

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2019
<Under Japanese GAAP>

May 7, 2019

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 (<https://www.nagase.co.jp/english/>)

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Annual general meeting of stockholders (scheduled): June 21, 2019

Start of distribution of dividends (scheduled): June 24, 2019

Securities report filing (scheduled): June 24, 2019

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, 2019

(April 1, 2018 to March 31, 2019)

(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 2019	807,755	3.0	25,226	4.6	26,643	2.5	20,136	17.2
FYE March 2018	783,933	8.5	24,118	60.5	25,982	58.8	17,175	66.2

(Notes) Comprehensive income FYE March 2019: ¥11,803 million (42.8% decrease)

FYE March 2018: ¥20,648 million (5.3% decrease)

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
FYE March 2019	161.30	–	6.6	4.7	3.1
FYE March 2018	136.34	–	5.8	4.7	3.1

(Reference) Equity in earnings of affiliates FYE March 2019: ¥538 million

FYE March 2018: ¥921 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 2019	567,346	312,609	54.2	2,481.01
FYE March 2018	569,456	308,804	53.3	2,424.97

(Reference) Equity capital FYE March 2019: ¥307,674 million

FYE March 2018: ¥303,636 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 2019	17,375	(7,325)	(8,909)	44,017
FYE March 2018	21,013	(14,442)	(3,161)	42,857

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 2018	–	17.00	–	23.00	40.00	5,023	29.3	1.7
FYE March 2019	–	18.00	–	24.00	42.00	5,230	26.0	1.7
FYE March 2020 (estimate)	–	22.00	–	22.00	44.00		26.6	

3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% = 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
Full fiscal year	850,000	5.2	26,000	3.1	27,000	1.3	20,500	1.8	165.31

(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: No

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, 2019	127,408,285 shares	March 31, 2018	127,408,285 shares
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ii. Number of treasury stock as of the fiscal period end

March 31, 2019	3,396,352 shares	March 31, 2018	2,195,966 shares
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iii. Average number of shares during the period

March 31, 2019	124,842,824 shares	March 31, 2018	125,977,181 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 6 of this document.

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1. Business Performance

(1) Review of Business Performance

(Performance for the Fiscal Year Ended March 2019)

a. General Summary of Results

The Japanese economy remained strong throughout the current consolidated fiscal year, supported by improved corporate earnings, employment, and payrolls. However, uncertainties in the global economy have been increasing since the end of the prior year, and signs have emerged of a slowing in growth, mainly in the industrial sector, which relies on demand from overseas. Although corporate earnings in the United States has been a major driving force in the global economy, U.S.-China trade frictions, national fiscal policies, exchange rate fluctuations, and other emerging risk factors have given rise to concerns about the future direction of the world economy.

In this environment, the Company recorded domestic sales of ¥412.61 billion (+4.3% year on year) for the current consolidated fiscal year. Overseas sales amounted to ¥395.13 billion (+1.7%). In total, the Company recorded ¥807.75 billion in net sales (+3.0%), a record high.

The Company recorded gross profit of ¥105.44 billion (+2.7%) mainly due to generally higher global sales and improved profitability among the Company's manufacturing subsidiaries. Operating income was ¥25.22 billion (+4.6%). Ordinary income amounted to ¥26.64 billion (+2.5%), while profit attributable to owners of the parent amounted to ¥20.13 billion (+17.2%). All profit indicators marked a record highs for the consolidated fiscal year in the history of the Company.

b. Segment Summary

The following section describes segment earnings for the period.

The Company reclassified certain reportable segments in the current consolidated fiscal year. The Company has reclassified reportable segment classifications for the prior consolidated fiscal year for comparative purposes.

Functional Materials

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

The Performance Chemicals business recorded higher sales, mainly due to improved sales of coating raw materials and urethane materials, spurred by strong automotive production in Japan and overseas, as well as naphtha price increases. Another contributing factor was the additional sales of the U.S. distributor acquired in the second quarter of the prior fiscal year, reflected for the entire current fiscal year.

The Speciality Chemicals business recorded sales slightly higher compared to the prior fiscal year. Although overseas sales were lower for the period, our domestic business experienced an increase in sales of electronics chemicals and plastic materials/plastic additives for the semiconductor and other related electronics industries.

As a result, the Functional Materials segment recorded sales of ¥179.62 billion, a ¥4.7 billion (+2.7%) increase compared to the prior fiscal year. Operating income for the segment was ¥5.49 billion, an increase of ¥300 million (+6.0%).

Advanced Materials & Processing

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

The Colors & Advanced Processing business recorded higher sales as a whole, driven by growth in Japan for plastic resins for industrial and packaging applications and dyes/additives, as well as growth in digital print processing materials in both Japan and overseas.

The Polymer Global Account business mainly sells plastics to the office equipment, appliance, and video game device markets. The sales of those business were higher overall, driven by growth in Japan, Greater China, and ASEAN.

As a result, the Advanced Materials & Processing segment recorded sales of ¥275.2 billion, a ¥12.37 billion (+4.7%) increase compared to the prior fiscal year. Operating income grew ¥1.39 billion (+20.8%), reaching ¥8.09 billion for year.

Electronics

The Electronics segment recorded lower sales in both domestic and overseas markets.

Despite strong performance in formulated epoxy resins sales to the semiconductor industry, lower photolithography materials sales and equipment-related sales drove Electronic Chemicals business sales lower.

The Electronic Materials business recorded lower sales due to decreases in display-related products, despite strong performance in our business for abrasives used in connection with interim processing in semiconductors.

As a result, sales for the segment amounted to ¥122.31 billion, which was a ¥7.0 billion (-5.4%) decrease. Operating income fell ¥1.51 billion (-17.0%) to ¥7.4 billion for year.

Automotive & Energy

The Automotive Solutions business recorded higher sales, driven by strong performance in our resins business in Japan, Greater China, and ASEAN. Sales growth in car electronics-related products was another positive factor.

As a result, sales for the segment amounted to ¥139.23 billion, which was a ¥9.52 billion (+7.3%) increase compared to the prior fiscal year. Segment operating income grew ¥630 million (+26.4%), reaching ¥3.05 billion for year.

(Note) As of April 1, 2019, the Automotive & Energy Segment has been renamed the Mobility & Energy Segment.

Life & Healthcare

The Life & Healthcare segment recorded higher sales in both domestic and overseas markets.

Sales of TREHA™ and other products in the food ingredients field in the Life & Healthcare Products business rose overseas and were slightly higher in Japan. Sales of AA2G™ to customers in the skin care and toiletries sectors were higher both in Japan and overseas. In the medical and pharmaceutical field, sales of pharmaceutical raw materials and intermediates, sales of medical materials, and pharmaceutical business sales were higher than the prior fiscal year. As a result, the business recorded higher sales compared to the prior year.

The Beauty Care Products business, which includes sales of cosmetics and health foods, recorded lower sales, driven down due to weak performance across all product categories.

As a result, sales for the segment amounted to ¥90.79 billion, which was a ¥4.27 billion (+4.9%) increase compared to the prior fiscal year. Operating income grew ¥440 million (+10.6%), reaching ¥4.64 billion.

Other

No special matters to disclose.

(Forecast for the Fiscal Year Ending March 2020)

a. Performance Forecast for the Fiscal Year Ending March 2020

Improving employment and payrolls in Japan should prevent any significant declines in personal consumption in the Japanese economy. However, we are concerned with the impact of consumption tax increase and uncertainty in the industrial sector, which relies mainly on orders from overseas. The global economy is experiencing the impact of U.S.-China trade frictions, as well as a rise in risk factors reflecting national fiscal policies and exchange rate fluctuations. We intend to keep a close eye on the U.S. and China, two countries with a major impact on macroeconomic trends.

With respect to our business environment, we recognize the rising importance in supply issues stemming from global environmental regulations, global governance in response to increasing overseas business opportunities, and the need for stronger compliance structures at our manufacturing businesses.

For the fiscal year ending March 2020, we forecast consolidated net sales of ¥850.0 billion (+5.2% year on year), operating income of ¥26.0 billion (+3.1%), ordinary income of ¥27.0 billion (+1.3%), and profit attributable to owners of the parent in the amount of ¥20.5 billion (+1.8%).

These forecasts have been developed based on a currency conversion rate of ¥110 to the U.S. dollar.

Further, these forecasts have been calculated based on information available at the time. Actual results may vary due to a variety of factors, including business conditions overseas and in Japan, exchange rate trends, etc.

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of the parent
FYE March 2020	850,000	26,000	27,000	20,500
FYE March 2019	807,755	25,226	26,643	20,136
Change	+5.2%	+3.1%	+1.3%	+1.8%

b. Net Sales Forecast by Business Segment

(Millions of yen)

	FYE March 2019 Actual	FYE March 2020 Forecast	Change
Functional Materials	179,627	187,700	+4.5%
Advanced Materials & Processing	275,203	295,100	+7.2%
Electronics	122,319	126,300	+3.3%
Mobility & Energy	139,235	145,100	+4.2%
Life & Healthcare	90,794	95,200	+4.9%
Other	574	600	+4.5%
Total Sales	807,755	850,000	+5.2%

(Note) As of April 1, 2019, the Automotive & Energy Segment has been renamed the Mobility & Energy Segment.

(2) Review of Financial Position

a. Summary of Consolidated Balance Sheets

As of the end of the consolidated fiscal year, current assets amounted to ¥365.82 billion. This represents an increase of ¥12.5 billion compared to the end of the prior consolidated fiscal year, mainly due to increases in accounts receivable and inventories. Non-current assets amounted to ¥201.51 billion, down ¥14.61 billion. This decrease was mainly due to a decrease in investments in securities stemming from the sale of certain shares retained and lower fair values in shares retained. As a result of these various factors, total assets decreased ¥2.1 billion to ¥567.34 billion as of the end of the consolidated fiscal year.

Liabilities amounted to ¥254.73 billion, a ¥5.91 billion decrease compared to the end of the prior consolidated fiscal year. This decrease was mainly due to repayments of long-term loans.

Net assets amounted to ¥312.6 billion, up ¥3.8 billion. While the Company recorded a decrease of ¥8.91 billion in net unrealized holding gain on securities, profit attributable to owners of the parent amounted to ¥20.13 billion, which more than offset this decrease.

As a result, the Company recorded a shareholders' equity ratio of 54.2%, 0.9 points higher than the end of the prior consolidated fiscal year.

b. Summary of Consolidated Cash Flows

Cash and cash equivalents (Cash) increased ¥1.15 billion (+2.7%) compared to the end of the prior consolidated fiscal year, amounting to ¥44.01 billion. Cash from operating activities amounted to ¥17.37 billion, while cash used in investing activities came to ¥7.32 billion and cash used in financing activities amounted to ¥8.9 billion.

(Cash Flows from Operating Activities)

Cash from operating activities for the current consolidated fiscal year amounted to ¥17.37 billion. Cash decreased ¥12.52 billion stemming from an increase in working capital, while the Company recorded ¥4.87 billion in income taxes paid. In contrast, the Company recorded ¥28.2 billion in profit before income taxes and cash reserved of ¥9.32 billion related to depreciation and amortization.

(Cash Flows from Investing Activities)

Cash used in investing activities for the current consolidated fiscal year amounted to ¥7.32 billion. This result was mainly due to ¥10.75 billion in purchases of tangible and intangible fixed assets, as opposed to ¥5.47 billion in proceeds from sales of investments in securities.

(Cash Flows from Financing Activities)

Cash used in financing activities for the current consolidated fiscal year amounted to ¥8.9 billion. This result was mainly due to repayments of long-term loans in the amount of ¥11.17 billion and payments of dividends in the amount of ¥5.13 billion. These outlays exceeded net proceeds from commercial paper of ¥7.0 billion.

	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019
Shareholders' equity ratio	51.5%	53.5%	54.7%	53.3%	54.2%
Shareholders' equity ratio based on market value	36.6%	30.7%	36.9%	39.7%	34.7%
Interest-bearing debt to cash flow ratio (years)	6.4	3.0	5.6	4.1	4.2
Interest coverage ratio (times)	13.7	29.0	13.9	16.3	10.4

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.

(Note 4) The company adopted Partial Amendment to Accounting Standard for Tax-Effect Accounting (ASBJ Statement No.28, February 16, 2018) at the beginning of the current consolidated fiscal year. Indicators for the prior fiscal year reflect the retroactive application of this accounting standard.

(3) Dividend Policy and Dividends for the Fiscal Years Ending March 2019 and 2020

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 the consolidated payout ratio and consolidated dividend to equity ratio. We also plan to use funds from internal reserves effectively in our business growth and to build a stronger management function.

The NAGASE Group declared a year-end dividend of ¥24 per share based on this policy, a ¥1 increase compared to the prior fiscal year. As result the scheduled full-year cash dividend will amount to ¥42 per share, including an interim dividend.

We forecast a full-year dividend of ¥44 per share for the next fiscal year, which will be an increase of ¥2 per share. This dividend will consist of a ¥22 per share interim dividend and a ¥22 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 we plan to make the appropriate policy choice in the future, considering external trends and other factors.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2018)	Current Consolidated Fiscal Year (March 31, 2019)
ASSETS		
Current assets		
Cash and time deposits	43,303	44,068
Notes and accounts receivable	225,999	230,459
Merchandise and finished goods	67,681	74,471
Work in process	1,883	1,847
Raw materials and supplies	4,106	4,683
Other	10,953	10,651
Less allowance for doubtful accounts	(602)	(355)
Total current assets	353,325	365,827
Non-current assets		
Property, plant and equipment		
Buildings and structures	58,016	57,846
Accumulated depreciation	(32,562)	(33,991)
Buildings and structures (net)	25,454	23,855
Machinery, equipment and vehicles	62,031	62,488
Accumulated depreciation	(46,275)	(48,250)
Machinery, equipment and vehicles (net)	15,755	14,238
Land	21,154	20,456
Other	21,720	23,940
Accumulated depreciation	(16,859)	(16,022)
Other (net)	4,861	7,917
Total property, plant and equipment	67,225	66,467
Intangible fixed assets		
Goodwill	25,478	23,866
Technology-based assets	12,215	10,639
Other	3,396	2,772
Total intangible fixed assets	41,090	37,279
Investments and other assets		
Investments in securities	100,403	90,263
Long-term loans receivable	109	243
Net defined benefit assets	-	109
Deferred tax assets	2,409	2,290
Other	4,992	4,959
Less allowance for doubtful accounts	(101)	(92)
Total investments and other assets	107,813	97,771
Total non-current assets	216,130	201,518
Total assets	569,456	567,346

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2018)	Current Consolidated Fiscal Year (March 31, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable	118,028	117,256
Short-term loans	31,934	34,964
Current portion of long-term loans	11,067	949
Commercial paper	5,000	12,000
Current portion of bonds	-	10,000
Accrued income taxes	1,738	3,594
Accrued bonuses for employees	5,451	5,355
Accrued bonuses for directors	274	287
Other	19,500	17,457
Total current liabilities	192,996	201,866
Long-term liabilities		
Bonds	20,000	10,000
Long-term loans	17,906	17,577
Deferred tax liabilities	14,420	12,075
Net defined benefit liability	14,518	12,461
Other	809	757
Total long-term liabilities	67,655	52,870
Total liabilities	260,651	254,737
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	11,158	10,647
Retained earnings	232,534	247,617
Less treasury stock, at cost	(3,114)	(5,070)
Total shareholders' equity	250,278	262,892
Accumulated other comprehensive income		
Net unrealized holding gain on securities	50,773	41,857
Deferred loss on hedges	(15)	(7)
Translation adjustments	2,917	3,224
Remeasurements of defined benefit plans	(317)	(292)
Total accumulated other comprehensive income	53,358	44,781
Non-controlling interests	5,168	4,934
Total net assets	308,804	312,609
Total liabilities and net assets	569,456	567,346

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

(Consolidated Statements of Net Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2017 - March 31, 2018)	Current Consolidated Fiscal Year (April 1, 2018 - March 31, 2019)
Net sales	783,933	807,755
Cost of sales	681,258	702,313
Gross profit	102,675	105,441
Selling, general and administrative expenses		
Selling expenses	11,880	12,696
Employee salaries and allowances	23,050	23,644
Provision for accrued bonuses for employees	3,515	3,289
Provision for accrued bonuses for directors	254	275
Depreciation and amortization other than amortization of goodwill	4,323	4,088
Retirement benefit expenses	1,853	1,698
Provision for retirement benefits for directors	24	24
Allowance for doubtful accounts	(59)	(243)
Amortization of goodwill	1,748	1,815
Other	31,966	32,924
Total selling, general and administrative expenses	78,557	80,215
Operating income	24,118	25,226
Non-operating income		
Interest income	185	184
Dividend income	1,605	1,809
Rent income	268	261
Equity in earnings of affiliates	921	538
Foreign exchange gain	169	-
Other	385	985
Total non-operating income	3,536	3,779
Non-operating expenses		
Interest expenses	1,294	1,702
Foreign exchange losses	-	228
Other	378	430
Total non-operating expenses	1,672	2,361
Ordinary income	25,982	26,643
Extraordinary gains		
Gain on sale of non-current assets	50	282
Gain on sale of investment securities	8	4,355
Gain on sales of shares of subsidiaries and affiliates	84	6
Subsidy income	288	205
Gain on negative goodwill	229	-
Total extraordinary gains	661	4,849
Extraordinary losses		
Loss on sale of non-current assets	419	78
Loss on disposal of non-current assets	168	275
Loss on reduction of non-current assets	212	205
Impairment loss	847	2,294
Loss on sale of investments securities	-	2
Loss on valuation of investments securities	12	208
Loss on sales of shares of subsidiaries and affiliates	0	-
Loss on business withdrawal	462	194
Loss on step acquisitions	294	-
Other	175	28
Total extraordinary losses	2,594	3,289
Income before income taxes and non-controlling interests	24,049	28,204
Income taxes - current	5,358	6,400
Income taxes - deferred	1,098	1,395
Total income taxes	6,457	7,796
Net income	17,592	20,408
Profit attributable to non-controlling interests	417	271
Profit attributable to owners of the parent	17,175	20,136

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2017 - March 31, 2018)	Current Consolidated Fiscal Year (April 1, 2018 - March 31, 2019)
Net income	17,592	20,408
Other comprehensive income		
Net unrealized holding gain (loss) on securities	3,083	(8,907)
Deferred (loss) gain on hedges	(19)	7
Translation adjustments	(14)	298
Remeasurements of defined benefit plans	(43)	25
Share of other comprehensive income of affiliates accounted for by the equity method	50	(29)
Total other comprehensive income	3,055	(8,604)
Comprehensive income	20,648	11,803
Comprehensive income attributable to:		
Shareholders of the parent	20,101	11,640
Non-controlling interests	547	163

(3) Consolidated Statements of Changes in Shareholders' Equity

Prior Consolidated Fiscal Year (April 1, 2017 to March 31, 2018)

(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	11,590	219,721	(1,337)	239,674
Changes					
Cash dividends			(4,287)		(4,287)
Profit attributable to owners of the parent			17,175		17,175
Purchases of treasury stock				(1,776)	(1,776)
Disposal of treasury stock		0		0	0
Equity transactions with non-controlling interests		(431)			(431)
Changes in scope of consolidation			(67)		(67)
Changes from merger with unconsolidated subsidiaries			(6)		(6)
Changes in scope of equity affiliates			(1)		(1)
Changes other than shareholders' equity accounts (net)					
Total changes	-	(431)	12,812	(1,776)	10,603
Balance, end of period	9,699	11,158	232,534	(3,114)	250,278

	Accumulated other comprehensive income					Non- controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred loss on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, beginning of period	47,683	4	3,129	(274)	50,542	4,981	295,198
Changes							
Cash dividends							(4,287)
Profit attributable to owners of the parent							17,175
Purchases of treasury stock							(1,776)
Disposal of treasury stock							0
Equity transactions with non-controlling interests							(431)
Changes in scope of consolidation							(67)
Changes resulting from merger with unconsolidated subsidiaries							(6)
Changes in scope of equity affiliates							(1)
Changes other than shareholders' equity accounts (net)	3,090	(19)	(212)	(42)	2,815	187	3,002
Total changes	3,090	(19)	(212)	(42)	2,815	187	13,606
Balance, end of period	50,773	(15)	2,917	(317)	53,358	5,168	308,804

Current Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)

(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	11,158	232,534	(3,114)	250,278
Changes					
Cash dividends			(5,133)		(5,133)
Profit attributable to owners of the parent			20,136		20,136
Purchases of treasury stock				(1,956)	(1,956)
Equity transactions with non-controlling interests		(500)			(500)
Changes in scope of consolidation		(11)	79		68
Changes other than shareholders' equity accounts (net)					
Total changes	-	(511)	15,082	(1,956)	12,614
Balance, end of period	9,699	10,647	247,617	(5,070)	262,892

	Accumulated other comprehensive income					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, beginning of period	50,773	(15)	2,917	(317)	53,358	5,168	308,804
Changes							
Cash dividends							(5,133)
Profit attributable to owners of the parent							20,136
Purchases of treasury stock							(1,956)
Equity transactions with non-controlling interests							(500)
Changes in scope of consolidation							68
Changes other than shareholders' equity accounts (net)	(8,916)	7	307	25	(8,576)	(233)	(8,810)
Total changes	(8,916)	7	307	25	(8,576)	(233)	3,804
Balance, end of period	41,857	(7)	3,224	(292)	44,781	4,934	312,609

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Prior Consolidated Fiscal Year (April 1, 2017 - March 31, 2018)	Current Consolidated Fiscal Year (April 1, 2018 - March 31, 2019)
Operating activities		
Profit before income taxes	24,049	28,204
Depreciation and amortization other than amortization of goodwill	9,295	9,329
Loss on impairment of fixed assets	847	2,294
Amortization of goodwill	1,748	1,815
Gain on negative goodwill	(229)	-
Loss on step acquisitions	294	-
Subsidy income	(288)	(205)
Loss on reduction of non-current assets	212	205
Loss on business withdrawal	462	194
Decrease in liability for retirement benefits	(210)	(2,023)
Interest and dividend income	(1,791)	(1,994)
Interest expenses	1,294	1,702
Exchange gain, net	(309)	295
Loss on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(92)	(4,359)
Increase in notes and accounts receivable	(17,382)	(4,477)
Increase in inventories	(9,610)	(7,157)
Increase (decrease) in notes and accounts payable	15,024	(894)
Other	1,623	(1,530)
Subtotal	24,937	21,399
Interest and dividends received	2,235	2,520
Interest paid	(1,292)	(1,670)
Income taxes paid	(4,865)	(4,874)
Net cash provided by operating activities	21,013	17,375
Investing activities		
Purchases of property, plant and equipment	(6,679)	(10,253)
Proceeds from sales of property, plant and equipment	1,360	917
Purchases of intangible fixed assets included in other assets	(539)	(505)
Purchases of investments in securities	(1,603)	(2,555)
Proceeds from sales of investments in securities	105	5,479
Purchases of investments	(54)	(96)
Purchases of shares of subsidiaries resulting in change in scope of consolidation	(5,994)	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	207	-
Decrease (increase) on short-term loans receivable included in other current assets, net	108	(807)
(Increase) decrease in time deposits, net	(242)	392
Proceeds from subsidy income	288	205
Other	(1,400)	(102)
Net cash used in investing activities	(14,442)	(7,325)

Financing activities		
Increase in short-term loans, net	3,632	2,771
Increase in commercial paper, net	5,000	7,000
Proceeds from long-term loans	8,301	582
Repayments of long-term loans	(3,117)	(11,175)
Redemption of bonds	(10,000)	-
Purchase of treasury stock	(1,776)	(1,956)
Cash dividends paid	(4,287)	(5,133)
Cash dividends paid to non-controlling interests	(275)	(398)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(606)	(498)
Other	(30)	(99)
Net cash used in financing activities	(3,161)	(8,909)
Effects of exchange rate changes on cash and cash equivalents	(175)	100
Net increase in cash and cash equivalents	3,234	1,240
Cash and cash equivalents at beginning of the year	39,730	42,857
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(111)	(80)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	4	-
Cash and cash equivalents, at end of the period	42,857	44,017

(5) Notes Related to Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Changes in Presentation Methods)

(Changes in Conjunction with the Application of Partial Amendment to the Accounting Standard for Tax Effect Accounting)

At the beginning of the current consolidated fiscal year, the Company adopted the *Partial Amendment to the Accounting Standard for Tax Effect Accounting* (ASBJ Statement No.28, February 16, 2018). Under this standard, the Company now classifies deferred tax assets under investments and other assets, while deferred tax liabilities are classified under long-term liabilities for presentation.

As a result, deferred tax assets under current assets on the consolidated balance sheet for the prior consolidated fiscal year decreased ¥2,783 million, while deferred tax assets under investments and other assets increased ¥2,783 million. Deferred tax liabilities under current liabilities decreased ¥44 million, while deferred tax liabilities under long-term liabilities increased ¥44 million.

The Company offsets deferred tax assets and deferred tax liabilities for the same tax paying entity. Total assets have decreased ¥1,989 million compared to the balance prior to this change.

(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 makes 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).

Beginning in the current consolidated fiscal year, the Company reclassified Fitz Chem LLC under the Functional Materials and the Life & Healthcare segments. In the prior consolidated fiscal year, Fitz Chem LLC was classified under the Functional Materials segment. This change is in response to a change in business unit management.

The Company has prepared segment information for the prior consolidated fiscal year according to this reclassification. This information is provided for the prior consolidated fiscal year under 3. *Information related to Net Sales, Profit (Loss), Assets, Liabilities, and Other by Segment.*

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, automobile refinish paints, conductive coatings, synthetic rubber, inorganic materials, plastics products, and resins molding tools/dies 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, high-function car electronics materials and components, 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, 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, 2017 to March 31, 2018)

(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	174,922	262,831	129,324	129,708	86,517	783,303	629	783,933	-	-	783,933
Intersegment sales/transfers	2,543	2,234	2,108	2,817	508	10,213	4,783	14,997	-	(14,997)	-
Total	177,466	265,065	131,433	132,526	87,026	793,517	5,413	798,931	-	(14,997)	783,933
Segment income (loss)	5,185	6,700	8,917	2,415	4,201	27,420	207	27,628	(3,954)	445	24,118
Segment assets	86,176	134,977	70,149	51,109	99,396	441,809	5,304	447,113	151,605	(29,262)	569,456
Other											
Depreciation and amortization	456	645	2,454	249	3,552	7,359	218	7,577	1,717	-	9,295
Amortization of goodwill	82	-	112	-	1,552	1,748	-	1,748	-	-	1,748
Unamortized balance of goodwill	2,031	-	1,296	-	22,150	25,478	-	25,478	-	-	25,478
Investments in equity affiliates	2,478	1,482	2,751	1,231	2,601	10,545	-	10,545	-	(2)	10,542
Increase in property, plant, and equipment and intangible fixed assets	243	2,817	1,834	191	2,369	7,458	68	7,527	1,896	-	9,423

(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 profit as presented in the consolidated statements of income.

Current Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)

(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	179,627	275,203	122,319	139,235	90,794	807,181	574	807,755	-	-	807,755
Intersegment sales/transfers	2,992	2,357	1,749	2,773	399	10,272	5,459	15,731	-	(15,731)	-
Total	182,620	277,561	124,069	142,009	91,194	817,454	6,033	823,487	-	(15,731)	807,755
Segment income (loss)	5,494	8,093	7,400	3,051	4,648	28,689	284	28,973	(4,253)	505	25,226
Segment assets	87,158	135,403	65,022	56,747	97,627	441,960	4,833	446,794	141,205	(20,653)	567,346
Other											
Depreciation and amortization	444	692	2,511	211	3,801	7,660	211	7,872	1,457	-	9,329
Amortization of goodwill	110	-	136	-	1,569	1,815	-	1,815	-	-	1,815
Unamortized balance of goodwill	2,012	-	1,218	-	20,636	23,866	-	23,866	-	-	23,866
Investments in equity affiliates	2,398	1,545	3,765	1,253	2,769	11,733	-	11,733	-	(52)	11,680
Increase in property, plant, and equipment and intangible fixed assets	314	1,542	3,201	329	3,206	8,594	130	8,725	1,887	-	10,612

(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 profit as presented in the consolidated statements of income.

b. Other Information

Prior Consolidated Fiscal Year (April 1, 2017 to March 31, 2018)

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
395,428	207,437	110,380	36,564	14,178	19,943	783,933

(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

(2) Property, plant and equipment

(Millions of yen)

Japan	Other	Total
61,686	5,539	67,225

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, 2018 to March 31, 2019)

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
412,617	205,408	118,113	39,451	15,272	16,892	807,755

(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

(2) Property, plant and equipment

(Millions of yen)

Japan	Other	Total
60,344	6,123	66,467

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, 2017 to March 31, 2018)

(Millions of yen)

	Reportable Segments						Other	Corporate/ Elimination	Total
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total			
Impairment loss	—	528	221	4	—	754	—	92	847

Current Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable Segments						Other	Corporate/ Elimination	Total
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total			
Impairment loss	—	221	—	58	1,999	2,279	—	15	2,294

(Note) The Life & Healthcare segment recorded impairment loss of ¥1,999 million for business assets related to a pharmaceutical manufacturing business 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, 2017 to March 31, 2018)

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

Current Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)

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, 2017 to March 31, 2018)

No material matters to report.

Current Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)

No matters to report.

(Per-Share Data)

	Prior Consolidated Fiscal Year (April 1, 2017 - March 31, 2018)	Current Consolidated Fiscal Year (April 1, 2018 - March 31, 2019)
Net assets per share	¥2,424.97	¥2,481.01
Earnings per share	¥136.34	¥161.30

(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, 2017 - March 31, 2018)	Current Consolidated Fiscal Year (April 1, 2018 - March 31, 2019)
Profit attributable to owners of the parent (millions of yen)	17,175	20,136
Profit attributable to common stock owners of the parent (millions of yen)	17,175	20,136
Average number of outstanding shares of common stock (shares)	125,977,181	124,842,824

(Significant Subsequent Events)

No matters to report.