

Six-Year Summary

NAGASE & CO., LTD. and Consolidated Subsidiaries (Fiscal years ended March 31, 2014–2019)

	Millions of yen					Thousands of U.S. dollars (Note 1)	
	2014	2015	2016	2017	2018	2019	2019
For the Fiscal Year:							
Net Sales	¥723,212	¥759,713	¥742,194	¥722,384	¥783,933	¥ 807,755	\$7,277,728
Domestic	372,939	374,208	363,038	369,365	395,428	412,617	3,717,605
Overseas	350,272	385,505	379,155	353,019	388,504	395,137	3,560,114
Gross Profit	88,936	91,991	91,663	91,503	102,675	105,441	950,005
Operating Income	15,789	18,153	18,024	15,030	24,118	25,226	227,282
Profit before Income Taxes and Non-Controlling Interests	18,353	18,989	15,239	16,100	24,049	28,204	254,113
Profit Attributable to Owners of the Parent	11,663	11,318	12,316	10,331	17,175	20,136	181,422

As of the Fiscal Year-End:							
Total Assets	¥498,141	¥546,525	¥512,081	¥530,775	¥569,456	¥ 567,346	\$5,111,686
Net Assets	251,892	287,500	279,149	295,198	308,804	312,609	2,816,551
Interest-Bearing Debt	92,828	98,493	87,560	82,046	86,173	85,620	771,421
Share Price (Yen)	1,275	1,573	1,237	1,551	1,805	1,589	14.32
Market Value	176,470	200,413	157,604	197,610	229,971	202,451	1,824,047
Number of Shares Issued and Outstanding (Thousands of Shares)	138,408	127,408	127,408	127,408	127,408	127,408	—
Number of Shareholders	6,984	6,781	7,338	10,394	11,357	12,788	—
Number of Employees	5,960	6,259	6,267	6,241	6,312	6,143	—

	Yen					U.S. dollars (Note 1)	
Per Share Data							
Profit Attributable to Owners of the Parent	¥ 91.86	¥ 89.10	¥ 96.96	¥ 81.65	¥ 136.34	¥ 161.30	\$ 1.45
Net Assets	1,942.20	2,215.18	2,156.67	2,301.10	2,424.97	2,481.01	22.35
Cash Dividends	28.00	30.00	32.00	33.00	40.00	42.00	0.38

	%						
Ratios							
Operating Margin (Operating Income/Net Sales)	2.2	2.4	2.4	2.1	3.1	3.1	—
Ratio of Profit before Income Taxes and Non-Controlling Interests to Net Sales	2.5	2.5	2.1	2.2	3.1	3.5	—
Return on Sales (ROS)	1.6	1.5	1.7	1.4	2.2	2.5	—
Total Assets Turnover (Times)	1.5	1.5	1.4	1.4	1.4	1.4	—
Return on Assets (ROA)	2.4	2.2	2.3	2.0	3.1	3.5	—
Return on Equity (ROE)	4.9	4.3	4.4	3.7	5.8	6.6	—
Shareholders' Equity Ratio	49.5	51.5	53.5	54.7	53.3	54.2	—
Debt to Equity Ratio (Times)	0.38	0.35	0.32	0.28	0.28	0.28	—
Current Ratio	187.2	187.0	200.1	192.9	183.1	181.2	—
Interest Coverage Ratio (Times) (Note: 2)	15.80	17.86	18.69	16.31	20.02	15.99	—

Note: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥110.99=U.S. \$1.00, the approximate rate of exchange prevailing on March 31, 2019.

Note: 2. Interest coverage ratio is calculated as (operating income + interest income + dividend income) / interest expense.

Management's Discussion and Analysis of Operations and Finances

Business Lines and Scope of Consolidation

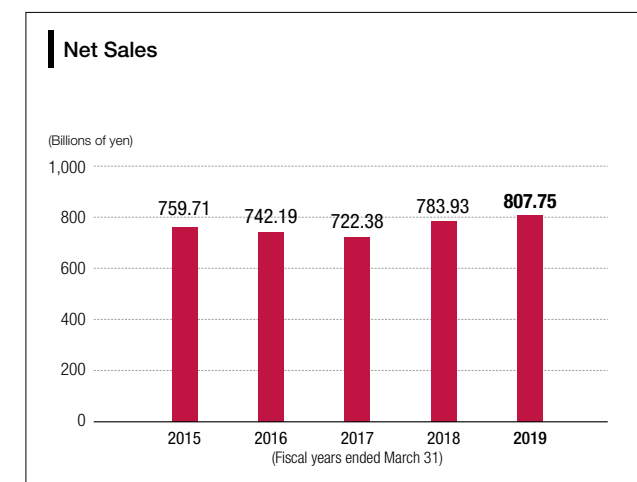
The NAGASE Group is led by NAGASE & CO., LTD. (the "Company" or "NAGASE"). The Company and its consolidated subsidiaries (collectively, the "Group") imports and exports a diverse array of products and engages in domestic transactions. In addition, the Group manufactures and sells products and provides services. These businesses are conducted by 102 affiliated companies consisting of 69 subsidiaries and 33 affiliates. The NAGASE scope of consolidation includes 60 companies, as well as 23 affiliates accounted for by the equity method.

Overview of Consolidated Results

■ Net Sales

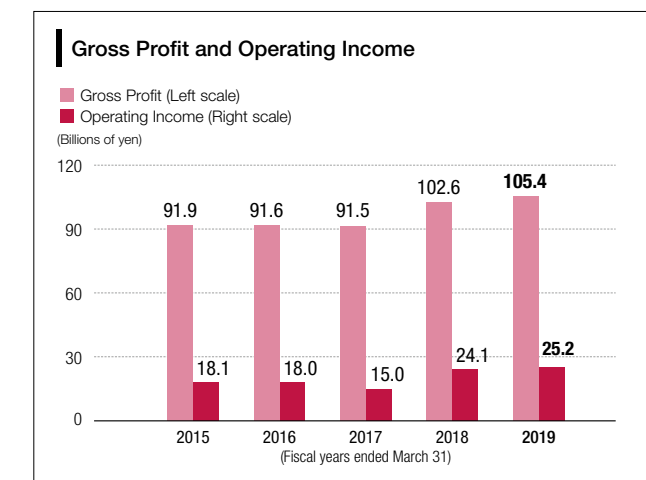
The Japanese economy remained strong throughout the fiscal year ended March 31, 2019, supported by improved corporate earnings, employment, and payrolls. However, uncertainties in the global economy have been increasing since the end of the prior year, and signs have emerged of a slowing in growth, mainly 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 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.



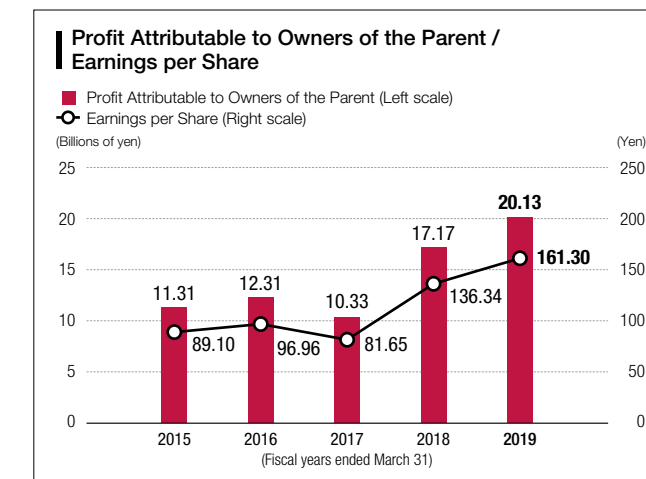
■ Gross Profit and Profit Attributable to Owners of the Parent

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%). As a result, gross profit margin and operating income margin remained roughly in line with the previous fiscal year at 13.1% and 3.1%, respectively. Ordinary income amounted to ¥26.64 billion (+2.5%). All profit indicators marked record highs in the history of the Company.



The Company recorded profit before income taxes of ¥28.2 billion (+17.3% year on year) with a ratio of profit before income taxes to net sales of 3.5%, which was a 0.4 percentage point increase compared to the prior fiscal year.

As a result, profit attributable to owners of the parent amounted to ¥20.13 billion (+17.2%). Return on sales increased by 0.3 percentage points to 2.5%. Earnings per share was ¥161.30, compared to ¥136.34 in the prior year.



Results by Business Segment

Note: The Company reclassified certain reportable segments in the fiscal year ended March 31, 2019. The Company has reclassified reportable segment classifications for the prior fiscal year for comparative purposes.

Functional Materials

Fiscal years ended March 31	(Millions of yen)	
	2018	2019
Sales to Customers	¥174,922	¥179,627
Segment Income	5,185	5,494
Segment Assets	86,176	87,158
Depreciation and Amortization	456	444
Amortization of Goodwill	82	110
Goodwill	2,031	2,012
Investments in Equity Affiliates	2,478	2,398
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	243	314

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 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 approximately ¥300 million (+6.0%).

Advanced Materials & Processing

Fiscal years ended March 31	(Millions of yen)	
	2018	2019
Sales to Customers	¥262,831	¥275,203
Segment Income	6,700	8,093
Segment Assets	134,977	135,403
Depreciation and Amortization	645	692
Amortization of Goodwill	—	—
Goodwill	—	—
Investments in Equity Affiliates	1,482	1,545
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	2,817	1,542

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 the year.

Electronics

Fiscal years ended March 31	(Millions of yen)	
	2018	2019
Sales to Customers	¥129,324	¥122,319
Segment Income	8,917	7,400
Segment Assets	70,149	65,022
Depreciation and Amortization	2,454	2,511
Amortization of Goodwill	112	136
Goodwill	1,296	1,218
Investments in Equity Affiliates	2,751	3,765
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	1,834	3,201

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 the year.

Automotive & Energy

Fiscal years ended March 31	(Millions of yen)	
	2018	2019
Sales to Customers	¥129,708	¥139,235
Segment Income	2,415	3,051
Segment Assets	51,109	56,747
Depreciation and Amortization	249	211
Amortization of Goodwill	—	—
Goodwill	—	—
Investments in Equity Affiliates	1,231	1,253
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	191	329

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 the year.

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

Life & Healthcare

Fiscal years ended March 31	(Millions of yen)	
	2018	2019
Sales to Customers	¥86,517	¥90,794
Segment Income	4,201	4,648
Segment Assets	99,396	97,627
Depreciation and Amortization	3,552	3,801
Amortization of Goodwill	1,552	1,569
Goodwill	22,150	20,636
Investments in Equity Affiliates	2,601	2,769
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	2,369	3,206

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.

Others

No special matters to disclose.

Financial Condition

Summary of Consolidated Cash Flows

Cash and cash equivalents (Cash) increased ¥1.15 billion (+2.7%) compared to the end of the prior 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 fiscal year ended March 31, 2019 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 reserves of ¥9.32 billion related to depreciation and amortization.

■ Cash Flows from Investing Activities

Cash used in investing activities for the fiscal year ended March 31, 2019 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 fiscal year ended March 31, 2019 amounted to ¥8.90 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.

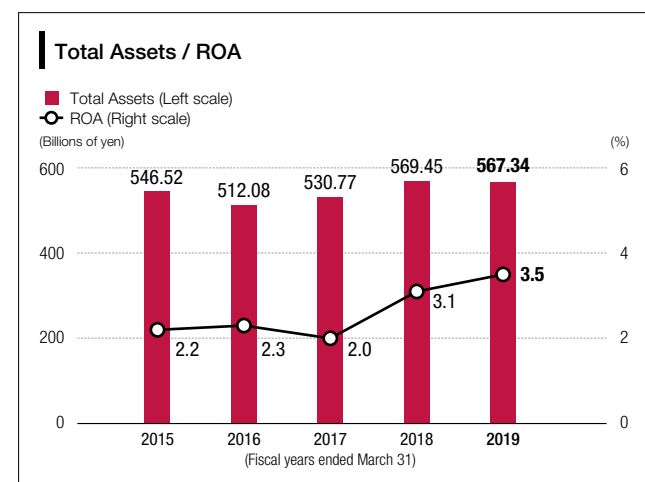
Cash Flow Summary

Fiscal years ended March 31	(Millions of yen)				
	2015	2016	2017	2018	2019
Cash Flows from Operating Activities	¥15,474	¥29,376	¥14,527	¥21,013	¥17,375
Cash Flows from Investing Activities	(7,732)	(12,600)	(6,518)	(14,442)	(7,325)
Cash Flows from Financing Activities	(3,205)	(12,822)	(10,592)	(3,161)	(8,909)

Summary of the Consolidated Balance Sheet

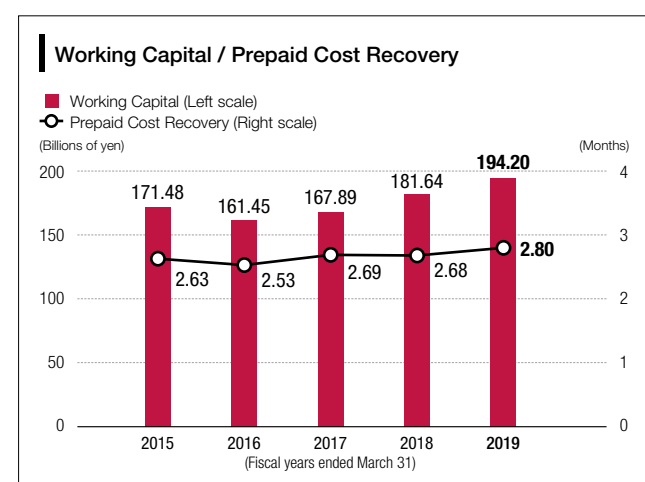
Assets

As of March 31, 2019, current assets amounted to ¥365.82 billion. This represents an increase of ¥12.5 billion compared to the end of the prior 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 fiscal year.



Liabilities

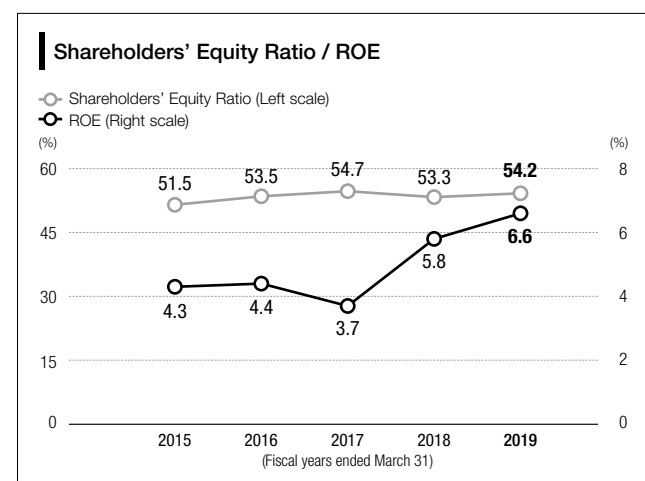
Liabilities amounted to ¥254.73 billion, a ¥5.91 billion decrease compared to the end of the prior fiscal year. This decrease was mainly due to repayments of long-term loans.



Net Assets

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 percentage points higher than the end of the prior fiscal year.



Capital Investment

During the fiscal year, the NAGASE Group recorded ¥10.61 billion in capital investment (including purchases of intangible fixed assets). This amount included ¥2.11 billion in capital investment at the new pullulan and enzyme wing of the Okayama No. 2 Plant of Hayashibara Co., Ltd. (Life & Healthcare Segment). The Group used cash on hand and funds procured from external sources for capital investments.

Reportable Segments	(Millions of yen)
Functional Materials	¥ 314
Advanced Materials & Processing	1,542
Electronics	3,201
Automotive & Energy	329
Life & Healthcare	3,206
Others	2,018
Total	10,612

Research and Development Expenses

The NAGASE Group develops new technologies and products originating from our marketing activities. We also engage in research and development activities for the purpose of generating and sharing technological information. These activities bring the comprehensive power of the group to bear in creating new businesses.

The New Value Creation Office promotes innovation within the Group and creates new value that anticipates changing trends, including AI and IoT, with the aim of creating business cores that the Group has not had to date. (The office is a Company-wide corporate asset held in common for use by all the segments.) The office conducts development activities geared toward solutions for materials informatics, which is a new technical field of material development

that combines advance data processing technologies and material science, as well as enabling server acceleration to reduce the power consumption of systems and to meet latency demands of processing for edge servers, which are anticipated after realizing next-generation telecommunication standards.

The Nagase R&D Center conducts foundational technology research and proposes research topics for the biotechnology-related businesses operated by the NAGASE Group. At present, the Nagase R&D Center is working to help create a global-scale bioeconomy for society through process innovation (*Unavailable Made Available*) to facilitate high-efficiency production of plant- and animal-derived rare and useful substances, which have been traditionally difficult to synthesize. The center is leveraging our own core technologies (N-STEPP[®]: Technology for breeding and fermenting actinomycetes) and other foundational technologies to accomplish this goal. Examples include algae-derived ultraviolet absorbing substances (mycosporine-like amino acids), proteins in human and animal blood (ferritin), unusual antioxidative amino acids (ergothioneine) contained in mushrooms and wheat varieties, biodyes, and other functional substances unique to actinomycetes. The center is developing these useful substances to be applied across a wide range of functional foods, cosmetics, and industrial products. The center also applies for patents and registrations of numerous foundational and peripheral technologies. In this way, the Nagase R&D Center fulfills its mission to develop and utilize foundational biotechnologies, inventing products that will lead the NAGASE Group into the future.

The Nagase Application Workshop (NAW) is home to specialized equipment and expert staff capable of conducting raw materials analysis, application development, and final product formulation for plastics and coating materials. The NAW supports the NAGASE Group trading company differentiation strategy by combining materials and processing technologies from business partners and group manufacturing companies. This combination of materials and processes produce solutions that respond to market needs identified through the marketing functions of the NAGASE Group network. The NAW accurately formulates new elemental technologies and functional materials, developing these technologies and materials into solutions for our customers. Here, the workshop coordinates closely with NAGASE divisions and Group companies to explore the potential for new businesses.

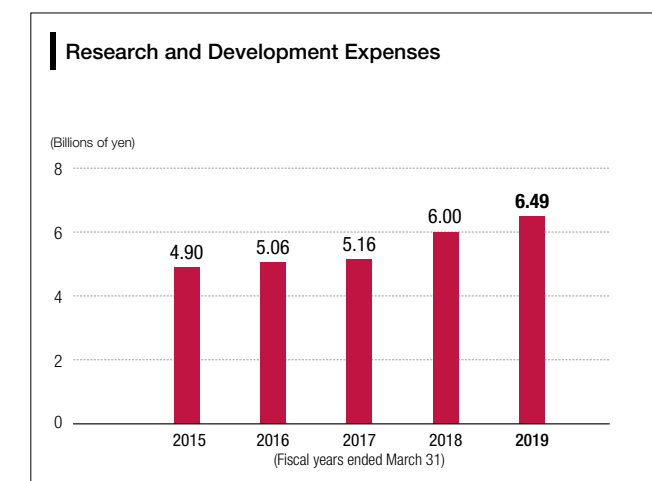
Nagase ChemteX focuses on establishing new business in the fields of next-generation manufacturing and biomaterials within the New Business Development Headquarters. In the next-generation manufacturing field, the company has developed various materials that can use additive manufacturing methods, such as UV cured resins for 3D printers and low-temperature sintered-type ink for wiring applications, and has already begun product sales. Going forward, the company will continue expanding its product lineup and upgrading its systems aimed at full-scale commercialization. In the biomaterials field, the company has begun supplying samples of low-endotoxin biocompatible polymers, for which needs have been increasing for medical equipment applications.

Using unique siloxane synthesis technologies, Inkron Oy has begun mass production of materials for LED applications that require high reliability. In addition, the company is developing special optical materials in the AR/VR field, which is expected to grow going forward, using refractive index control technologies that span a wide range from a low of 1.25 to a high of 1.8. Nagase ChemteX uses

nanoparticle dispersion technologies, mass-production technologies, and complementary synergies with quality control systems developed over many years to contribute to customer innovations by supplying leading-edge materials for next-generation optical devices on a global scale.

Hayashibara Co., Ltd. continues research and development activities for the use of TREHA[™], pullulan, and other functional saccharides in everything from foods, cosmetics, and pharmaceuticals/medicines to applications in agricultural and industrial fields. The company is raising consumer awareness of and accelerating development activities for mainstay products Fibryxa[™] and Hayashibara Hesperidin S for applications in Foods with Function Claims and other uses. Hayashibara is searching for new enzyme-producing bacteria from microorganisms, moving forward with research and development related to products created through unique enzymes. As the company considers patents and intellectual property strategy for commercializing functional saccharides with the potential of becoming mainstay products for the next generation, it also continues to study manufacturing methods for new materials. Activities include market analysis, suggestions for effective uses, and applications development. Meanwhile, the NAGASE Group is making use of Hayashibara's extensive library of functional dyes, focusing on developing new applications in commercial fields, such as photo and printing plates, as well as in the currently growing life science fields, including pharmaceuticals and in-vitro diagnostics. The NAGASE Group incurred a total of ¥6.4 billion in research and development expenses for the fiscal year.

* Abbreviation of Nagase Streptomyces Technology for Protein/Precious Products, a NAGASE registered trademark in Japan.



Outlook for the Year Ending March 31, 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 the 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.

(Announced on May 7, 2019) (Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of the parent
Year ending March 31, 2020 (Projected)	850,000	26,000	27,000	20,500
Year ended March 31, 2019 (Actual)	807,755	25,226	26,643	20,136
Change	+5.2%	+3.1%	+1.3%	+1.8%

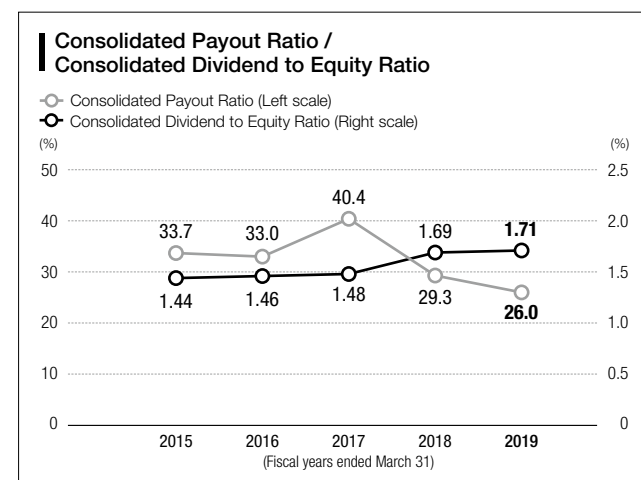
Profit Sharing Policy

■ Dividend Policy

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 a 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, which will be an increase of ¥2 per share, for the fiscal year ending March 31, 2020. This dividend will consist of a ¥22 per share interim dividend and a ¥22 per share year-end dividend.



This forecast was made May 7, 2019. Forecasts in connection with the Group's future performance are subject to a variety of risks and uncertainties including those outlined as follows. As a result, readers are advised that actual results may differ from projections.

Operating and Other Risks

The NAGASE Group is engaged in trading, marketing, research and development, manufacturing and processing in six business segments across the world: Functional Materials, Advanced Materials & Processing, Electronics, Mobility & Energy, Life & Healthcare, and Others. The nature of these businesses entails various risks that may have a material effect on investment decisions. We provide a discussion of the major risks below.

Any forward-looking statements are based on management decisions as of the end of fiscal year under review.

(1) Overall Operating Risk

The NAGASE Group is engaged in activities that rely on the use of chemicals across a wide spectrum of products and services through our Functional Materials, Advanced Materials & Processing, Electronics, Mobility & Energy and Life & Healthcare business. These products and services include dyes/pigments, coating materials/inks, surfactants, OA, electrical equipment, home electronics, automobiles, LCDs, semiconductors, and pharmaceutical/medical applications. Accordingly, significant changes in domestic and international commercial chemicals industry could affect the NAGASE Group's earnings and financial condition.

(2) Product Market Conditions

The NAGASE Group handles extensive petrochemicals manufactured from naphtha in our Functional Materials, Advanced Materials & Processing, and Mobility & Energy segments. Raw materials markets and demand-supply balance are two factors that result in unique market circumstances for each of our products. Fluctuations in these factors could affect our revenues and profits in related product lines. Also, some products manufactured by the Group use raw materials derived from grains. Raw materials costs fluctuate widely due to changes in grain market prices; we may not be able to pass on increased raw materials costs through higher sales prices, which could affect our profits in related product lines.

(3) Impact of Fluctuations in Foreign Currency Exchange Rates

The NAGASE Group conducts import/export as well as non-trade business transactions denominated in foreign currencies. Fluctuations in currency markets have a significant impact when prices are converted to yen. While the Group executes exchange contract hedges for these transactions to minimize exchange rate risk to the greatest extent possible, currency exchange rate fluctuations could have a significant impact on Group earnings and financial conditions. The NAGASE Group owns foreign-domiciled corporations whose financial statements are prepared using local currencies. The conversion of these currencies to Japanese yen for consolidated reporting purposes entails currency conversion risk due to fluctuating exchange rates.

(4) Impact of Fluctuations in Interest Rates

The NAGASE Group obtains funds for operating and investing activities through loans from financial institutions; some of these loans are interest-bearing debt including variable interest terms. The Group reduces interest rate fluctuation risk related to variable interest loans by utilizing interest-rate swap contracts. Group earnings and financial conditions may be affected by future interest rate trends. Interest rate fluctuations cause variations in discount rates used for retirement benefit obligations and plan asset investment income, impacting NAGASE Group business performance and financial position.

(5) Risks Involved in Operating Overseas

A significant and increasing percentage of NAGASE Group sales and production takes place overseas in locations such as Greater China, ASEAN, the Americas, and Europe. While NAGASE Group management keeps a close eye on local trends and conditions in order to respond appropriately, unforeseen events stemming from local government regulations, business customs, or other influences could have an impact on Group business performance and financial condition.

(6) Impact of Changes in Stock Prices

The NAGASE Group maintains a portfolio of marketable securities, primarily equity shares of companies doing business with the Group. These equity investments are subject to share price fluctuation risks. As a matter of policy, the NAGASE Group reduces risk by continuously reviewing and reorganizing its shareholdings. However, changes in share prices could impact Group earnings and financial condition. A decline in share prices could damage the value of pension plan assets managed by the Group, increasing retirement benefit costs and thereby reducing Group profits.

(7) Counterparty Credit Risk

The NAGASE Group extends credit to domestic and overseas purchasers in connection with various transactions. As a matter of policy, the NAGASE Group reduces credit risk by obtaining guarantees, collateral, and insurance, etc. according to the financial condition of the purchaser. Although the NAGASE Group strives to ensure stable, uninterrupted product procurement, financial weakness or bankruptcies among suppliers or others could damage the Group's ability to procure goods. Such circumstances could have an impact on the Group's earnings and financial condition.

(8) Risk of Investments

The NAGASE Group engages in investment activities to establish new companies, to invest in equipment at manufacturing subsidiaries, and to acquire other business entities. These types of investment activities involve certain risks, including the risk of failing to recover investments in cases where the Company is not able to record profits at initially planned levels, the risk that additional funding may be required, and the risk that the Group will not be able to withdraw from investments according to the desired timing and method. The NAGASE Group strives to reduce risk in this area. Decisions to invest in new businesses are made after a careful study of the viability of business plans and profitability. At the same time, the Group regularly monitors the performance of existing investments. However, even

these management initiatives cannot completely negate potential investment risk, and such risk may have an impact on Group earnings and financial condition.

(9) Risk of Asset Impairment

The NAGASE Group owns non-current assets such as business assets in manufacturing subsidiaries and goodwill. These assets entail the risk of impairment loss if asset value declines. The NAGASE Group records impairment losses when deemed necessary. However, even greater impairment losses may be incurred as a result of deteriorating business profits or other factors in the future, which may have an impact on Group business performance and financial condition.

(10) Product Quality Risk

The NAGASE Group operates the Nagase R&D Center and manufacturing subsidiaries to offer high-value-added products to our customers. We pay detailed attention to the quality of the technologies and products that bear the name of NAGASE and our affiliates. We also bear manufacturers' liability for imported products, products manufactured on a contract basis, etc. Accordingly, the Group treats these products with the same attention to detail and quality as if they were made in our own facilities. However, product defects could result in cessation of sales and/or product recalls, exposing the NAGASE Group to liability for damages, which could have an impact on Group earnings and financial conditions.

(11) Risks Related to Product Laws

The NAGASE Group imports, exports, and sells domestically a wide variety of chemicals and other products for a broad range of uses. To maintain international peace and safety, the chemicals and other items we export are subject to different laws, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order. Imports and domestic sales are subject to the Chemical Substances Control Law and other related statutes, as well as similar regulations in foreign jurisdictions. To ensure compliance, the Group has established internal Security Trade Control Regulations and Chemical/Product Control Regulations. However, a violation of such laws and statutes could result in restrictions on Group business activities, having an impact on Group earnings and financial condition.

(12) Risks of Natural Disasters

The NAGASE Group has put emergency response systems in place, including the creation of a business contingency plan, the adoption of safety confirmation systems, the creation of a disaster-response manual, earthquake-response measures, disaster-response training, and other measures to deal with natural disasters. However, as we conduct business across a great number of countries and regions, we are exposed to the risk of major natural disasters, H1N1 influenza and other communicable diseases, and other emergencies that could disrupt our supply chain. Such disruptions could prevent us from selling our products or damage the manufacturing capabilities of important Group facilities. Such interruptions would result in opportunity loss, and could have a significant impact on Group earnings and financial condition.

Consolidated Balance Sheet

NAGASE & CO., LTD. and Consolidated Subsidiaries (March 31, 2019 and 2018)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current assets:			
Cash and time deposits (Notes 15 and 22)	¥ 44,068	¥ 43,303	\$ 397,045
Notes and accounts receivable (Note 15)	230,459	225,999	2,076,394
Inventories (Note 5)	81,003	73,671	729,823
Other current assets	10,651	10,953	95,964
Less allowance for doubtful accounts	(355)	(602)	(3,198)
Total current assets	365,827	353,325	3,296,036
Property, plant and equipment, at cost (Note 6 and 7):			
Land (Note 20)	20,456	21,154	184,305
Buildings and structures	57,846	58,016	521,182
Machinery, equipment and vehicles	82,397	82,437	742,382
Leased assets	247	530	2,225
Construction in progress	3,784	784	34,093
	164,732	162,922	1,484,206
Less accumulated depreciation	(98,264)	(95,697)	(885,341)
Property, plant and equipment, net (Note 23)	66,467	67,225	598,856
Investments and other assets:			
Investments in securities (Notes 8 and 15):			
Unconsolidated subsidiaries and affiliates	9,556	8,116	86,098
Other	80,706	92,287	727,147
	90,263	100,403	813,253
Long-term loans receivable	243	109	2,189
Goodwill (Note 23)	23,866	25,478	215,028
Technology-based assets	10,639	12,215	95,855
Asset for retirement benefits (Note 11)	109	—	982
Deferred tax assets (Notes 3 and 12)	2,290	2,409	20,632
Other assets (Note 7)	7,732	8,389	69,664
Less allowance for doubtful accounts	(92)	(101)	(829)
Total investments and other assets	135,051	148,904	1,216,785
Total assets (Note 23)	¥567,346	¥569,456	\$5,111,686

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current liabilities:			
Notes and accounts payable (Note 15)	¥117,256	¥118,028	\$1,056,456
Short-term loans (Notes 9 and 15)	34,964	31,934	315,019
Current portion of long-term loans and finance lease obligations (Notes 9, 15 and 20)	972	11,126	8,758
Commercial papers (Note 15)	12,000	5,000	108,118
Current portion of bonds (Notes 9 and 15)	10,000	—	90,098
Accrued income taxes (Note 12)	3,594	1,738	32,381
Accrued expenses	3,005	3,250	27,075
Accrued bonuses for employees	5,355	5,451	48,248
Accrued bonuses for directors and executive officers	287	274	2,586
Other current liabilities	14,429	16,191	130,003
Total current liabilities	201,866	192,996	1,818,776
Long-term liabilities:			
Bonds (Notes 9 and 15)	10,000	20,000	90,098
Long-term loans and finance lease obligations (Notes 9, 15 and 20)	17,683	18,112	159,321
Deferred tax liabilities (Notes 3 and 12)	12,075	14,420	108,794
Liability for retirement benefits (Note 11)	12,461	14,518	112,271
Other long-term liabilities	650	603	5,856
Total long-term liabilities	52,870	67,655	476,349
Contingent liabilities (Note 19)			
Net assets:			
Shareholders' equity (Note 13):			
Common stock:			
Authorized – 346,980,000 shares			
Issued – 127,408,285 shares in 2019 and 2018	9,699	9,699	87,386
Capital surplus	10,647	11,158	95,928
Retained earnings (Notes 21 and 24)	247,617	232,534	2,230,985
Treasury stock, at cost (Note 14) – 3,396,352 shares in 2019 and 2,195,966 shares in 2018	(5,070)	(3,114)	(45,680)
Total shareholders' equity	262,892	250,278	2,368,610
Accumulated other comprehensive income:			
Net unrealized holding gain on securities (Note 8)	41,857	50,773	377,124
Deferred loss on hedges (Note 16)	(7)	(15)	(63)
Translation adjustments	3,224	2,917	29,048
Retirement benefit liability adjustments (Note 11)	(292)	(317)	(2,631)
Total accumulated other comprehensive income	44,781	53,358	403,469
Non-controlling interests	4,934	5,168	44,454
Total net assets	312,609	308,804	2,816,551
Total liabilities and net assets	¥567,346	¥569,456	\$5,111,686

See notes to consolidated financial statements.

Consolidated Statement of Income

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2019 and 2018)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net sales (Note 23)	¥807,755	¥783,933	\$7,277,728
Cost of sales	702,313	681,258	6,327,714
Gross profit	105,441	102,675	950,005
Selling, general and administrative expenses (Notes 17 and 18)	80,215	78,557	722,723
Operating income (Note 23)	25,226	24,118	227,282
Other income (expenses):			
Interest and dividend income	1,994	1,791	17,966
Interest expense	(1,702)	(1,294)	(15,335)
Equity in earnings of affiliates	538	921	4,847
Gain on sales of shares of subsidiaries and affiliates	6	84	54
Gain on sales of investments in securities (Note 8)	4,355	8	39,238
Loss on sales of shares of a subsidiary and affiliates	—	0	0
Loss on devaluation of investments in securities	(208)	(12)	(1,874)
Gain on sales of property, plant and equipment	282	50	2,541
Loss on sales of property, plant and equipment	(78)	(419)	(703)
Loss on disposal of property, plant and equipment	(275)	(168)	(2,478)
Loss on impairment of fixed assets (Notes 7 and 23)	(2,294)	(847)	(20,669)
Loss on reduction of property, plant and equipment	(205)	(212)	(1,847)
Gain on bargain purchase	—	229	—
Subsidy income	205	288	1,847
Loss on discontinued operation	(194)	(462)	(1,748)
Loss on step acquisitions	—	(294)	—
Other, net	556	269	5,009
Profit before income taxes	28,204	24,049	254,113
Income taxes (Note 12):			
Current	6,400	5,358	57,663
Deferred	1,395	1,098	12,569
Profit	20,408	17,592	183,872
Profit attributable to:			
Non-controlling interests	(271)	(417)	(2,442)
Owners of parent	¥ 20,136	¥ 17,175	\$ 181,422

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2019 and 2018)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Profit	¥20,408	¥17,592	\$183,872
Other comprehensive income (Note 10):			
Net unrealized holding (loss) gain on securities	(8,907)	3,083	(80,250)
Deferred gain (loss) on hedges	7	(19)	63
Translation adjustments	298	(14)	2,685
Retirement benefit liability adjustments	25	(43)	225
Share of other comprehensive (loss) income of affiliates accounted for by the equity method	(29)	50	(261)
	(8,604)	3,055	(77,520)
Comprehensive income	¥11,803	¥20,648	\$106,343
Total comprehensive income attributable to:			
Owners of parent	¥11,640	¥20,101	\$104,874
Non-controlling interests	163	547	1,469

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2019 and 2018)

	Millions of yen											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred loss on hedges	Translation adjustments	Retirement benefit liability adjustments (Note 11)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2017	¥9,699	¥11,590	¥219,721	¥(1,337)	¥239,674	¥47,683	¥ 4	¥3,129	¥(274)	¥50,542	¥4,981	¥295,198
Profit attributable to owners of parent	—	—	17,175	—	17,175	—	—	—	—	—	—	17,175
Cash dividends	—	—	(4,287)	—	(4,287)	—	—	—	—	—	—	(4,287)
Purchases of treasury stock	—	—	—	(1,776)	(1,776)	—	—	—	—	—	—	(1,776)
Disposition of treasury stock	—	0	—	0	0	—	—	—	—	—	—	0
Changes in parent's ownership interest due to transactions with non-controlling interests	—	(431)	—	—	(431)	—	—	—	—	—	—	(431)
Changes resulting from merger with an unconsolidated subsidiary	—	—	(6)	—	(6)	—	—	—	—	—	—	(6)
Decrease in retained earnings resulting from changes in scope of consolidation	—	—	(67)	—	(67)	—	—	—	—	—	—	(67)
Decrease in retained earnings resulting from changes in scope of equity method	—	—	(1)	—	(1)	—	—	—	—	—	—	(1)
Other changes	—	—	—	—	—	3,090	(19)	(212)	(42)	2,815	187	3,002
Balance at April 1, 2018	9,699	11,158	232,534	(3,114)	250,278	50,773	(15)	2,917	(317)	53,358	5,168	308,804
Profit attributable to owners of parent	—	—	20,136	—	20,136	—	—	—	—	—	—	20,136
Cash dividends	—	—	(5,133)	—	(5,133)	—	—	—	—	—	—	(5,133)
Purchases of treasury stock	—	—	—	(1,956)	(1,956)	—	—	—	—	—	—	(1,956)
Changes in parent's ownership interest due to transactions with non-controlling interests	—	(500)	—	—	(500)	—	—	—	—	—	—	(500)
(Decrease) increase in retained earnings resulting from changes in scope of consolidation	—	(11)	79	—	68	—	—	—	—	—	—	68
Other changes	—	—	—	—	—	(8,916)	7	307	25	(8,576)	(233)	(8,810)
Balance at March 31, 2019	¥9,699	¥10,647	¥247,617	¥(5,070)	¥262,892	¥41,857	¥ (7)	¥3,224	¥(292)	¥44,781	¥4,934	¥312,609

	Thousands of U.S. dollars (Note 1)											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred loss on hedges	Translation adjustments	Retirement benefit liability adjustments (Note 11)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2018	\$87,386	\$100,532	\$2,095,090	\$(28,057)	\$2,254,960	\$457,456	\$(135)	\$26,282	\$(2,856)	\$480,746	\$46,563	\$2,782,269
Profit attributable to owners of parent	—	—	181,422	—	181,422	—	—	—	—	—	—	181,422
Cash dividends	—	—	(46,247)	—	(46,247)	—	—	—	—	—	—	(46,247)
Purchases of treasury stock	—	—	—	(17,623)	(17,623)	—	—	—	—	—	—	(17,623)
Changes in parent's ownership interest due to transactions with non-controlling interests	—	(4,505)	—	—	(4,505)	—	—	—	—	—	—	(4,505)
(Decrease) increase in retained earnings resulting from changes in scope of consolidation	—	(99)	712	—	613	—	—	—	—	—	—	613
Other changes	—	—	—	—	—	(80,332)	63	2,766	225	(77,268)	(2,099)	(79,377)
Balance at March 31, 2019	\$87,386	\$ 95,928	\$2,230,985	\$(45,680)	\$2,368,610	\$377,124	\$ (63)	\$29,048	\$(2,631)	\$403,469	\$44,454	\$2,816,551

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2019 and 2018)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Operating activities:			
Profit before income taxes	¥28,204	¥24,049	\$254,113
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization other than amortization of goodwill	9,329	9,295	84,053
Amortization of goodwill	1,815	1,748	16,353
Loss on impairment of fixed assets	2,294	847	20,669
Gain on bargain purchase	—	(229)	—
Loss on step acquisitions	—	294	—
Subsidy income	(205)	(288)	(1,847)
Loss on reduction of property, plant and equipment	205	212	1,847
Loss on discontinued operation	194	462	1,748
Decrease in liability for retirement benefits	(2,023)	(210)	(18,227)
Interest and dividend income	(1,994)	(1,791)	(17,966)
Interest expense	1,702	1,294	15,335
Exchange loss (gain), net	295	(309)	2,658
Gain on sales of investments in securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(4,359)	(92)	(39,274)
Changes in operating assets and liabilities:			
Notes and accounts receivable	(4,477)	(17,382)	(40,337)
Inventories	(7,157)	(9,610)	(64,483)
Notes and accounts payable	(894)	15,024	(8,055)
Other, net	(1,530)	1,623	(13,785)
Subtotal	21,399	24,937	192,801
Interest and dividends received	2,520	2,235	22,705
Interest paid	(1,670)	(1,292)	(15,046)
Income taxes paid	(4,874)	(4,865)	(43,914)
Net cash provided by operating activities	17,375	21,013	156,546
Investing activities:			
Purchases of property, plant and equipment	(10,253)	(6,679)	(92,378)
Proceeds from sales of property, plant and equipment	917	1,360	8,262
Purchases of intangible fixed assets included in other assets	(505)	(539)	(4,550)
Purchases of investments in securities	(2,555)	(1,603)	(23,020)
Proceeds from sales of investments in securities	5,479	105	49,365
Purchases of investments in capital	(96)	(54)	(865)
Purchase 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	—
(Increase) decrease in short-term loans receivable included in other current assets, net	(807)	108	(7,271)
Decrease (increase) in time deposits, net	392	(242)	3,532
Subsidy income	205	288	1,847
Other, net	(102)	(1,400)	(919)
Net cash used in investing activities	(7,325)	(14,442)	(65,997)
Financing activities:			
Increase in short-term loans, net	2,771	3,632	24,966
Increase in commercial papers, net	7,000	5,000	63,069
Proceeds from long-term loans	582	8,301	5,244
Repayments of long-term loans	(11,175)	(3,117)	(100,685)
Redemption of bonds	—	(10,000)	—
Purchase of treasury stock	(1,956)	(1,776)	(17,623)
Cash dividends paid	(5,133)	(4,287)	(46,247)
Cash dividends paid to non-controlling interests	(398)	(275)	(3,586)
Payments for purchases of shares of subsidiaries not resulting in change in scope of consolidation	(498)	(606)	(4,487)
Other, net	(99)	(30)	(892)
Net cash used in financing activities	(8,909)	(3,161)	(80,268)
Effect of exchange rate changes on cash and cash equivalents	100	(175)	901
Net increase in cash and cash equivalents	1,240	3,234	11,172
Cash and cash equivalents at beginning of the year	42,857	39,730	386,134
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(80)	(111)	(721)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	4	—
Cash and cash equivalents at end of the year (Note 22)	¥44,017	¥42,857	\$396,585

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NAGASE & CO., LTD. and Consolidated Subsidiaries (March 31, 2019)

1. BASIS OF PREPARATION

The accompanying consolidated financial statements of NAGASE & CO., LTD. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

Such reclassifications had no effect on consolidated profit or net assets.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader, as a matter of arithmetic computation only, at ¥110.99 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2019. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen for the years ended March 31, 2019 and 2018 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2019 and 2018 (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and companies that it controls directly or indirectly. Affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain subsidiaries were excluded from the scope of consolidation because the effect of their sales, net profit or loss, total assets and retained earnings on the accompanying consolidated financial statements was immaterial. The unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of application of the equity method, because their profit or loss and retained earnings attributable to the Company's interest were not material to the consolidated financial statements.

For consolidation purposes, the financial statements of the consolidated subsidiaries whose fiscal year end date differs from that of the Company have been included in consolidation based on a provisional statement of accounts for a full fiscal year ending March 31.

Unrealized intercompany gains among the Company and the consolidated subsidiaries have been entirely eliminated and the portion attributable to non-controlling interests has been charged to non-controlling interests.

(b) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified foreign currency forward exchange contracts are translated at the corresponding contract rates. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. Gain or loss on each translation is credited or charged to income.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates in effect at the respective transaction dates. Foreign exchange gain or loss is credited or charged to income in the period in which such gain or loss is recognized for financial reporting purposes.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets

excluding non-controlling interests, net unrealized holding gain on securities, and deferred gain or loss on hedges are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of net income but are reported as "Translation adjustments" as a component of accumulated other comprehensive income or loss in the accompanying consolidated balance sheets.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments which are readily convertible to cash and subject to an insignificant risk of any change in their value, which were purchased with an original maturity of three months or less.

(d) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined primarily by the moving-average method.

(e) Investments in Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income or loss. Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

(f) Property, Plant and Equipment and Depreciation (except for leased assets)

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is calculated by the straight-line method based on the estimated useful lives of the respective assets.

The estimated useful lives of the principal assets are as follows:

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

(g) Intangible Assets (except for leased assets)

Technology-based assets recognized upon acquisition are amortized on a straight-line basis over 13 to 17 years.

Costs incurred for computer software obtained for internal use are capitalized and amortized on a straight-line basis over an estimated useful life of 5 years.

(h) Goodwill

Goodwill is amortized over a period not exceeding 20 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(i) Leased Assets

Leased assets under finance lease contracts which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method over the respective lease terms.

(j) Allowance for Doubtful Accounts

The Company and its consolidated subsidiaries provide allowances for doubtful accounts based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific doubtful accounts from customers experiencing financial difficulties.

(k) Income Taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred tax assets and liabilities are computed based on the temporary differences between the financial reporting and the tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Computations of deferred tax assets and liabilities are based on the tax rates which have been enacted as of the balance sheet date. The Company and certain domestic consolidated subsidiaries have adopted the consolidated taxation system (the Company is the taxable entity), which allows companies to make tax payments on the combined profits of the parent company and its wholly owned domestic subsidiaries.

(l) Accrued Bonuses for Employees

Accrued bonuses for employees are provided based on the estimated amount of bonuses to be paid to employees in the following fiscal year which is attributable to the current fiscal year.

(m) Accrued Bonuses for Directors and Executive Officers

Accrued bonuses for directors and executive officers are provided based on the estimated amount of bonuses to be paid to directors and executive officers in the following fiscal year which is attributable to the current fiscal year.

(n) Liability for Retirement Benefits

Liability for retirement benefits is provided based on the amount of the retirement benefit obligation less estimated pension plan assets at the end of the fiscal year. The estimated benefit is attributed to each period based on the plan's benefit formula.

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

3. CHANGES IN PRESENTATION METHOD**Changes in Conjunction with the Application of Partial Amendments to Accounting Standard for Tax Effect Accounting**

Effective from the beginning of the fiscal year ended March 31, 2019, the Company applied *Partial Amendments to Accounting Standard for Tax Effect Accounting* (ASBJ Statement No.28, February 16, 2018). Under this standard, the presentation method was changed and the Company now classifies deferred tax assets under investments and other assets, while deferred tax liabilities are classified under long-term liabilities.

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

(o) Derivatives and Hedging Activities

Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets. Foreign currency receivables and payables hedged by qualified foreign currency forward exchange contracts are translated at the corresponding foreign exchange contract rates ("allocation method"). Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying loans.

Derivative financial instruments are utilized principally in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates and interest-rate swaps are also utilized to mitigate the risk of fluctuation in interest rates on loans. Hedging instruments are foreign currency forward exchange contracts, foreign currency deposits, foreign currency loans and interest-rate swaps. Hedged items are foreign currency receivables and payables, forecast transactions and interest rates on loans from financial institutions.

The Company and its consolidated subsidiaries (collectively, the "Group") manage derivative transactions in accordance with internal management rules. Under these rules, the Group conducts foreign currency forward exchange contracts within a range of actual demand of accounts receivable, accounts payable and actual transactions in foreign currencies. Execution and management of interest-rate swaps are based on internal management rules and hedged items of interest-rate swaps are identified by individual contracts.

The Company and certain consolidated subsidiaries assess the effectiveness of the hedging activities based on a comparison of the accumulated fluctuations of the hedged items and those of the hedging instruments in the period from the start of the hedging activities to the assessment date. However, with regard to interest-rate swaps which meet certain conditions, the evaluation of effectiveness is omitted.

(p) Research and Development Costs

Research and development costs are charged to income when incurred.

(q) Distributions of Retained Earnings

Dividends and other distributions of retained earnings are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which such distributions are applicable. The accompanying consolidated financial statements do not, however, reflect the applicable distributions of retained earnings as approved by the shareholders subsequent to the fiscal year end. (Refer to Note 24.)

As a result, deferred tax assets under current assets on the consolidated balance sheet as of March 31, 2018 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 taxable entity. Total assets as of March 31, 2018 have decreased ¥1,989 million compared to the balance prior to this change.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**Accounting Standard and Implementation Guidance for Revenue Recognition****(a) Overview**

On March 30, 2019, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30). The International Accounting Standards Board (hereinafter referred to as the "IASB") and the Financial Accounting Standards Board (hereinafter referred to as the "FASB") in the United States co-developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on fact that IFRS 15 is applied from fiscal years starting on or after January 1, 2018 and Topic 606 is applied from fiscal years starting after December 15, 2017.

As the basic policy in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting practices, etc. common in Japan.

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(c) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standard and the implementation guidance on its consolidated financial statements.

5. INVENTORIES

Inventories at March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Merchandise and finished goods	¥74,471	¥67,681	\$670,970
Work in process	1,847	1,883	16,641
Raw materials and supplies	4,683	4,106	42,193
Total	¥81,003	¥73,671	\$729,823

6. REDUCTIONS IN ACQUISITION COSTS DUE TO SUBSIDIES

The amounts of subsidies received from the Japanese national government and deducted from the acquisition costs of property, plant and equipment at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Land	¥ 190	¥ —	\$ 1,712
Buildings and structures	528	528	4,757
Machinery, equipment and vehicles	637	621	5,739
Total	¥1,356	¥1,150	\$12,217

7. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the years ended March 31, 2019 and 2018 was as follows:

Major use	Classification	Area	Millions of yen		Thousands of U.S. dollars
			2019	2018	2019
Business-use assets for manufacturing and selling of pharmaceutical products	Buildings and structures, machinery, equipment and vehicles	Kinki	¥1,999		\$18,011
Business-use assets for processing and selling of plastic materials	Buildings and structures, machinery, equipment and vehicles, and intangible assets included in other assets	Kinki	217		1,955
Business-use assets for manufacturing and selling of rechargeable battery systems	Machinery, equipment and vehicles	Tokai	22		198
Business-use assets for manufacturing of plastic resins products	Machinery, equipment and vehicles, and intangible assets included in other assets	Jiangsu, China	4		36
Idle assets	Land, machinery, equipment and vehicles	Kinki	50		450
Total			¥2,294		\$20,669

Major use	Classification	Area	Millions of yen	
			2018	
Business-use assets for manufacturing and selling of functional dyes	Buildings and structures, machinery, equipment and vehicles, land, and intangible assets included in other assets	Chugoku	¥284	
Business-use assets for processing of thin glass panels	Buildings and structures, machinery, equipment and vehicles, and intangible assets included in other assets	Taoyuan, Taiwan	221	
Business-use assets for processing and selling of plastic materials	Buildings and structures, machinery, equipment and vehicles, and intangible assets included in other assets	Kinki	71	
Business-use assets for developing and manufacturing of polymer film	Buildings and structures, machinery, equipment and vehicles	Kinki	168	
Business-use assets for manufacturing and selling of rechargeable battery systems	Buildings and structures, machinery, equipment and vehicles, and intangible assets included in other assets	Tokai	4	
Business-use assets for developing and selling digital textile printing systems	Intangible assets included in other assets	Kinki	3	
Idle assets	Land, building and structures	Kinki, Chugoku	92	
Total			¥847	

The Company and its consolidated subsidiaries group fixed assets for business use principally based on its business management segment. They also group fixed assets to be disposed of and idle assets at each asset individually as smallest cash-generating units.

For the year ended March 31, 2019, due to decreasing profitability, the carrying values of certain fixed assets for business use were reduced to their recoverable amounts. As to idle assets, due to a declining fair value, the carrying fair values were reduced to their recoverable amounts.

The recoverable amounts were measured at net selling value or value in use. The recoverable amounts for business-use assets for manufacturing and selling of pharmaceutical products were measured at value in use, on the present value of the future cash flow

with a discount rate of 0.2%. Net selling value was calculated based on the appraisal value published by the tax authorities or the real estate appraisers, or estimated sales value.

For the year ended March 31, 2018, due to decreasing profitability on business-use assets, the carrying values were reduced to their recoverable amounts. As to idle assets, due to a declining fair value, the carrying values of certain fixed assets for business use were reduced to their recoverable amounts.

The recoverable amounts were measured at net selling value or value in use. Net selling value was calculated based on the appraisal value published by the tax authorities or the real estate appraisers, or estimated sales value.

8. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2019 and 2018 are summarized as follows:

	Millions of yen					
	2019			2018		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥75,476	¥16,060	¥59,415	¥88,219	¥16,475	¥71,743
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	514	590	(75)	792	870	(78)
Total	¥75,991	¥16,651	¥59,339	¥89,011	¥17,346	¥71,665

	Thousands of U.S. dollars		
	2019		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$680,025	\$144,698	\$535,318
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	4,631	5,316	(676)
Total	\$684,665	\$150,023	\$534,634

"Acquisition costs" in the above table represent the carrying value after recognizing impairment losses. The Company and its consolidated subsidiaries recognized such impairment losses of ¥183 million (\$1,649 thousand) for the year ended March 31, 2019. For the year ended March 31, 2018, the Company and its consolidated subsidiaries did not recognize any impairment losses on valuation of marketable securities.

(b) Securities classified as other securities for which market value was not determinable and not included in the table (a) at March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
	Carrying value	Carrying value	Carrying value
Market value not determinable:			
Unlisted equity securities	¥4,714	¥3,275	\$42,472
Total	¥4,714	¥3,275	\$42,472

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Proceeds from sales	¥5,432	¥14	\$48,941
Gain on sales	4,355	8	39,238
Loss on sales	2	—	18

9. SHORT-TERM LOANS, BONDS, LONG-TERM LOANS, COMMERCIAL PAPERS AND FINANCE LEASE OBLIGATIONS

Short-term loans at March 31, 2019 and 2018, principally represented loans and commercial papers in the form of deeds at weighted-average annual interest rates of 3.11% and 2.62% per annum, respectively.

Long-term loans, bonds and finance lease obligations at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unsecured loans from banks and insurance companies, payable in Yen, U.S. dollars, RMB, and HK dollars due through 2023, at rates from 0.13% to 4.51%	¥18,526	¥28,974	\$166,916
Unsecured bonds in Yen, due 2019, at a rate of 0.753%	10,000	10,000	90,098
Unsecured bonds in Yen, due 2022, at a rate of 0.539%	10,000	10,000	90,098
Lease obligations	129	264	1,162
	38,655	49,239	348,275
Less current portion	(10,972)	(11,126)	(98,856)
Total	¥27,683	¥38,112	\$249,419

The aggregate annual maturities of bonds, long-term loans and finance lease obligations subsequent to March 31, 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2019	2019
2020	¥10,972		\$98,856
2021	1,224		11,028
2022	11,907		107,280
2023	14,495		130,597
2024	30		270
2025 and thereafter	25		225
Total	¥38,655		\$348,275

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2019 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Lines of credit	¥10,000	¥10,000	\$90,098
Credit utilized	—	—	—

10. OTHER COMPREHENSIVE (LOSS) INCOME

Reclassification adjustments and tax effects allocated to each component of other comprehensive (loss) income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized holding (loss) gain on securities:			
Amount arising during the year	¥ (8,348)	¥4,413	\$ (75,214)
Reclassification adjustments for gains and losses realized in the statement of income	(4,168)	(4)	(37,553)
Amount before tax effect	(12,516)	4,409	(112,767)
Tax effect	3,609	(1,325)	32,516
Net unrealized holding (loss) gain on securities	(8,907)	3,083	(80,250)
Deferred gain (loss) on hedges:			
Amount arising during the year	28	(54)	252
Reclassification adjustments for gains and losses realized in the statement of income	(17)	25	(153)
Amount before tax effect	11	(28)	99
Tax effect	(3)	8	(27)
Deferred gain (loss) on hedges	7	(19)	63
Translation adjustments:			
Amount arising during the year	298	(14)	2,685
Reclassification adjustments for gains and losses realized in the statement of income	—	—	—
Amount before tax effect	298	(14)	2,685
Tax effect	—	—	—
Translation adjustments	298	(14)	2,685
Retirement benefit liability adjustments:			
Amount arising during the year	(304)	(376)	(2,739)
Reclassification adjustments for gains and losses realized in the statement of income	341	317	3,072
Amount before tax effect	36	(59)	324
Tax effect	(10)	15	(90)
Retirement benefit liability adjustments	25	(43)	225
Share of other comprehensive (loss) income of affiliates accounted for by the equity method:			
Amount arising during the year	(29)	50	(261)
Total other comprehensive (loss) income	¥ (8,604)	¥3,055	\$ (77,520)

11. RETIREMENT BENEFIT PLANS

(a) Outline of retirement benefit plans for employees

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit pension plans and lump-sum payment plans. Certain overseas consolidated subsidiaries also have defined benefit plans. Also, the Company and certain consolidated

subsidiaries have defined contribution pension plans. In addition to the retirement benefit plans described above, the Company and its consolidated subsidiaries pay additional retirement benefits under certain conditions.

(b) Defined benefit plans

The changes in the retirement benefit obligation for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the year	¥34,031	¥33,512	\$306,613
Service cost	1,473	1,518	13,271
Interest cost	252	245	2,270
Actuarial differences	224	218	2,018
Retirement benefits paid	(1,542)	(1,493)	(13,893)
Changes in scope of consolidation	—	41	—
Other	0	(10)	0
Balance at the end of the year	¥34,440	¥34,031	\$310,298

The changes in plan assets for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the year	¥19,513	¥18,888	\$175,809
Expected return on plan assets	395	378	3,559
Actuarial differences	(80)	(157)	(721)
Contributions by the Company and its consolidated subsidiaries	3,055	1,220	27,525
Retirement benefits paid	(792)	(815)	(7,136)
Other	(2)	(2)	(18)
Balance at the end of the year	¥22,088	¥19,513	\$199,009

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2018 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded retirement benefit obligation	¥22,525	¥22,460	\$202,946
Plan assets at fair value	(22,088)	(19,513)	(199,009)
	436	2,947	3,928
Unfunded retirement benefit obligation	11,915	11,570	107,352
Net liability for retirement benefits in the balance sheet	12,351	14,518	111,280
	12,461	14,518	112,271
Liability for retirement benefits	(109)	—	(982)
Asset for the retirement benefits	¥12,351	¥14,518	\$111,280
Net liability for retirement benefits in the balance sheet			

The components of retirement benefit expenses for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥1,473	¥1,518	\$13,271
Interest cost	252	245	2,270
Expected return on plan assets	(395)	(378)	(3,559)
Amortization of actuarial differences	341	317	3,072
Retirement benefit expense	¥1,671	¥1,702	\$15,055

Actuarial differences included in other comprehensive (loss) income (before tax effect) for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Actuarial differences	¥36	¥(59)	\$324

Unrecognized actuarial differences included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized actuarial differences	¥(411)	¥(448)	\$(3,703)

The allocation of plan assets, by major category, as a percentage of total plan assets at fair value as of March 31, 2019 and 2018 is as follows:

	2019	2018
	Bonds	60%
Equity securities	18	19
Alternative investments*	15	15
Other	7	2
Total	100%	100%

* "Alternative investments" consist of insurance-linked securities and private REITs.

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and expected long-term rate of return from multiple plan assets at present and in the future.

The assumptions used in accounting for the above plans were as follows:

	2019	2018
Discount rate	0.8%	0.8%
Expected long-term rate of return on plan assets	2.0	2.0

(c) Defined contribution plans

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Contributions to defined contribution plans by the Company and its consolidated subsidiaries	¥282	¥283	\$2,541

12. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes, which, in the aggregate, resulted in statutory tax rates of approximately 30.6% and 30.9% for the years ended March 31, 2019 and 2018, respectively.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2019 and 2018 differ from the statutory tax rates for the following reasons:

	2019	2018
Statutory tax rates	30.6%	30.9%
Adjustments for:		
Expenses not deductible for income tax purposes	2.0	3.1
Dividends and other income deductible for income tax purposes	(9.3)	(9.2)
Net adjustment resulting from elimination of dividend income upon consolidation	8.9	8.3
Different tax rates applied at overseas subsidiaries	(3.1)	(3.8)
Tax credit	(1.8)	(1.6)
Amortization of goodwill	2.0	2.2
Valuation allowance	(1.8)	(5.0)
Other, net	0.2	1.9
Effective tax rates	27.6%	26.8%

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities at March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Accrued bonuses for employees	¥ 1,448	¥ 1,436	\$ 13,046
Allowance for doubtful accounts	88	152	793
Unrealized gain on inventories	477	465	4,298
Accrued enterprise taxes	283	184	2,550
Tax loss carryforwards	3,187	3,832	28,714
Liability for retirement benefits	3,630	4,306	32,706
Investments in securities	973	1,007	8,767
Loss on impairment of fixed assets	1,653	1,107	14,893
Tax goodwill	4,214	6,321	37,967
Other	2,519	2,530	22,696
Gross deferred tax assets	18,477	21,345	166,474
Valuation allowance	(4,265)	(5,190)	(38,427)
Total deferred tax assets	¥14,211	¥16,154	\$128,039
Deferred tax liabilities:			
Technology-based assets	¥(3,240)	¥(3,720)	\$(29,192)
Deferred capital gain on property	(1,233)	(1,240)	(11,109)
Reserve for special depreciation	(251)	(302)	(2,261)
Undistributed earnings of subsidiaries and affiliates	(655)	(643)	(5,901)
Revaluation of land	(290)	(290)	(2,613)
Net unrealized holding gain on securities	(17,651)	(21,347)	(159,032)
Other	(673)	(620)	(6,064)
Total deferred tax liabilities	(23,996)	(28,165)	(216,200)
Net deferred tax liabilities	¥ (9,785)	¥(12,011)	\$ (88,161)

13. SHAREHOLDERS' EQUITY

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's capital reserve included in capital surplus at March

31, 2019 amounted to ¥9,634 million (\$86,801 thousand). In addition, the Company's legal reserve included in retained earnings at March 31, 2019 amounted to ¥2,424 million (\$21,840 thousand).

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding 50% of the proceeds of the sale of new shares as additional paid-in capital.

Movements in common stock during the years ended March 31, 2019 and 2018 are summarized as follows:

	Number of shares			
	2019			
	April 1, 2018	Increase	Decrease	March 31, 2019
Common stock	127,408,285	—	—	127,408,285
2018				
	April 1, 2017	Increase	Decrease	March 31, 2018
Common stock	127,408,285	—	—	127,408,285

14. TREASURY STOCK

Movements in treasury stock during the years ended March 31, 2019 and 2018 are summarized as follows:

	Number of shares			
	2019			
	April 1, 2018	Increase	Decrease	March 31, 2019
Treasury stock	2,195,966	1,200,386	—	3,396,352
2018				
	April 1, 2017	Increase	Decrease	March 31, 2018
Treasury stock	1,287,366	908,602	2	2,195,966

The increase in treasury stock consists of 1,200,000 shares resulting from the purchases of treasury stock by resolution of the Board of Directors and 386 shares resulting from the purchase of shares less than one voting unit for the year ended March 31, 2019.

The increase in treasury stock consists of 900,000 shares resulting from the purchase of treasury stock by resolution of the Board of

Directors, 7,549 shares resulting from the purchases from untraceable shareholders, and 1,053 shares resulting from the purchase of shares less than one voting unit for the year ended March 31, 2018. The decrease in treasury stock consists of 2 shares resulting from the disposition of shares less than one voting unit for the year ended March 31, 2018.

15. FINANCIAL INSTRUMENTS

(a) Policy for financial instruments

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

(b) Types of financial instruments, related risk and risk management for financial instruments

Receivables such as trade notes and accounts receivable are exposed to customers' credit risks. With regard to this risk, the Group manages the settlement date by each customer, and establishes credit limits by each customer based on the Group's internal credit rating policy and monitors outstanding balances. The Group

establishes system under which the credit status by each customer is reviewed at least once a year and the sales limit amount updated as necessary.

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

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

Short-term loans are raised primarily in connection with business activities. Long-term loans and bonds are taken out principally for the purpose of making capital spending, investments and financing.

Loans with variable interest rates are subject to the risk of fluctuating interest rates. However, to reduce such risk, the Group utilizes derivatives (interest-rate swap transactions) as a hedging instrument.

Derivatives include foreign currency forward exchange contracts to manage fluctuation risk in foreign currency exchange rates and interest-rate swaps to manage fluctuation risk of interest rates related to

the interest payments for bank loans.

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

(c) Fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheets, fair value and the differences as of March 31, 2019 and 2018, are shown in the following table. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

	Millions of yen		
	2019		
	Carrying value	Fair value	Difference
Assets:			
Cash and time deposits	¥ 44,068	¥ 44,068	¥ —
Notes and accounts receivable	230,459	230,459	—
Investments in securities			
Other securities	75,991	75,991	—
Total assets	¥350,519	¥350,519	¥ —
Liabilities:			
Notes and accounts payable	¥117,256	¥117,256	¥ —
Short-term loans	34,964	34,964	—
Current portion of long-term loans	949	949	—
Commercial papers	12,000	12,000	—
Current portion of bonds	10,000	10,012	12
Bonds	10,000	10,110	110
Long-term loans	17,577	17,664	87
Total liabilities	¥202,747	¥202,957	¥209
Derivatives*:			
Not subject to hedge accounting	¥ (30)	¥ (30)	¥ —
Subject to hedge accounting	(12)	(12)	—
Total derivative transactions	¥ (43)	¥ (43)	¥ —

	Millions of yen		
	2018		
	Carrying value	Fair value	Difference
Assets:			
Cash and time deposits	¥ 43,303	¥ 43,303	¥ —
Notes and accounts receivable	225,999	225,999	—
Investments in securities			
Other securities	89,011	89,011	—
Total assets	¥358,314	¥358,314	¥ —
Liabilities:			
Notes and accounts payable	¥118,028	¥118,028	¥ —
Short-term loans	31,934	31,934	—
Current portion of long-term loans	11,067	11,067	—
Commercial papers	5,000	5,000	—
Bonds	20,000	20,174	174
Long-term loans	17,906	17,979	72
Total liabilities	¥203,937	¥204,184	¥246
Derivatives*:			
Not subject to hedge accounting	¥ 29	¥ 29	¥ —
Subject to hedge accounting	(3)	(3)	—
Total derivative transactions	¥ 26	¥ 26	¥ —

	Thousands of U.S. dollars		
	2019		
	Carrying value	Fair value	Difference
Assets:			
Cash and time deposits	\$ 397,045	\$ 397,045	\$ —
Notes and accounts receivable	2,076,394	2,076,394	—
Investments in securities			
Other securities	684,665	684,665	—
Total assets	\$3,158,113	\$3,158,113	\$ —
Liabilities:			
Notes and accounts payable	\$1,056,456	\$1,056,456	\$ —
Short-term loans	315,019	315,019	—
Current portion of long-term loans	8,550	8,550	—
Commercial papers	108,118	108,118	—
Current portion of bonds	90,098	90,206	108
Bonds	90,098	91,089	991
Long-term loans	158,366	159,149	784
Total liabilities	\$1,826,714	\$1,828,606	\$1,883
Derivatives*:			
Not subject to hedge accounting	\$ (270)	\$ (270)	\$ —
Subject to hedge accounting	(108)	(108)	—
Total derivative transactions	\$ (387)	\$ (387)	\$ —

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

The calculation methods of fair values of financial instruments and securities and derivative transactions are as follows:

Cash and time deposits

Their carrying value approximates the fair value.

Notes and accounts receivable

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

Investments in securities

The fair value of investments in securities is based on quoted market prices. Please refer to Note 8 regarding information on securities by holding purpose.

Notes and accounts payable

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

Short-term loans, current portion of long-term loans and commercial papers

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

Bonds and current portion of bonds

The fair value of bonds is based on the market price.

Long-term loans

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

Derivative transactions

Please refer to Note 16.

The carrying value of financial instruments without determinable market value at March 31, 2019 and 2018 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
	Unlisted equity securities	¥ 4,714	¥ 3,275
Investments in unconsolidated subsidiaries and affiliates	9,556	8,116	86,098
Total	¥14,271	¥11,391	\$128,579

The redemption schedule for time deposits and notes and accounts receivable with maturity dates at March 31, 2019 is summarized as follows:

	Millions of yen	
	Within 1 year	Over 1 year and less than 5 years
	Time deposits	¥ 44,028
Notes and accounts receivable	230,459	—
Total	¥274,488	¥ —

	Thousands of U.S. dollars	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	\$ 396,684	\$—
Notes and accounts receivable	2,076,394	—
Total	\$2,473,088	\$—

With respect to the redemption schedule of bonds, long-term loans and finance lease obligations, please refer to Note 9.

16. DERIVATIVES AND HEDGING ACTIVITIES

The currency-related derivatives positions outstanding for which hedge accounting has not been applied at March 31, 2019 and 2018 are as follows:

Classification	Transaction	Millions of yen			
		2019			
		Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	Valuation gain (loss)
Foreign currency forward exchange contracts:					
Selling:					
	U.S. dollars	¥4,802	¥—	¥(21)	¥(21)
	Yen	1,851	—	(15)	(15)
	Euro	775	—	12	12
	RMB	957	—	(18)	(18)
	Others	130	—	(2)	(2)
Buying:					
	U.S. dollars	1,591	—	2	2
	Yen	1,009	—	8	8
	Euro	96	—	1	1
	Others	129	—	2	2
Total		¥11,342	¥—	¥30	¥30

Classification	Transaction	Millions of yen			
		2018			
		Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	Valuation gain (loss)
Foreign currency forward exchange contracts:					
Selling:					
	U.S. dollars	¥4,707	¥—	¥46	¥46
	Yen	2,062	—	(3)	(3)
	Euro	845	—	12	12
	RMB	740	—	(6)	(6)
	Others	105	—	(0)	(0)
Buying:					
	U.S. dollars	2,019	—	(18)	(18)
	Yen	966	—	1	1
	Euro	86	—	(0)	(0)
	Others	93	—	(0)	(0)
Total		¥11,627	¥—	¥29	¥29

Classification	Transaction	Thousands of U.S. dollars			
		2019			
		Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	Valuation gain (loss)
Foreign currency forward exchange contracts:					
Selling:					
	U.S. dollars	\$ 43,265	\$—	\$(189)	\$(189)
	Yen	16,677	—	(135)	(135)
	Euro	6,983	—	108	108
	RMB	8,622	—	(162)	(162)
	Others	1,171	—	(18)	(18)
Buying:					
	U.S. dollars	14,335	—	18	18
	Yen	9,091	—	72	72
	Euro	865	—	9	9
	Others	1,162	—	18	18
Total		\$102,189	\$—	\$(270)	\$(270)

The fair value of foreign currency forward exchange contracts is mainly computed using the prices provided by counterparty financial institutions.

The currency-related derivatives positions outstanding for which hedge accounting has been applied at March 31, 2019 and 2018 are as follows:

Method for hedge accounting	Transaction	Major hedged item	Millions of yen		
			2019		
			Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Foreign currency forward exchange contracts:					
Selling:					
	U.S. dollars		¥ 16	¥—	¥ (0)
	Euro	Accounts receivable	191	—	3
	RMB		759	—	(14)
	Others		17	—	(0)
Buying:					
	U.S. dollars		200	—	0
	Euro	Accounts payable	72	—	(1)
	RMB		56	10	(0)
	Others		9	—	0
Foreign currency forward exchange contracts:					
Selling:					
	Euro	Accounts receivable	56	—	(*)
	Others		4	—	(*)
Buying:					
	Euro		85	—	(*)
	THB	Accounts payable	47	—	(*)
	Others		23	—	(*)
Total			¥1,540	¥10	¥(12)

			Millions of yen		
			2018		
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Foreign currency forward exchange contracts:					
Selling:					
	U.S. dollars		¥ 1	¥—	¥(0)
	Euro	Accounts receivable	360	—	5
	RMB		657	—	(5)
Deferral hedge accounting	Others		26	—	0
Buying:					
	U.S. dollars		30	—	(0)
	Euro	Accounts payable	160	—	(1)
	RMB		37	22	(0)
	Others		7	—	(0)
Foreign currency forward exchange contracts:					
Selling:					
Allocation method for foreign currency forward exchange contracts (Note 2(o))	Euro	Accounts receivable	2	—	(*)
Buying:					
	Euro		63	—	(*)
	THB	Accounts payable	30	—	(*)
	Others		0	—	(*)
Total			¥1,379	¥22	¥(3)

			Thousands of U.S. dollars		
			2019		
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Foreign currency forward exchange contracts:					
Selling:					
	U.S. dollars		\$ 144	\$—	\$ (0)
	Euro	Accounts receivable	1,721	—	27
	RMB		6,838	—	(126)
Deferral hedge accounting	Others		153	—	(2)
Buying:					
	U.S. dollars		1,802	—	5
	Euro	Accounts payable	649	—	(9)
	RMB		505	90	(0)
	Others		81	—	0
Foreign currency forward exchange contracts:					
Selling:					
Allocation method for foreign currency forward exchange contracts (Note 2(p))	Euro	Accounts receivable	505	—	(*)
Buying:					
	Euro		766	—	(*)
	THB	Accounts payable	423	—	(*)
	Others		207	—	(*)
Total			\$13,875	\$90	\$(108)

The fair value of foreign currency forward exchange contracts is mainly computed using the prices provided by counterparty financial institutions.

(*): The fair value of foreign currency forward exchange contracts that qualify for the allocation method is included in the fair value of the underlying accounts receivable and payable.

The interest-related derivatives positions outstanding for which hedge accounting has been applied at March 31, 2019 and 2018 are as follows.

			Millions of yen		
			2019		
Method for hedge accounting	Transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Swap rates applied to underlying long-term loans	Interest-rate swap transactions (pay-fixed, receive-variable)	Long-term loans	¥8,000	¥8,000	(**)
Millions of yen					
2018					
Method for hedge accounting	Transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Swap rates applied to underlying long-term loans	Interest-rate swap transactions (pay-fixed, receive-variable)	Long-term loans	¥18,000	¥8,000	(**)
			Thousands of U.S. dollars		
			2019		
Method for hedge accounting	Transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Swap rates applied to underlying long-term loans	Interest-rate swap transactions (pay-fixed, receive-variable)	Long-term loans	\$72,079	\$72,079	(**)

(**): Since interest-rate swap agreements are accounted for as if the interest rates applied to the swaps had originally applied to the underlying long-term loans, their fair values were included in the fair value of the long-term loans.

17. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2019 and 2018 totaled ¥6,493 million (\$58,501 thousand) and ¥6,009 million, respectively.

18. OPERATING LEASES

Future minimum lease payments subsequent to March 31, 2019 under noncancelable operating leases are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	2019	2019
2020	¥543	\$4,892
2025 and thereafter	510	4,595
Total	¥1,054	\$9,496

19. CONTINGENT LIABILITIES

At March 31, 2019, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of customers and other in the aggregate amount of ¥490 million (\$4,415 thousand), and as guarantors of loans of employees in the amount of ¥0 million (\$0 thousand).

In addition, at March 31, 2019, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted with banks and notes endorsed in the amount of ¥142 million (\$1,279 thousand).

20. PLEDGED ASSETS

Pledged assets at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Land	¥760	¥760	\$6,847

Secured liabilities at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Long-term loans	¥—	¥28	\$—
Current portion of long-term loans	¥7	¥—	\$63

21. AMOUNTS PER SHARE

Amounts per share at March 31, 2019 and 2018 and for the years then ended are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Profit attributable to owners of parent:			
Basic	¥ 161.30	¥ 136.34	\$ 1.45
Diluted	—	—	—
Net assets	2,481.01	2,424.97	22.35
Cash dividends applicable to the year	42.00	40.00	0.38

Basic profit attributable to owners of parent per share has been computed based on the profit attributable to owners of parent available for distribution to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted profit attributable to owners of parent per share for the years ended March 31, 2019 and 2018 has not been presented

because no potentially dilutive shares of common stock were outstanding.

Net assets per share have been computed based on the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

The financial data used in the computation of basic profit attributable to owners of parent per share for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Profit attributable to owners of parent	¥20,136	¥17,175	\$181,422
Profit available for distribution to shareholders of common stock	20,136	17,175	181,422
Weighted-average number of shares	124,842,824	125,977,181	

22. CASH AND TIME DEPOSITS

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2019 and 2018 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and time deposits	¥44,068	¥43,303	\$397,045
Time deposits with maturities of more than three months	(51)	(445)	(460)
Cash and cash equivalents	¥44,017	¥42,857	\$396,585

23. SEGMENT INFORMATION

(a) Overview of reportable segments

The reportable segments of the Company comprise those entities for which obtaining separate financial reports is possible and that are subject to regular review by the Board of Directors, which decides

upon the distribution of management resources and assesses their performance.

Reflecting the respective positions of each business in the value chain, as well as identifying the most closely aligned industries, the

Company 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 (functioning within the corresponding industries).

Beginning the fiscal year ended March 31, 2019, the Company reclassified Fitz Chem LLC under the Functional Materials and the Life & Healthcare segments. In prior fiscal years, Fitz Chem LLC was classified entirely 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 fiscal year ended March 31, 2018 based on this reclassification. This information is provided for the fiscal year ended March 31, 2018 under (c) Information on net sales, income or loss, assets and other items for each reportable 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 materials, fluorochemicals, encapsulant materials, silicone materials, and more for the paints/inks, resins, urethane foams, organic synthesis, surfactants, and semiconductors industries.

The Advanced Materials & Processing segment is engaged in the sales of dyestuffs, dyes, functional dyes, digital print processing products, thermoplastic resins, thermosetting resins, automobile refinishing paints, conductive coatings, synthetic rubber, inorganic materials, plastics products, resins molding tools/dies for the dye/additive, digital print processing materials, fiber processing, raw resin materials, resin moldings,

functional films and sheets, constructions, 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 displays, touch panels, semiconductors, hard disk drives, electronic components, and heavy electrical industries.

The Automotive & Energy segment is engaged in the sales of plastic products, thermoplastic resins, thermosetting resins, silicone products, resins molding tools/dies, high-function car electronics materials and components, battery materials, solar cell/secondary battery materials and more for the automotive, automotive components, 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. Furthermore, 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.

(b) Calculation methods of net sales, income or loss, assets, and other items by reportable segments

The accounting policies of reportable segments are generally identical to those described in Note 2. Reportable segment income corresponds to operating income in the consolidated statements of income. Intersegment internal income and transfers are determined based on the values of transactions at actual market prices.

(c) Information on net sales, income or loss, assets and other items for each reportable segment

Information by reportable segments for the year ended March 31, 2019 is as follows:

	Millions of yen										
	2019										
	Reportable Segments					Total	Others	Total	Corporate	Adjustments	Consolidated
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare						
Sales to customers	¥179,627	¥275,203	¥122,319	¥139,235	¥90,794	¥807,181	¥ 574	¥807,755	¥ —	¥ —	¥807,755
Intersegment sales and transfers	2,992	2,357	1,749	2,773	399	10,272	5,459	15,731	—	(15,731)	—
Net sales	182,620	277,561	124,069	142,009	91,194	817,454	6,033	823,487	—	(15,731)	807,755
Segment income	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 items											
Depreciation and amortization other than amortization of goodwill	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 affiliates accounted for by the equity method	2,398	1,545	3,765	1,253	2,769	11,733	—	11,733	—	(52)	11,680
Increase in property, plant and equipment, net and intangible assets	314	1,542	3,201	329	3,206	8,594	130	8,725	1,887	—	10,612

Millions of yen

2018											
Reportable Segments											
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	¥174,922	¥262,831	¥129,324	¥129,708	¥86,517	¥783,303	¥ 629	¥783,933	¥ —	¥ —	¥783,933
Intersegment sales and transfers	2,543	2,234	2,108	2,817	508	10,213	4,783	14,997	—	(14,997)	—
Net sales	177,466	265,065	131,433	132,526	87,026	793,517	5,413	798,931	—	(14,997)	783,933
Segment income	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 items											
Depreciation and amortization other than amortization of goodwill	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 affiliates accounted for by the equity method	2,478	1,482	2,751	1,231	2,601	10,545	—	10,545	—	(2)	10,542
Increase in property, plant and equipment, net and intangible assets	243	2,817	1,834	191	2,369	7,458	68	7,527	1,896	—	9,423

Thousands of U.S. dollars

2019											
Reportable Segments											
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	\$1,618,407	\$2,479,530	\$1,102,072	\$1,254,482	\$818,038	\$7,272,556	\$ 5,172	\$7,277,728	\$ —	\$ —	\$7,277,728
Intersegment sales and transfers	26,957	21,236	15,758	24,984	3,595	92,549	49,185	141,733	—	(141,733)	—
Net sales	1,645,373	2,500,775	1,117,839	1,279,476	821,642	7,365,114	54,356	7,419,470	—	(141,733)	7,277,728
Segment income	49,500	72,916	66,673	27,489	41,878	258,483	2,559	261,042	(38,319)	4,550	227,282
Segment assets	785,278	1,219,957	585,837	511,280	879,602	3,981,980	43,544	4,025,534	1,272,232	(186,080)	5,111,686
Other items											
Depreciation and amortization other than amortization of goodwill	4,000	6,235	22,624	1,901	34,246	69,015	1,901	70,925	13,127	—	84,053
Amortization of goodwill	991	—	1,225	—	14,136	16,353	—	16,353	—	—	16,353
Unamortized balance of goodwill	18,128	—	10,974	—	185,927	215,028	—	215,028	—	—	215,028
Investments in affiliates accounted for by the equity method	21,606	13,920	33,922	11,289	24,948	105,712	—	105,712	—	(469)	105,235
Increase in property, plant and equipment, net and intangible assets	2,829	13,893	28,840	2,964	28,885	77,430	1,171	78,611	17,002	—	95,612

(d) Geographical information

Net sales by country or region for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japan	¥412,617	¥395,428	\$3,717,605
Greater China	205,408	207,437	1,850,689
ASEAN	118,113	110,380	1,064,177
Americas	39,451	36,564	355,446
Europe	15,272	14,178	137,598
Other	16,892	19,943	152,194
Total	¥807,755	¥783,933	\$7,277,728

Notes: 1. Net sales are categorized by country or region based on the locations of customers.

2. Country or region is determined by geographical proximity.

3. Major countries in each region

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

(2) ASEAN Thailand, and Singapore

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

(4) Europe Germany

(5) Other Korea

Property, plant and equipment by country or region as of March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japan	¥60,344	¥61,686	\$543,689
Other	6,123	5,539	55,167
Total	¥66,467	¥67,225	\$598,856

(e) Information on loss on impairment of fixed assets per reportable segments

Loss on impairment of fixed assets for the years ended March 31, 2019 and 2018 is as follows:

	Millions of yen								
	2019								
	Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	¥—	¥221	¥—	¥58	¥1,999	¥2,279	¥—	¥15	¥2,294

	Millions of yen								
	2018								
	Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	¥—	¥528	¥221	¥4	¥—	¥754	¥—	¥92	¥847

	Thousands of U.S. dollars								
	2019								
	Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	\$—	\$1,991	\$—	\$523	\$18,011	\$20,533	\$—	\$135	\$20,669

24. SUBSEQUENT EVENTS

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2019, was approved at a meeting of the shareholders held on June 21, 2019:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥24.0 = U.S.\$0.22 per share)	¥2,976	\$26,813

Business combination through acquisition

At the Board of Directors meeting held on June 3, 2019, the Company resolved to acquire a majority of shares of Prinova Group, LLC through the Company's wholly owned subsidiary Nagase Holdings America Corporation (established on April 1, 2019), making Prinova Group, LLC and its subsidiaries consolidated subsidiaries, and entered into a share transfer agreement.

(a) Outline of business combination

(1) Name and business description of the acquiree

Name: Prinova Group, LLC
Business description: Sales of food ingredients, processing and contract manufacturing

(2) Main reason for the business combination

Prinova, one of the leading distributors of food ingredients and a provider of integrated solutions for global food, beverage and wellness brands, will serve as a strategic base for further expanding NAGASE's food business in the United States and Europe. Going forward, NAGASE expects to expand its market presence by providing further added value to consumers in North America, Europe and Asia, through synergies created by combining Prinova's vertically integrated capabilities of ingredients procurement, processing and contract manufacturing, and the strong R&D expertise of NAGASE's Group company

Hayashibara, which specializes in manufacturing functional food products.

This transaction marks a key milestone for NAGASE in realizing its mid-term management strategy (**ACE-2020**) as it focuses on reforming its profit structure, representing a major step towards significantly expanding sales and market presence in North America and globally in the lifestyle and healthcare space. Prinova will continue to be led by the current management maintaining its facilities, brands and practices, reporting to the board of NAGASE to work towards further maximizing synergies within the Group.

(3) Date of the business combination

July 2019 (as planned)

(4) Legal form of the business combination

Acquisition of equity interests for a cash consideration

(5) Ratio of equity interests acquired

93.6%

(6) Basis for determination for the acquirer

NHAC, a subsidiary of the Company, is regarded as the acquiring company since NHAC acquires the equity interests of Prinova for a cash consideration.

(b) Acquisition cost of the acquired company and related details

	Millions of U.S. dollars
	2019
Consideration for acquisition	\$621
Acquisition cost	\$621

Note: Acquisition cost is based on the enterprise value of Prinova. In addition the actual acquisition cost will be finalized after adjusting variances related to net debt with interest, non-controlling interest, and others. The ratio of equity to be acquired will be adjusted accordingly based on the adjusted acquisition cost.

Independent Auditor's Report



Independent Auditor's Report

The Board of Directors
NAGASE&CO., LTD.

We have audited the accompanying consolidated financial statements of NAGASE&CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAGASE&CO., LTD. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in Note 24 "Subsequent Events" in the accompanying notes to the consolidated financial statements, at the board meeting of NAGASE&CO., LTD. held on June 3, 2019, NAGASE&CO., LTD. resolved to acquire a majority of shares of Prinova Group, LLC through its wholly owned subsidiary Nagase Holdings America Corporation (founded on April 1, 2019), making it and its subsidiaries consolidated subsidiaries, and entered into a share transfer agreement.

Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young Shin Nihon LLC
June 21, 2019
Osaka, Japan

A member firm of Ernst & Young Global Limited

Consolidated Subsidiaries, Affiliates and Offices

● Consolidated subsidiary ○ Company accounted for under the equity method

As of April, 2019

Category	Company name	Description of business	Location	Year of establishment
Japan				
Manufacturing and Processing				
●	Nagase ChemteX Corporation	Research, manufacture, and sale of enzymes, fermented products, pharmaceutical intermediates, disinfecting agents, functional polymers, epichlorohydrine derivatives, electronics materials, etc.	Osaka Pref.	1970
●	Hayashibara Co., Ltd.	Development, manufacture, and sale of food raw materials, pharmaceutical raw materials, cosmetics raw materials, health foods raw materials, functional dyes, etc.	Okayama Pref.	1932
●	DAITAI KAKO CO., LTD.	Manufacture and sale of special pattern paint, polyester resin related products and FRP waterproof/anticorrosion related products	Osaka Pref.	1949
●	Nagase Filter Co., Ltd.	Planning, production, processing, quality testing and sale of metal filters	Osaka Pref.	2006
●	Fukui Yamada Chemical Co., Ltd.	Manufacture of color former	Fukui Pref.	1985
●	Kotobuki Kasei Corporation	Molding, processing and sale of plastic products	Tochigi Pref.	1972
●	Totaku Industries, Inc.	Manufacture and sale of plastic products	Osaka Pref.	1952
●	Setsunan Kasei Co., Ltd.	Coloring and sale of plastics	Osaka Pref.	1966
●	Nagase Techno-Engineering Co., Ltd.	Manufacture, sale and maintenance of low-temperature vacuum equipment, systems for chemical supply management and recycling processes, inspection systems, and the peripheral equipment for each of these	Tokyo Pref.	1989
●	CAPTEX Co., Ltd.	Manufacture and development of battery power source controllers, battery power sources and power source peripheral equipment	Aichi Pref.	2004
●	Nagase Medicals Co., Ltd.	Manufacture and sale of pharmaceuticals, animal drugs, health foods, and cosmetics	Hyogo Pref.	1972
○	Honshu Rheem Co., Ltd.	Manufacture and sale of fiber drums, import and sale of food processing machines and materials	Kanagawa Pref.	1968
○	eX. Grade Co., Ltd.	Development, manufacture and sale of components for electronic equipment	Osaka Pref.	2003
○	SN Tech Corporation	Manufacture of developer, recycling business	Osaka Pref.	2008
○	Xenomax-Japan Co., Ltd.	Manufacture and sales of high heat-resistant polyimide film XENOMAX®	Fukui Pref.	2018
○	Sun Delta Corporation	Development of applications for synthetic plastic products and manufacture and sale of processed products	Tokyo Pref.	2005
○	Nissei Technology Corporation	Design, development, and manufacture of ultra-precision plastic lenses and optical units; manufacture of precision mechanical components and units	Hyogo Pref.	1953
○	Toyo Beauty Supply Corporation	Contract manufacture of cosmetics and health foods	Tokyo Pref.	1964
Sales and Servicing				
●	Nagase Chemical Co., Ltd.	Sale of dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics and machinery	Tokyo Pref.	1995
●	Nagase Chemspec Co., Ltd.	Sale and technical servicing of chemicals	Tokyo Pref.	1976
●	Nagase Plastics Co., Ltd.	Sale of raw materials for plastics and plastic products	Osaka Pref.	1975
●	Nagase Techno Service Co., Ltd.	Sales of kitting/logistics services, online catalog sales, recordable media, and RFID	Chiba Pref.	1991
●	Nagase Elex Co., Ltd.	Sale of raw materials for plastics and plastic products	Tokyo Pref.	1979
●	Nagase Tool Matex Co., Ltd.	Sale of auto models, test production materials, and carbon fiber composites	Tokyo Pref.	1965
●	Nagase Abrasive Materials Co., Ltd.	Sale of abrasives, inorganic materials and related equipment	Osaka Pref.	1955
●	Nishinihon Nagase Co., Ltd.	Sale of dyestuffs, auxiliaries, industrial chemicals and plastics	Fukuoka Pref.	1969
●	Nagase Sanbio Co., Ltd.	Sales of medicine for agriculture and additives for fertilizers, feed and food	Tokyo Pref.	1987

Category	Company name	Description of business	Location	Year of establishment
●	Nagase Beauty Care Co., Ltd.	Sale of cosmetics and health foods	Tokyo Pref.	1991
●	Nagase Business Expert Co., Ltd.	Office administration services, import/export administration services	Tokyo Pref.	1996
●	Nagase Logistics Co., Ltd.	Warehousing and distribution	Hyogo Pref.	1982
●	Nagase Information Development, Ltd.	Software development and maintenance	Tokyo Pref.	1987
○	Nagase-OG Colors & Chemicals Co., Ltd.	Purchasing and information services related to dyes, industrial chemicals, etc.	Osaka Pref.	1957
○	Nagase Landauer, Ltd.	Radiation measuring services	Ibaraki Pref.	1974
	Nagase Logistics Support Co., Ltd.	An exclusive stevedore for Nagase Logistics Co., Ltd.	Hyogo Pref.	1954
	Choko Co., Ltd.	Insurance agency	Osaka Pref.	1971
Greater China and Korea				
Manufacturing and Processing				
●	Nagase ChemteX (Wuxi) Corporation	Plastic manufacture and sale of adhesives and high-tech chemical products for electronics, technology services	China	2002
●	Nagase Engineering Service Korea Co., Ltd.	Equipment maintenance service and engineering	Korea	1997
●	Nagase Electronics Technology (Xiamen) Co., Ltd.	Chemical etching of liquid crystal glass panel units	China	2010
○	Guangzhou Kurabo Chemicals Co., Ltd.	Manufacture of molded urethane products for automobiles	China	2001
○	Toyo Quality One (Guangzhou) Co., Ltd.	Research and development, manufacturing, processing, sale, technology consulting, and after-sale service for major automotive parts	China	2004
○	Toyo Quality One Ningbo Co., Ltd.	Manufacture and sale of polyurethane foam	China	1993
○	Wuxi Chenghong Electronic Chemicals Co., Ltd.	Research, development, manufacture, and sales of electronics chemicals including semiconductors and flat panel displays (FPDs)	China	2013
○	Tokai Spring Mfg. (Foshan) Co., Ltd.	Development, manufacture, and sale of precision press products, spring, and standard molds	China	2005
	ON Textile Chemicals (Shanghai) Co., LTD.	Manufacture, sales, and export/import of textile-related products, dyeing processing agents	China	2003
	Mianyang Chenghong Electronic Chemicals Co., Ltd.	Research, development, manufacture, and sales of electronics chemicals for the electronics industry	China	2017
	Huizhou Sanli Three Synergy Precision Co., Ltd.	Manufacture of precise metal insert molding parts for automotive, new energy and power industries	China	2018
Sales and Servicing				
●	Nagase (China) Co., Ltd.	Investment, trade, import/export, processing, logistics, R&D, IT development, and various services	China	2019
●	Nagase (Hong Kong) Ltd.	Import/export, domestic sales, marketing	China	1971
●	Shenzhen Nagase Trading Ltd.	Import/export, domestic sales, marketing	China	2006
●	Guangzhou Nagase Trading Co., Ltd.	Import/export, domestic sales, marketing	China	2002
	Wuhan Branch Office / Chongqing Branch Office		China	
	Zhengzhou Branch Office		China	
●	Shanghai Nagase Trading Co., Ltd.	Import/export, domestic sales, marketing	China	1997
●	Tianjin Nagase International Trading Co., Ltd.	Import/export, domestic sales, marketing	China	2003
	Dalian Branch Office / Qingdao Branch Office		China	
	Changchun Branch Office		China	
●	Nagase (Taiwan) Co., Ltd.	Import/export, domestic sales, marketing	Taiwan	1988
●	Nagase Korea Corporation	General import/export trading, retailing/wholesaling, import/export trade agency	Korea	2001
	Datai (Shanghai) Chemical Trading Co., Ltd.	Sales of paints	China	2013
●	Nagase Wahlee Plastics Corporation	Sale of resins and related products	Taiwan	1990
	Taichung Office		Taiwan	
	Gangshan Office		Taiwan	

Category	Company name	Description of business	Location	Year of establishment
●	NWP International Trading (Shenzhen) Co., Ltd.	Sale of plastic products in South China	China	2004
	Dongguan Branch Office		China	
	Guangzhou Branch Office		China	
	Xiamen Branch Office		China	
●	Shanghai Hua Chang Trading Co., Ltd.	Sale of resins and related products	China	1998
	Suzhou Branch Office/ Ningbo Branch Office		China	
	Chengdu Branch Office/ Chongqing Branch Office		China	
	Nanjing Branch		China	
	ON Colors & Chemicals (Shanghai) Co., Ltd.	Sales of textile-related products, dyeing processing agents, related equipment; export/import and technology consulting, technological development of dyeing processing	China	2002
	NW Consultant Service (Shenzhen) Ltd.	Print quality management consultant	China	2008
	Nagase C&G Technology (Shanghai) Co., Ltd.	Construction and maintenance of chemical supply and management equipment	China	2006
	Nagase Business Management and Planning (Shanghai) Co., Ltd.	Management of NAGASE Group operations and promotion of business strategies related to Greater China	China	2011
Asean and the Middle East				
Manufacturing and Processing				
●	Pac Tech Asia Sdn. Bhd.	Manufacture and sale of semiconductor manufacturing equipment, semiconductor wafer bumping contract manufacturing	Malaysia	2006
○	PT. Toyo Quality One Indonesia	Manufacture of flame lamination products	Indonesia	2008
○	Dainichi Color Vietnam Co., Ltd.	Manufacture and sale of color masterbatch blend for plastic	Vietnam	2006
○	Sanko Gosei Technology (Thailand) Ltd.	Manufacture of automobile components	Thailand	1994
○	Automotive Mold Technology Co., Ltd.	Manufacture of automotive molds and dies	Thailand	2000
○	MINDA KYORAKU LTD.	Manufacture of blow-formed automobile components	India	2011
○	Nafuko Co., Ltd.	Manufacture, import/export, and sale of packaging materials and related equipment	Thailand	1996
Sales and Servicing				
●	Nagase Singapore (Pte) Ltd.	Import/export, domestic sales, marketing	Singapore	1975
	Australia Branch		Australia	
	Bangladesh Liaison Office		Bangladesh	
	Middle East Representative Office		United Arab Emirates	
	Turkey (Izmir) Branch		Turkey	
●	Nagase (Thailand) Co., Ltd.	Import/export, domestic sales, marketing	Thailand	1989
	Eastern Office		Thailand	
	Yangon Branch		Myanmar	
	Pakistan Liason Office		Pakistan	
●	Nagase (Malaysia) Sdn. Bhd.	Import/export, domestic sales, marketing	Malaysia	1981
	Johor Bahru Office		Malaysia	
	Penang Office		Malaysia	
●	PT. Nagase Impor-Ekspor Indonesia	Import/export, domestic sales, marketing	Indonesia	1998
	Surabaya Branch		Indonesia	
●	Nagase Philippines Corporation	Import/export, domestic sales, marketing	Philippines	1997
●	Nagase Philippines International Services Corporation	Domestic sales, import/export	Philippines	2005
●	Nagase Vietnam Co., Ltd.	Import/export, domestic sales, marketing	Vietnam	2008
	Ho Chi Minh City Branch		Vietnam	
	Danang Branch		Vietnam	

Category	Company name	Description of business	Location	Year of establishment
●	Nagase India Private Ltd.	Import/export, domestic sales, marketing	India	2006
	North India Branch (Gurgaon)		India	
	South India Branch (Chennai)		India	
	PT. Indonesia Mold Technology	Design changes and maintenance for large-scale plastic automobile component molds	Indonesia	2015
Americas				
Manufacturing and Processing				
●	Sofix LLC	Manufacture and sale of color formers	America	1990
●	Engineered Materials Systems, Inc.	Research and development, manufacture, and sales of materials for commercial adhesives, conductive adhesives	America	1993
●	Pac Tech USA-Packaging Technologies Inc.	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	America	2001
○	TQ-1 de MEXICO S.A. de C.V.	Manufacture and sale of urethane for automotive seat pads and automotive laminated frames and sale of automotive ethane foam	Mexico	2012
○	Cytech Products Inc.	Manufacture and sales of mold release agents for polyurethane resins, thermal paper additives and emulsion dispersing element	America	1988
○	3D Glass Solutions, Inc.	Development, manufacture, and sale of processed 3D glass products and contracting of 3D glass processing	America	2016
○	KN Plotech America Corporation	Manufacture and sale of blow-formed plastic molding components and products	America	2010
	Infinite Material Solutions, LLC	Development and manufacture of water-soluble support materials for 3D printing	America	2018
Sales and Servicing				
●	Nagase Holdings America Corporation	Regional management, Investment and asset management, Professional service provided	America	2019
●	Nagase America LLC	Import/export, domestic sales, marketing	America	1971
	Michigan Branch		America	
	California Branch		America	
●	Fitz Chem LLC	Sales of raw materials for paints, inks, adhesives, resin compounds, personal care products	America	1985
●	Nagase Enterprise Mexico S.A. de C.V.	Import/export sales, intermediate trade, market development, information collection	Mexico	2010
	Mexico City Branch		Mexico	
	Nagase do Brasil Comércio de Produtos Químicos Ltda.	Import/export sales, intermediate trade, market development, information collection	Brazil	2012
Europe				
Manufacturing and Processing				
●	Pac Tech-Packaging Technologies GmbH	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	Germany	1995
●	Inkron Oy	Development, manufacture of functional materials for semiconductors and electronic devices	Finland	2013
Sales and Servicing				
●	Nagase (Europa) GmbH	Import/export, domestic sales, marketing	Germany	1980
	Hungarian Branch		Hungary	
	London Branch		England	
	Lyon Branch		France	

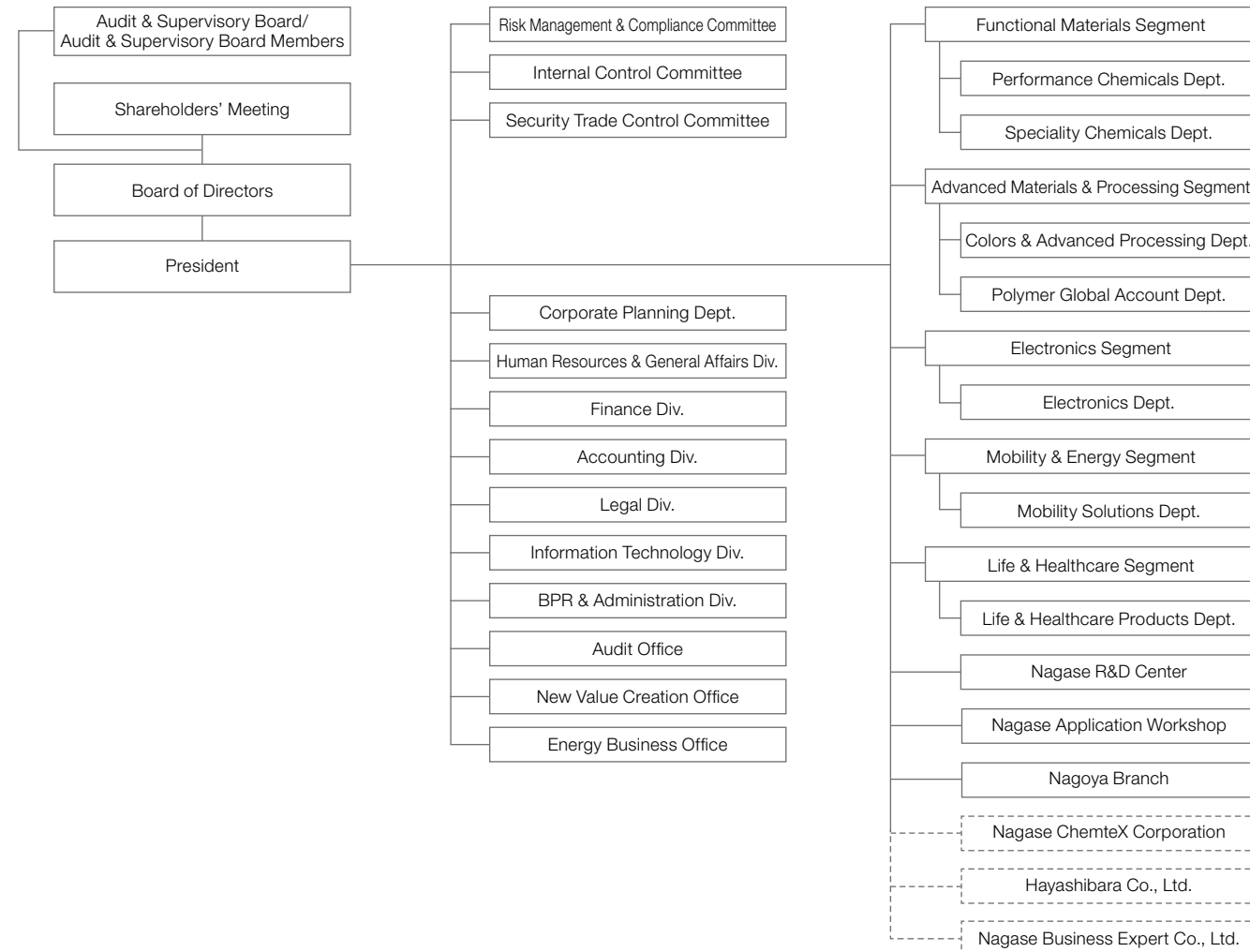
Corporate Information (As of March 31, 2019)

Overview

Company Name	NAGASE & CO., LTD.	
Founded	June 18, 1832	
Establishment	December 9, 1917	
Capital	¥9,699 million	
Employees	851 (Consolidated: 6,143)	
Main Business	Import/export and domestic sales of chemicals, plastics, electronics materials, cosmetics and health foods	
Main Banks	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd.*, Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	
Main Offices	Osaka Head Office	: 1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka 550-8668, Tel: (81) 6-6535-2114
	Tokyo Head Office	: 5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo 103-8355, Tel: (81) 3-3665-3021
	Nagoya Branch Office	: 3-14-18, Marunouchi, Naka-ku, Nagoya City, Aichi 460-8560, Tel: (81) 52-963-5615
	Nagase R&D Center	: Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, Hyogo 651-2241, Tel: (81) 78-992-3162
	Nagase Application Workshop	: 2-4-45, Higashitsukaguchicho, Amagasaki City, Hyogo 661-0011, Tel: (81) 6-4961-6730



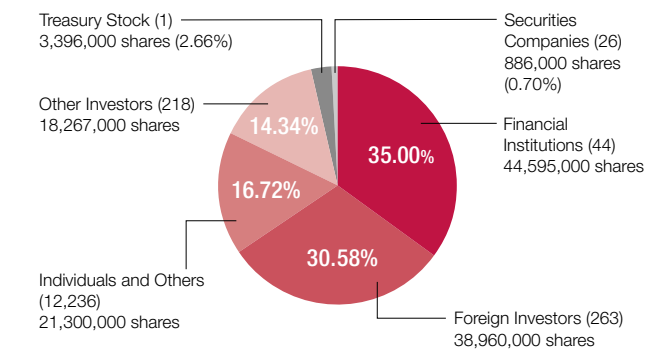
Organization (as of April 1, 2019)



Investor Information (As of March 31, 2019)

Stock Exchange	Tokyo (First Section)
Code	8012
Stock Status	Issued Number of Shares 346,980,000 shares Issued Number of Shares 127,408,285 shares
Number of Shareholders	12,788

Composition of Shareholders

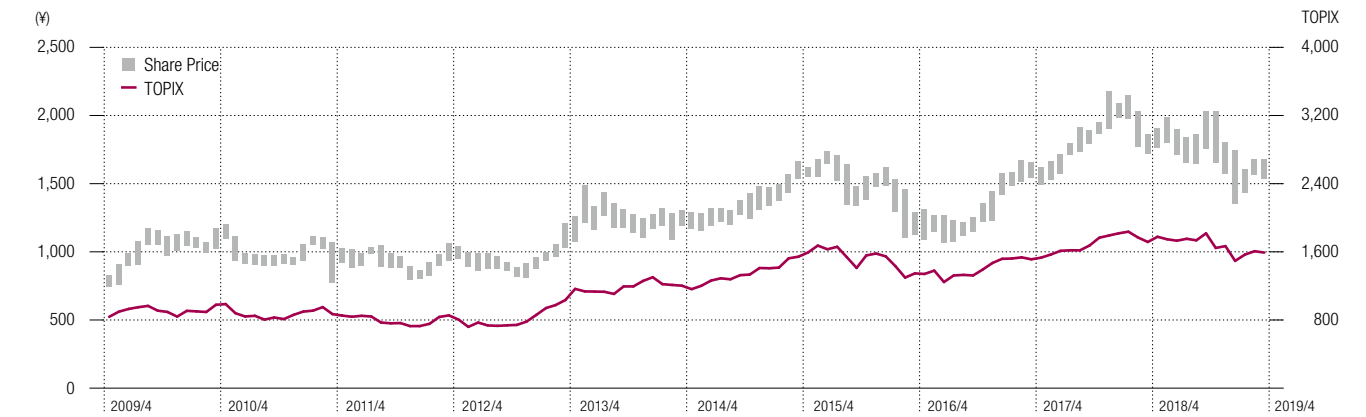


Principal Shareholders

Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,290	5.88
Japan Trustee Services Bank, Ltd. (Trust Account)	6,319	5.10
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,888	4.75
Sumitomo Mitsui Trust Bank, Limited	5,776	4.66
Sumitomo Mitsui Banking Corporation	4,377	3.53
Nippon Life Insurance Company	3,589	2.89
Reiko Nagase	3,541	2.86
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,122	2.52
Nagase Shunzo Co., Ltd.	2,688	2.17
Nagase Employee's Stockholding	2,414	1.95

Note: Voting share ratios are calculated excluding treasury stock (3,396 thousands of shares).

Monthly Share Price Range of NAGASE



Monthly Trading Volume

