



Consolidated Financial Statements for the Fiscal Year Ended March 31, 2018
<Under Japanese GAAP>

May 7, 2018

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

NAGASE & CO., LTD.

Stock exchange listing: Tokyo (First Section)

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

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Annual general meeting of stockholders (scheduled): June 22, 2018

Start of distribution of dividends (scheduled): June 25, 2018

Securities report filing (scheduled): June 25, 2018

Supplementary documents: Yes

Investors' meeting: Yes

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

1. Consolidated Results for the Fiscal Year Ended March 31, 2018

(April 1, 2017 to March 31, 2018)

(1) Consolidated Operating Results

(% = year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FYE March 2018	783,933	8.5	24,118	60.5	25,982	58.8	17,175	66.2
FYE March 2017	722,384	(2.7)	15,030	(16.6)	16,361	(11.0)	10,331	(16.1)

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

FYE March 2017: ¥21,798 million (—%)

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
FYE March 2018	136.34	—	5.8	4.7	3.1
FYE March 2017	81.65	—	3.7	3.1	2.1

(Reference) Equity in earnings of affiliates FYE March 2018: ¥921 million

FYE March 2017: ¥217 million

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FYE March 2018	571,445	308,804	53.1	2,424.97
FYE March 2017	530,775	295,198	54.7	2,301.10

(Reference) Equity capital FYE March 2018: ¥303,636 million

FYE March 2017: ¥290,217 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FYE March 2018	21,013	(14,442)	(3,161)	42,857
FYE March 2017	14,527	(6,518)	(10,592)	39,730

2. Dividends

	Annual Dividends per Share					Total dividends paid (full fiscal year)	Payout ratio (consolidated)	Dividends/ net assets (consolidated)
	1Q	2Q	3Q	Fiscal year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FYE March 2017	–	16.00	–	17.00	33.00	4,162	40.4	1.5
FYE March 2018	–	17.00	–	23.00	40.00	5,023	29.3	1.7
FYE March 2019 (estimate)	–	18.00	–	19.00	37.00		24.9	

(Note) A year-end dividend for FYE March 2018 includes regular dividend of ¥18 per share and special dividend of ¥5 per share.

3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% = year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q (cumulative)	–	–	–	–	–	–	–	–	–
Full fiscal year	828,000	5.6	25,500	5.7	27,500	5.8	18,600	8.3	148.55

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

* Notes

- (1) Changes in major subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): Yes

New 1 (Company name: INKRON LIMITED) Excluded: — (Company name:)

(Note) Please refer to “3. Consolidated Financial Statements and Notes (5) Notes related to Consolidated Financial Statements (Changes in Significant Subsidiaries during the Period).” on page 21 of this document.

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

- i. Changes in accordance with revisions to accounting and other standards: No
- ii. Changes in items other than (i) above: No
- iii. Changes in accounting estimates: No
- iv. Restatement of prior period financial statements after error corrections: No

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

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

March 31, 2018	127,408,285 shares	March 31, 2017	127,408,285 shares
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- ii. Number of treasury stock as of the fiscal period end

March 31, 2018	2,195,966 shares	March 31, 2017	1,287,366 shares
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- iii. Average number of shares during the period

March 31, 2018	125,977,181 shares	March 31, 2017	126,541,671 shares
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*** These consolidated financial statements are not subject to audit by an independent audit corporation**

* Cautionary Statement with Respect to Forecasts of Consolidated Business Results

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

Please refer to “1. Business Performance” on pages 2 through 6 of this document.

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1. Business Performance

(1) Review of Business Performance

(Performance for the Fiscal Year Ended March 2018)

a. General Summary of Results

The Japanese economy continued to recover throughout the fiscal year, supported by factors including improved corporate earnings, strong personal consumption driven by favorable employment and payrolls, and stable capital investment. The global economy continued to experience a gradual recovery, despite risks related to exchange rate fluctuations and market conditions impacted by national financial and trade policies. The overall global economy was supported by continued growth in the United States, China, and among the emerging economies.

In this environment, the Company recorded domestic sales of ¥395.42 billion (+7.1% year on year) for the consolidated fiscal year. Overseas sales, impacted by the comparatively weak yen compared to the prior year, rose to ¥388.5 billion (+10.1%). In total, the Company recorded a record-high ¥783.93 billion in net sales, an increase of 8.5%.

Gross profit rose in concert with sales gains, amounting to ¥102.67 billion (+12.2%) for the fiscal year. Operating income amounted to ¥24.11 billion (+60.5%), mainly due to lower retirement benefit expenses associated with amortization of actuarial losses. The Company recorded ordinary income ¥25.98 billion (+58.8%) and profit attributable to owners of the parent ¥17.17 billion (+66.2%). All profit indicators marked record highs for the consolidated fiscal year in the history of the Company.

b. Segment Summary

Functional Materials

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

The Performance Chemicals business recorded higher sales due to improved sales of coating raw materials and urethane materials, spurred by strong automotive production in Japan and overseas. Another contributing factor was a jump in sales associated with the Company's acquisition of a distributor in the United States.

The Speciality Chemicals business recorded higher sales overall. Sales of fluorochemicals, electronics chemicals, and raw materials for industrial oil solutions were higher for the semiconductor and other electronics industry in Japan. Overseas, sales were higher for electronics chemicals and other products.

As a result, the segment recorded sales of ¥176.06 billion for the year, representing a ¥22.52 billion (+14.7%) increase compared to the prior consolidated fiscal year. Segment operating income grew ¥980 million (+23.6%), reaching ¥5.17 billion for the year.

Advanced Materials & Processing

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

The Colors & Advanced Processing business recorded higher sales as a whole, driven by growth in plastic resins for industrial and packaging applications, dyes/additives, and digital print processing materials in Japan. Overseas, strong sales of print-related business products contributed to higher overall performance.

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 segment recorded sales of ¥262.83 billion for the year, representing a ¥20.22 billion (+8.3%) increase compared to the prior consolidated fiscal year. Segment operating income grew ¥1.6 billion (+31.5%), reaching ¥6.7 billion.

Electronics

The Electronics segment recorded an increase in sales for the year, driven by strong performance at our manufacturing subsidiaries in Japan and overseas.

The Electronic Chemicals business recorded higher sales due to growth in photolithography material and equipment-related sales, as well as strong performance of formulated epoxy resins for the electric and electronics industries.

The Electronic Materials business recorded lower sales compared to the prior fiscal year. This decrease was due to declines in processed materials sales associated with smartphone model changeovers.

As a result, the segment recorded sales of ¥129.32 billion for the year, representing a ¥1.6 billion (+1.3%) increase compared to the prior consolidated fiscal year. Segment operating income grew ¥2.58 billion (+40.8%), reaching ¥8.91 billion for the year.

Automotive & Energy

The Automotive Solutions business recorded higher sales, driven by factors including strong performance in our resins businesses in Japan, Greater China, and ASEAN.

As a result, the segment recorded sales of ¥129.7 billion for the year, representing a ¥16.75 billion (+14.8%) increase compared to the prior consolidated fiscal year. Segment operating income grew ¥870 million (+56.9%), reaching ¥2.41 billion for the year.

Life & Healthcare

The Life & Healthcare segment recorded net sales slightly higher compared to the prior fiscal year. While sales were lower domestically, the Company recorded higher sales overseas.

Sales of TREHA™ and other products to food ingredient makers in our Life & Healthcare Products business were level, while sales in Europe and other regions overseas grew. Although the business recorded lower sales of AA2G™ to major customers in the skin care and toiletries field overseas, sales to major customers in Japan were higher. In the medical and pharmaceutical field, sales of pharmaceutical raw materials and intermediates, medical materials, and pharmaceutical business products all underperformed prior year. As a result, the business recorded sales slightly higher 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, the segment recorded sales of ¥85.37 billion for the year, representing an increase of ¥460 million (+0.6%). Segment operating income grew ¥880 million (+26.5%), reaching ¥4.21 billion for the year.

Other

No special matters to disclose.

(Forecast for the Fiscal Year Ending March 2019)

a. Performance Forecast for the Fiscal Year Ending March 2019

In Japan, personal spending is expected to remain strong throughout the next fiscal year, buoyed by an improving picture in domestic employment and payrolls. And also, the general global business environment is expected to continue to perform well, supported by strength in the United States, China, and the emerging economies of the world, while uncertainties remain in connection with exchange rate fluctuations resulting from national financial policies and economic friction resulting from protectionism, as well as geopolitical risks related to North Korea and the Middle East.

For the year ending March 2019, we forecast consolidated net sales of ¥828 billion (+5.6% year on year), operating income of ¥25.5 billion (+5.7%), ordinary income of ¥27.5 billion (+5.8%), and profit attributable to owners of the parent in the amount of ¥18.6 billion (+8.3%).

These forecasts have been developed based on a currency conversion rate of ¥105 to the US dollar.

(Millions of yen)

	Net sales	Operating Income	Ordinary income	Profit attributable to owners of the parent
FYE March 2019	828,000	25,500	27,500	18,600
FYE March 2018	783,933	24,118	25,982	17,175
Change	+5.6%	+5.7%	+5.8%	+8.3%

b. Net Sales Forecast by Business Segment

(Millions of yen)

	FYE March 2018 Actual	FYE March 2019 Forecast	Change
Functional Materials	176,068	183,700	+4.3%
Advanced Materials & Processing	262,831	289,000	+10.0%
Electronics	129,324	123,500	(4.5%)
Automotive & Energy	129,708	142,500	+9.9%
Life & Healthcare	85,371	88,600	+3.8%
Other	629	700	+11.2%
Total Sales	783,933	828,000	+5.6%

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

(2) Review of Financial Position

a. Summary of Consolidated Balance Sheets

As of the end of the consolidated fiscal year, current assets amounted to ¥356.1 billion. This represents an increase of ¥34.89 billion compared to the end of the prior consolidated fiscal year, an increase due mainly to increases in accounts receivable and inventories. Non-current assets amounted to ¥215.33 billion, up ¥5.77 billion. This increase was mainly due to increases in fair values of shares retained and goodwill recorded by the Company during the period. As a result of these various factors, total assets increased ¥40.67 billion to ¥571.44 billion as of the end of the consolidated fiscal year.

Liabilities amounted to ¥262.64 billion, a ¥27.06 billion increase compared to the end of the prior consolidated fiscal year. This increase was mainly due to increases in accounts payable and short-term loans, which exceeded redemptions of bonds.

Net assets amounted to ¥308.8 billion, up ¥13.6 billion. This increase was mainly due to ¥17.17 billion in profit attributable to owners of the parent and an increase in net unrealized holding gain in securities.

As a result, the Company recorded a shareholders' equity ratio of 53.1%, down 1.6 points compared to the end of the prior consolidated fiscal year.

b. Summary of Consolidated Cash Flows

Cash and cash equivalents (Cash) increased ¥3.12 billion (+7.9%) compared to the end of the prior consolidated fiscal year, amounting to ¥42.85 billion. Cash from operating activities amounted to ¥21.01 billion, while cash used in investing activities came to ¥14.44 billion, and cash used in financing activities amounted to ¥3.16 billion. In addition, effects of exchange rate changes had a ¥170 million negative impact on Cash balances.

(Cash Flows from Operating Activities)

Cash flows from operating activities for the consolidated fiscal year amounted to ¥21.01 billion. While the Company experienced a ¥11.96 billion decrease in Cash due to increased working capital and payments of ¥4.86 billion in income taxes, we also recorded income before profit before income taxes of ¥24.04 billion and cash reserved related to depreciation and amortization in the amount of ¥9.29 billion.

(Cash Flows from Investing Activities)

Cash used in investing activities during the consolidated fiscal year amounted to ¥14.44 billion. This result was mainly due to cash outlays of ¥7.21 billion for the purchase of property, plant and equipment and intangible fixed assets, as well as outlays of ¥5.99 billion for the acquisition of the stock of a subsidiary in connection with a change in the scope of consolidation.

(Cash Flows from Financing Activities)

Cash used in financing activities for the consolidated fiscal year amounted to ¥3.16 billion. This result was mainly due to cash outlays of ¥10.0 billion and ¥4.28 billion for redemption of bonds and dividend payments, respectively. These outlays were in excess of a net ¥5.0 billion increase in commercial paper and ¥8.3 billion in proceeds from long-term loans.

	FYE March 2014	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018
Shareholders' equity ratio	49.5%	51.5%	53.5%	54.7%	53.1%
Shareholders' equity ratio based on market value	32.5%	36.6%	30.7%	36.9%	39.6%
Interest-bearing debt to cash flow ratio	7.3	6.4	3.0	5.6	4.1
Interest coverage ratio	11.3	13.7	29.0	13.9	16.3

Shareholders' equity ratio: Equity capital/total assets

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

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

Interest coverage ratio: Operating cash flow/interest payments

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

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

(Note 3) Operating cash flow is net cash flow provided by operating activities as shown in the consolidated statements of cash flows. Interest-bearing debt is all liabilities in the consolidated balance sheets for which interest is payable. Interest payments are the amount of interest paid as presented in the consolidated statements of cash flows.

(3) Dividend Policy and Dividends for the Fiscal Years Ending March 2018 and 2019

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

The NAGASE Group declared a year-end dividend of ¥23 per share based on this policy, a ¥1 increase compared to the prior fiscal year with an additional ¥5 per share special dividend reflecting the group's consolidated performance and financial position for the fiscal year. As a result, the scheduled full-year cash dividend will amount to ¥40 per share, including the special ¥5 yen per share special dividend.

We forecast a full-year regular dividend of ¥37 per share for the next fiscal year, ¥2 higher than the prior year. This dividend will consist of an ¥18 per-share interim dividend and a ¥19 per share year-end dividend.

2. Basic Policy on the Selection of Accounting Standards

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

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

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2017)	Current Consolidated Fiscal Year (March 31, 2018)
ASSETS		
Current assets		
Cash and time deposits	39,830	43,303
Notes and accounts receivable	206,846	225,999
Merchandise and finished goods	58,162	67,681
Work in process	1,309	1,883
Raw materials and supplies	3,648	4,106
Deferred tax assets	2,375	2,783
Other	9,681	10,953
Less allowance for doubtful accounts	(638)	(602)
Total current assets	321,215	356,109
Non-current assets		
Property, plant and equipment		
Buildings and structures	54,911	58,016
Accumulated depreciation	(30,879)	(32,562)
Buildings and structures (net)	24,032	25,454
Machinery, equipment and vehicles	62,929	62,031
Accumulated depreciation	(47,552)	(46,275)
Machinery, equipment and vehicles (net)	15,376	15,755
Land	21,939	21,154
Other	22,850	21,720
Accumulated depreciation	(16,578)	(16,859)
Other (net)	6,271	4,861
Total property, plant and equipment	67,619	67,225
Intangible fixed assets		
Goodwill	23,034	25,478
Technology-based assets	13,791	12,215
Other	3,916	3,396
Total intangible fixed assets	40,742	41,090
Investments and other assets		
Investments in securities	94,548	100,403
Long-term loans receivable	482	109
Net defined benefit assets	1	-
Deferred tax assets	1,524	1,614
Other	4,930	4,992
Less allowance for doubtful accounts	(289)	(101)
Total investments and other assets	101,197	107,019
Total non-current assets	209,559	215,335
Total assets	530,775	571,445

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2017)	Current Consolidated Fiscal Year (March 31, 2018)
LIABILITIES		
Current liabilities		
Notes and accounts payable	102,076	118,028
Short-term loans	28,162	31,934
Current portion of long-term loans	3,522	11,067
Commercial papers	-	5,000
Current portion of bonds	10,000	-
Accrued income taxes	1,849	1,738
Deferred tax liabilities	37	44
Accrued bonuses for employees	4,512	5,451
Accrued bonuses for directors	171	274
Other	16,161	19,500
Total current liabilities	166,494	193,040
Long-term liabilities		
Bonds	20,000	20,000
Long-term loans	20,078	17,906
Deferred tax liabilities	13,503	16,365
Net defined benefit liability	14,625	14,518
Other	874	809
Total long-term liabilities	69,082	69,600
Total liabilities	235,576	262,640
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	11,590	11,158
Retained earnings	219,721	232,534
Less treasury stock, at cost	(1,337)	(3,114)
Total shareholders' equity	239,674	250,278
Accumulated other comprehensive income (loss)		
Net unrealized holding gain on securities	47,683	50,773
Deferred gain (loss) on hedges	4	(15)
Translation adjustments	3,129	2,917
Remeasurements of defined benefit plans	(274)	(317)
Total accumulated other comprehensive income	50,542	53,358
Non-controlling interests	4,981	5,168
Total net assets	295,198	308,804
Total liabilities and net assets	530,775	571,445

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

(Quarterly Consolidated Statements of Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)	Current Consolidated Fiscal Year (April 1, 2017 - March 31, 2018)
Net sales	722,384	783,933
Cost of sales	630,881	681,258
Gross profit	91,503	102,675
Selling, general and administrative expenses		
Selling expenses	10,843	11,880
Employee salaries and allowances	22,124	23,050
Provision for accrued bonuses for employees	2,739	3,515
Provision for accrued bonuses for directors	166	254
Depreciation and amortization other than amortization of goodwill	4,259	4,323
Retirement benefit expenses	4,487	1,853
Provision for retirement benefits for directors	32	24
Allowance for doubtful accounts	(4)	(59)
Amortization of goodwill	1,543	1,748
Other	30,280	31,966
Total selling, general and administrative expenses	76,472	78,557
Operating income	15,030	24,118
Non-operating income		
Interest income	195	185
Dividend income	1,616	1,605
Rent income	296	268
Equity in earnings of affiliates	217	921
Foreign exchange gain	-	169
Other	589	385
Total non-operating income	2,915	3,536
Non-operating expenses		
Interest expenses	1,032	1,294
Foreign exchange losses	79	-
Other	473	378
Total non-operating expenses	1,584	1,672
Ordinary income	16,361	25,982
Extraordinary gains		
Gain on sale of non-current assets	239	50
Gain on sale of investment securities	2,006	8
Gain on sales of shares of subsidiaries and affiliates	-	84
Subsidy income	314	288
Gain on negative goodwill	-	229
Other	79	-
Total extraordinary gains	2,639	661
Extraordinary losses		
Loss on sale of non-current assets	60	419
Loss on disposal of non-current assets	227	168
Loss on reduction of non-current assets	290	212
Impairment losses	1,398	847
Loss on sale of investments securities	25	-
Loss on valuation of investments securities	106	12
Loss on sales of shares of subsidiaries and affiliates	290	0
Loss on business withdrawal	-	462
Loss on step acquisitions	-	294
Other	500	175
Total extraordinary losses	2,901	2,594
Income before income taxes and non-controlling interests	16,100	24,049
Income taxes - current	5,020	5,358
Income taxes - deferred	417	1,098
Total income taxes	5,437	6,457
Net income	10,662	17,592
Profit attributable to non-controlling interests	330	417
Profit attributable to owners of the parent	10,331	17,175

(Quarterly Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)	Current Consolidated Fiscal Year (April 1, 2017 - March 31, 2018)
Net income	10,662	17,592
Other comprehensive income		
Net unrealized holding gain on securities	10,602	3,083
Deferred gain (loss) on hedges	14	(19)
Translation adjustments	(1,223)	(14)
Remeasurements of defined benefit plans	1,895	(43)
Share of other comprehensive income of affiliates accounted for by the equity method	(152)	50
Total other comprehensive income	11,135	3,055
Comprehensive income	21,798	20,648
Comprehensive income attributable to:		
Owner of parent	21,622	20,101
Non-controlling interests	175	547

(3) Consolidated Statement of Changes in Shareholders' Equity

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

(Millions of yen)

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

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

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

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance, beginning of period	9,699	11,590	219,721	(1,337)	239,674
Changes					
Cash dividends			(4,287)		(4,287)
Profit attributable to owners of the parent			17,175		17,175
Purchases of treasury stock				(1,776)	(1,776)
Disposal of treasury stock		0		0	0
Equity transactions with non-controlling interests		(431)			(431)
Changes in scope of consolidation			(67)		(67)
Change From Merger with Non-Consolidated Subsidiaries			(6)		(6)
Change of scope of equity method			(1)		(1)
Changes other than shareholders' equity accounts (net)					
Total changes		(431)	12,812	(1,776)	10,603
Balance, end of period	9,699	11,158	232,534	(3,114)	250,278

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

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Prior Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)	Current Consolidated Fiscal Year (April 1, 2017 - March 31, 2018)
Operating activities		
Profit before income taxes	16,100	24,049
Depreciation and amortization other than amortization of goodwill	9,381	9,295
Loss on impairment of fixed assets	1,398	847
Amortization of goodwill	1,543	1,748
Gain on negative goodwill	-	(229)
Loss on step acquisitions	-	294
Subsidy income	(314)	(288)
Loss on reduction of non-current assets	290	212
Loss on business withdrawal	-	462
Increase (decrease) in liability for retirement benefits	3,297	(210)
Interest and dividend income	(1,812)	(1,791)
Interest expenses	1,032	1,294
Exchange gain, net	345	(309)
Loss on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(1,690)	(92)
Increase in notes and accounts receivable	(11,885)	(17,382)
Increase in inventories	(1,017)	(9,610)
Decrease in notes and accounts payable	5,198	15,024
Other, net	(792)	1,623
Subtotal	21,075	24,937
Interest and dividends received	2,235	2,235
Interest paid	(1,045)	(1,292)
Income taxes paid	(7,737)	(4,865)
Net cash provided by operating activities	14,527	21,013
Investing activities		
Purchases of property, plant and equipment	(10,667)	(6,679)
Proceeds from sales of property, plant and equipment	976	1,360
Purchases of intangible fixed assets included in other assets	(867)	(539)
Purchases of investments in securities	(1,825)	(1,603)
Proceeds from sales of investments in securities	4,658	105
Purchases of investments	(53)	(54)
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	293	207
Increase on short-term loans receivable included in other current assets, net	434	108
Decrease in time deposits, net	274	(242)
Proceeds from subsidy income	314	288
Other, net	(54)	(1,400)
Net cash used in investing activities	(6,518)	(14,442)

Financing activities		
Decrease in short-term loans, net	3,232	3,632
Net increase in commercial papers	-	5,000
Proceeds from long-term loans	950	8,301
Repayments of long-term loans	(9,182)	(3,117)
Redemption of bonds	-	(10,000)
Purchase of treasury stock	(1,107)	(1,776)
Cash dividends paid	(4,050)	(4,287)
Cash dividends paid to non-controlling interests	(254)	(275)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(151)	(606)
Other, net	(29)	(30)
Net cash used in financing activities	(10,592)	3,161
Effects of exchange rate changes on cash and cash equivalents	(596)	(175)
Net (increase) decrease in cash and cash equivalents	(3,180)	3,234
Cash and cash equivalents at beginning of the year	42,900	39,730
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(111)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	10	4
Cash and cash equivalents, at end of the period	39,730	42,857

(5) Notes related to Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Segment Information, etc.)

a. Segment Information

1. Reportable Segments

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

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

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

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

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

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

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

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

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

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

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

3. Information related to Net Sales, Profit (Loss), Assets, Liabilities, and Other by Segment

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

(Millions of yen)

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

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

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

3. Adjustments are eliminations of intersegment transactions.

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

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

(Millions of yen)

	Reportable Segments						Other (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	To consolidated financial statements (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	176,068	262,831	129,324	129,708	85,371	783,303	629	783,933	—	—	783,933
Intersegment sales/transfers	2,543	2,234	2,108	2,817	508	10,213	4,783	14,997	—	(14,997)	—
Total	178,612	265,065	131,433	132,526	85,880	793,517	5,413	798,931	—	(14,997)	783,933
Segment income (loss)	5,170	6,700	8,917	2,415	4,216	27,420	207	27,628	(3,954)	445	24,118
Segment assets	87,905	134,977	70,149	51,109	97,667	441,809	5,304	447,113	153,594	(29,262)	571,445
Other											
Depreciation and amortization	456	645	2,454	249	3,552	7,359	218	7,577	1,717	—	9,295
Amortization of goodwill	133	—	112	—	1,502	1,748	—	1,748	—	—	1,748
Unamortized balance of goodwill	3,276	—	1,296	—	20,905	25,478	—	25,478	—	—	25,478
Investments in equity affiliates	2,478	1,482	2,751	1,231	2,601	10,545	—	10,545	—	(2)	10,542
Increase in property, plant, and equipment and intangible fixed assets	243	2,817	1,834	191	2,369	7,458	68	7,527	1,896	—	9,423

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

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

3. Adjustments are eliminations of intersegment transactions.

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

b. Other Information

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

1. Products and Services

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

2. Geographic Information

(1) Net sales

(Millions of yen)

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

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

2. Countries/regions are determined by geographical proximity.

3. Major countries in each region

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

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

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

(4) Europe.....Germany

(5) Other.....Korea

(2) Property, plant and equipment

(Millions of yen)

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

3. Major Customers

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

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

1. Products and Services

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

2. Geographic Information

(1) Net sales

(Millions of yen)

Japan	Greater China	ASEAN	Americas	Europe	Other	Total
395,428	207,437	110,380	36,564	14,178	19,943	783,933

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

2. Countries/regions are determined by geographical proximity.

3. Major countries in each region

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

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

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

(4) Europe.....Germany

(5) Other.....Korea

(2) Property, plant and equipment

(Millions of yen)

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

3. Major Customers

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

c. Impairment Losses of Non-Current Assets for Each Reportable Segment

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

(Millions of yen)

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

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

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

(Millions of yen)

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

d. Amortization and Unamortized Balance of Goodwill for Each Reportable Segment

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

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

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

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

e. Information about Gain on Negative Goodwill for Each Reportable Segment

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

No matters to report.

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

No material matters to report.

(Changes in Significant Subsidiaries during the Period)

During the consolidated fiscal year, the Company acquired shares of INKRON LIMITED (specified subsidiary).

Accordingly, the Company has included INKRON LIMITED and two INKRON LIMITED subsidiaries (Inkron Oy and Inkron Technologies GmbH) in the scope of consolidation.

(Per-Share Data)

	Prior Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)	Current Consolidated Fiscal Year (April 1, 2017 - March 31, 2018)
Net assets per share	¥2,301.10	¥2,424.97
Earnings per share	¥81.65	¥136.34

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

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

	Prior Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)	Current Consolidated Fiscal Year (April 1, 2017 - March 31, 2018)
Profit attributable to owners of the parent (millions of yen)	10,331	17,175
Profit attributable to common stock owners of the parent (millions of yen)	10,331	17,175
Average number of outstanding shares of common stock (shares)	126,541,671	125,977,181

(Significant Subsequent Events)

No matters to report.