attributable to owners of the parent in the amount of ¥12.5 billion (21.0% increase).

These forecasts have been developed based on a currency conversion rate of ¥108 to the US dollar.

	Net sales	Operating income	Ordinary income	Profit attributable to owners of the parent
Fiscal Year ending March 31, 2018	732,000	19,100	20,900	12,500
Fiscal Year ended March 31, 2017	722,384	15,030	16,361	10,331
Change	+1.3%	+27.1%	+27.7%	+21.0%

**b. Net Sales Forecast by Business Segment**

	Fiscal year ended March 2017 Actual	Fiscal year ending March 2018 Forecast	Change
Functional Materials	153,546	159,500	+3.9%
Advanced Materials & Processing	242,609	257,400	+6.1%
Electronics	127,722	109,200	(14.5%)
Automotive & Energy	112,956	119,600	+5.9%
Life & Healthcare	84,904	85,800	+1.1%
Other	644	500	(22.5%)
Total Sales	722,384	732,000	+1.3%

(Note) Next-period forecasts are based on information available at the time. Actual earnings may differ from forecasts due to a variety of factors, including, but not limited to, overseas and domestic business conditions, foreign exchange rate fluctuations, etc.

## (2) Review of Financial Position

### a. Summary of Consolidated Balance Sheets

As of the end of the consolidated fiscal year, current assets amounted to ¥321.21 billion. This represents an increase of ¥8.88 billion compared to the end of the prior consolidated fiscal year, mainly due to increases in accounts receivable in excess of decreases in cash and time deposits. Non-current assets amounted to ¥209.55 billion, up ¥9.81 billion. Although the Company sold shares of affiliates during the period, higher fair values for shares retained resulted in an increase in investments in securities. As a result of these various factors, total assets increased by ¥18.69 billion, up to ¥530.77 billion as of the end of the consolidated fiscal year.

Liabilities amounted to ¥235.57 billion, a ¥2.64 billion increase compared to the end of the prior consolidated fiscal year. This increase was mainly due to increases in accounts payable and long-term deferred tax liabilities.

Net assets amounted to ¥295.19 billion, up ¥16.04 billion. This increase was mainly due to ¥10.33 billion in profit attributable to owners of the parent and an increase in net unrealized holding gain in securities.

As a result, the Company recorded a shareholders' equity ratio of 54.7%, up 1.2 points compared to the end of the prior consolidated fiscal year.

### b. Summary of Consolidated Cash Flows

Cash and cash equivalents (Cash) decreased by ¥3.17 billion (7.4%) compared to the end of the prior consolidated fiscal year, amounting to ¥39.73 billion. Cash from operating activities amounted to ¥14.52 billion, while cash used in investing activities came to ¥6.51 billion, and cash used in financing activities amounted to ¥10.59 billion. In addition, effects of exchange rate changes had a ¥590 million negative impact on Cash balances, while a merger with a non-consolidated subsidiary had a ¥10 million positive impact.

#### (Cash Flows from Operating Activities)

Cash flows from operating activities for the consolidated fiscal year amounted to ¥14.52 billion. While the Company paid ¥7.73 billion in income taxes, we also recorded income before profit before income taxes of ¥16.1 billion and depreciation and amortization in the amount of ¥9.38 billion.

#### (Cash Flows from Investing Activities)

Cash used in investing activities during the consolidated fiscal year amounted to ¥6.51 billion. This result was mainly due to cash outlays of ¥11.53 billion for purchases of property, plant and equipment and intangible fixed assets, as well as ¥1.82 billion used for purchases of investments in securities. These factors offset cash proceeds of ¥4.65 billion in proceeds from sales of investments in securities.

**(Cash Flows from Financing Activities)**

Cash used in financing activities for the consolidated fiscal year amounted to ¥10.59 billion. This result was mainly due to ¥9.18 billion in repayments of long-term loans and ¥4.05 billion in dividend payments.

	FYE March 2013	FYE March 2014	FYE March 2015	FYE March 2016	FYE March 2017
Shareholders' equity ratio	46.9%	49.5%	51.5%	53.5%	54.7%
Shareholders' equity ratio based on market value	29.9%	32.5%	36.6%	30.7%	36.9%
Interest-bearing debt to cash flow ratio	5.3	7.3	6.4	3.0	5.6
Interest coverage ratio	17.7	11.3	13.7	29.0	13.9

Shareholders' equity ratio: Equity capital/total assets

Shareholders' equity ratio based on market value: Market capitalization/total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/operating cash flow

Interest coverage ratio: Operating cash flow/interest payments

(Note 1) Indicators are calculated based on consolidated figures.

(Note 2) Market capitalization is calculated using the closing price at the end of the year multiplied by the number of outstanding shares at the end of the year (less treasury stock at cost)

(Note 3) Operating cash flow is net cash flow provided by operating activities as shown in the consolidated statements of cash flows.

Interest-bearing debt is all liabilities in the consolidated balance sheets for which interest is payable.

Interest payments are the amount of interest paid as presented in the consolidated statements of cash flows.

**(3) Dividend Policy and Dividends for the Fiscal Years Ending March 2017 and 2018**

Our basic policy is to continue paying a stable dividend to our shareholders in line with our consolidated results as we improve our earnings power and management structure. We look to improve per-share dividends based on considerations of consolidated payout ratio and consolidated dividend to equity ratio. We also plan to use funds from internal reserves effectively in our business activities and to build a stronger management function.

The NAGASE Group declared a year-end dividend of ¥17 per share based on this policy, a ¥1 increase compared to the prior fiscal year. As a result, the scheduled full-year cash dividend will amount to ¥33 per share.

We forecast a full-year dividend of ¥35 per share for the next fiscal year, ¥2 higher than the prior year. This dividend will consist of a ¥17 per-share interim dividend and a ¥18 per share year-end dividend.

**2. Basic Policy on the Selection of Accounting Standards**

The NAGASE Group intends to adopt Japanese accounting standards for the time being to allow for inter-company comparability.

We have been studying the adoption of International Financial Reporting Standards (IFRS) for some time, and plan to make the appropriate policy choice in the future, considering external trends and other factors.



**3. Consolidated Financial Statements****(1) Consolidated Balance Sheets**

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2016)	Current Consolidated Fiscal Year (March 31, 2017)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	43,283	39,830
Notes and accounts receivable	196,335	206,846
Merchandise and finished goods	57,404	58,162
Work in process	1,726	1,309
Raw materials and supplies	3,789	3,648
Deferred tax assets	2,842	2,375
Other	7,843	9,681
Less allowance for doubtful accounts	(890)	(638)
Total current assets	312,334	321,215
Non-current assets		
Property, plant and equipment		
Buildings and structures	55,731	54,911
Accumulated depreciation	(29,915)	(30,879)
Buildings and structures (net)	25,816	24,032
Machinery, equipment and vehicles	62,660	62,929
Accumulated depreciation	(47,245)	(47,552)
Machinery, equipment and vehicles (net)	15,414	15,376
Land	18,910	21,939
Other	22,962	22,850
Accumulated depreciation	(16,629)	(16,578)
Other (net)	6,333	6,271
Total property, plant and equipment	66,474	67,619
Intangible fixed assets		
Goodwill	24,582	23,034
Technology-based assets	15,366	13,791
Other	4,567	3,916
Total intangible fixed assets	44,516	40,742
Investments and other assets		
Investments in securities	81,345	94,548
Long-term loans receivable	1,023	482
Net defined benefit assets	-	1
Deferred tax assets	1,544	1,524
Other	5,017	4,930
Less allowance for doubtful accounts	(174)	(289)
Total investments and other assets	88,755	101,197
Total non-current assets	199,747	209,559
Total assets	512,081	530,775

	Prior Consolidated Fiscal Year (March 31, 2016)	Current Consolidated Fiscal Year (March 31, 2017)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	97,800	102,076
Short-term loans	25,294	28,162
Current portion of long-term loans	8,823	3,522
Current portion of bonds	-	10,000
Accrued income taxes	4,305	1,849
Deferred tax liabilities	13	37
Accrued bonuses for employees	4,224	4,512
Accrued bonuses for directors	194	171
Other	15,461	16,161
Total current liabilities	156,118	166,494
Long-term liabilities		
Bonds	30,000	20,000
Long-term loans	23,108	20,078
Deferred tax liabilities	8,433	13,503
Net defined benefit liability	14,060	14,625
Other	1,211	874
Total long-term liabilities	76,813	69,082
Total liabilities	232,932	235,576
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	11,615	11,590
Retained earnings	213,572	219,721
Less treasury stock, at cost	(230)	(1,337)
Total shareholders' equity	234,657	239,674
Accumulated other comprehensive income (loss)		
Net unrealized holding gain on securities	37,074	47,683
Deferred (loss) gain on hedges	(9)	4
Translation adjustments	4,411	3,129
Remeasurements of defined benefit plans	(2,169)	(274)
Total accumulated other comprehensive income	39,305	50,542
Non-controlling interests	5,185	4,981
Total net assets	279,149	295,198
Total liabilities and net assets	512,081	530,775

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income****(Quarterly Consolidated Statements of Income)**

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2015 - March 31, 2016)	Current Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)
Net sales	742,194	722,384
Cost of sales	650,530	630,881
Gross profit	91,663	91,503
Selling, general and administrative expenses		
Selling expenses	11,214	10,843
Employee salaries and allowances	22,020	22,124
Provision for accrued bonuses for employees	2,861	2,739
Provision for accrued bonuses for directors	177	166
Depreciation and amortization other than amortization of goodwill	4,343	4,259
Retirement benefit expenses	403	4,487
Provision for retirement benefits for directors	37	32
Allowance for doubtful accounts	(23)	(4)
Amortization of goodwill	1,634	1,543
Other	30,967	30,280
Total selling, general and administrative expenses	73,639	76,472
Operating income	18,024	15,030
Non-operating income		
Interest income	202	195
Dividend income	1,360	1,616
Rent income	293	296
Equity in earnings of affiliates	-	217
Other	643	589
Total non-operating income	2,499	2,915
Non-operating expenses		
Interest expenses	1,048	1,032
Equity in losses of affiliates	48	-
Foreign exchange losses	401	79
Other	635	473
Total non-operating expenses	2,133	1,584
Ordinary income	18,390	16,361
Extraordinary gains		
Gain on sale of non-current assets	57	239
Gain on sale of investment securities	70	2,006
Gain on sales of shares of subsidiaries and affiliates	33	-
Subsidy income	-	314
Other	-	79
Total extraordinary gains	161	2,639
Extraordinary losses		
Loss on sale of non-current assets	47	60
Loss on disposal of non-current assets	251	227
Loss on reduction of non-current assets	-	290
Impairment losses	2,756	1,398
Loss on sale of investments securities	9	25
Loss on valuation of investments securities	70	106
Loss on sales of shares of subsidiaries and affiliates	-	290
Other	177	500
Total extraordinary losses	3,313	2,901
Income before income taxes and non-controlling interests	15,239	16,100
Income taxes - current	6,536	5,020
Income taxes - deferred	(3,763)	417
Total income taxes	2,772	5,437
Net income	12,466	10,662
Profit attributable to non-controlling interests	150	330
Profit attributable to owners of the parent	12,316	10,331

**(Quarterly Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2015 - March 31, 2016)	Current Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)
Net income	12,466	10,662
Other comprehensive income		
Net unrealized holding (loss) gain on securities	(7,844)	10,602
Deferred (loss) gain on hedges	(13)	14
Translation adjustments	(5,065)	(1,223)
Remeasurements of defined benefit plans	(2,835)	1,895
Share of other comprehensive income of affiliates accounted for by the equity method	(553)	(152)
Total other comprehensive income	(16,312)	11,135
Comprehensive income	(3,845)	21,798
Comprehensive income attributable to:		
Owner of parent	(3,446)	21,622
Non-controlling interests	(399)	175

**(3) Consolidated Statement of Changes in Shareholders' Equity****Prior Consolidated Fiscal Year (April 1, 2015 to March 31, 2016)**

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance, beginning of period	9,699	11,654	205,203	(228)	226,328
Changes					
Cash dividends			(3,937)		(3,937)
Profit attributable to owners of the parent			12,316		12,316
Purchases of treasury stock				(1)	(1)
Equity transactions with non-controlling interests		(38)			(38)
Changes in scope of consolidation			(9)		(9)
Changes other than shareholders' equity accounts (net)					
Total changes	-	(38)	8,368	(1)	8,328
Balance, end of period	9,699	11,615	213,572	(230)	234,657

	Accumulated other comprehensive income (loss)					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, beginning of period	44,920	3	9,478	666	55,069	6,102	287,500
Changes							
Cash dividends							(3,937)
Profit attributable to owners of the parent							12,316
Purchases of treasury stock							(1)
Equity transactions with non-controlling interests							(38)
Changes in scope of consolidation							(9)
Changes other than shareholders' equity accounts (net)	(7,845)	(13)	(5,067)	(2,835)	(15,763)	(916)	(16,679)
Total changes	(7,845)	(13)	(5,067)	(2,835)	(15,763)	(916)	(8,351)
Balance, end of period	37,074	(9)	4,411	(2,169)	39,305	5,185	279,149

**Current Consolidated Fiscal Year (April 1, 2016 to March 31, 2017)**

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance, beginning of period	9,699	11,615	213,572	(230)	234,657
Changes					
Cash dividends			(4,050)		(4,050)
Profit attributable to owners of the parent			10,331		10,331
Purchases of treasury stock				(1,107)	(1,107)
Disposal of treasury stock		0		0	0
Equity transactions with non-controlling interests		(25)			(25)
Changes resulting from merger with unconsolidated subsidiaries			0		0
Changes in scope of equity affiliates			(132)		(132)
Changes other than shareholders' equity accounts (net)					
Total changes	-	(25)	6,149	(1,107)	5,016
Balance, end of period	9,699	11,590	219,721	(1,337)	239,674

	Accumulated other comprehensive income (loss)					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, beginning of period	37,074	(9)	4,411	(2,169)	39,305	5,185	279,149
Changes							
Cash dividends							(4,050)
Profit attributable to owners of the parent							10,331
Purchases of treasury stock							(1,107)
Disposal of treasury stock							0
Equity transactions with non-controlling interests							(25)
Changes resulting from merger with unconsolidated subsidiaries							0
Changes in scope of equity affiliates							(132)
Changes other than shareholders' equity accounts (net)	10,609	14	(1,281)	1,895	11,236	(204)	11,032
Total changes	10,609	14	(1,281)	1,895	11,236	(204)	16,049
Balance, end of period	47,683	4	3,129	(274)	50,542	4,981	295,198

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2015 - March 31, 2016)	Current Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)
<b>Operating activities</b>		
Profit before income taxes	15,239	16,100
Depreciation and amortization other than amortization of goodwill	9,493	9,381
Amortization of goodwill	1,634	1,543
Loss on impairment of fixed assets	2,756	1,398
Subsidy income	-	(314)
Loss on reduction of non-current assets	-	290
(Decrease) increase in liability for retirement benefits	(848)	3,297
Interest and dividend income	(1,562)	(1,812)
Interest expenses	1,048	1,032
Exchange gain, net	(640)	345
Gain on sales of property plant and equipment, net	(10)	(178)
(Loss) gain on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(94)	(1,690)
Increase in notes and accounts receivable	6,784	(11,885)
(Increase) decrease in inventories	3,162	(1,017)
(Decrease) increase in notes and accounts payable	(3,829)	5,198
Other, net	(168)	(614)
Subtotal	32,964	21,075
Interest and dividends received	1,965	2,235
Interest paid	(1,013)	(1,045)
Income taxes paid	(4,540)	(7,737)
Net cash provided by operating activities	29,376	14,527
<b>Investing activities</b>		
Purchases of property, plant and equipment	(8,937)	(10,667)
Proceeds from sales of property, plant and equipment	414	976
Purchases of intangible fixed assets included in other assets	(1,898)	(867)
Purchases of investments in securities	(2,129)	(1,825)
Proceeds from sales of investments in securities	213	4,658
Purchases of investments	(358)	(53)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	293
Increase on short-term loans receivable included in other current assets, net	(177)	434
Decrease in time deposits, net	(351)	274
Proceeds from subsidy income	-	314
Other, net	623	(54)
Net cash used in investing activities	(12,600)	(6,518)
<b>Financing activities</b>		
Decrease in short-term loans, net	(3,764)	3,232
Proceeds from long-term loans	1,976	950
Repayments of long-term loans	(6,440)	(9,182)
Proceeds from issuance of bonds	9,949	-
Redemption of bonds	(10,000)	-
Purchase of treasury stock	(1)	(1,107)
Cash dividends paid	(3,937)	(4,050)
Cash dividends paid to non-controlling interests	(421)	(254)
Other, net	(182)	(181)
Net cash used in financing activities	(12,822)	(10,592)

## Consolidated Financial Statements for the Fiscal Year Ended March 31, 2017

Effects of exchange rate changes on cash and cash equivalents	(1,575)	(596)
Net (increase) decrease in cash and cash equivalents	2,377	(3,180)
Cash and cash equivalents at beginning of the year	40,522	42,900
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	10
Cash and cash equivalents, at end of the period	42,900	39,730



**(5) Notes related to Consolidated Financial Statements****(Assumption for Going Concern)**

No matters to report.

**(Change in Accounting Policy)**

The Company and certain domestic affiliates had valued inventory according to the weighted-average method. In the consolidated second quarter of the current fiscal year, these entities have changed to the moving-average method of inventory valuation. This change in inventory valuation method was made in conjunction with the adoption of a new enterprise system in August 2016. By calculating payout costs on a more timely basis, the Company believes it will be able to determine periodic income or loss more promptly and accurately.

The Company has not applied this change retroactively to restate prior financial statements, as management has not judged the impact of this change to be material.

**(Additional Information)****(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)**

The Company has adopted Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016), effective the current consolidated fiscal year.

**(Revised Balances for Deferred Tax Assets and Deferred Tax Liabilities due to Change in Corporate Tax Rates)**

The Act for Partial Revision of Acts, Including Partial Revision of the Consumption Tax Act for the Fundamental Reform of the Taxation System to Achieve a Stable Source of Revenue for Social Security and the Act for Partial Revision of Acts, Including Partial Revision of the Local Tax Act and the Local Allocation Tax Act for the Fundamental Reform of the Taxation System to Achieve a Stable Source of Revenue for Social Security (Act No.86, 2016) were enacted by the Japanese government on November 18, 2016. In conjunction with these acts, the effective date for the increase in Japanese consumption tax rate to 10% was extended from April 1, 2017 to October 1, 2019.

Accordingly, the effective dates of the abolition of the local corporation special tax, the accompanying restoration of the corporate enterprise tax, and changes in statutory tax rates for local corporation taxes and corporate inhabitant taxes have been extended from consolidated fiscal years beginning April 1, 2017 or later to consolidated fiscal years beginning October 1, 2019 or later.

While these revisions do not affect statutory effective tax rates, a reclassification in tax rates has arisen between national taxes and local taxes. The Company and certain consolidated subsidiaries have been using the consolidated tax payment system. Accordingly, deferred tax assets have decreased for consolidated subsidiaries whose judgments regarding recoverability of deferred tax assets differ between national taxes based on the consolidated tax payment system and local taxes based on non-consolidated local tax payments. At the same time, deferred income taxes have increased by the same amount.

This change does not have a material impact on the Company.

**(Segment Information, etc.)****a. Segment Information****1. Reportable Segments**

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

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

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

The Functional Materials segment is engaged in the sales of materials for paints/inks, urethane materials, auxiliaries, plastic materials, plastic additives, industrial oil solutions, surfactants, fluorochemicals, encapsulant materials, silicone materials, and more for the paints/inks, resins, urethane foam, organic synthesis, surfactants, and semiconductor industries.

The Advanced Materials & Processing segment is engaged in sales of dyestuffs, dyes, functional dyes, digital print processing materials, thermoplastic resins, thermosetting resins, conductive coatings, synthetic rubber, inorganic materials, plastics products, resins molding tools/dies, and external inspection equipment for the dye/additive, digital print processing material, fiber processing, raw resin material, resin molding, functional film and sheet, construction, and other industries.

The Electronics segment is engaged in the sales of pre-processing materials and devices for LCD/semiconductors, materials for display panels, materials and devices for semiconductor assembly, low-temperature/vacuum equipment, high-function epoxy resins, precision electronics abrasives, and more for the display, touch panel, semiconductor, hard disk drive, electronic components, and heavy electrical industries.

The Automotive & Energy segment is engaged in the sales of plastic products, thermoplastic resins, thermosetting resins, silicone products, resin molding tools/dies, battery materials, solar cell/secondary battery materials and more for the automotive, automotive component, and energy industries.

The Life & Healthcare segment is engaged in the sales of pharmaceutical/agricultural chemicals and materials, research products, in vitro diagnostics, enzymes, food additives, additives for cosmetics, feeds/fertilizers, and surfactants for the pharmaceutical, food, and cosmetics industries. The segment offers radiation measurement as one of its main services. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

**2. Net Sales, Profit (Loss), Assets, Liabilities, and Other by Segment**

Accounting treatment in each reportable segment follows the principles and procedures of the accounting treatments used to prepare the Company's consolidated financial statements.

Profit in reportable segments is defined as operating income. Inter-segment profits and transfers are based on actual market prices.

**3. Information related to Net Sales, Profit (Loss), Assets, Liabilities, and Other by Segment****Prior Consolidated Fiscal Year (April 1, 2015 to March 31, 2016)**

(Millions of yen)

	Reportable Segments						Other (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	To consolidated financial statements (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	157,149	255,505	127,926	115,351	85,571	741,505	689	742,194	-	-	742,194
Intersegment sales/transfers	1,955	2,241	1,211	2,626	514	8,549	5,851	14,401	-	(14,401)	-
Total	159,105	257,747	129,138	117,978	86,086	750,055	6,540	756,595	-	(14,401)	742,194
Segment income (loss)	3,679	4,979	6,255	1,300	3,864	20,079	215	20,295	(2,725)	455	18,024
Segment assets	71,042	122,802	62,912	42,136	99,620	398,514	7,213	405,728	145,038	(38,685)	512,081
Other											
Depreciation and amortization	509	859	2,672	157	3,258	7,458	208	7,667	1,826	-	9,493
Amortization of goodwill	-	-	132	-	1,502	1,634	-	1,634	-	-	1,634
Unamortized balance of goodwill	-	-	672	-	23,909	24,582	-	24,582	-	-	24,582
Investments in equity affiliates	1,752	2,389	1,968	1,355	2,385	9,852	1,944	11,797	-	(53)	11,743
Increase in property, plant, and equipment and intangible fixed assets	1,690	1,466	2,855	244	2,341	8,598	158	8,757	2,368	-	11,125

(Note) 1. Other is a business segment consisting of businesses not included in reportable segments, and includes logistics services, information processing services, and professional services.

2. Corporate segment income (loss) represents expenses not allocated to reportable segments or Other. Segment assets under Corporate are assets not allocable to reportable segments or Other.

3. Adjustments are eliminations of intersegment transactions.

4. The sum of Segment income (loss), Corporate, and Adjustments is equivalent to operating income as presented in the consolidated statements of income.

**Current Consolidated Fiscal Year (April 1, 2016 to March 31, 2017)**

(Millions of yen)

	Reportable Segments						Other (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	To consolidated financial statements (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	153,546	242,609	127,722	112,956	84,904	721,739	644	722,384	-	-	722,384
Intersegment sales/transfers	2,000	2,414	1,977	2,619	472	9,483	5,432	14,916	-	(14,916)	-
Total	155,546	245,024	129,699	115,576	85,376	731,223	6,077	737,300	-	(14,916)	722,384
Segment income (loss)	4,185	5,093	6,333	1,539	3,332	20,484	148	20,633	(6,153)	550	15,030
Segment assets	72,576	121,346	65,610	46,258	98,221	404,013	5,089	409,102	149,020	(27,347)	530,775
Other											
Depreciation and amortization	476	809	2,524	219	3,412	7,442	216	7,658	1,722	-	9,381
Amortization of goodwill	-	-	41	-	1,502	1,543	-	1,543	-	-	1,543
Unamortized balance of goodwill	-	-	627	-	22,407	23,034	-	23,034	-	-	23,034
Investments in equity affiliates	1,716	1,394	2,318	1,235	2,476	9,140	-	9,140	-	(1)	9,139
Increase in property, plant, and equipment and intangible fixed assets	297	3,561	1,825	284	4,906	10,875	190	11,066	1,107	-	12,173

(Note) 1. Other is a business segment consisting of businesses not included in reportable segments, and includes logistics services, information processing services, and professional services.

2. Corporate segment income (loss) represents expenses not allocated to reportable segments or Other. Segment assets under Corporate are assets not allocable to reportable segments or Other.

3. Adjustments are eliminations of intersegment transactions.

4. The sum of Segment income (loss), Corporate, and Adjustments is equivalent to operating income as presented in the consolidated statements of income.

**b. Other Information****Prior Consolidated Fiscal Year (April 1, 2015 to March 31, 2016)****1. Products and Services**

Omitted, as the same information has been disclosed under Segment Information.

**2. Geographic Information****(1) Net sales**

(Millions of yen)

Japan	Greater China	ASEAN	Americas	Europe	Other	Total
363,038	207,191	109,837	32,016	13,992	16,117	742,194

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

2. Countries/regions are determined by geographical proximity.

**(2) Property, plant and equipment**

(Millions of yen)

Japan	Other	Total
59,646	6,828	66,474

**3. Major Customers**

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

**Current Consolidated Fiscal Year (April 1, 2016 to March 31, 2017)****1. Products and Services**

Omitted, as the same information has been disclosed under Segment Information.

**2. Geographic Information****(1) Net sales**

(Millions of yen)

Japan	Greater China	ASEAN	Americas	Europe	Other	Total
369,365	193,784	101,998	29,573	11,975	15,687	722,384

(Note)

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

2. Countries/regions are determined by geographical proximity.

3. Major countries in each region

(1) Greater China.....China, Hong Kong, Taiwan

(2) ASEAN.....Thailand, Singapore

(3) Americas.....U.S., Mexico

(4) Europe.....Germany

(5) Other.....Korea

## 4. Change in region classifications

The Company had classified its regions as Northeast Asia, Southeast Asia, North America, and Europe & Others. Beginning with the current consolidated fiscal year, the Company has renamed and reclassified its regions for coordination with the Company's ACE-2020, our mid-term management plan. Regional information for the prior consolidated fiscal year has been prepared based on the new regional classifications.

- (1) Northeast Asia renamed as Greater China; Southeast Asia renamed as ASEAN; North America renamed as Americas. Europe & Others categorized separately into Europe and Other.
- (2) Brazil, formerly classified under Europe & Others, now included in Americas
- (3) Korea, formerly classified under Northeast Asia, now included in Other

**(2) Property, plant and equipment**

(Millions of yen)

Japan	Other	Total
61,666	5,952	67,619

**3. Major Customers**

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

**c. Impairment Losses of Non-Current Assets for Each Reportable Segment****Prior Consolidated Fiscal Year (April 1, 2015 to March 31, 2016)**

(Millions of yen)

	Reportable Segments						Other	Corporate/ Elimination	Total
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total			
Impairment loss	—	818	1,862	36	—	2,717	—	39	2,756

(Note) The profitability of the business assets in the color former manufacturing business of the Advanced Materials & Processing segment has degraded significantly. Accordingly, the Company has written down the book value of these assets to recoverable amounts, recording ¥500 million in related impairment costs. The profitability of the business assets in the plastic materials processing business of the same segment has also degraded significantly. Accordingly, the Company has written down the book value of these assets to recoverable amounts, recording ¥304 million in related impairment costs.

At present, the Company does not believe the commercial adhesive development and manufacturing business of the Electronics segment will return profits as originally projected. Accordingly, the company has written down the book value of the associated goodwill of this business to recoverable amounts, recording ¥1,364 million in impairment costs. The profitability of the business assets in the thin glass processing business for glass substrate of the same segment has also degraded significantly. Accordingly, the Company has written down the book value of these assets to recoverable amounts, recording ¥440million in related impairment costs.

**Current Consolidated Fiscal Year (April 1, 2016 to March 31, 2017)**

(Millions of yen)

	Reportable Segments						Other	Corporate/ Elimination	Total
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total			
Impairment loss	—	1,352	1	38	—	1,392	—	6	1,398

(Note) The Advanced Materials & Processing segment recorded impairment loss of ¥1,249 million in the color former manufacturing business assets due to decreasing profitability. The Company wrote down the book value of these assets to their recoverable amounts.

**d. Amortization and Unamortized Balance of Goodwill for Each Reportable Segment****Prior Consolidated Fiscal Year (April 1, 2015 to March 31, 2016)**

Omitted, as the same information has been disclosed under Segment Information.

**Current Consolidated Fiscal Year (April 1, 2016 to March 31, 2017)**

Omitted, as the same information has been disclosed under Segment Information.

**e. Information about Gain on Negative Goodwill for Each Reportable Segment****Prior Consolidated Fiscal Year (April 1, 2015 to March 31, 2016)**

No matters to report.

**Current Consolidated Fiscal Year (April 1, 2016 to March 31, 2017)**

No matters to report.

**(Per-Share Data)**

	Prior Consolidated Fiscal Year (April 1, 2015 - March 31, 2016)	Current Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)
Net assets per share	¥2,156.67	¥2,301.10
Earnings per share	¥96.96	¥81.65

(Note) 1. Information for diluted earnings per share not presented, as the Company does not issue any stock with dilutive effects.

2. Basic earnings per share calculations are as shown below.

	Prior Consolidated Fiscal Year (April 1, 2015 - March 31, 2016)	Current Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)
Profit attributable to owners of the parent (millions of yen)	12,316	10,331
Profit attributable to common stock owners of the parent (millions of yen)	12,316	10,331
Average number of outstanding shares of common stock (shares)	127,031,413	126,541,671

**(Significant Subsequent Events)**

No matters to report.