Consolidated Financial Statements for the Year Ended March 31, 2013
<Under Japanese GAAP>

May 10, 2013

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, Osaka (First Sections)
Code number: 8012 (http://www.nagase.co.jp)
Representative: Hiroshi Nagase, Representative Director and President
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Annual General Meeting of Stockholders (scheduled): June 26, 2013
Start of Distribution of Dividends (scheduled): June 27, 2013
Securities Report Filing (scheduled): June 27, 2013
Supplementary Documents: Yes
Investors' Meeting: Yes

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

1. Consolidated Results for the Year Ended March 31, 2013
(April 1, 2012 to March 31, 2013)

(1) Consolidated Operating Results (% = year-on-year change)

	Net sales		Operating profit		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FYE March 2013	666,272	5.4	15,578	16.0	17,927	14.3	14,182	65.5
FYE March 2012	631,854	(4.3)	13,427	(28.3)	15,690	(23.9)	8,570	(33.2)

(Notes) Comprehensive income FYE March 2013: ¥27,222 million (273.8%)
FYE March 2012: ¥7,282 million (20.8% decrease)

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/ total assets	Operating income/ net sales
	Yen	Yen	%	%	%
FYE March 2013	111.31	–	6.5	3.8	2.3
FYE March 2012	66.69	–	4.2	3.8	2.1

(Reference) Equity in earnings of affiliates FYE March 2013: ¥933 million
FYE March 2012 ¥368 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 2013	486,747	237,806	46.9	1,803.31
FYE March 2012	450,842	212,744	45.4	1,592.87

(Reference) Equity capital FYE March 2013: ¥228,505 million
FYE March 2012: ¥204,706 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 2013	18,576	(9,529)	1,164	45,816
FYE March 2012	5,690	(81,066)	56,961	28,517

2. Dividends

	Annual dividend 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 2012	–	12.00	–	12.00	24.00	3,084	36.0	1.5
FYE March 2013	–	13.00	–	13.00	26.00	3,294	23.4	1.5
FYE March 2014 (estimate)	–	14.00	–	14.00	28.00		24.5	

3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(% = year-on-year change)

	Net sales		Operating profit		Ordinary income		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q (cumulative)	–	–	–	–	–	–	–	–	–
Full fiscal year	764,000	14.7	19,200	23.2	21,000	17.1	14,500	2.2	114.43

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

* Notes

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

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

(2) Changes of accounting policies or presentation methods in the consolidated financial statements

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

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

iii. Changes in accounting estimates: Yes

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

(Note) For details, see page 23, “3. Consolidated Financial Statements (6) Changes in Basic Matters related to the Preparations of Consolidated Financial Statements.”

(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, 2013	138,408,285 shares	March 31, 2012	138,408,285 shares

ii. Number of treasury stock as of the fiscal period end

March 31, 2013	11,693,809 shares	March 31, 2012	9,893,787 shares

iii. Average number of shares during the period:

March 31, 2013	127,406,786shares	March 31, 2012	128,514,527shares

*** Disclosure of Audit Procedure Progress**

This earnings report is exempt from audit procedures as provided by the Financial Instruments and Exchange Act. Consolidated financial statements were undergoing the audit process at the time of the release of this report.

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

Earnings forecasts presented in this document are based on information available and assumptions deemed rational at the time. Actual performance could differ materially from forecasts due to a variety of factors.

Please refer to “1. Business Performance” on pages 2 through 9 of the attached supplementary documents for further information.

Attachments

1. Business Performance

(1) Analysis of Business Performance

(Performance for the Fiscal Year Ended March 2013)

a. General Summary of Results

During the past fiscal year, the global economy experienced growing demand for smartphones and tablets, as well as stronger economies in Southeast Asia and North America. Negative customer sentiment in Japan, economic stagnation in the European Union, and slowing growth and anti-Japan demonstrations in China combined to make for wide gaps among countries and regions in economic performance. Lately, we have seen some small signs of economic recovery in Japan. Export business is improving and share prices have gained strength with the weakening of the yen. Still, these improvements had little impact on helping our consolidated earnings for the fiscal year under review.

In this environment, the Company recorded domestic sales of ¥361.97 billion (1.2% year-on-year decline) and overseas sales of ¥304.3 billion (14.6% increase), resulting in total net sales of ¥666.27 billion, representing a 5.4% increase year on year.

The addition of Hayashibara Co., Ltd. (Hayashibara) to the consolidation and the strong performance in smartphone and tablet materials sales led to gross profit of ¥82.58 billion (15.3% year-on-year increase). Gross profit ratio grew 1.1 points to 12.4% for the comparative period. The larger number of consolidated subsidiaries meant greater selling expenses and general and administrative expenses. Losses among subsidiaries worsened, which was another factor pressuring profits. However, lower depreciation and amortization (Changes in depreciation methods for property, plant and equipment) offset these factors. As a result, the Company recorded operating profit of ¥15.57 billion, which was a 16.0% increase year on year. The Company recorded ordinary income of ¥17.92 billion, a 14.3% year-on-year increase. This result was mainly due to increased interest expense related to the Company's acquiring long-term funds for the purchase of Hayashibara, offsetting income gained from equity in earnings of affiliates. In addition, the Company recorded impairment losses (¥1.89 billion) for unprofitable production equipment at manufacturing subsidiaries. Other major factors affecting profits included gain on sales of non-current assets (¥3.35 billion) for sales of land and increase of deferred tax assets (¥1.42 billion) related to recoverable tax losses of Hayashibara.by revised business plan. As a result, net income amounted to ¥14.18 billion, which was a 65.5% year-on-year increase.

b. Segment Summary

Beginning April 2012, the Company has been executing on the "Change-S2014" three-year business plan. To accomplish the goals set out in this plan, the Company reorganized four business segments (Chemicals, Plastics, Electronics, and Life Sciences) away from product categories into segments to more fully concentrate the strengths of our entire group, reflecting the respective positions of each business in the value chain, as well as with the most closely aligned industries. This realignment has resulted in 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). See"3. Consolidated Financial Statements (7) Notes related to Consolidated Financial Statements (Segment Information, etc.)" for more detail regarding business segments, related industries, and products.

For presentation purposes, the Company has calculated prior year consolidated figures and ratios according to the segment classifications above for comparison.

Functional Materials

Overall, net sales in the Functional Materials segment experienced marginal growth. The decrease in net sales in the domestic market and in Northeast Asia was offset by significantly higher net sales in Southeast Asia.

Our performance chemicals business reported minor overall gains in net sales. As plastic materials and additives sales to Asia fell, sales of urethane materials to the automotive industry also declined due to anti-Japanese sentiment in China. In contrast, the Company saw strong performance in coating raw materials sales for the domestic construction market, strong performance in basic chemicals in Southeast Asia, and higher sales of additives to the Middle East. These gains served to outpace the declines noted above.

Sales decreased overall in our specialty chemicals business. Surfactant sales were strong for the period; however, raw materials for industrial oil solutions (automotive & textile market) and fluorochemicals sales both fell compared to the prior fiscal year. At the same time, precision abrasive materials sales for the hard disk drive market underperformed year on year.

As a result, net sales for the Functional Materials segment amounted to ¥180.02 billion, which was a ¥2.89 billion (1.6%) increase year on year. Segment operating profit came in at ¥5.42 billion, a ¥850 million (13.6%) decline year on year. This decline was mainly due to gross profit declines stemming from lower revenues in Japan and Northeast Asia, not fully offset by revenue gains and slightly higher profits in Southeast Asia.

Advanced Materials & Processing

The Advanced Materials & Processing segment saw minor overall performance declines during the period. While net sales grew in Northeast Asia and Southeast Asia, these gains were offset by decreases in domestic performance.

The colors and imaging business reported declines overall. The dyes/additives business and information printing materials business showed comparative performance declines, while the Company's reorganization of certain businesses into equity method affiliates (including dyestuffs and textile processing agents for the textile processing industry) contributed to lower sales performance.

Our plastic business for office equipment and appliance increased overall. While we did experience lower domestic sales and raw materials exports to major users, plastic sales in Asia were stronger year on year, as were exports of molding tools.

As a whole, our business related to functional films and sheets and plastic molding products reported lower net sales. Sales of anti-reflective sheets for game machines experienced higher performance year on year. However, sales of liquid crystal polarizer film precision inspection systems underperformed prior year results by a slight margin.

As a result, net sales for the Advanced Materials & Processing segment amounted to ¥214.54 billion, a decrease of ¥3.38 billion (1.6%) compared to the prior fiscal year. The Segment reported operating profit of ¥2.38 billion, which represented a ¥590 million (19.9%) year-on-year decline. The Segment attributed this decline mainly to lower gross profit from revenue declines and worsened operating profit results among manufacturing subsidiaries in the office equipment and appliances business.

Electronics

Sales in the Electronics segment increased overall for the period. The Company reported large net sales gains in Northeast Asia, with growth in Japan, Southeast Asia, Europe, and North America as well.

Net sales in the electronic chemicals business declined overall. We noted strong performance in sales for mobile phone applications in our formulated epoxy resin business for the period. However, a decline in sales of chemicals used in the manufacture of semiconductors and LCD panels led to the drop in overall performance.

The Electronic Materials business recorded sales declines for film used in LCDs and materials in LED lighting applications during the period. In contrast, we noted strong performance in touch-panel material sales, which contributed to overall wide gains in sales for the electronics materials business.

As a result, we recorded total net sales of ¥116.1 billion in this segment, representing a ¥5.6 billion (5.1%) increase year on year. Operating profit amounted to ¥6.29 billion, which was a ¥270 million (4.6%) year-on-year increase, due to gross profit increases stemming from higher net sales of touch-panel materials.

Automotive & Energy

Our automotive-related business saw growth overall during the period. During the first half of the fiscal year, sales of auto product increased significantly owing to reconstruction demand in the wake of March 11, eco-car subsidies, and other domestic factors. Overseas as well, the Japanese auto makers produced cars in higher numbers. These factors contributed to strong performance in raw materials and component sales for automotive industry both in Japan and overseas. However, domestic sales for the second half of the year fell sharply, owing to the end of eco-car subsidies. As well, Japanese auto makers saw lower production in China due to anti-Japanese demonstrations in that country. These factors led to lower net sales in Japan and China. However, strong performance in North America and the ASEAN countries contributed to overall growth for the segment.

As a result, segment net sales for the fiscal year amounted to ¥83.06 billion, representing a ¥6.95 billion (9.1%) increase year on year. Operating profit amounted to ¥760 million, a decline owing mainly to poor performance in the energy business, despite profitability in export transactions in the fourth quarter due to the weakened yen. This result was ¥170 million lower (18.4%) than the prior fiscal year.

Life & Healthcare

Consolidating the functional saccharides business of Hayashibara (acquired during the previous fiscal year; net sales of ¥24.41 billion for the fiscal year ended March 2013), the Company saw significant overall growth in this segment.

Sales in the fine chemicals business grew overall compared to the prior fiscal year. Sales of pharmaceutical raw materials and intermediates were level year on year, while in vitro diagnostics and medical materials experienced strong performance. Functional saccharide sales performed well, particularly sales of trehalose for the food industry. We also saw strong sales of enzyme and fermentation products in the food and starch saccharide market.

Our beauty care products business includes sales of cosmetics and health foods. New product launches in health foods and whitening cosmetic products led to sales growth for the year. However these gains were more than offset by lower year-on-year sales of cosmetics products introduced during the prior fiscal year.

As a result, segment net sales amounted to ¥71.68 billion for the fiscal year, which was a ¥22.51 billion (45.8%) increase year on year. Operating profit amounted to ¥3.98 billion, representing a ¥3.27 billion (464.1%) increase year on year. This gain in operating profit was mainly due to the new consolidation of Hayashibara's functional saccharides business.

Other

No special matters to disclose.

(Forecast for the Fiscal Year Ending March 2014)

(Millions of yen)

	Net sales	Operating profit	Ordinary income	Net income
Year ending March 31, 2014	764,000	19,200	21,000	14,500
Year ended March 31, 2013	666,272	15,578	17,927	14,182
Change	+14.7%	+23.2%	+17.1%	+2.2%

a. Performance Forecast for the Fiscal Year Ending March 2014

Taking into account the weakened yen and related export growth, increased activity at Japanese manufacturers, an improving economy, and stock price rebounds, we expect more positive consumer sentiment in fiscal 2013. At the same time, we believe that business in North America and ASEAN countries will stabilize. In contrast, the long-lived financial crisis in the European Union has no apparent end in sight, causing concerns about intra-Union commerce and product exports to the region.

In light of these conditions, we have set expectations for earnings at ¥764.0 billion in consolidated net sales (14.7% year-on-year growth), with gross profit at ¥93.4 billion (13.1% increase). Despite a projected increase in retirement benefits for employees associated with amortizing actuarial differences in retirement benefit obligations, we expect net sales and gross profit growth to drive operating profit gains. As such, we have set operating profit projections at ¥19.2 billion (23.2% year-on-year increase), with ordinary income projected to be ¥21.0 billion (17.1% increase). We have set net income expectations at ¥14.5 billion (2.2% increase), since we do not foresee any special factors (e.g. last fiscal year's added deferred tax assets) affecting net profits.

The figures above have been calculated using a currency conversion rate of ¥95 to the US dollar.

b. Forecast by Business Segment

We have moved certain businesses to other segments for the next-period operations. We have moved abrasives sales business for the semiconductor and HDD industries formerly under the Functional Materials segment to the Electronics segment, which is positioned closer to the end user. This should allow us to develop new markets and applications for these products. We have also moved raw materials sales business for the cosmetics industry formerly under the Functional Materials segment to the Life & Healthcare segment. We believe this will help the Company produce synergistic effects with the newly acquired Hayashibara products.

We have calculated next-period figures and current-period ratios reflecting these organizational changes.

In addition to growth in the smartphone and tablet markets, we project a recovery in production units for office equipment, appliances, and automobiles. Given this, we expect to see an increase in sales for related parts and components. Accordingly, we forecast net sales of ¥181.0 billion (9.2% year-on-year increase) in Functional Materials, ¥255.0 billion (18.9% increase) in Advanced Materials & Processing, ¥149.0 billion (19.7% increase) in Electronics, ¥94.0 billion (13.2% increase) in Automotive & Energy, and ¥84.0 billion (8.4% increase) in Life & Healthcare.

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

(Millions of yen)

	FYE March 2013 Actual (before reorganization)	FYE March 2013 Actual (after reorganization)	FYE March 2014 Forecast	Change
Functional Materials	180,025	165,812	181,000	+9.2%
Advanced Materials & Processing	214,546	214,546	255,000	+18.9%
Electronics	116,105	124,488	149,000	+19.7%
Automotive & Energy	83,068	83,068	94,000	+13.2%
Life & Healthcare	71,685	77,516	84,000	+8.4%
Other	841	841	1,000	+18.9%
Total Sales	666,272	666,272	764,000	+14.7%

(2) Analysis of Financial Position

a. Summary of Consolidated Balance Sheets

As of the end of the fiscal period, current assets amounted to ¥305.75 billion. This represents an increase of ¥23.47 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to increases in cash and time deposits resulting from accumulated liquidity on hand and increases in inventories. Non-current assets increased ¥12.43 billion compared to the end of the prior fiscal year, reaching ¥180.99 billion. This increase was mainly due to increase of property, plant and equipment (purchases of land and buildings) and increased investments in securities stemming from market price recoveries. As a result, total assets at the end of the fiscal year amounted to ¥486.74 billion, which was an increase of ¥35.9 billion compared to the end of the prior fiscal year.

Despite a decrease in loans, unsecured bond issuances led to a ¥10.84 billion increase in liabilities over the end of the prior fiscal year. At the end of the consolidated fiscal year, the Company had ¥248.94 billion in liabilities.

Net assets amounted to ¥237.8 billion at the end of the consolidated fiscal year, representing an increase of ¥25.06 billion compared to the end of the prior year. This increase was mainly due to the Company's recording ¥14.18 billion in net income and improved translation adjustments stemming from the weakened yen.

As a result, the Company experienced a 1.5-point increase in shareholders' equity ratio, up to 46.9% as of the end of the consolidated fiscal year.

b. Summary of Consolidated Cash Flows

Cash and cash equivalents (“Cash”) increased by ¥12.66 billion compared to the prior fiscal year. Cash from operating activities amounted to ¥18.57 billion. Cash used in investing activities amounted to a net outflow of ¥9.52 billion, while cash from financing activities amounted to ¥1.16 billion. The Company saw an additional ¥910 million in new funding via newly consolidated entities and also recorded an increase in cash flows of ¥3.72 billion due to changes in fiscal years of consolidated subsidiaries. As a result, consolidated Cash increased by ¥17.29 billion (+60.7%) compared to the end of the prior consolidated fiscal year, amounting to a total of ¥45.81 billion.

(Cash Flows from Operating Activities)

Cash flows from operating activities for the consolidated fiscal year amounted to ¥18.57 billion. This increase was mainly due to net income before income taxes and minority interests of ¥19.45 billion, offsetting ¥6.38 billion in income tax payments. In addition, the Company recorded ¥7.44 billion in depreciation and amortization, which has no effect on cash flows.

(Cash Flows from Investing Activities)

Cash used in investing activities during the consolidated fiscal year amounted to ¥9.52 billion. The Group sold ¥3.23 billion in property, plant, and equipment, but paid ¥12.26 billion for tangible and intangible fixed assets during the period.

(Cash Flows from Financing Activities)

Cash flows from financing activities for the consolidated fiscal year amounted to ¥1.16 billion. This result was mainly due to cash inflow from unsecured corporate bond issuances in the amount of ¥29.85 billion, offset by repayments of loans in the amount of ¥27.83 billion.

	FYE March 2009	FYE March 2010	FYE March 2011	FYE March 2012	FYE March 2013
Net worth ratio	54.1%	53.1%	53.7%	45.4%	46.9%
Net worth ratio based on market value	28.7%	40.8%	33.9%	29.2%	29.9%
Interest-bearing debt to cash flow ratio	0.9 years	0.8 years	2.5 years	15.6 years	5.3 years
Interest coverage ratio	36.0	44.7	19.5	8.9	17.7

(Notes) Net worth ratio: Equity capital/total assets
Net worth 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

* Indicators are calculated based on consolidated figures.
* 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).
* Operating cash flow is net cash provided by operating activities as shown in the consolidated statements of cash flows. Interest-bearing debt is all liabilities for which interest is payable as presented in the consolidated balance sheets. 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 Ended March 2013 and March 2014

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

The Nagase Group declared a year-end dividend of ¥13 per share based on this policy, resulting in a scheduled full-year cash dividend of ¥26 per share.

We forecast a full-year dividend of ¥28 per share for the next fiscal year, consisting of a ¥14 per share interim dividend and a ¥14 per share year-end dividend.

(4) 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, Automotive & Energy, Life & Healthcare, and Other. 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.

a. 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, Automotive & 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.

b. Product Market Conditions

The Nagase Group relies heavily on petrochemicals manufactured from naphtha in our Functional Materials, Advanced Materials & Processing, and Automotive & 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. 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 lined.

c. 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.

d. Impact of Fluctuations in Interest Rates

The Nagase Group obtains funds for operating and financing 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.

e. Risks Involved in Operating Overseas

A significant and increasing percentage of Nagase Group sales and manufacturing are conducted overseas in locations such as China, Southeast Asia, Europe, and the United States. While 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 a significant impact on Group business performance and financial conditions.

f. 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.

g. 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 and collateral 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 a significant impact on the Group's earnings and financial condition.

h. Risk of Investments

The Nagase Group business is based on brokered transactions. At the same time, the Group continues to look for new high-value business opportunities. Accordingly, we support the Nagase R&D Center and domestic manufacturing subsidiaries in their pursuit of new business through proactive investment and strategic mergers and acquisitions, using advanced technologies and information-gathering capabilities as leverage.

As a result of pursuing new business, the Group will be exposed to greater risk than were we to follow a conventional brokered business model. The book value of business assets and intangible fixed assets (goodwill, etc.) when acquiring other companies becomes an important management topic. If future cash flows from new businesses underperform projections, and the Group records correlating impairment losses, such losses may have a significant impact on Group earnings and financial condition.

i. Product Quality Risk

The Nagase Group operates the Nagase R&D Center and domestic 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 products that we handle as an importer, and accordingly treat 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 a significant impact on Group earnings and financial conditions.

j. Risks of Handling Various Chemicals

The Nagase Group imports and exports a variety of chemicals in the performance of our main business lines. To maintain international peace and safety, the chemicals we export are subject to different laws, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order. Imports are subject to the Chemical Substances Control Law and other related statutes. To ensure compliance, the Group has established the Security Trade Control Committee and the Item Compliance Committee. While these committees are charged with assuring compliance to both Japanese law and the various chemical control regulations of China, Southeast Asia, Europe, the United States and other regions, violation of such laws and statutes could result in restrictions on Group business activities, having a significant impact on Group earnings and financial condition.

k. 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.

2. Management Policies

(1) Basic Management Policy

<Management Philosophy>

The Nagase Group is a member of the world society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services needed while improving the welfare of our employees.

Consistent with this management philosophy, we believe our most important goal is to contribute to society, including efforts to maintain good and fair business practices, while ensuring continued growth and development.

Guided by our Group slogan to be a "technology- and intelligence-oriented company that turns wisdom into business," we strive to become a unique company that combines the functions of a trading company with that of manufacturing, taking advantage of technologies and wisdom, tempered by experience. We will continue to create stronger functions and offer better business solutions as we become our customers' partner of choice in business.

(2) Management Objectives and Medium-Term Strategies

Based on this management philosophy, we created the following objectives and strategies as we work toward our vision for the future.

- Allow stakeholders to realize their dreams and ideals through our business
- Continue to grow and increase value, using our strengths in technology
- Anticipate changes in the market structure and environment, growing together with our customers as we offer unique solutions
- Contribute to making a better society and global environment

The Nagase Group believes that we must further accelerate the organizational and operational changes we pursued to date under our *"CHANGE" 11* medium-term business plan. This is the only way that we can reach our vision for Nagase in a business environment where structural and qualitative changes are happening faster every day. Based on the recognition, the Company launched our Change-S2014 three-year medium-term business plan in April 2012 and we have positioned the business plan as to promote Acceleration of Change.

Under Change-S2014, our basic strategic goals are to accelerate the improving quality of our business and operations (Speed up), to bring e total strength of the Nagase Group to bear throughout the value chain in our strategic markets (Step up), and to expand our unique solutions globally, creating sustained growth (Sustainable growth). Executing on these basic strategies, the Company reorganized four business segments away from product categories, reflecting the respective positions of each business in the value chain, as well as with the most closely aligned industries. This realignment has resulted in 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 Company is working to accelerate "*CHANGE*", guided by a goal to promote globalization and create high-value-added businesses. We plan to take maximum advantage of our Group strengths, improving existing businesses and creating new ones in the Bio, Environment and Energy, and Electronics fields. We will combine segment functions with our Group-wide foundation of technologies as one means to put our comprehensive capabilities to best use.

Another task for the Group is to improve our management foundation in order to respond to the changing external environment and evolution of the Group's business structure.

We have set performance indicators to achieve in the final year (fiscal year ending in March, 2015) of our Change-S2014 plan: Consolidated net sales of ¥800 billion, consolidated operating profits of ¥30 billion and a return on equity of 8.0%. We will also be investing ¥40 billion in certain areas over the three years of this plan to achieve qualitative change in our operations and to grow our business.

(3) Issues to be Addressed by the Company

We began executing on our new Change-S2014 three-year plan in April 2012. Under this plan, we have defined Group-wide initiatives to address issues of creating stronger capabilities in core businesses and a stronger management foundation, based on the strategies outlined above.

[Stronger Capabilities in Core Businesses]

a. Fields Utilizing Bioscience Technologies

Working from the Hayashibara business, we will create a quicker feedback loop from the market through the integration of the Nagase Group research and development and sales functions. Our goal is to create highly original bio-related products, expanding sales of the same throughout the world, which will lead to stronger competitive position and higher growth in the medical, food, health and beauty markets within our Life & Healthcare business.

We have also identified potential applications of bio-related technologies for general commercial use and uses in long-term renewable resources.

The Company experienced strong sales of core Hayashibara products in the food industry, as well as the development and launch of new products. We have also worked to build a more robust sales structure overseas for Hayashibara products and to revise our sales agent policies. Local entities have started their own marketing and sales activities, which has been factor in accelerating our global growth.

One area of bio-related technologies we are working on relates to the development of bio-derived chemicals that do not rely on petroleum resources. We have been working together with Kobe University and other labs in a next-generation agri-industrial bio production project. This project was adopted by the Ministry of Education, Culture, Sports, Science and Technology as a continuing program to run through fiscal 2018. The Nagase R&D Center leads this program in promoting biotechnology research and development activities.

b. Fields Utilizing Environment/Energy-Related Technologies

The Nagase Group is creating a new business model anticipating global technological innovations in green energy, bringing our entire force to bear in businesses focused on friendly manufacturing (using electricity generated from PV, wind power, and other renewable sources), smart grids, and energy conservation systems, as well as next-generation automobiles that make smart use of resources.

We are also advancing research into reducing the environmental burden of business, such as chemical recycling and creating lighter components for automobiles.

The start of the feed-in tariff scheme for renewable energy this fiscal year was a factor in strong solar power system sales by the Company.

The Group's Captex subsidiary manufactures and sells rechargeable battery systems equipped with lithium-ion rechargeable batteries. The company's factory began full-scale production at its plant in Okazaki (Aichi Prefecture) in April 2012; however, the market became much more competitive due to new entrants, lower costs, and other factors. The company plans to introduce a smaller model in June 2013, as well as speed new development based on in-house technologies.

c. Fields Utilizing Electronics-Related Technologies

The electronics field is one of rapid technological innovation and structural change. Here, our goal is to expand our business by offering highly innovative technologies, products, and services that meet the needs of our customers.

To accelerate the pace of growth in the global market, we will create more nimble manufacturing and development capabilities overseas.

During the period, the Group saw strong performance in sales for smartphone and tablet components, thanks in part to global proposal/procurement strategies and products tailored to the needs of our customers in the market.

The Group's U.S. Engineered Materials Systems Inc. arm, acquired in January 2012, recorded strong sales of conductive materials used on electronics components for tablets, contributing to Group profits for the fiscal year.

In China, Nagase ChemteX (Wuxi) Corp. committed to building a research and development facility for expanding the company's ability to offer product functions meeting the needs of the local market. The facility is expected to come online sometime during fiscal 2013.

[Stronger Management Foundation]

Where the Japanese market has slowed compared to the growing markets in emerging countries, the Nagase Group has chosen to focus expanding business in emerging and other international markets, establishing high-value-added businesses using our manufacturing and processing functions. Through investments in manufacturing, we have increased Group-wide manufacturing and processing bases in Japan and around the world, changing the fundamental shape of internal risk in the Group's manufacturing businesses.

To respond to these internal and external changes, we are engaged in creating a stronger consolidated management structure, building more mature risk management policies, and developing higher-caliber human resources.

With respect to stronger consolidated management structure, we continue build a more efficient Group management structure, encourage personnel interchange within the Group, and improve our IT infrastructure. To ensure a sound financial foundation, we are working to balance liabilities and equity at prudent levels, while keeping an eye open for any changes in our credit rating. At the same time, we are improving our ability to forecast present and future operating cash flows to balance investment (risk assets) and operating cash flows properly. From a perspective of efficient asset utilization, we are replacing older assets with newer, more profitable assets.

In terms of risk management, we are in the process of putting stronger systems into place for internal controls, risk management, and transaction risk control (as a manufacturer) across the Group's companies.

We are also in the process of establishing a stronger Group management foundation through hiring, training, and utilizing a talented workforce that can respond to the diverse demands of our businesses.

During the period, the Company secured funds through long-term debt and corporate bonds to acquire Hayashibara without damaging the Company's credit rating. Nagase also sold off idle assets, investment securities, and other assets to replace less-effective assets.

The Company established Investment Guidelines to clarify corporate investment standards and speed the decision-making process. At the same time, the Company improved its monitoring of investment performance.

As one way to practice stronger risk management, Nagase started a system for visualizing and reducing risks. This new system should provide the Company with improved transaction risk management from the standpoint of a manufacturer.

In terms of human resources development, Nagase is actively promoting a program of staff sharing among related firms, affiliates, and local overseas entities, while also improving existing Group-wide staff programs.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2012)	Current Consolidated Fiscal Year (March 31, 2013)
ASSETS		
Current assets		
Cash and time deposits	29,184	46,693
Notes and accounts receivable	197,702	196,001
Merchandise and finished goods	41,087	47,104
Work in process	1,292	1,554
Raw materials and supplies	2,879	3,204
Deferred tax assets	4,067	4,282
Other	7,299	7,967
Less allowance for doubtful accounts	(1,235)	(1,057)
Total current assets	282,280	305,751
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,398	50,057
Accumulated depreciation	(24,445)	(26,156)
Buildings and structures (net)	20,952	23,900
Machinery, equipment and vehicles	51,992	57,047
Accumulated depreciation	(42,856)	(45,688)
Machinery, equipment and vehicles (net)	9,136	11,358
Land	18,523	19,441
Others	24,282	22,676
Accumulated depreciation	(16,168)	(16,409)
Other (net)	8,114	6,266
Total property, plant and equipment	56,727	60,967
Intangible fixed assets		
Goodwill	32,079	30,726
Technology-based assets	21,669	20,093
Other	3,705	4,475
Total intangible fixed assets	57,454	55,295
Investments and other assets		
Investments in securities	49,014	56,870
Long-term loan receivable	1,122	837
Deferred tax assets	896	2,249
Other	3,612	5,067
Less allowance for doubtful accounts	(266)	(289)
Total investments and other assets	54,379	64,734
Total non-current assets	168,561	180,996
Total assets	450,842	486,747

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2012)	Current Consolidated Fiscal Year (March 31, 2013)
LIABILITIES		
Current liabilities		
Notes and accounts payable	109,163	107,941
Short-term loans	38,633	25,061
Current portion of long-term debt	11,551	10,408
Accrued income taxes	3,170	2,947
Deferred tax liabilities	50	21
Provision for bonuses	3,632	3,968
Provision for officer bonuses	198	219
Other	15,290	15,244
Total current liabilities	181,689	165,812
Long-term liabilities		
Bonds	–	30,000
Long-term debt	38,200	32,614
Deferred tax liabilities	7,251	9,251
Accrued retirement benefits for employees	10,032	10,283
Other	922	980
Total long-term liabilities	56,407	83,129
Total liabilities	238,097	248,941
Net assets		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,041	10,041
Retained earnings	186,907	199,160
Less treasury stock, at cost	(5,460)	(7,109)
Total shareholders' equity	201,188	211,792
Accumulated other comprehensive income (loss)		
Unrealized holding gain on securities	12,731	17,943
Deferred (loss) gain on hedges	(21)	(6)
Translation adjustments	(9,191)	(1,223)
Total accumulated other comprehensive income	3,518	16,712
Stock acquisition rights	110	50
Minority interests	7,927	9,250
Total net assets	212,744	237,806
Total liabilities and net assets	450,842	486,747

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

(Consolidated Statements of Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)	Current Consolidated Fiscal Year (April 1, 2012 - March 31, 2013)
Net sales	631,854	666,272
Cost of sales	560,226	583,689
Gross profit	71,628	82,583
Selling, general and administrative expenses		
Selling expenses	8,768	10,013
Employee salaries	18,233	19,637
Provision for accrued bonuses for employees	2,156	2,530
Provision for accrued bonuses for directors	198	225
Depreciation and amortization	3,056	3,971
Retirement benefit expenses	1,837	1,992
Provision for retirement benefits for directors	57	51
Allowance for doubtful accounts	433	(36)
Amortization of goodwill	151	1,612
Other	23,309	27,005
Total selling, general and administrative expenses	58,200	67,004
Operating profit	13,427	15,578
Non-operating income		
Interest income	268	203
Divided income	1,018	1,212
Rent income	260	292
Investment profit on equity method	368	933
Foreign exchange gain	694	548
Other	874	630
Non-operating income, total	3,485	3,822
Non-operating expenses		
Interest expenses	692	1,099
Other	529	373
Non-operating expenses, total	1,221	1,472
Ordinary income	15,690	17,927
Extraordinary gains		
Gain on sale of non-current assets	16	3,358
Gain on sale of investment securities	1,759	801
Other	129	305
Total extraordinary gains	1,905	4,464

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)	Current Consolidated Fiscal Year (April 1, 2012 - March 31, 2013)
Extraordinary losses		
Loss on sale of non-current assets	5	98
Loss on disposal of non-current assets	172	196
Impairment loss	455	1,896
Loss on sale of investments securities	5	0
Loss on valuation of investments securities	383	45
Other	36	695
Total extraordinary losses	1,058	2,934
Net income before income taxes	16,536	19,458
Income taxes	6,980	6,417
Deferred taxes	118	(2,004)
Total income taxes	7,098	4,413
Net income before minority interests	9,438	15,044
Minority interests	867	862
Net income	8,570	14,182

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)	Current Consolidated Fiscal Year (April 1, 2012 - March 31, 2013)
Net income before minority interests	9,438	15,044
Other comprehensive income		
Unrealized holding gain on securities	(456)	5,212
Deferred (loss) gain on hedges	(13)	15
Translation adjustments	(1,626)	6,181
Share of other comprehensive income of associates accounted for using equity method	(58)	768
Total other comprehensive income	(2,155)	12,178
Comprehensive income	7,282	27,222
Comprehensive income attributable to		
Comprehensive income, parent company	6,518	25,674
Comprehensive income, minority interests	764	1,548

(3) Consolidated Statement of Change in Shareholders' Equity

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)	Current Consolidated Fiscal Year (April 1, 2012 - March 31, 2013)
Shareholders' equity		
Common stock		
Balance, beginning of period	9,699	9,699
Changes		
Total changes	—	—
Balance, end of period	9,699	9,699
Capital surplus		
Balance, beginning of period	10,041	10,041
Changes		
Disposal of less treasury stock	0	0
Total changes	0	0
Balance, end of period	10,041	10,041
Retained earnings		
Balance, beginning of period	181,665	186,907
Changes		
Cash dividends	(3,212)	(3,189)
Net Income	8,570	14,182
Changes in scope of consolidation	(118)	(66)
Changes in scope of equity affiliates	3	717
Changes accompanying changes in fiscal years of consolidated subsidiaries	–	609
Total changes	5,241	12,253
Balance, end of period	186,907	199,160
Treasury stock		
Balance, beginning of period	(5,460)	(5,460)
Changes		
Purchases of treasury stock	(0)	(1,649)
Disposal of treasury stock	0	0
Total changes	(0)	(1,649)
Balance, end of period	(5,460)	(7,109)
Total shareholders' equity		
Balance, beginning of period	195,946	201,188
Changes		
Cash dividends	(3,212)	(3,189)
Net income	8,570	14,182
Purchases of treasury stock	(0)	(1,649)
Disposal of treasury stock	0	0
Changes in scope of consolidation	(118)	(66)
Changes in scope of equity affiliates	3	717
Changes accompanying changes in fiscal years of consolidated subsidiaries	–	609
Total changes	5,242	10,604

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)	Current Consolidated Fiscal Year (April 1, 2012 - March 31, 2013)
Balance, end of period	201,188	211,792
Accumulated other comprehensive income (loss)		
Unrealized holding gain on securities		
Balance, beginning of period	13,188	12,731
Changes		
Changes other than shareholders' equity accounts (net)	(457)	5,211
Total changes	(457)	5,211
Balance, end of period	12,731	17,943
Deferred (loss) gain on hedges		
Balance, beginning of period	(8)	(21)
Changes		
Changes other than shareholders' equity accounts (net)	(13)	15
Total changes	(13)	15
Balance, end of period	(21)	(6)
Translation adjustments		
Balance, beginning of period	(7,610)	(9,191)
Changes		
Changes other than shareholders' equity accounts (net)	(1,580)	7,967
Total changes	(1,580)	7,967
Balance, end of period	(9,191)	(1,223)
Total accumulated other comprehensive income		
Balance, beginning of period	5,570	3,518
Changes		
Changes other than shareholders' equity accounts (net)	(2,051)	13,194
Total changes	(2,051)	13,194
Balance, end of period	3,518	16,712
Stock acquisition rights		
Balance, beginning of period	235	110
Changes		
Changes other than shareholders' equity accounts (net)	(124)	(60)
Total change	(124)	(60)
Balance, end of period	110	50
Minority interests		
Balance, beginning of period	7,564	7,927
Changes		
Changes other than shareholders' equity accounts (net)	363	1,322
Total changes	363	1,322
Balance, end of period	7,927	9,250

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)	Current Consolidated Fiscal Year (April 1, 2012 - March 31, 2013)
Total net assets		
Balance, beginning of period	209,316	212,744
Changes		
Dividends of surplus	(3,212)	(3,189)
Net income	8,570	14,182
Purchases of treasury stock	(0)	(1,649)
Disposal of treasury stock	0	0
Changes in scope of consolidation	(118)	(66)
Changes in scope of equity affiliates	3	717
Changes accompanying changes in fiscal years of consolidated subsidiaries	–	609
Changes other than shareholders' equity accounts (net)	(1,813)	14,457
Total changes	3,428	25,061
Balance, end of period	212,744	237,806

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)	Current Consolidated Fiscal Year (April 1, 2012 - March 31, 2013)
Cash flows from operating activities		
Net income before income taxes	16,536	19,458
Depreciation and amortization	7,272	7,445
Amortization of goodwill	151	1,612
Impairment loss	455	1,896
Provision for retirement benefits for employees (decrease)	974	205
Interest income and dividend income	(1,286)	(1,416)
Interest expenses	692	1,099
Foreign exchange loss (gain)	(9)	(1,032)
Loss (gain) on sale of non-current assets	(11)	(3,259)
Loss (gain) on sale of investments securities	(1,753)	(800)
Loss (gain) on valuation of investments securities	383	45
(Increase) decrease in notes and accounts receivable	(10,120)	10,357
(Increase) decrease in inventories	(7,417)	(1,490)
Increase (decrease) in notes and accounts payable	6,712	(8,771)
Other	111	(1,061)
Sub total	12,689	24,289
Interest and dividends received	1,467	1,724
Interest paid	(637)	(1,050)
Taxes paid	(7,829)	(6,387)
Cash flows from operating activities	5,690	18,576
Cash flows from investing activities		
Purchases of property, plant and equipment	(11,215)	(10,551)
Cash from sales of property, plant and equipment	46	3,235
Payment for acquisition of intangible fixed assets	(1,420)	(1,709)
Purchases of investment securities	(914)	(214)
Cash from sale of investment securities	2,151	1,200
Cash paid for equity investments	(686)	(646)
Payment for acquisitions	(67,774)	–
Proceeds from sales of shares of consolidated subsidiaries accompanying changes of scope of consolidation	537	–
Change in short-term loans (increase)	(175)	(380)
Other	(1,615)	(464)
Cash flows from investing activities	(81,066)	(9,529)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)	Current Consolidated Fiscal Year (April 1, 2012 - March 31, 2013)
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	22,976	(16,273)
Proceeds from long-term loans	39,257	4,665
Repayment of long-term debt	(1,527)	(11,564)
Proceeds from issuance of bond	–	29,855
Purchase of treasury stock	0	(1,649)
Cash dividends paid	(3,212)	(3,189)
Cash dividends paid to minority shareholders	(401)	(540)
Other	(130)	(139)
Cash flows from financing activities	56,961	1,164
Effects of exchange rate changes on cash and cash equivalents	(434)	2,451
Net increase (decrease) in cash and cash equivalents	(18,849)	12,662
Cash and cash equivalents at beginning of the year	47,202	28,517
Increase in cash and cash equivalents accompanying consolidation	165	915
Increase (decrease) in cash and cash equivalents accompanying changes in fiscal years of consolidated subsidiaries	–	3,721
Cash and cash equivalents, at end of the period	28,517	45,816

(5) Assumption for Going Concern

No matters to report.

(6) Changes in Basic Matters related to the Preparations of Consolidated Financial Statements

(Change in the Scope of Consolidation or Application of Equity Method Accounting)

1)	Number of consolidated subsidiaries	61
	(New)	6

Beginning with the consolidated fiscal year under review, the Company has included Nagase Tool Matex Co., Ltd. and five other companies into its consolidation. This policy change has been made to allow the Company to more accurately understand Group performance, to allow for timelier implementation of management policies, and to provide more appropriate information disclosure.

2)	Number of affiliates accounted under the equity method	21
	(New)	11

Beginning with the consolidated fiscal year under review, the Company has included OnFine Co., Ltd. and 10 other entities as equity method affiliates. This policy change has been made to allow the Company to more accurately understand Group performance, to allow for timelier implementation of management policies, and to provide more appropriate information disclosure.

Nagase Colors & Chemicals Co., Ltd., an equity method affiliate, merged with and absorbed equity method affiliate ON Co-Labo Corporation on April 1, 2012. The resulting entity has been called Nagase-OG Colors & Chemicals Co., Ltd..

(Changes in Matters related to Subsidiary Fiscal Year Ends)

Beginning with the consolidated fiscal year under review, the Company changed the December fiscal year ends of 22 subsidiaries (February fiscal year end for TOTAKU INDUSTRIES, INC.) to match that of the parent company. This policy change has been made to allow the Company to more accurately understand Group performance, to allow for timelier implementation of management policies, and to provide more appropriate information disclosure. For the 10 overseas consolidated subsidiaries and three equity method affiliates required to have December fiscal year ends according to local statutes, the Company had been making adjustments necessary for Group consolidation, taking into account major transactions occurring before the parent company fiscal year-end. The Company has now adopted a consolidation method to produce financial statements via provisional account settlements as of the consolidation date.

The Company recorded income statement results between January 1, 2012 (March 1, 2012 for TOTAKU INDUSTRIES, INC.) and March 31, 2012 associated with these changes as increases in retained earnings. Changes in cash and cash equivalents are presented in “Increase (decrease) in cash and cash equivalents accompanying changes in fiscal years of consolidated subsidiaries.”

(Changes in Accounting Policies which are Difficult to Distinguish from Changes in Accounting Estimates)

Changes in Depreciation Method for Property, Plant and Equipment

Effective April 1, 2012, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment, except for buildings acquired on or subsequent to April 1, 1998, to the straight-line method. Previously, the declining-balance method had been principally applied by the Company and its domestic consolidated subsidiaries, and the straight-line method had been applied principally by the Company's overseas subsidiaries.

Under the “CHANGE” 11 medium-term business plan (from the year ended March 31, 2010 to the year ended March 31, 2012), the Company and its consolidated subsidiaries (collectively, the “Group”) had been engaged in building stronger research, development, and manufacturing functions. In addition, the current "Change-S2014" medium-term business plan (from the year ended March 31, 2013 to the year ending March 31, 2015), keeps the Group's attention focused on these same areas, while calling for significant increase in capital investment.

With increased capital investment, greater investment in group manufacturing companies, and full-scale operations of manufacturing facilities from the year ended March 31, 2013, the Company has reexamined its depreciation policies for property, plant and equipment. As a result, the Company concluded that adopting the straight-line method to allocate depreciation expense evenly over the estimated useful lives of property, plant and equipment would more appropriately reflect the actual characteristics of the Group's business considering that manufacturing facilities and equipment will likely be used consistently and reliably over the estimated useful lives.

As a result of this change, depreciation expense decreased by ¥2,138 million ($22,733 thousand), operating income increased by ¥1,896 million ($20,159 thousand) and income before income taxes and minority interests increased by ¥1,918 million ($20,393 thousand) for the year ended March 31, 2013, from the corresponding amounts which would have been recorded under the previous depreciation method.

(Changes in Accounting Estimates)

Changes in Estimated Useful Lives of Property, Plant and Equipment

The Company and certain consolidated subsidiaries have changed the estimated useful lives of certain items of property, plant and equipment beginning with the consolidated fiscal year under review.

In conjunction with these changes, depreciation and amortization for the consolidated fiscal year is ¥90 million greater than calculations using prior estimates of useful lives. Operating profit, ordinary income, and net income before income taxes were each comparatively lower by ¥88 million.

(7) Notes related to Consolidated Financial Statements

(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.

Beginning April 2012, the Company has been executing on the "Change-S2014" three-year business plan. To accomplish the goals set out in this plan, beginning with the consolidated fiscal year under review, the Company reorganized four business segments (Chemicals, Plastics, Electronics, and Life Sciences) away from product categories into segments to more fully concentrate the strengths of our entire group, reflecting the respective positions of each business in the value chain, as well as with the most closely aligned industries. This realignment has resulted in 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). Reportable segments have also been reclassified to reflect this change.

Segment information for the prior consolidated fiscal year has been prepared under this new classification method.

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, plastic materials, plastic adhesives, industrial oil solutions, surfactants, fluorochemicals, encapsulment materials, silicone materials, precision electronics abrasives, and more for the paints/inks, resins, urethane foam, organic synthesis, surfactants, semiconductor, and HDD-related industries.

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

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

The Automotive & Energy segment is engaged in sales of plastic products, thermoplastic resins, thermosetting resins, resins molding tools/dies, battery materials, solar cell/secondary battery-related 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, and feeds/fertilizers for the pharmaceutical, food, and cosmetics industries. 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

Profit in reportable segments is defined as operating profit. 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, 2011 to March 31, 2012)

(Millions of yen)

	Reportable Segments						Other (Notes) 1	Total	Corporate (Notes) 2	Adjustments (Notes) 3	To Consolidated Financial Statements (Notes) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net Sales											
Sales to Customers	177,126	217,929	110,495	76,113	49,170	630,835	1,018	631,854	–	–	631,854
Intersegment Sales/Transfers	5,449	2,224	710	1,967	629	10,982	5,369	16,352	–	(16,352)	–
Total	182,576	220,154	111,206	78,080	49,800	641,818	6,388	648,207	–	(16,352)	631,854
Segment Profit (Loss)	6,285	2,979	6,019	936	706	16,927	141	17,068	(4,477)	835	13,427
Segment Assets	81,267	105,771	52,834	34,795	102,317	376,985	6,702	383,688	95,917	(28,763)	450,842
Other											
Depreciation and amortization	599	693	1,927	530	813	4,564	343	4,908	2,363	–	7,272
Amortization of Goodwill	1	–	23	–	126	151	–	151	–	–	151
Goodwill	–	–	1,884	–	30,195	32,079	–	32,079	–	–	32,079
Investments in Equity Affiliates	367	233	103	726	1,598	3,028	1,725	4,753	–	–	4,753
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	1,107	225	4,079	1,515	1,438	8,366	78	8,445	4,736	–	13,182

(Notes)

1. Other is a business segment consisting of businesses not included in reportable segments, and includes distribution services, information processing services, and professional services.
2. Corporate segment income represents expenses not allocated to reportable segments or Other.
3. Adjustments are eliminations of intersegment transactions.
4. The sum of segment profit(loss) totals, Corporate and Adjustments is equivalent to operating profit as presented in the consolidated statements of income.

Current Consolidated Fiscal Year (April 1, 2012 to March 31, 2013)

(Millions of yen)

	Reportable Segments						Other (Notes) 1	Total	Corporate (Notes) 2	Adjustments (Notes) 3	To Consolidated Financial Statements (Notes) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net Sales											
Sales to Customers	180,025	214,546	116,105	83,068	71,685	665,431	841	666,272	–	–	666,272
Intersegment Sales/Transfers	4,904	2,182	733	1,384	452	9,657	5,523	15,180	–	(15,180)	–
Total	184,929	216,728	116,838	84,453	72,138	675,088	6,364	681,453	–	(15,180)	666,272
Segment Profit (Loss)	5,428	2,386	6,297	763	3,986	18,862	265	19,127	(3,672)	123	15,578
Segment Assets	81,384	108,696	61,760	37,387	95,735	384,964	6,489	391,453	127,891	(32,597)	486,747
Other											
Depreciation and amortization	434	537	1,508	250	2,025	4,756	202	4,959	2,486	–	7,445
Amortization of Goodwill	–	–	96	–	1,516	1,612	–	1,612	–	–	1,612
Goodwill	–	–	2,046	–	28,679	30,726	–	30,726	–	–	30,726
Investments in Equity Affiliates	1,781	1,545	56	1,613	1,856	6,854	1,793	8,648	–	–	8,648
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	626	853	2,784	92	3,028	7,385	436	7,821	3,870	–	11,691

(Notes)

1. Other is a business segment consisting of businesses not included in reportable segments, and includes distribution services, information processing services, and professional services.
2. Corporate segment income represents expenses not allocated to reportable segments or Other.
3. Adjustments are eliminations of intersegment transactions.
4. The sum of segment profit(loss) total, Corporate and Adjustments is equivalent to operating profit as presented in the consolidated statements of income.
5. Beginning with the consolidated period under review, the Company and its domestic subsidiaries have changed from the declining balance method to the straight-line method for depreciating property, plant and equipment. With this change in accounting policy, segment income for the consolidated fiscal year under review is ¥218 million higher in Functional Materials, ¥215 million higher in Advanced Materials & Processing, ¥778 million higher in Electronics, ¥170 million higher in Automotive & Energy, and ¥168 million higher in Life & Healthcare, and ¥344 million increase in Corporate than under the previous method.
6. The Company and certain consolidated subsidiaries have changed the estimated useful lives of certain items of property, plant and equipment beginning with the consolidated fiscal year under review. In conjunction with these changes, segment income for the consolidated fiscal year is ¥86 million lower in Electronics and ¥2 million lower in Automotive & Energy than calculations using prior estimates of useful lives.

b. Other Information

Prior Consolidated Fiscal Year (April 1, 2011 to March 31, 2012)

1 Products and Services

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

2 Geographic Information

(1) Net sales

(Millions of yen)

Japan	China	Other	Total
366,369	122,501	142,983	631,854

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

(2) Property, Plant and Equipment

(Millions of yen)

Japan	Other	Total
53,569	3,158	56,727

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, 2012 to March 31, 2013)

1 Products and Services

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

2 Geographic Information

(1) Net Sales

(Millions of yen)

Japan	China	Other	Total
361,971	133,076	171,224	666,272

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

(2) Property, Plant and Equipment

(Millions of yen)

Japan	Other	Total
54,619	6,347	60,967

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, 2011 to March 31, 2012)

(Millions of yen)

	Reportable Segments						Other	Corporate/ Elimination	Total
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total			
Impairment loss	–	–	319	–	54	373	82	–	455

(Notes) Electronics reflects the write-down to recoverable book value of commercial assets in association with the Company's withdrawal from LCD panel component processing operations in China.
Life & Healthcare reflects the write-down to recoverable book value for idle assets with significantly reduced market value.
Other reflects the write-down to recoverable book value for commercial assets in association with the Company's partial withdrawal of parking lot businesses operated by subsidiaries.

Current Consolidated Fiscal Year (April 1, 2012 to March 31, 2013)

(Millions of yen)

	Reportable Segments						Other	Corporate/ Elimination	Total
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total			
Impairment loss	–	1,359	326	–	211	1,896	–	–	1,896

(Notes) Advanced Materials & Processing reflects the write-down to recoverable book value for manufacturing assets associated with the decreasing profitability of plastics resin & material processing businesses and withdrawal from the business of manufacturing resin plastic tray products for transport use in China.
Electronics reflects the write-down to recoverable book value of commercial assets associated with the withdrawal from the business for semiconductor wafer plating and the withdrawal from the business for optical film processing for LCD displays in China.
Life & Healthcare reflects the write-down to recoverable book value of commercial assets associated with the increasingly unprofitable pharmaceutical intermediates manufacturing business. This number also reflects the write-down to recoverable book value for idle assets with significantly reduced market value.

(Per-Share Data)

Prior Consolidated Fiscal Year (April 1, 2011 to March 31, 2012)		Current Consolidated Fiscal Year (April 1, 2012 to March 31, 2013)	
Net Assets per Share	¥1,592.87	Net Assets per Share	¥1,803.31
Earnings per Share	¥66.69	Earnings per Share	¥111.31
Diluted earnings per share not presented, as the Company does not issue any stock with dilutive effects.		Diluted earnings per share not presented, as the Company does not issue any stock with dilutive effects.	

(Note) Basis for calculations

Earnings per share and diluted earnings per share

Item	Prior Consolidated Fiscal Year (April 1, 2011 to March 31, 2012)	Current Consolidated Fiscal Year (April 1, 2012 to March 31, 2013)
Net Income from consolidated statements of income (millions of yen)	8,570	14,182
Net income related to common stock (millions of yen)	8,570	14,182
Average number of outstanding shares of common stock (shares)	128,514,527	127,406,786
Major reason for increase in number of common shares used to calculate diluted earnings per share (shares) Stock acquisition rights	–	–
Dilutive stock not included in calculation of diluted earnings per share (no dilutive effects) Number of stock acquisition rights (units)	826	409

(Significant Subsequent Events)

No matters to report.

4. Other

Year ended March 31, 2013 Financial Highlights (Consolidated)

[Sales in overseas markets]

(Millions of yen)

Item	Current Consolidated Fiscal Year		Prior Consolidated Fiscal Year		Change
	Amount	Overseas Sales/ Consolidated Sales (%)	Amount	Overseas Sales/ Consolidated Sales (%)	
Overseas Sales	304,301	45.7	265,484	42.0	38,816
Northeast Asia	175,965	26.4	155,692	24.6	20,272
Southeast Asia	85,881	12.9	72,882	11.5	12,998
North America	25,423	3.8	21,236	3.4	4,186
Europe & Other	17,031	2.6	15,673	2.5	1,358

(Notes)

1. Sales in overseas markets consist of net sales of the Company and consolidated subsidiaries in other countries or regions.
2. Major countries in each region
   (1) Northeast Asia················Taiwan, China
   (2) Southeast Asia················Singapore, Thailand
   (3) North America ················U.S.
   (4) Europe & Others ············Germany

[Income (Loss)]

(Millions of yen)

Item	Current Consolidated Fiscal Year	Prior Consolidated Fiscal Year	Change / Change (%)
Net sales	666,272	631,854	34,418
			5.4%
Functional Materials	180,025	177,126	2,899
Advanced Materials & Processing	214,546	217,929	(3,383)
Electronics	116,105	110,495	5,609
Automotive & Energy	83,068	76,113	6,954
Life & Healthcare	71,685	49,170	22,515
Other	841	1,018	(177)
Gross profit	82,583	71,628	10,955
(Profit Ratio)	(12.4%)	(11.3%)	15.3%
Selling, general and administrative expenses	67,004	58,200	8,804
Selling expense	10,013	8,768	1,245
Payroll	28,720	26,364	2,355
Depreciation and amortization	3,971	3,058	913
Amortization of goodwill	1,612	149	1,463
Other	22,686	19,859	2,826
Operating profit	15,578	13,427	2,151
			16.0%
Financial Profit	316	594	(277)
Interest income	203	268	(64)
Divided income	1,212	1,018	194
Interest expenses	1,099	692	407
Other non-operating profit (Loss)	2,032	1,669	363
Ordinary income	17,927	15,690	2,237
			14.3%
Extraordinary gains	4,464	1,905	2,558
Extraordinary losses	2,934	1,058	1,875
Total income taxes	4,413	7,098	(2,685)
Minority interests	862	867	(5)
Net income	14,182	8,570	5,612
			65.5%

Overview

[Net sales]

Functional Materials:	Sales declined in Japan and Northeast Asia; however, Southeast Asia experienced sales growth. The performance chemical business grew, while the specialty chemicals business recorded a decline in sales.
Advanced Materials & Processing:	The office automation and customer electronics business saw higher sales of synthetic resins and increasing exports of molding tools to Asia. Business related to dyes/additives and information printing materials business saw lower year-on-year sales.
Electronics:	The electronic materials business experienced lower performance of liquid crystal films and LED-related components. In contrast, sales of touch panel products experienced year-on-year growth. In the electronic chemicals business, the Company saw strong performance in formulated epoxy resins, but lower sales in chemicals used in the manufacturer of semiconductors and LCD panels.
Automotive & Energy:	Domestic, North American, and Asian sales exhibited strength during the fiscal year.
Life & Healthcare:	Net sales of functional saccharides business gained by a wide margin due to the addition of Hayashibara to the Group's consolidated earnings. Net sales of beauty care products business fell year-on-year, as new products introduced during the prior fiscal year underperformed.

[Gross profit]

Higher profits in Life & Healthcare, Automotive & Energy, and Electronics segments. Lower profits in Functional Materials and Advanced Materials & Processing segments.

[Selling, general and administrative expenses]

• Selling expense (+1,245):	Higher selling expense with the consolidation of Hayashibara
• Payroll (+2,355):	Increased employee bonuses (+1,787); mainly due to the consolidation of Hayashibara
• Depreciation and amortization (+913):	Additional 1,576 in depreciation of technological assets with the acquisition of Hayashibara; -769 due to change in depreciation method for tangible fixed assets.
• Amortization of goodwill (+1,463):	Additional amortization (+1,516) related to goodwill in Hayashibara acquisition

[Operating profit]

Higher profits in Life & Healthcare, Functional Materials, and Automotive & Energy segments. Lower profits in Electronics and Advanced Materials & Processing segments.

[Extraordinary gains]

• 3,358 in gains on disposal of fixed assets: mainly simple land sales of 3,161

[Extraordinary losses]

• Gain on disposal of fixed assets 3,358: mainly simple land sales of 3,161

[Assets, Liabilities]

(Millions of yen)

Item	Current Consolidated Fiscal Year	Prior Consolidated Fiscal Year	Change
Current assets	305,751	282,280	23,470
Non-current assets	180,996	168,561	12,435
PP&E/intangible Fixed Assets	116,262	114,182	2,080
Investments and other assets	64,734	54,379	10,354
Total assets	486,747	450,842	35,905
Current liabilities	165,812	181,689	(15,877)
Short-term loans	25,061	38,633	(13,572)
Current portion of long-term debt	10,408	11,551	(1,142)
Other	130,342	131,505	(1,162)
Long-term liabilities	83,129	56,407	26,721
Bonds	30,000	–	30,000
Long-term debt	32,614	38,200	(5,586)
Other	20,515	18,206	2,308
Total liabilities	248,941	238,097	10,844
Interest-bearing debt	98,425	88,710	9,714
Shareholders' equity	211,792	201,188	10,604
Accumulated other comprehensive income (loss)	16,712	3,518	13,194
Stock acquisition rights	50	110	(60)
Minority interests	9,250	7,927	1,322
Total net assets	237,806	212,744	25,061
Net worth ratio	46.9%	45.4%	

Overview

[Current assets]

Increase in cash and deposits (+17,508) and inventories (+6,603); decrease in notes and accounts receivable (-1,701)

[Non-current assets]

• Increase in tangible fixed assets (+4,239) and buildings (+2,947)
• Decrease in intangible fixed assets (-2,158): mainly from goodwill (-1,353) and depreciation of technological assets (-1,575)

[Current liabilities]

• Short-term loans: decrease due to refinancing through corporate bonds (-20,000)

[Long-term liabilities]

• Corporate bonds: Issuance of unsecured corporate bonds (+30,000)

[Net assets]

• Shareholders' equity: Higher retained earnings due to net income gains (+14,182)
• Accumulated other comprehensive income: Increased due to foreign currency translation adjustments (+7,967)
• Increase in valuation differences in available-for-sale securities (+5,211)

(Note) Figures inside parentheses of explanatory text indicate comparative change

Earnings Performance and Fiscal 2014 Earnings Forecast

(Millions of yen)

	FYE March 2010	FYE March 2011	FYE March 2012	FYE March 2013	FYE March 2014 (forecast)	Year-on-Year Change
Net Sales	603,949	660,213	631,854	666,272	764,000	114.7%
Functional Materials	–	–	177,126	180,025	181,000	
Advanced Materials & Processing	–	–	217,929	214,546	255,000	
Electronics	–	–	110,495	116,105	149,000	
Automotive & Energy	–	–	76,113	83,068	94,000	
Life & Healthcare	–	–	49,170	71,685	84,000	
Other	–	–	1,018	841	1,000	
Gross profit	65,415	73,008	71,628	82,583	93,400	113.1%
Ratio	(10.8%)	(11.1%)	(11.3%)	(12.4%)	(12.2%)	
Operating profit	13,128	18,732	13,427	15,578	19,200	123.2%
Ratio	(2.2%)	(2.8%)	(2.1%)	(2.3%)	(2.5%)	
Ordinary income	14,712	20,625	15,690	17,927	21,000	117.1%
Ratio	(2.4%)	(3.1%)	(2.5%)	(2.7%)	(2.7%)	
Net income	7,537	12,823	8,570	14,182	14,500	102.2%
Ratio	(1.2%)	(1.9%)	(1.4%)	(2.1%)	(1.9%)	
Total assets	368,088	375,336	450,842	486,747		
Equity capital	195,344	201,516	204,706	228,505		
Net worth ratio	53.1%	53.7%	45.4%	46.9%		
ROE (Equity capital/profit ratio)	4.0%	6.5%	4.2%	6.5%		
ROA (Total assets/profit ratio)	2.1%	3.4%	2.1%	3.0%		
Earnings per share ()	58.64	99.76	66.69	111.31	114.43	102.8%
Debt to cash flow ratio (x)	–	–	–	–		
Consolidated companies	59	60	66	82	88	
Consolidated subsidiaries	49	51	55	61	63	
Equity method affiliates	10	9	11	21	25	

Note 1: ROE = net income /{(equity capital, beginning of period + equity capital, end of period) / 2}
ROA = net income / {(total assets, beginning of period + total assets, end of period) / 2}
Note 2: Debt to Cash Flow Ratio = (Interest-bearing debt – cash and deposits) / equity capital

Consolidated Companies

[Ratio of Profitable to Unprofitable Companies] (Units: Companies)

Category		Current Consolidated Fiscal Year			Prior Consolidated Fiscal Year		
		Profitable Co's	Unprofitable Co's	Total	Profitable Co's	Unprofitable Co's	Total
Consolidated Subsidiaries	Japan	23	5	28	20	5	25
	Overseas	24	9	33	23	7	30
Equity Method Affiliates	Japan	7	2	9	7	2	9
	Overseas	9	3	12	2	0	2
Composition Ratio (%)		77%	23%	100%	79%	21%	100%

– Major Profitable Companies –

Category	Company Name	Main Business Lines
Domestic Consolidated Subsidiaries	Hayashibara Co., Ltd.	Development, manufacture, and sales of food raw materials, pharmaceutical raw materials, health food raw materials, and functional dyes
	Nagase ChemteX Corp.	Manufacture of epoxy resins, enzyme-processed products, commercial chemicals
Overseas Consolidated Subsidiaries	Nagase Electronics Technology Co., Ltd.	Thin-glass processing via chemical etching of LCD glass panel units
	Nagase (Hong Kong) Ltd.	Import/export, brokerage, market development, information collection
Equity Method Affiliates	Nagase Landauer, Ltd.	Radiation measurement services

– Major Unprofitable Companies –

Category	Company Name	Main Business Lines
Domestic Consolidated Subsidiaries	Setsunan Kasei Co., Ltd.	Plastics color processing, sales
	CAPTEX Co., Ltd.	Manufacture and sales of rechargeable batteries
Overseas Consolidated Subsidiaries	Nagase Precision Plastics (Shanghai) Co., Ltd.	Plastic tray molding
	Nagase International Electronics Ltd.	Management and operations of domestic/global electronics industry businesses
Equity Method Affiliates	SN Tech Corporation	Manufacture, recycling of developing chemicals

[Employees] (Unit: People)

Current Consolidated Fiscal Year				Change			
Parents	Consolidated Subsidiaries	Equity Affiliates	Total	Parents	Consolidated Subsidiaries	Equity Affiliates	Total
972	4,925	3,189	9,086	11	341	1,967	2,319

* Change indicates change versus prior consolidated fiscal year.