Consolidated Financial Statements for the Year Ended March 31, 2015
<Under Japanese GAAP>

May 8, 2015

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

NAGASE & CO., LTD. Stock exchange listing: Tokyo (First Section)
Code number: 8012 URL (http: //www.nagase.co.jp/english/)
Representative: Kenji Asakura, Representative Director and President
Contact: Akira Takami, General Manager, Accounting Division TEL: +81-3-3665-3103
Annual general meeting of stockholders (scheduled): June 24, 2015
Start of distribution of dividends (scheduled): June 25, 2015
Securities report filing (scheduled): June 25, 2015
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, 2015 (April 1, 2014 to March 31, 2015)

(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 2015	759,713	5.0	18,153	15.0	20,366	13.7	11,318	(3.0)
FYE March 2014	723,212	8.5	15,789	1.4	17,905	(0.1)	11,663	(17.8)

(Notes) Comprehensive income FYE March 2015: ¥40,453million (68.3%)
FYE March 2014: ¥24,035 million (11.7% decrease)

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/ total assets	Operating income/net sales
	Yen	Yen	%	%	%
FYE March 2015	89.10	–	4.3	3.9	2.4
FYE March 2014	91.86	–	4.9	3.6	2.2

(Reference) Equity in earnings of affiliates FYE March 2015: ¥616 million
FYE March 2014: ¥654 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 2015	546,525	287,500	51.5	2,215.18
FYE March 2014	498,141	251,892	49.5	1,942.20

(Reference) Equity capital FYE March 2015: ¥281,398 million
FYE March 2014: ¥246,723 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 2015	15,474	(7,732)	(3,205)	40,522
FYE March 2014	12,721	(14,171)	(11,833)	33,825

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 2014	–	14.00	–	14.00	28.00	3,556	30.5	1.5
FYE March 2015	–	15.00	–	15.00	30.00	3,810	33.7	1.4
FYE March 2016 (estimate)	–	16.00	–	16.00	32.00		33.6	

3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(% = year-on-year change)

	Net sales		Operating profit		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q (cumulative)	–	–	–	–	–	–	–	–	–
Full fiscal year	823,000	8.3	19,500	7.4	20,600	1.1	12,100	6.9	95.25

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

(Note) For details, see page 20, “4. Consolidated Financial Statements (5) Notes related to Consolidated Financial Statements (Changes in Accounting Policies).”

(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, 2015	127,408,285shares	March 31, 2014	138,408,285 shares

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

March 31, 2015	376,363shares	March 31, 2014	11,375,631 shares

iii. Average number of shares during the period

March 31, 2015	127,032,358shares	March 31, 2014	126,971,429 shares

*** 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**

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 9 of this document for further information.

Attachments

1 Business Performance

(1) Analysis of Business Performance

(Performance for the Fiscal Year Ended March 2015)

a. General Summary of Results

During the consolidated fiscal year under review, the Japanese economy experienced a gradual improvement, mainly due to the weakness of the Japanese yen on the global currency market. However, the country is still facing the aftereffects of increased consumer purchasing during the prior fiscal year in the period leading up to the increase in consumption tax rates. On the global stage, slower growth in the Chinese economy has made it difficult to predict the future of certain sectors and regions. Meanwhile, strength in North America and other regions has resulted in a gradual economic recovery worldwide.

In this environment, the Company recorded domestic sales for the consolidated fiscal year of ¥374.2 billion, which represented 0.3% year-on-year growth. Overseas sales amounted to ¥385.5 billion (10.1% growth). In total, the Company recorded net sales of ¥759.71 billion, representing a 5.0% year-on-year increase.

The Company recorded gross profit in the amount of ¥91.99 billion (3.4% year-on-year increase), mainly the result of strong performances in our automobile-related business and office equipment and appliance business. Operating profit amounted to ¥18.15 billion, which was an increase of 15% year on year. This result was mainly due to higher gross profit and lower retirement benefit costs, which more than offset a specific allowance for doubtful accounts recorded for certain customers of the Company's Taiwanese subsidiary. Ordinary income amounted to ¥20.36 billion (13.7% increase). The Company recorded net income of ¥11.31 billion (3.0% year-on-year decrease). This result was mainly due to the impact of lower gains on sale of investment securities and a write-down of deferred tax assets in response to fiscal 2015 tax reforms.

b. Segment Summary

The following discusses Company earnings by segment.

Beginning with the consolidated fiscal year under review, the Company has reorganized certain of its reportable segments. For presentation purposes, the Company has calculated consolidated figures and ratios for the prior consolidated fiscal year according to these reorganized classifications.

Functional Materials

The Company's Functional Materials segment recorded slightly lower net sales overall for the period. While Southeast and Northeast Asia led in overseas growth, sales domestically underperformed the prior year.

The performance chemicals business experienced slight declines in net sales. While urethane materials sales to the automotive and construction markets grew overall, sales of paints for construction and building materials were slow. Further, the Company experience sluggish sales of basic chemicals in the Middle East.

Our specialty chemicals business reported higher sales overall. While exports of raw materials and epoxy compound products for electronics materials were somewhat slow, the Company saw strength in sales to domestic metal working oil makers and encapsulant exports.

As a result, net sales for the Functional Materials segment for the consolidated fiscal year amounted to ¥168.23 billion, which was a year-on-year decrease of ¥1.73 billion (1.0% decrease). Operating profit amounted to ¥4.3 billion, a ¥20 million (0.6%) decrease compared to the prior fiscal year. This decrease was mainly due to lower profits at our domestic manufacturing businesses, which offset gains in overseas profits.

Advanced Materials & Processing

The Advanced Materials & Processing segment reported higher overall net sales for the fiscal year. Although sales were lower in the U.S. and Europe, we experienced growth in Northeast and Southeast Asia, with sales in Japan improving slightly.

The colors and imaging business recorded overall sales level with the prior fiscal year. While the dyes and additives business reported strong sales, the information printing materials business experienced weaker sales performance.

The Company’s office equipment and appliance business reported higher net sales as a whole. This result was mainly due to higher plastic materials revenues in Northeastern and Southeastern Asia, as well as slightly improved performance in our home market.

The functional films and sheets and plastic molding products business experienced strong sales of plastic materials, materials for LCD TV reflectors, and conductive polymer materials, driving performance higher overall.

As a result, the Company recorded net sales of ¥254.16 billion in the Advanced Materials & Processing Segment, representing a ¥14.94 billion (6.2%) increase year on year. Operating profit increased ¥1.09 billion (29.6%) year on year to ¥4.8 billion, due mainly to higher revenues and gross profits, as well as improved profits at the Company’s manufacturing subsidiaries.

Electronics

The Electronics segment reported higher overall revenues, driven mainly by revenue growth in Japan, Southeastern Asia, and Northeastern Asia, which offset performance decreases in the U.S.and Europe.

The Company’s electronic chemicals business reported net sales level with the same period in the prior fiscal year. This result was mainly due to slightly lower sales of formulated epoxy resin for the heavy and light electrical machinery markets, offsetting higher sales of chemicals used in semiconductor and LCD panel manufacturing.

The electronics materials business reported overall revenue gains, with stronger performance in sales of LED-related products, glass-related products, and touch-panel materials.

As a result, segment net sales for the consolidated fiscal year amounted to ¥149.94 billion, representing a ¥12.92 billion (9.4%) increase year on year. Operating profit amounted to ¥5.58 billion, which was a ¥830 million (13.0%) decrease year on year. This result was mainly due to declining profitability among domestic sales companies and an allowance for doubtful accounts recorded at the Company’s subsidiary in Taiwan. These declines outpaced the recovery in our glass-related products in Northeastern Asia.

Automotive & Energy

The automobile-related business recorded overall growth for the fiscal year under review. This result was mainly due to the fact that the Company strengthened its sales structure in North America, where sales of automobiles continues to be strong. At the same time, the Company expanded product lines and generated stronger sales in Japan, China, and North America. These performance improvements outweighed the decline in domestic auto purchases in the period following Japan's consumption tax increases, as well as production adjustments on the part of auto makers in China.

As a result, the Automotive & Energy segment recorded net sales for the consolidated fiscal year in the amount of ¥109.85 billion, representing a ¥10.4 billion (10.5%) increase compared to the same period in the prior fiscal year. Operating profit increased by ¥1.2 billion (116.9%), reaching ¥2.22 billion, owing mainly to improved profits among domestic manufacturing businesses, as well as higher profits in China.

Life & Healthcare

The Company's Life & Healthcare business experienced lower net sales as a whole, driven mainly by lower sales in Japan that outpaced gains overseas, mainly in Northeast Asia and Europe.

The life & healthcare products business reported higher net sales spurred by strong performance of our proprietary

TREHA ™ (trehalose) and other products to the food materials industry overseas, owing to our improving sales structure in overseas markets. At the same time, sales of enzyme products remained level year on year. In the skin care and toiletries business, inclement summer weather negatively affected sales of our proprietary AA2G™ product; however, sales of raw materials to major customers to the skin care and toiletries industry were strong. The Company reported higher sales of medical materials products within our pharmaceuticals and medical fields, while performance of pharmaceutical raw materials and intermediates underperformed the prior fiscal year. As a result, we were able to report higher year-on-year sales for the pharmaceutical and medical business.

Our beauty care products business saw lower year-on-year sales due to front-loaded demand in anticipation of the consumption tax rate increase in Japan during the prior fiscal year, as well as the fact that the Company did not record strong sales of new products.

As a result, net sales for the segment amounted to ¥76.6 billion for the fiscal year, which was ¥200 million (0.3%) lower than the prior fiscal year. Operating profit fell to ¥3.15 billion, which was ¥840 million (21.1%) lower than the prior fiscal year. This result was mainly due to lower sales of our proprietary products and higher general and administrative expenses.

Other

No special matters to disclose.

(Forecast for the Fiscal Year Ending March 2016)

(Millions of yen)

	Net sales	Operating profit	Ordinary income	Net income
Year ending March 31, 2016	823,000	19,500	20,600	12,100
Year ended March 31, 2015	759,713	18,153	20,366	11,318
Change	+8.3%	+7.4%	+1.1%	+6.9%

a. Performance Forecast for the Fiscal Year Ending March 2016

We believe the domestic economy will continue to recover throughout the next fiscal year, pushed by higher capital investment in conjunction with improved earnings and a rebound in consumer spending. We expect to see a continuing recovery in North America with improving—however slightly—consumer confidence. Business conditions in Southeast Asia are expected to remain solid. Fears of slowing economic growth in China, financial problems in Europe, and geopolitical risk in the Middle East make predicting the future a difficult proposition; however, we do forecast a gradual recovery in the world economy as a whole.

In light of these expectations, we have forecast earnings of ¥823.0 billion in consolidated net sales (8.3% increase year on year) for the fiscal year ending March 2016, with gross profit at ¥97.3 billion (5.8% increase). We project operating profit of ¥19.5 billion (7.4% increase). In addition, we forecast ordinary income of ¥20.6 billion (1.1% increase) and net income of ¥12.1 billion (6.9% increase year on year).

The forecasts above have been developed based on a currency conversion rate of ¥120 to the US dollar.

b. Forecast by Business Segment

Based on the economic stability in North America and other overseas markets, we forecast continued strength in office equipment and appliance business and film used in LCDs. Accordingly, we project net sales of ¥177.6 billion (5.6% year-on-year increase) in Functional Materials, ¥282.4 billion (11.1% increase) in Advanced Materials & Processing, ¥162.4 billion (8.3% increase) in Electronics, ¥117.4 billion (6.9% increase) in Automotive & Energy, and ¥82.3 billion (7.4% increase) in Life & Healthcare.

Next-period forecasts are based on information at the time they were calculated. Actual future 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.

(Millions of yen)

	FYE March 2015 Actual	FYE March 2016 Forecast	Change
Functional Materials	168,238	177,600	+5.6%
Advanced Materials & Processing	254,165	282,400	+11.1%
Electronics	149,947	162,400	+8.3%
Automotive & Energy	109,851	117,400	+6.9%
Life & Healthcare	76,609	82,300	+7.4%
Other	900	900	-0.0%
Total Sales	759,713	823,000	+8.3%

(2) Analysis of Financial Position

a. Summary of Consolidated Balance Sheets

As of the end of the consolidated fiscal period, current assets amounted to ¥329.84 billion. This represents an increase of ¥23.48 billion compared to the end of the prior consolidated fiscal year, mainly due to increases in accounts receivable and inventories. Non-current assets amounted to ¥216.67 billion, an increase of ¥24.89 billion compared to the end of the prior consolidated fiscal year. This increase in non-current assets was mainly due to higher valuations in the Company's investments in securities, driven by higher market prices. As a result, total assets increased by ¥48.38 billion, reaching ¥546.52 billion as of the end of the consolidated fiscal year.

Liabilities amounted to ¥259.02 billion, which was an increase of ¥12.77 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to increased loans and deferred tax liabilities due to unrealized holding gains on securities.

Net assets amounted to ¥287.5 billion at the end of the consolidated fiscal year, up ¥35.6 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to ¥11.31 billion in recorded net income, as well as increases in unrealized holding gains on securities.

As a result, the Company experienced a 2.0-point increase in shareholders' equity ratio, up to 51.5% as of the end of the consolidated fiscal year.

b. Summary of Consolidated Cash Flows

Cash and cash equivalents (Cash) increased by ¥6.69 billion (19.8%) compared to the end of the prior consolidated fiscal year, amounting to ¥40.52 billion. Cash from operating activities amounted to ¥15.47 billion, while cash used in investing activities amounted to a net outflow of ¥7.73 billion. Cash used in financing activities amounted to ¥3.2 billion. The Company added ¥2.12 billion in cash from exchange rate fluctuations, with an additional ¥30 million in cash from newly consolidated entities.

(Cash Flows from Operating Activities)

Cash flows from operating activities for the consolidated fiscal year amounted to ¥15.47 billion. This result was mainly due to income before income taxes and minority interests of ¥18.98 billion and depreciation and amortization of ¥9.29 billion, offsetting ¥7.17 billion in increased inventories and ¥8.31 billion in income tax payments.

(Cash Flows from Investing Activities)

Cash used in investing activities during the consolidated fiscal year amounted to ¥7.73 billion. Although the company sold investment securities for a cash amount of ¥2.45 billion and recorded a decrease in time deposits of ¥1.16 billion, acquisitions of property, plant, and equipment and intangible fixed assets amounted to ¥11.94 billion.

(Cash Flows from Financing Activities)
Cash used in financing activities for the consolidated fiscal year amounted to ¥3.2 billion. This result was mainly due to an increase in long-term loans in the amount of ¥9.32 billion, offset by repayments of long-term loans and dividend payments in the amount of ¥6.8 billion and ¥3.68 billion.

	FYE March 2011	FYE March 2012	FYE March 2013	FYE March 2014	FYE March 2015
Net worth ratio	53.7%	45.4%	46.9%	49.5%	51.5%
Net worth ratio based on market value	33.9%	29.2%	29.9%	32.5%	36.6%
Interest-bearing debt to cash flow ratio	2.5 years	15.6 years	5.3 years	7.3 years	6.4 years
Interest coverage ratio	19.5	8.9	17.7	11.3	13.7

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

(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 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 2015 and March 2016

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 ¥15 per share based on this policy. As a result, the scheduled full-year cash dividend will amount to a total of ¥30 per share.

We forecast a full-year dividend of ¥32 per share for the next fiscal year, consisting of a ¥16 per share interim dividend and a ¥16 yen 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 lines.

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 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 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 related to Product Laws

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

As we pursue our overseas strategy and launch businesses in new fields, last year we launched a branding project to redefine who we are as a group of businesses. As part of this project, we developed a new structure for our Group philosophy. We intend to work as one united Nagase Group, leveraging our strengths to contribute to the realization of a society in which people can live in peace and comfort, defining our unique value in terms of Identify, Develop, and Expand.

(2) Management Objectives and Medium-Term Strategies

During the fiscal year ended March 2013, we began operating under Change-S2014, our three-year medium-term management plan. Change-S2014 was our bid to further accelerate change in the evolution of our business structure and management in continuation of the prior medium-term management plan. 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). In pursuit of these goals, we made significant investments in the Bio, Environment and Energy, and Electronics fields. However, delays in launching new businesses and global expansion plans and declining profitability among our group manufacturing companies led to results that underperformed our FYE March 2015 targets calling for consolidated net sales of ¥800 billion, consolidated operating profits of ¥30 billion and a return on equity of 8.0%. At the same time, we have been able to further instill the message to Accelerate Change among our group, creating more opportunities for group integration and intra-group business to make qualitative improvements in our operations.
Looking ahead toward our 200th anniversary in the year 2032, we have created a long-term management plan to guide us in becoming a corporate group capable of sustainable growth in the face of dramatic changes in the external environment. This plan calls for our willingness to undertake challenges for growth and to work toward the reinforcement of our business base. During FYE March 2016, we intend to create a new medium-term management plan to help us implement these policies. We will begin operating under this new plan starting FYE March 2017. Accordingly, we will conduct our business for FYE March 2016 under a single-year plan.

(3) Issues to be Addressed by the Company

We began executing on our Change-S2014 three-year plan in April 2012. Under this plan, we defined Group-wide initiatives to address issues of creating stronger capabilities in our core businesses and a stronger management foundation. We are operating under a single-year plan for FYE March 2016, but we will continue to pursue that basic strategies and address the issues that we have already identified.

[Stronger Capabilities in Core Businesses]

a. Fields Utilizing Bioscience Technologies

Working from the Hayashibara business, we 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.

During the period under review, we revised our sales agency policies for Hayashibara product sales overseas and restructured our sales organization at our local Nagase Group entities. As a result, we have enjoyed favorable sales in the overseas food industries. We have also set plans for introducing new products to the market.
We continue to develop bio-related technologies for bio-derived chemicals that do not rely on petroleum resources. The Nagase R&D Center has been working together with Kobe University and other labs in a continuing next-generation agri-industrial bio production. This project was adopted by the Ministry of Education, Culture, Sports, Science and Technology as a continuing program. At the same time, the Center is developing next-generation chemical production technologies, focusing on improving microbe activity utilizing metabolic engineering technologies.

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.

During the period under review, CAPTEX Co., Ltd. began to see results for sales of large-scale batteries. CAPTEX is engaged in the manufacture and sale of rechargeable battery systems equipped with lithium-ion rechargeable batteries. This subsidiary will continue to customize products for market needs and applications, as well as pursue development working closely with customers.

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 are improving our manufacturing and development capabilities overseas.

During the fiscal year, we made the decision to invest in a Chinese supply company involved in chemicals used in the manufacture of LCD panels, strengthening our presence in a market in which we expect to see future growth. We are also working to have our products adopted into new customer products in the smartphone and tablet business.

[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 fiscal year, we completed almost all IT infrastructure work overseas for the purpose of improving our consolidated management systems. By following our own Investment Guidelines, we have been able to improve the quality of our investments, as well as withdraw from unprofitable businesses.

With respect to ongoing risk management, the Company is implementing activities to strengthen our Group-wide quality assurance structure and workplace safety management.

With respect to human resources training and education, we have started offering a wide range of training and education programs for Group human resources development at the Nagase Global HRD Center (Sendagaya, Tokyo), newly opened in May 2014. In addition to these initiatives, we provide career planning for staff at affiliates and overseas entities, encouraging the sharing of staff among companies, while at the same time improving existing Group-wide HR programs.

3. 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 comparisons.

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2014)	Current Consolidated Fiscal Year(March 31, 2015)
ASSETS		
Current assets		
Cash and time deposits	34,980	40,575
Notes and accounts receivable	202,996	208,209
Merchandise and finished goods	53,075	63,719
Work in process	1,344	1,668
Raw materials and supplies	3,039	3,625
Deferred tax assets	4,537	4,058
Other	7,324	8,797
Less allowance for doubtful accounts	(936)	(806)
Total current assets	306,362	329,848
Non-current assets		
Property, plant and equipment		
Buildings and structures	51,526	54,037
Accumulated depreciation	(27,174)	(28,241)
Buildings and structures (net)	24,352	25,796
Machinery, equipment and vehicles	58,939	61,161
Accumulated depreciation	(47,349)	(46,512)
Machinery, equipment and vehicles (net)	11,590	14,649
Land	19,171	18,976
Others	25,381	23,871
Accumulated depreciation	(16,581)	(16,519)
Other (net)	8,800	7,352
Total property, plant and equipment	63,914	66,774
Intangible fixed assets		
Goodwill	29,780	27,626
Technology-based assets	18,517	16,942
Other	4,731	4,276
Total intangible fixed assets	53,030	48,844
Investments and other assets		
Investments in securities	66,275	92,638
Long-term loans receivable	1,168	1,139
Net defined benefit assets	113	-
Deferred tax assets	2,702	2,381
Other	4,792	6,277
Less allowance for doubtful accounts	(218)	(1,378)
Total investments and other assets	74,832	101,058
Total non-current assets	191,778	216,677
Total assets	498,141	546,525

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2014)	Current Consolidated Fiscal Year (March 31, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable	105,014	105,737
Short-term loans	28,818	31,388
Current portion of long-term loans	6,596	6,377
Current portion of bonds	-	10,000
Accrued income taxes	3,720	2,268
Deferred tax liabilities	24	19
Accrued bonuses for employees	4,045	4,314
Accrued bonuses for directors	232	213
Other	15,195	16,105
Total current liabilities	163,646	176,424
Long-term liabilities		
Bonds	30,000	20,000
Long-term loans	27,140	30,322
Deferred tax liabilities	12,506	20,272
Net defined benefit liability	11,875	10,803
Other	1,080	1,201
Total long-term liabilities	82,603	82,600
Total liabilities	246,249	259,025
NET ASSETS		
Shareholders’ equity		
Common stock	9,699	9,699
Capital surplus	10,242	11,654
Retained earnings	206,351	205,203
Less treasury stock, at cost	(6,916)	(228)
Total shareholders’ equity	219,377	226,328
Accumulated other comprehensive income (loss)		
Net unrealized holding gain on securities	24,725	44,920
Deferred (loss) gain on hedges	(0)	3
Translation adjustments	2,239	9,478
Remeasurements of defined benefit plans	380	666
Total accumulated other comprehensive income	27,346	55,069
Minority interests	5,168	6,102
Total net assets	251,892	287,500
Total liabilities and net assets	498,141	546,525

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

(Consolidated Statements of Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2013 - March 31, 2014)	Current Consolidated Fiscal Year (April 1, 2014 - March 31, 2015)
Net sales	723,212	759,713
Cost of sales	634,276	667,722
Gross profit	88,936	91,991
Selling, general and administrative expenses		
Selling expenses	10,719	10,921
Employee salaries	21,335	22,307
Provision for accrued bonuses for employees	2,373	2,706
Provision for accrued bonuses for directors	202	202
Depreciation and amortization	4,230	4,407
Retirement benefit expenses	2,938	896
Provision for retirement benefits for directors	50	44
Allowance for doubtful accounts	(106)	1,011
Amortization of goodwill	1,685	1,623
Other	29,716	29,717
Total selling, general and administrative expenses	73,146	73,838
Operating profit	15,789	18,153
Non-operating income		
Interest income	188	196
Dividend income	1,115	1,259
Rent income	277	253
Equity in earnings of affiliates	654	616
Foreign exchange gain	786	921
Other	668	682
Total non-operating income	3,691	3,930
Non-operating expenses		
Interest expenses	1,082	1,098
Other	493	619
Total non-operating expenses	1,576	1,718
Ordinary income	17,905	20,366
Extraordinary gains		
Gain on sale of non-current assets	519	392
Gain on sale of investment securities	867	213
Other receivables	118	-
Gain on negative goodwill	528	-
Other	11	-
Total extraordinary gains	2,045	606
Extraordinary losses		
Loss on sale of non-current assets	45	69
Loss on disposal of non-current assets	154	84
Impairment loss	1,314	602
Loss on sale of investments securities	27	0
Loss on valuation of investments securities	3	479
Loss on sales of investments in capital	-	20
Loss on sales of shares of subsidiaries and affiliates	-	249
Loss on sales of investments in capital of subsidiaries and affiliates	-	171
Loss on transfer of business	-	114
Loss on withdrawal from employees’ pension funds	-	163
Other	51	25
Total extraordinary losses	1,596	1,983
Income before income taxes and minority interests	18,353	18,989
Income taxes - current	7,128	6,238
Income taxes - deferred	(906)	834
Total income taxes	6,222	7,073
Income before minority interests	12,131	11,916
Minority interests	468	597
Net income	11,663	11,318

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2013 - March 31, 2014)	Current Consolidated Fiscal Year (April 1, 2014 - March 31, 2015)
Income before minority interests	12,131	11,916
Other comprehensive income		
Net unrealized holding gain on securities	6,780	20,186
Deferred (loss) gain on hedges	6	3
Translation adjustments	3,549	7,339
Remeasurements of defined benefit plans	1,368	285
Share of other comprehensive income of affiliates accounted for by the equity method	198	720
Total other comprehensive income	11,903	28,536
Comprehensive income	24,035	40,453
Comprehensive income attributable to:		
Comprehensive income attributable to shareholders of the Company	23,163	39,085
Comprehensive income attributable to minority interests	871	1,367

(3) Consolidated Statement of Change in Shareholders' Equity

Prior Consolidated Fiscal Year (April 1, 2013 - March 31, 2014)

(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	10,041	199,160	(7,109)	211,792
Cumulative effects of changes in accounting policies			(671)		(671)
Restated balance	9,699	10,041	198,489	(7,109)	211,120
Changes					
Cash dividends			(3,425)		(3,425)
Net income			11,663		11,663
Purchases of treasury stock				(1)	(1)
Disposal of treasury stock		201		194	395
Changes in scope of consolidation			(220)		(220)
Changes in scope of equity affiliates			(154)		(154)
Changes other than shareholders' equity accounts (net)					
Total changes	―	201	7,862	192	8,256
Balance, end of period	9,699	10,242	206,351	(6,916)	219,377

	Accumulated other comprehensive income (loss)					Stock acquisition rights	Minority interests	Total net assets
	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance, beginning of period	17,943	(6)	(1,223)	―	16,712	50	9,250	237,806
Cumulative effects of changes in accounting policies				(982)	(982)		(5)	(1,659)
Restated balance	17,943	(6)	(1,223)	(982)	15,730	50	9,244	236,146
Changes								
Cash dividends								(3,425)
Net income								11,663
Purchases of treasury stock								(1)
Disposal of treasury stock								395
Changes in scope of consolidation								(220)
Changes in scope of equity affiliates								(154)
Changes other than shareholders' equity accounts (net)	6,782	6	3,463	1,362	11,615	(50)	(4,075)	7,488
Total changes	6,782	6	3,463	1,362	11,615	(50)	(4,075)	15,745
Balance, end of period	24,725	(0)	2,239	380	27,346	―	5,168	251,892

Prior Consolidated Fiscal Year (April 1, 2014 - March 31, 2015)

(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	10,242	206,351	(6,916)	219,377
Cumulative effects of changes in accounting policies		1,998	(2,791)		(792)
Restated balance	9,699	12,240	203,560	(6,916)	218,584
Changes					
Cash dividends			(3,683)		(3,683)
Net income			11,318		11,318
Purchases of treasury stock				(1)	(1)
Disposal of treasury stock		0		0	0
Retirement of treasury stock		(607)	(6,081)	6,688	-
Changes in shareholders' interest due to transaction with minority interests		21			21
Changes in scope of consolidation			89		89
Changes other than shareholders' equity accounts (net)					
Total changes	-	(585)	1,642	6,687	7,744
Balance, end of period	9,699	11,654	205,203	(228)	226,328

	Accumulated other comprehensive income					Minority interests	Total net assets
	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, beginning of period	24,725	(0)	2,239	380	27,346	5,168	251,892
Cumulative effects of changes in accounting policies			(64)		(64)		(857)
Restated balance	24,725	(0)	2,175	380	27,281	5,168	251,035
Changes							
Cash dividends							(3,683)
Net income							11,318
Purchases of treasury stock							(1)
Disposal of treasury stock							0
Retirement of treasury stock							-
Changes in shareholders' interest due to transaction with minority interests							21
Changes in scope of consolidation							89
Changes other than shareholders' equity accounts (net)	20,194	3	7,303	285	27,787	933	28,720
Total changes	20,194	3	7,303	285	27,787	933	36,465
Balance, end of period	44,920	3	9,478	666	55,069	6,102	287,500

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2013 - March 31, 2014)	Current Consolidated Fiscal Year (April 1, 2014 - March 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	18,353	18,989
Depreciation and amortization	8,634	9,292
Amortization of goodwill	1,685	1,623
Impairment loss	1,314	602
Increase (decrease) in adjustments for retirement benefits	1,128	(507)
Interest income and dividend income	(1,304)	(1,456)
Interest expenses	1,082	1,098
Foreign exchange loss (gain)	296	882
Loss (gain) on sale of non-current assets	(473)	(322)
Loss (gain) on sale of investment securities	(840)	228
(Increase) decrease in notes and accounts receivable	(1,983)	2,430
(Increase) decrease in inventories	(3,274)	(7,172)
Increase (decrease) in notes and accounts payable	(6,488)	(4,993)
Other	281	2,324
Subtotal	18,412	23,019
Interest and dividends received	1,750	1,893
Interest paid	(1,122)	(1,128)
Taxes paid	(6,319)	(8,310)
Cash flows from operating activities	12,721	15,474
Cash flows from investing activities		
Purchases of property, plant and equipment	(10,131)	(10,899)
Cash from sale of property, plant and equipment	812	1,022
Payment for acquisition of intangible fixed assets	(1,669)	(1,046)
Purchases of investments securities	(3,360)	(624)
Cash from sale of investment securities	1,832	2,456
Cash used for purchase of investments	(1,143)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(305)
Change in short-term loans (increase)	(542)	(2)
Net decrease (increase) in time deposits	(136)	1,165
Proceeds from transfer of business	—	497
Other	168	4
Cash flows from investing activities	(14,171)	(7,732)
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	1,337	(1,585)
Proceeds from long-term loans	999	9,327
Repayment of long-term loans	(10,484)	(6,805)
Purchase of treasury stock	(1)	(1)
Cash dividends paid	(3,425)	(3,683)
Cash dividends paid to minority shareholders	(545)	(334)
Other	286	(122)
Cash flows from financing activities	(11,833)	(3,205)
Effects of exchange rate changes on cash and cash equivalents	1,179	2,129
Net increase (decrease) in cash and cash equivalents	(12,103)	6,664
Cash and cash equivalents at beginning of the year	45,816	33,825
Increase in cash and cash equivalents accompanying consolidation	113	32
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(1)	—
Cash and cash equivalents, at end of the period	33,825	40,522

(5) Notes related to Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Changes in Accounting Policies)

Companies have the option to adopt “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) for consolidated fiscal years beginning April 1, 2014. Accordingly, the Company has adopted these accounting standards (with the exception of the provisions of paragraph 39 of the Accounting Standard for Consolidated Financial Statements). Under these accounting changes, the Company now records equity changes in subsidiaries subject to ongoing control to capital surplus. In addition, the Company now records acquisition-related costs as costs in the consolidated fiscal year in which they occurred. With respect to business combinations occurring after the beginning of the consolidated fiscal year, the Company will now revise acquisition cost allocation base on provisional accounting estimates, reflecting these costs in the consolidated financial statements for the consolidated fiscal year in which the business combination occurred.

In accordance with the transitional treatment based on the provisions of section 58-2(3) of the Accounting Standard for Business Combinations, section 44-5(3) of the Accounting Standard for Consolidated Financial Statements and section 57-4(3) of the Accounting Standard for Business Divestitures, the cumulative effects of the retrospective application of these accounting changes have been adjusted to capital surplus and retained earnings as of the beginning of the consolidated fiscal year.

As a result, goodwill, retained earnings, and translation adjustments decreased by ¥857 million, ¥2,791 million, and ¥64 million as of the beginning of the consolidated fiscal year. At the same time, capital surplus increased by ¥1,998 million. The effect of these accounting changes on operating profit, ordinary income, and income before income taxes and minority interests during the consolidated fiscal year is minimal.

(Supplementary Information)

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

Pursuant to the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.9, 2015) and the” Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 2, 2015), promulgated on March 31, 2015, corporate tax rates have been reduced for consolidated fiscal years beginning on or after April 1, 2015. In conjunction with this change in law, the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities has been changed from 35.6% to 33.1% for temporary differences expected to be settled during consolidated fiscal years beginning on or after April 1, 2015, and 32.3% for temporary differences expected to be settled during consolidated fiscal years beginning on or after April 1, 2016.

As a result of this change in tax rates, the Company has written down deferred tax liabilities (net of deferred tax assets) by ¥1,599 million. Income taxes-deferred and other comprehensive income have increased by ¥510 million and ¥2,110 million. In addition, a revision in tax law for loss carryforwards has resulted in a decrease of deferred tax assets of ¥643 million and an increase in income taxes-deferred of ¥643 million.

(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).

Beginning with the consolidated fiscal year under review, the low-power semiconductor design development business, which had been categorized under the Electronics segment, is now categorized under the Automotive & Energy segment. We believe this will promote technological development with businesses more closely related to environment/energy-related technologies.

Segment information for the prior consolidated fiscal year reflects these segment changes.

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 additives, industrial oil solutions, surfactants, fluorochemicals, encapsulant materials, and silicone materials and more for the paints/inks, resins, urethane foam, organic synthesis, surfactants, semiconductor 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, external inspection equipment for the dye/additive, information printing, fiber 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-temperature/vacuum equipment, high-function epoxy resins, precision electronics abrasives, and more for the display, touch panel, LCD, semiconductor, hard disk drive, electronic components, and heavy electrical 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, feeds/fertilizers, and surfactants for the pharmaceutical, food, and cosmetics industries. The segment offers radiation measurement as one of its main services. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

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

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

Profit in reportable segments is defined as operating 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, 2013 to March 31, 2014)

(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	169,973	239,224	137,026	99,441	76,810	722,475	737	723,212	－	－	723,212
Intersegment sales/transfers	2,966	2,212	674	1,886	418	8,158	5,773	13,932	－	(13,932)	－
Total	172,939	241,436	137,700	101,328	77,228	730,633	6,510	737,144	－	(13,932)	723,212
Segment income (loss)	4,328	3,707	6,421	1,027	4,000	19,485	215	19,701	(4,364)	452	15,789
Segment assets	75,491	119,202	69,824	40,792	96,205	401,516	7,124	408,640	124,035	(34,533)	498,141
Other											
Depreciation and amortization	407	647	2,323	262	2,993	6,634	193	6,827	1,806	－	8,634
Amortization of goodwill	－	－	169	－	1,516	1,685	－	1,685	－	－	1,685
Goodwill	－	－	2,617	－	27,163	29,780	－	29,780	－	－	29,780
Investments in equity affiliates	1,850	2,245	75	1,777	2,070	8,018	1,838	9,856	－	(54)	9,801
Increase in property, plant, and equipment and intangible fixed assets	399	862	2,015	369	4,488	8,134	49	8,184	2,929	－	11,113

(Note)

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 (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 translations.
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, 2014 to March 31, 2015)

(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	168,238	254,165	149,947	109,851	76,609	758,812	900	759,713	―	―	759,713
Intersegment sales/transfers	2,361	2,224	858	2,827	286	8,559	4,955	13,515	―	(13,515)	―
Total	170,600	256,390	150,805	112,679	76,896	767,372	5,856	773,229	―	(13,515)	759,713
Segment income (loss)	4,302	4,804	5,583	2,229	3,157	20,077	201	20,278	(2,600)	475	18,153
Segment assets	75,590	131,543	66,862	45,213	98,250	417,461	7,210	424,671	155,720	(33,866)	546,525
Other											
Depreciation and amortization	483	802	2,649	122	3,136	7,193	198	7,392	1,900	―	9,292
Amortization of goodwill	―	―	120	―	1,502	1,623	―	1,623	―	―	1,623
Goodwill	―	―	2,214	―	25,412	27,626	―	27,626	―	―	27,626
Investments in equity affiliates	2,079	2,507	132	1,932	2,219	8,871	1,896	10,768	―	(57)	10,711
Increase in property, plant, and equipment and intangible fixed assets	330	1,392	2,460	346	5,720	10,250	317	10,568	1,144	―	11,712

(Note)

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 (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 translations.
4. The sum of segment profit (loss) totals, 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, 2013 to March 31, 2014)

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	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
372,939	196,118	108,414	26,344	19,394	723,212

(Note) 1. Net sales are categorized by country or region, according to the location of the customer.
2. Countries/regions are determined by geographical proximity.

(2) Property, plant and equipment

(millions of yen)

Japan	Other	Total
56,862	7,051	63,914

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, 2014 to March 31, 2015)

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	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
374,208	217,232	122,493	29,995	15,783	759,713

(Note) 1 Net sales are categorized by country or region, according to the location of the customer.
2 Countries/regions are determined by geographical proximity.

(2) Property, plant and equipment

(millions of yen)

Japan	Other	Total
58,897	7,877	66,774

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

Impairment Losses of Non-Current Assets for Each Reportable Segment

Prior Consolidated Fiscal Year (April 1, 2013 to March 31, 2014)

(millions of yen)

	Reportable Segments						Other	Corporate/ Elimination	Total
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total			
Impairment loss	—	—	221	1,080	—	1,301	—	12	1,314

(Notes) Due to a significant decline in market value, the Company has written down the book value of certain shared assets related to computer software duplication business under Electronics, reflecting amounts estimated to be recoverable.

Due to decreasing profitability related to rechargeable battery system manufacturing and sales and the suspension of development activities in car electronics under Automotive & Energy, the Company has written down the book value of the related business assets, reflecting the amounts estimated to be recoverable.

Current Consolidated Fiscal Year (April 1, 2014 to March 31, 2015)

(millions of yen)

	Reportable Segments						Other	Corporate/ Elimination	Total
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total			
Impairment loss	—	74	176	78	—	328	—	273	602

(Notes) Due to decreasing profitability related to the plastics products manufacturing business in the Advanced Materials & Processing segment, the Company has written down the book value of related assets, reflecting amounts estimated to be recoverable.

Due to decreasing profitability related to the semiconductor and LCD industry equipment manufacturing and maintenance business in the Electronics segment, the Company has written down the book value of related assets, reflecting amounts estimated to be recoverable.

Due to decreasing profitability related to the rechargeable battery system manufacturing and sales business in the Automotive & Energy segment, the Company has written down the book value of related assets, reflecting amounts estimated to be recoverable.

Due to a significant decline in market value, the Company has written down the book value of certain idle assets under Corporate/Elimination, reflecting amounts estimated to be recoverable.

Amortization and Unamortized Balance of Goodwill for Each Reportable Segment

Prior Consolidated Fiscal Year (April 1, 2013 to March 31, 2014)

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

Current Consolidated Fiscal Year (April 1, 2014 to March 31, 2015)

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

Information about Gain on Bargain Purchase for Each Reportable Segment

Prior Consolidated Fiscal Year (April 1, 2013 to March 31, 2014)

During the consolidated fiscal year, additional purchases of stock in consolidated subsidiaries resulted in a gain on negative goodwill in the amount of ¥431 million and ¥96 million in the Advanced Materials & Processing segment and the Electronics segment.

Current Consolidated Fiscal Year (April 1, 2014 to March 31, 2015)

No matters to report.

(Per-Share Data)

Prior Consolidated Fiscal Year (April 1, 2013 March 31, 2014)		Current Consolidated Fiscal Year (April 1, 2014 March 31, 2015)	
Net assets per share	¥1,942.2	Net assets per share	¥2,215.18
Earnings per share	¥91.86	Earnings per share	¥89.10

(Note) 1. 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 show below.

Item	Prior Consolidated Fiscal Year (April 1, 2013 - March 31, 2014)	Current Consolidated Fiscal Year (April 1, 2014 - March 31, 2015)
Net income from consolidated statements of income (millions of yen)	11,663	11,318
Net income related to common stock (millions of yen)	11,663	11,318
Average number of outstanding shares of common stock (shares)	126,971,429	127,032,358
Dilutive stock not included in calculation of diluted earnings per share (no dilutive effects)	409,000 shares subject to stock options as approved at the annual shareholders' meeting held June 26, 2008. The exercise period for the stock options noted above expired on July 31, 2013. Accordingly, these stock options have expired.	-

(Significant Subsequent Events)

No matters to report.