

NAGASE

FYE March 2013

Second Quarter Financial Briefing

**A Technology and Intelligence Oriented Company
that Turns Wisdom into Business**

NAGASE & CO., LTD.

November 22, 2012

NAGASE

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FYE March 2013 Second Quarter Results

Consolidated Results

- Recovery in overseas demand; ¥27.0 billion year-on-year revenue growth
- Hayashibara, gain on sale of fixed assets contribute to ¥8.0 billion quarterly net profit (¥2.6 billion increase)

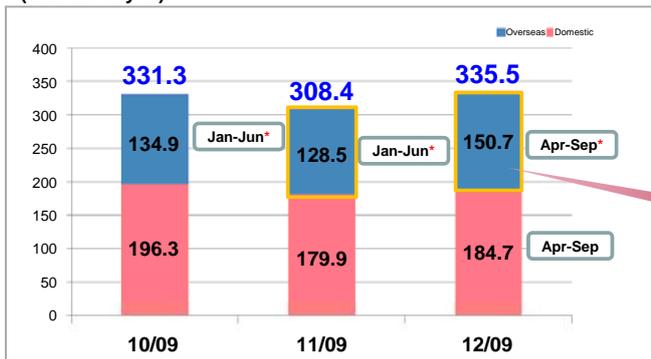
(Billions of yen)

	11/09	12/09	Change	vs. PY	Orig. Forecast (full year)	Progress Rate
Net sales	308.4	335.5	27.0	109%	700.0	48%
Gross profit (GP ratio)	35.7 (11.6%)	41.3 (12.3%)	5.5	116%	87.5 (12.5%)	47%
SG&A expenses	-27.9	-33.2	5.2	119%	-68.0	49%
Operating profit	7.7	8.1	0.3	105%	19.5	42%
Ordinary income	9.2	8.6	-0.5	94%	20.5	42%
Net income	5.4	8.0	2.6	150%	15.5	52%
Net income per share	¥42.04	¥63.23				
Exchange rate	@81.78	@78.96			@78.00	

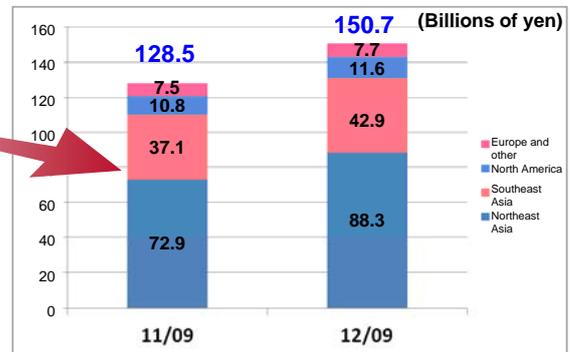
Net sales ¥335.5bil (Domestic ¥184.7bil; Overseas ¥150.7bil)

¥27.0bil YOY increase (Domestic +¥ 4.8bil, Overseas +22.1bil)

(Billions of yen)



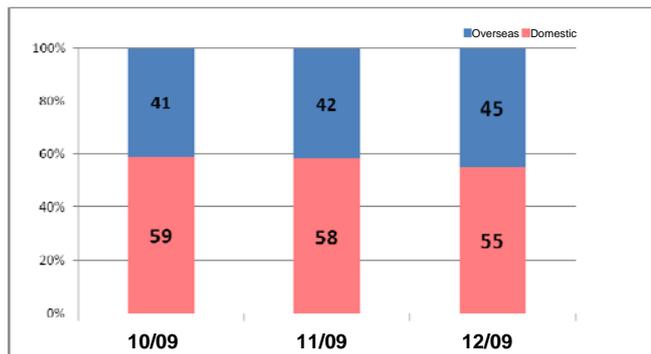
Overseas Sales by Region (vs. PY)



- Overseas Net Sales Ratio Increase (42% → 45%) -
Overseas sales contribute more overall; growth in Northeast, Southeast Asia

USD-JPY Avg. Exchange Rate for 3rd quarter

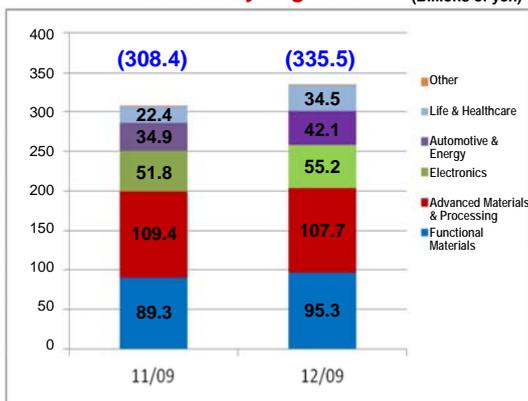
Period	Jan-Jun, 2010	Jan-Jun, 2011	Apr-Sep, 2012
	89.02	81.78	78.96
	-5.9 (rise)	-7.2 (rise)	-2.8 (rise)



*Overseas subsidiaries align fiscal years (January – December changed to April – March)

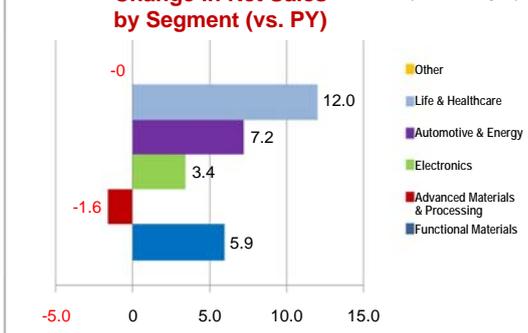
Net Sales by Segment

(Billions of yen)



Change in Net Sales by Segment (vs. PY)

(Billions of yen)



Net Sales by Segment (vs. PY)

Functional Materials ¥95.3bil (¥5.9bil, +7%)

- Domestically, coating raw materials sales grew in construction and automotive applications, while precision abrasive materials sales fell among electronics industries, leading to overall decrease in domestic revenues
- Sales growth overseas, including contribution of spot business in Singapore

Advanced Materials & Processing ¥107.7bil (-¥1.6bil, -2%)

- Textile processing agent sales decreased by ¥4.8 billion due to reorganization, consolidation of the business into equity-method affiliates (-¥4.8bil)
- Domestically, dyes/additives and information printing materials revenues decreased, driving revenues down overall
- Overseas, performance of OA and plastics for consumer electronics in Asia led to overall gains

Electronics ¥55.2bil (¥3.4bil, +7%)

- Electronic chemicals experienced an overall decline in chemical revenues for domestic semiconductor and liquid crystal industries, despite strong performance in the formulated epoxy resins
- Electronic materials sales grew overall with strong performance in domestic LED lighting materials and materials for touch panel in Northeast Asia, more than making up for decrease in film revenues for liquid crystal displays

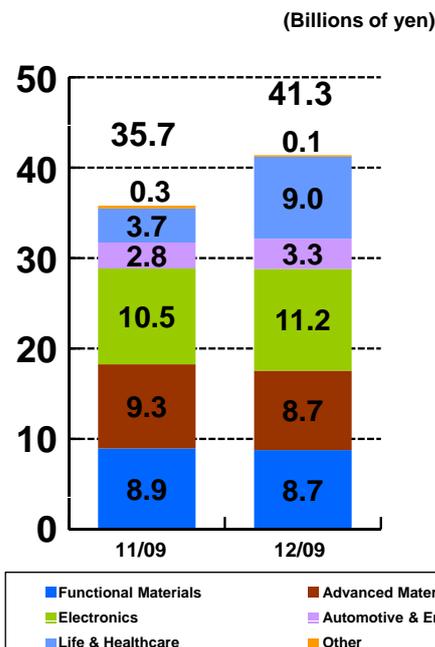
Automotive & Energy ¥42.1bil (¥7.2bil, +21%)

- Overall revenue growth in Japan. Rebound from March 11 and eco-car subsidies lead to more car production/more business
- Overseas, Japanese automakers increased production, leading to overall sales increases

Life & Healthcare ¥34.5bil (¥12.0bil, +54%)

- Consolidation of Hayashibara led to major increase in revenues on the order of ¥12.3 billion
- Beside Hayashibara, the Fine Chemicals business saw strong performance in pharmaceuticals for medical intermediates and medical materials; solid enzyme sales performance related to Nagase ChemteX products
- Beauty care products saw lower overall sales, due to lower core product performance

Gross Profit: ¥41.3bil +¥5.5bil +15.6%

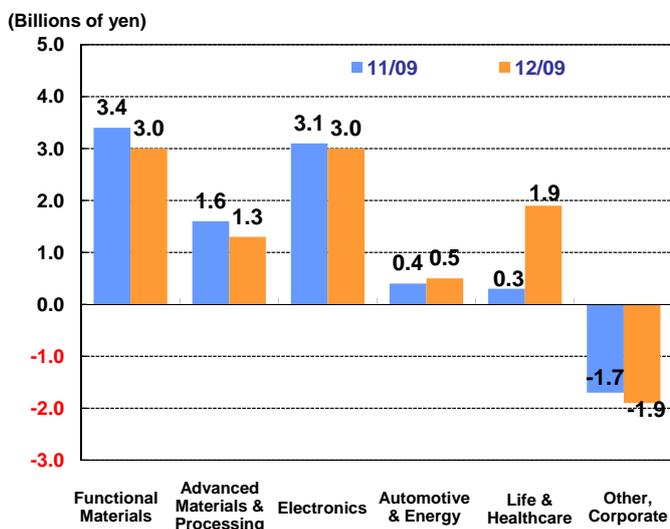


Gross Profit by Segment (vs. PY)

Functional Materials	¥8.7bil	- ¥0.1bil	-2.0%
Advanced Materials & Processing	¥8.7bil	- ¥0.5bil	-5.7 %
Electronics	¥11.2bil	+¥0.6bil	+6.3 %
Automotive & Energy	¥3.3bil	+¥0.4bil	+15.8 %
Life & Healthcare	¥9.0bil	+¥5.3bil	+141.6 %

Operating Profit: ¥8.1bil +¥ 0.3bil +4.7%

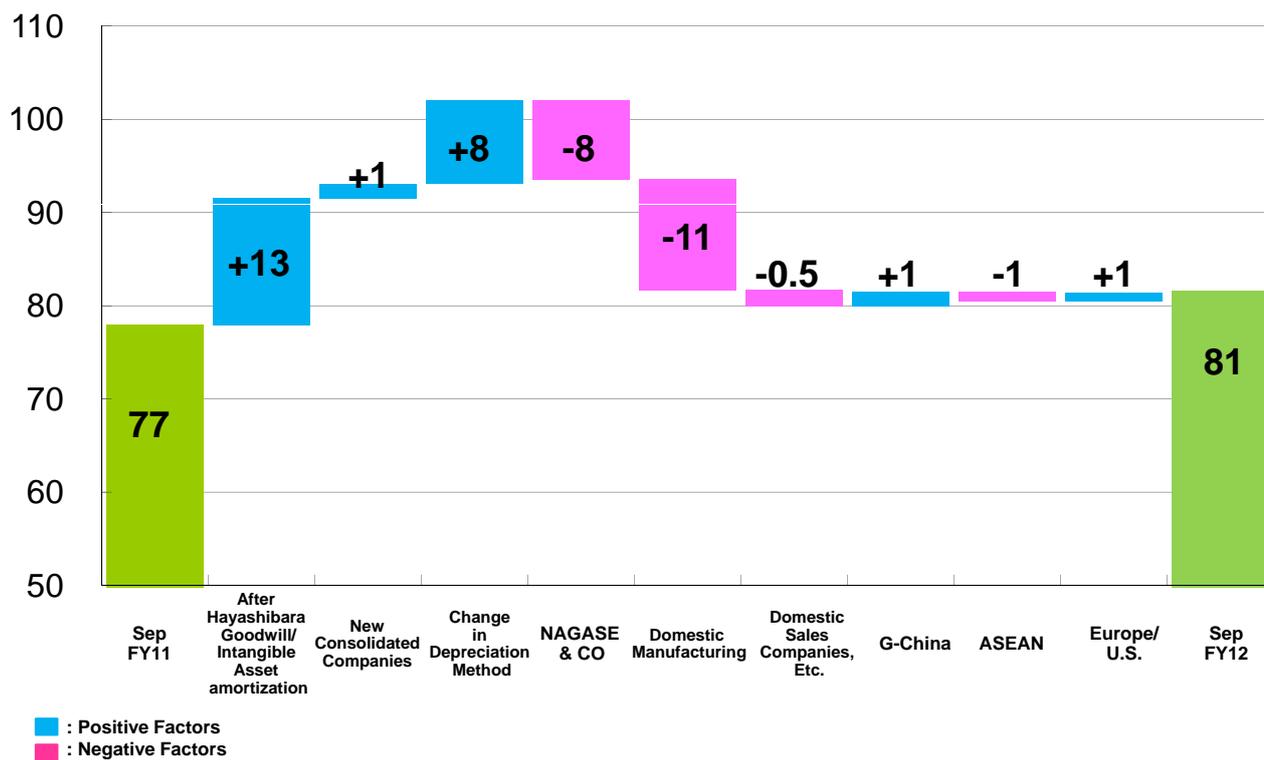
<Operating Profit by Segment>



Operating Profit by Segment (vs. PY)

Functional Materials	¥3.0bil	-¥0.3bil	-11.3%
Advanced Materials & Processing	¥1.3bil	-¥0.3bil	-19.6%
Electronics	¥3.0bil	-¥0.1bil	-4.3%
Automotive & Energy	¥0.5bil	+¥0.1bil	+22.2%
Life & Healthcare	¥1.9bil	+¥1.5bil	+472.0%

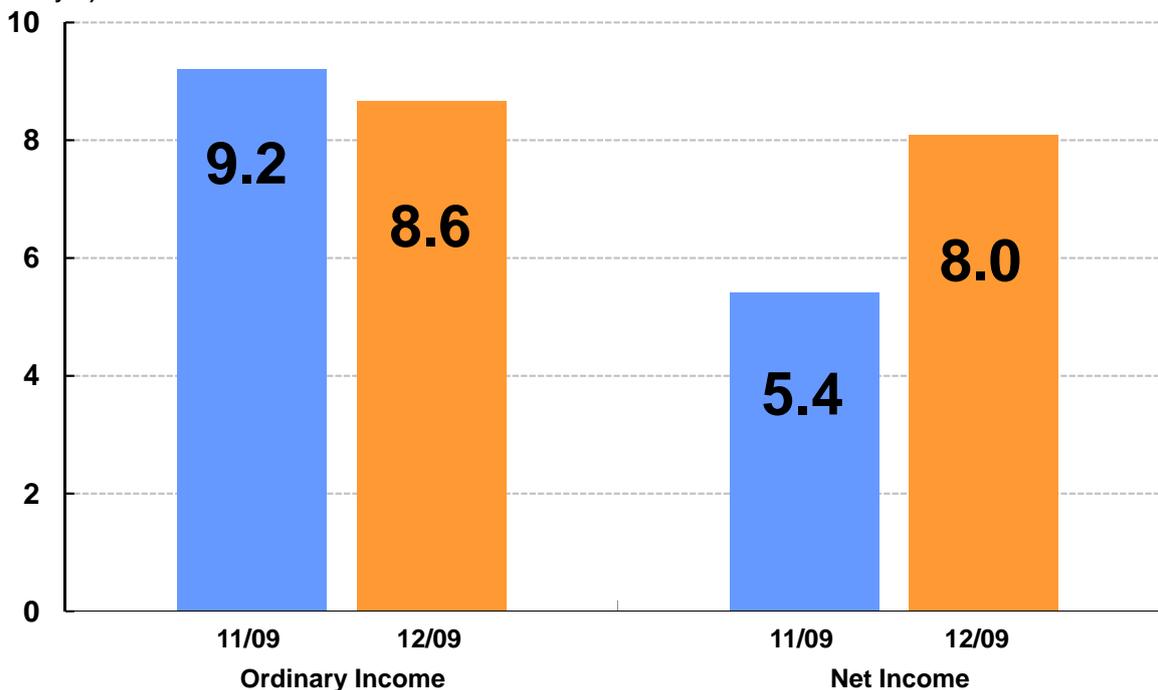
(100 millions of yen)



Ordinary Income: ¥8.6bil -¥0.5bil -5.8%

Net Income: ¥8.0bil +¥2.6bil +49.8%

(Billions of yen)



- ◆ Paid back ¥18.8 billion in debt in conjunction with issuance of ¥30.0 billion in unsecured corporate bonds
- ◆ Working capital decreased by ¥1.2 billion (increase in inventories offset by increase in trade payables)
- ◆ Fall in share price led to decrease in unrealized gains in investment in securities (investment in securities down ¥5.8 billion; valuation differences down ¥3.4 billion)

(Billions of yen)

Assets	12/03	12/09	Change	Liabilities and Net Assets	12/03	12/09	Change
Cash and time deposits	29.1	44.3	+15.1	Notes and accounts payable	109.1	112.3	+3.2
Notes and accounts receivable	197.7	195.9	-1.7	Short-term loans	50.1	31.6	-18.5
Inventories	45.2	48.9	+3.7	Other current liabilities	22.3	21.1	-1.1
Other current assets	10.1	11.5	+1.4	Long-term debt	38.2	37.8	-0.3
Property, plant and equipment	56.7	60.0	+3.3	Bonds	-	30.0	+30.0
Intangible fixed assets	57.4	55.9	-1.5	Accrued retirement benefits for employees	10.0	10.1	+0.1
Investments in securities	49.0	43.1	-5.8	Other long-term liabilities	8.1	7.2	-0.9
Other fixed assets	5.3	5.8	+4	Shareholders' equity	201.1	207.3	+6.1
				(Portion less treasury stock, at cost)	(- 5.4)	(-7.1)	(-1.6)
				Net unrealized holding gain on securities	12.7	9.2	-3.4
				Translation adjustment	-9.1	-9.2	-0.1
				Stock acquisition rights	0.1	0	-0
				Total net assets	212.7	215.4	+2.6
				(Equity ratio)	(45.4%)	(44.5%)	(-0.9%)
Total assets	450.8	465.8	+15.0	Total liabilities and net assets	450.8	465.8	+15.0

- ◆ Operating Cash Flows: ¥8.9 billion net inflow. Payments of ¥3.1 billion in corporate tax, etc. offset by ¥11.8 billion in income before income taxes and recovery of ¥3.7 billion in depreciation and amortization.
- ◆ Investment Cash Flows: Sales of ¥3.0 billion in tangible fixed assets offset by ¥7.7 billion in tangible/intangible asset purchases
- ◆ Financing Cash Flows: Inflow of ¥29.8 billion in corporate bond issuance, outflow of ¥23.0 billion in repayment of debt

(Billions of yen)

	12/09	Main breakdown	11/09
Net cash provided by (used in) operating activities	+8.9	Income before income taxes ¥11.8bil Depreciation and amortization ¥3.7bil Goodwill amortization ¥0.8bil Corporate tax, etc. -¥3.1bil	+1.7
Net cash provided by (used in) investing activities	-4.9	Purchases of property, plant and equipment -¥6.9bil Purchases of intangible fixed assets -¥0.7bil Sales of tangible fixed assets ¥3.0bil	-4.9
Net cash provided by (used in) financing activities	+7.3	Inflow from corporate bond issuance +¥29.8bil Inflow from long-term debt +¥4.2bil Repayment of long-term debt -¥23.0bil Payment of dividends -1.5bil	-0
Net increase (decrease) in cash and cash equivalents	+10.2	Exchange gains related to cash and cash equivalents (including -¥1.0bil)	-3.2
Increase (decrease) in cash and cash equivalents accompanying consolidation	+0.9	Nagase Electronics Technology (Xiamen) Co., Ltd. +¥0.6bil Nagase India Private Ltd. +¥0.1bil Nagase Tool Matex Co., Ltd., three others +¥0.1bil	+0.1
Increase (decrease) in cash and cash equivalents accompanying changes in fiscal years	+3.7	Japan +¥0.1bil, Greater China +¥3.8bil, Asean -¥0.5bil EU +¥0.2bil, North America +¥0bil	-
Cash and cash equivalents at the end of the period	43.3	Cash and cash equivalents on the balance sheet ¥44.3bil - ¥0.9bil in certificates of deposit due after three months = ¥43.3bil	44.0

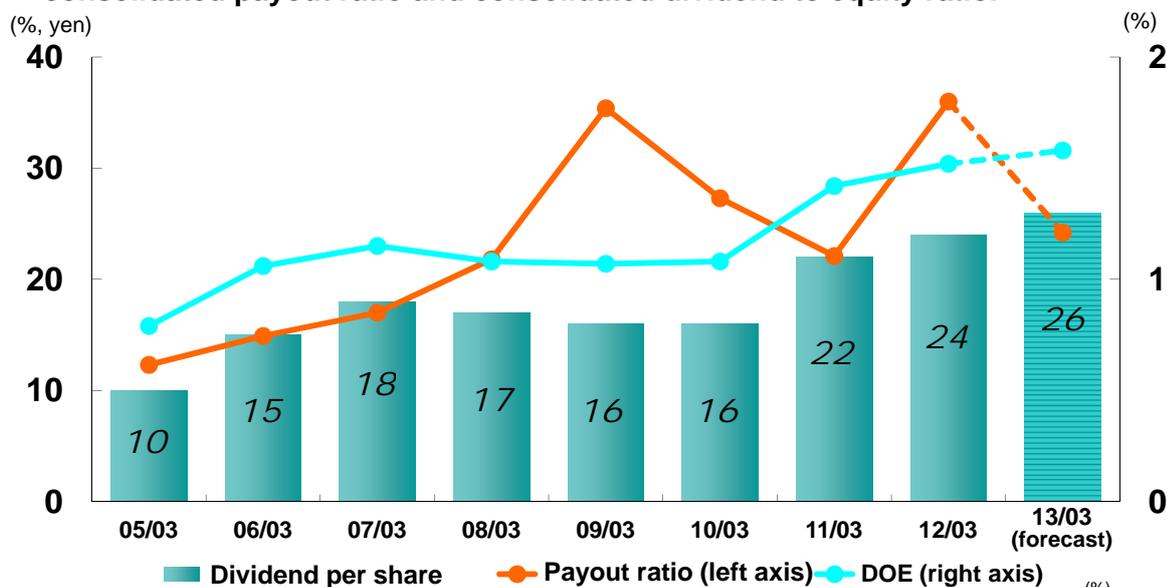
(Millions of yen)

	Company Name	Net Sales	vs. PY	Operating Profit	vs. PY	Net Income	vs. PY
Parent Company	Nagase & CO., LTD.	215,549	99%	1,169	66%	8,111	132%
Manufacturing companies	Nagase ChemteX Corp.	13,199	93%	1,458	92%	714	79%
	Hayashibara Co., Ltd.	12,680	-%	1,359	-%	1,070	-%
	Totaku Industries, Inc.	3,753	99%	78	58%	63	60%
	Total for manufacturing*	44,483	132%	3,125	130%	1,732	133%
Domestic sales companies	Nagase Plastics Co., Ltd.	14,738	96%	174	91%	98	90%
	Nagase Chemical Co., Ltd.	7,991	118%	101	89%	57	91%
	Nagase Elex Co., Ltd.	4,374	116%	105	106%	58	106%
	Total for domestic sales*	40,388	87%	550	76%	321	78%
Overseas sales companies	Nagase (Hong Kong) Ltd.	28,598	133%	537	164%	437	162%
	Nagase (Thailand) Co., Ltd.	14,368	114%	459	89%	339	91%
	Shanghai Nagase Trading Co., Ltd.	12,559	106%	110	68%	27	23%
	Total for overseas sales*	137,572	122%	2,889	112%	2,105	98%

*Note) Hayashibara earnings reflect post-goodwill/intangible asset amortization.

*Note) Category totals are the simple sum of figures for each company and do not match consolidated figures.

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.



	05/03	06/03	07/03	08/03	09/03	10/03	11/03	12/03	13/03 (forecast)
Payout ratio	12.3	14.9	17.0	21.8	35.4	27.3	22.1	36.0	24.2
DOE	0.79	1.06	1.15	1.08	1.07	1.08	1.42	1.52	1.58

*A year-end dividend for FY ended Mar. 2013 will be discussed at shareholders meeting to be held in June 2013.

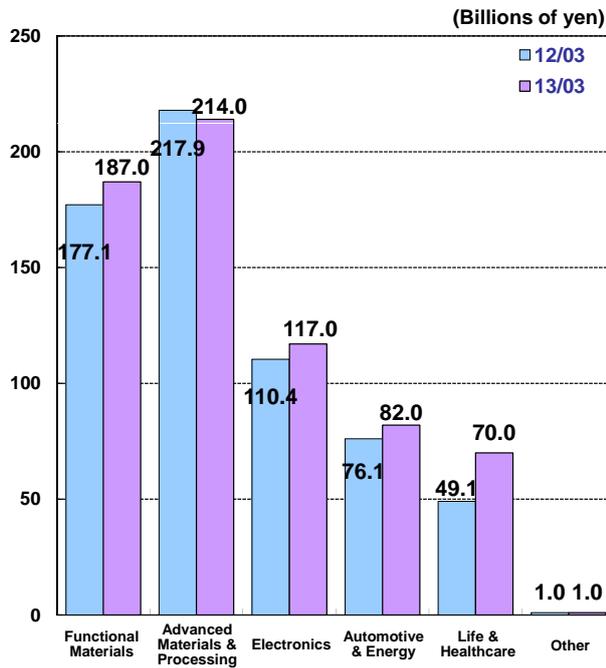
March 2013 Earnings Projections

FYE March 2013 Earnings Projections

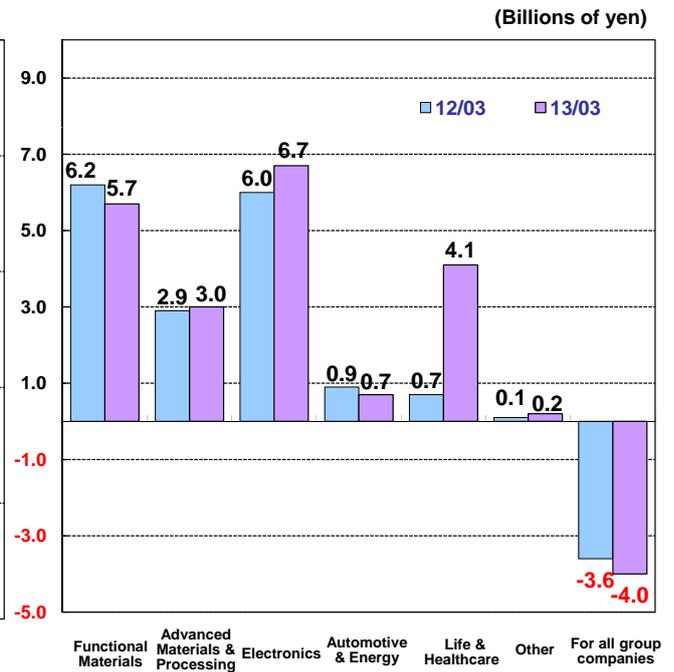
(Billions of yen, except earnings per share)

	12/03 Actual	13/03 Forecast	13/03			vs. PY
			First-Half Results	Second-Half Estimate	Full Year Forecast	
<u>Net sales</u>	<u>631.8</u>	<u>700.0</u>	<u>335.5</u>	<u>335.5</u>	<u>671.0</u>	<u>106%</u>
Gross profit	71.6	87.5	41.3	42.7	84.0	117%
<u>Operating profit</u>	<u>13.4</u>	<u>19.5</u>	<u>8.1</u>	<u>8.3</u>	<u>16.4</u>	<u>122%</u>
Ordinary income	15.6	20.5	8.6	9.0	17.6	112%
<u>Net income</u>	<u>8.5</u>	<u>15.5</u>	<u>8.0</u>	<u>5.6</u>	<u>13.6</u>	<u>159%</u>
Dividends per share	¥24	¥26	¥13	¥13	¥26	-
Assumed exchange rate (\$1US)	¥79.6	¥78.0	¥78.9	¥77.0	¥78.0	-

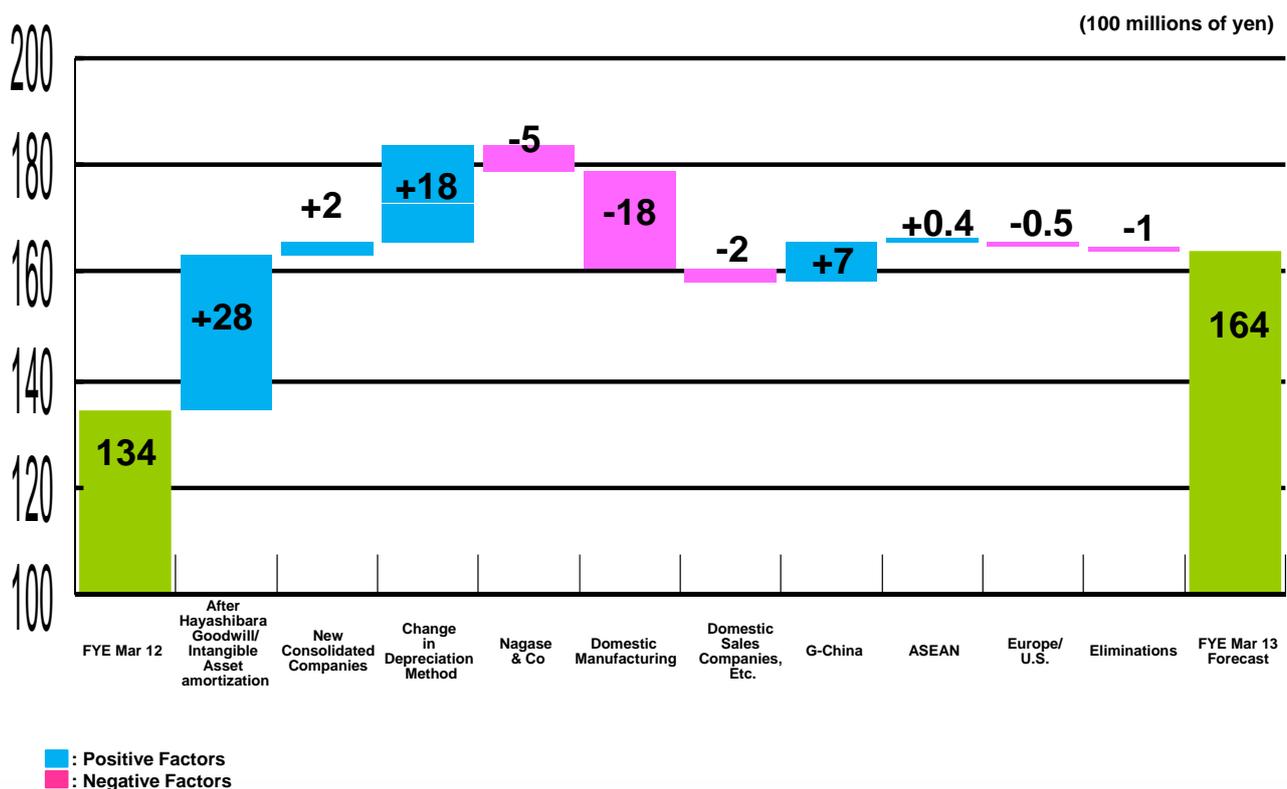
<Net Sales Forecast by Segment>



<Operating Profit by Segment>

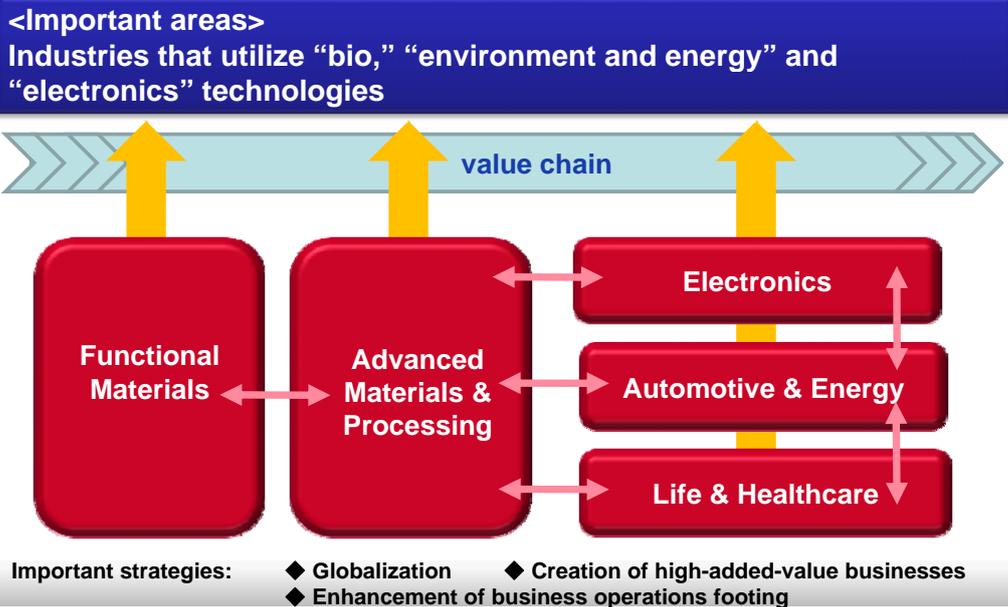


*The figures for 12/03 were calculated using figures from previous segments for new segments.



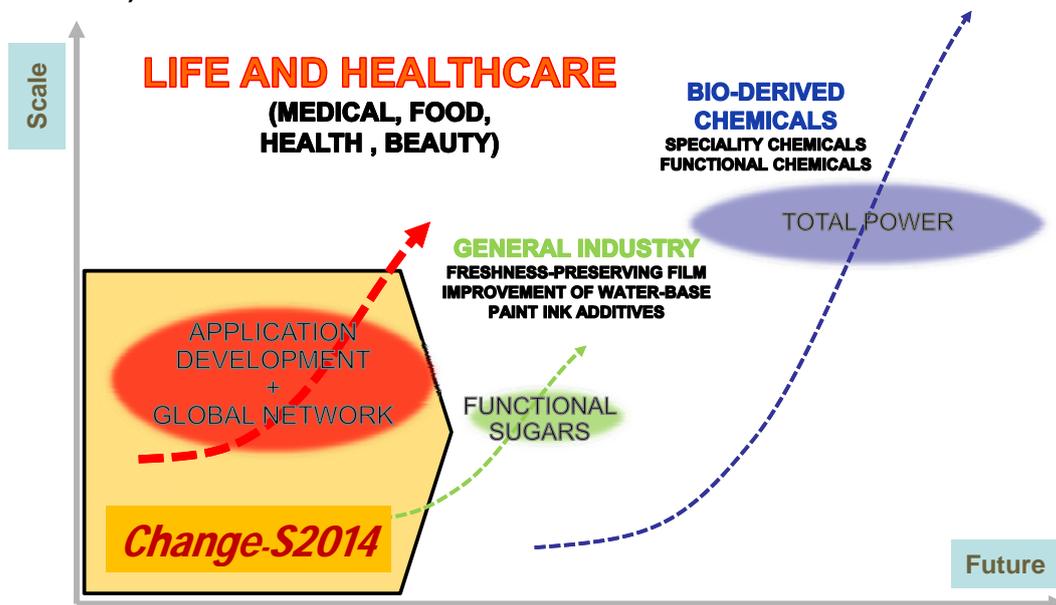
Realizing ACCELERATION of CHANGE

Through reorganization of business segments in the value chain, businesses to be focused on and their strengths will be clarified. The Company aims to grow important businesses, where “bio,” “environment and energy” and “electronics” technologies are utilized, by combining the above strengths.



Change-S2014

Commencing realization of synergies from acquisition of Hayashibara Change-S2014 aims to expand business in life and healthcare related area by combining trading company functions (marketing and global network) and manufacturing functions (R&D, application development and production).



Status of Hayashibara Business

**Representative Director and
Senior Managing Executive Officer**
Reiji Nagase

Path to the Newly Organized Hayashibara

Date	Details
Mar. 7, 2011	Application of Corporate Rehabilitation
Aug. 3	Nagase accepted as sponsor
Nov.18	Submit reorganization plan
Dec.31	Reorganization plan approval
Jan. 28, 2012	Finalized reorganization plan
Feb. 1	Three-firm merger: the newly organized Hayashibara
Feb. 3	Hayashibara became Nagase wholly owned subsidiary after capital injection
Mar. 26	Completion/acceptance of reorganization
Mar. 31	Hayashibara: End of First Fiscal Year (January – March, 2012)
Apr. 1	Hayashibara: Start of Second Fiscal Year (actual first year of operations)

* Three-firm merger: Hayashibara Co., Ltd, Hayashibara Shoji, Inc., and Hayashibara Biochemical Laboratories.

Becoming the global leader in functional saccharides



Management Philosophy

To maintain good and fair business practices

Vision

Technology

Through tireless research, we will become a world leader in our unique technology in the area of biotechnology, especially glycoscience.

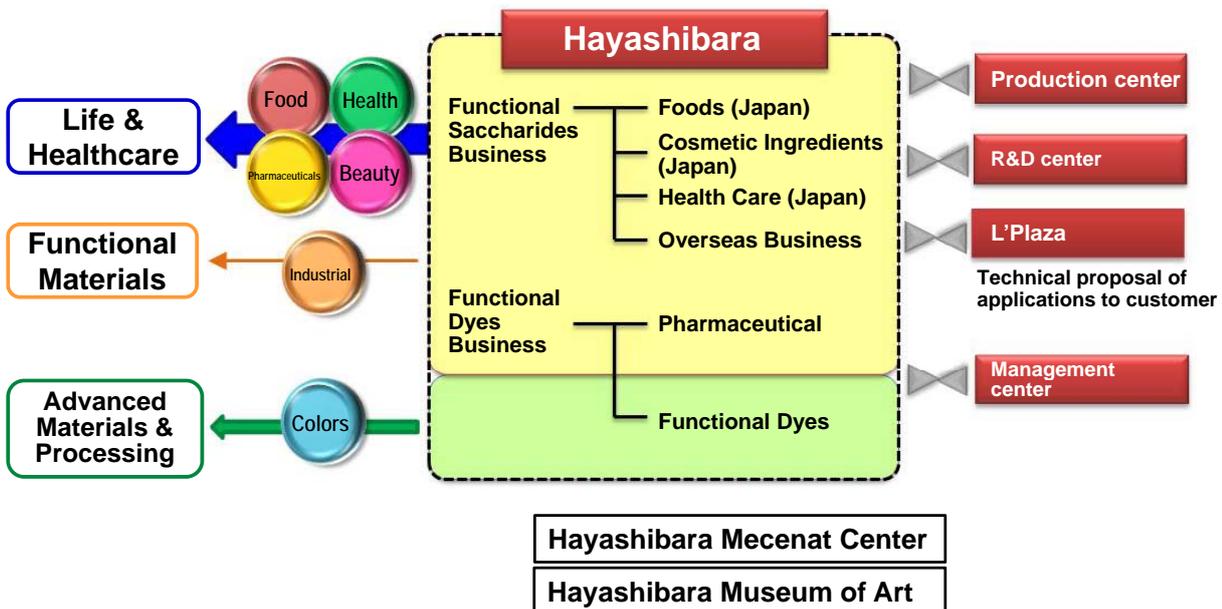
Market

We will develop together with customers by anticipating changes in the market structure and environment and providing highly functional saccharides.

People

Through business, we will provide a place to realize dreams and ideals and contribute to the health and well-being of people around the world.

<Nagase Group>



Trehalose (TREHA®)

Naturally occurring saccharide
Through the discovery of new enzymes, succeeded as first in the world to mass-produce trehalose from starches. Reduced cost to 1/100th of then-current levels, growing the entire market.

Characteristics / Functions

- Low sweetness
- Less coloration
- Highly stable (acid-, heat-resistant)

Used to control starch retrogradation, prevent protein denaturation, control quality degradation due to freezing or drying, prevent tissue adhesion, protect cryopreserved cells, etc.

★ Fiscal 2012 Trehalose Symposium

Used as preservative liquid for wood items unearthed from historic sites (Kyushu National Museum)

- Dimensional stability
- Cheap, safe, protective treatment in a short time



without TREHA®

with TREHA®



without TREHA®

with TREHA®

Stabilized Vitamin C (AA2G®)

Created stability by using enzymes to bind a glucose to unstable vitamin C. Made mass production of stable vitamin C possible.

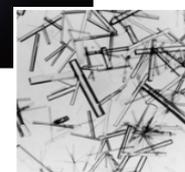
Characteristics/Functions

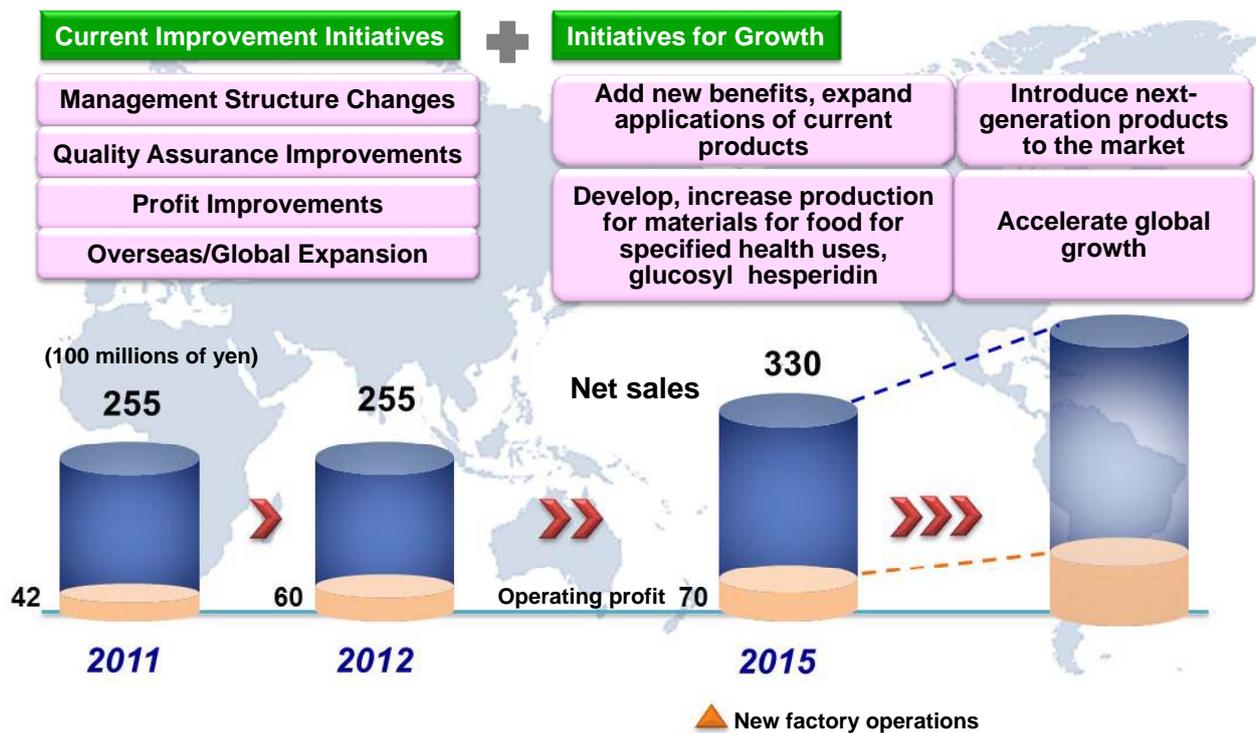
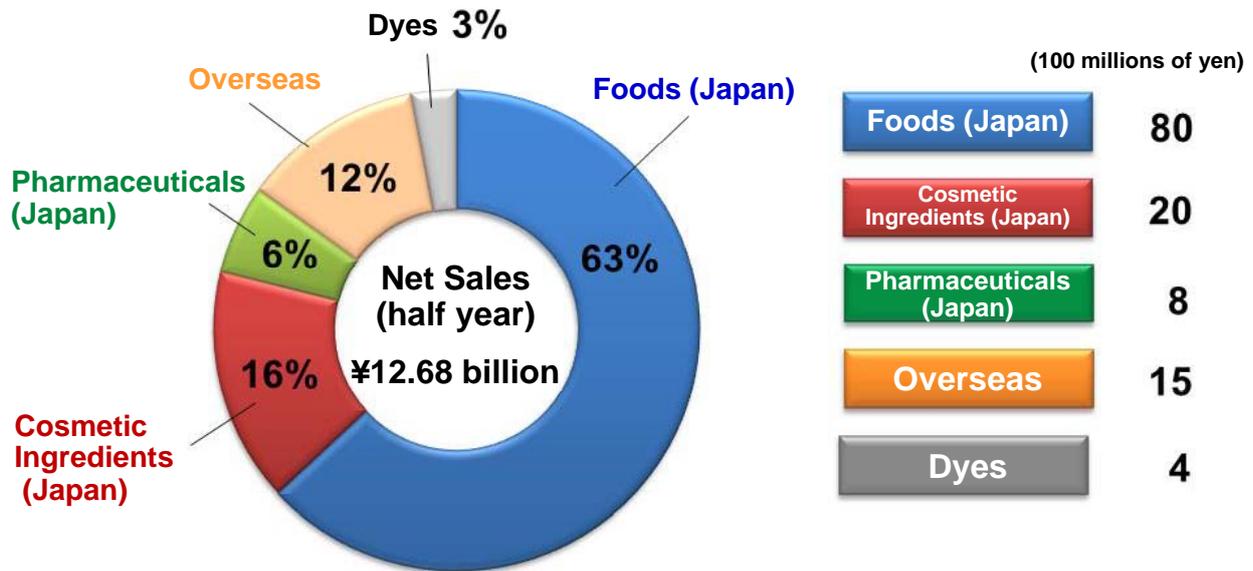
- Approved as base compound in quasi-drug products (whitening cosmetics).
- Approved as food additive.
- Bioactive as vitamin C in vivo.
- Resistant to breakdown due to heat and light; resistant to effects of oxygen.

Future Initiatives

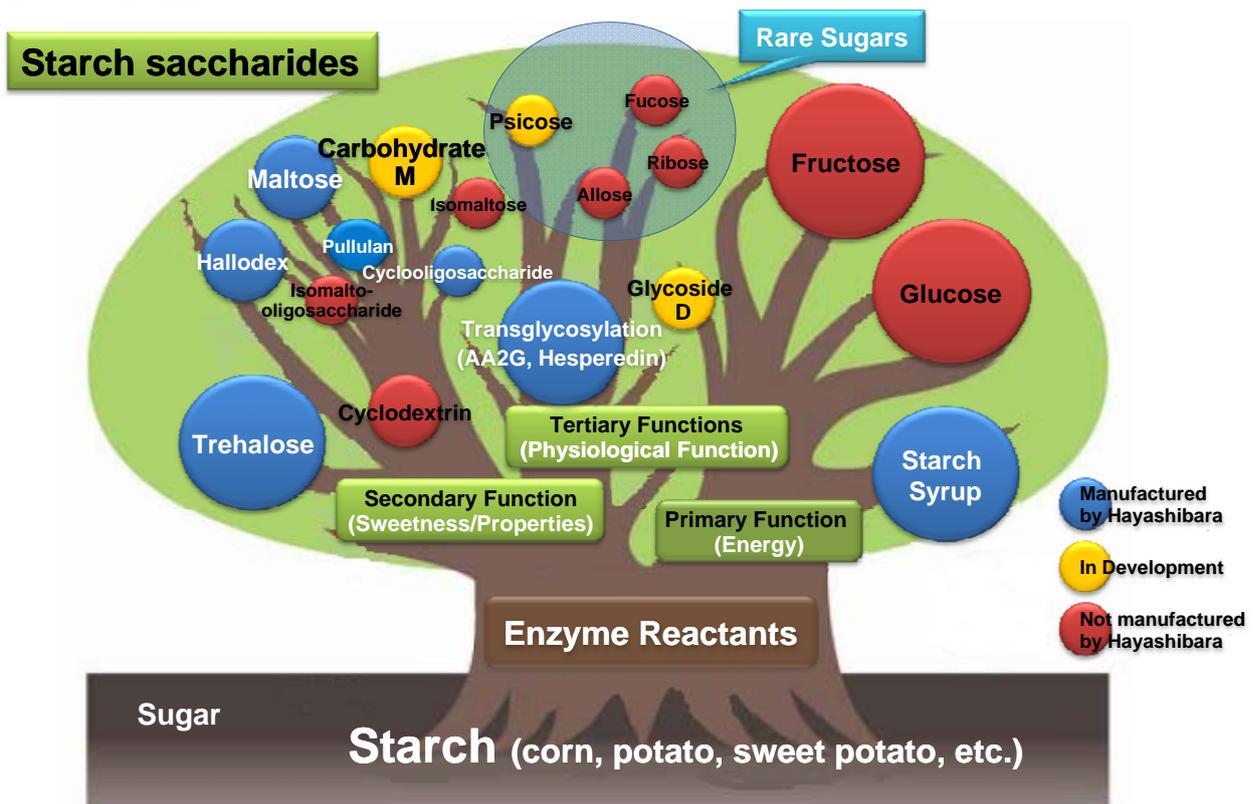
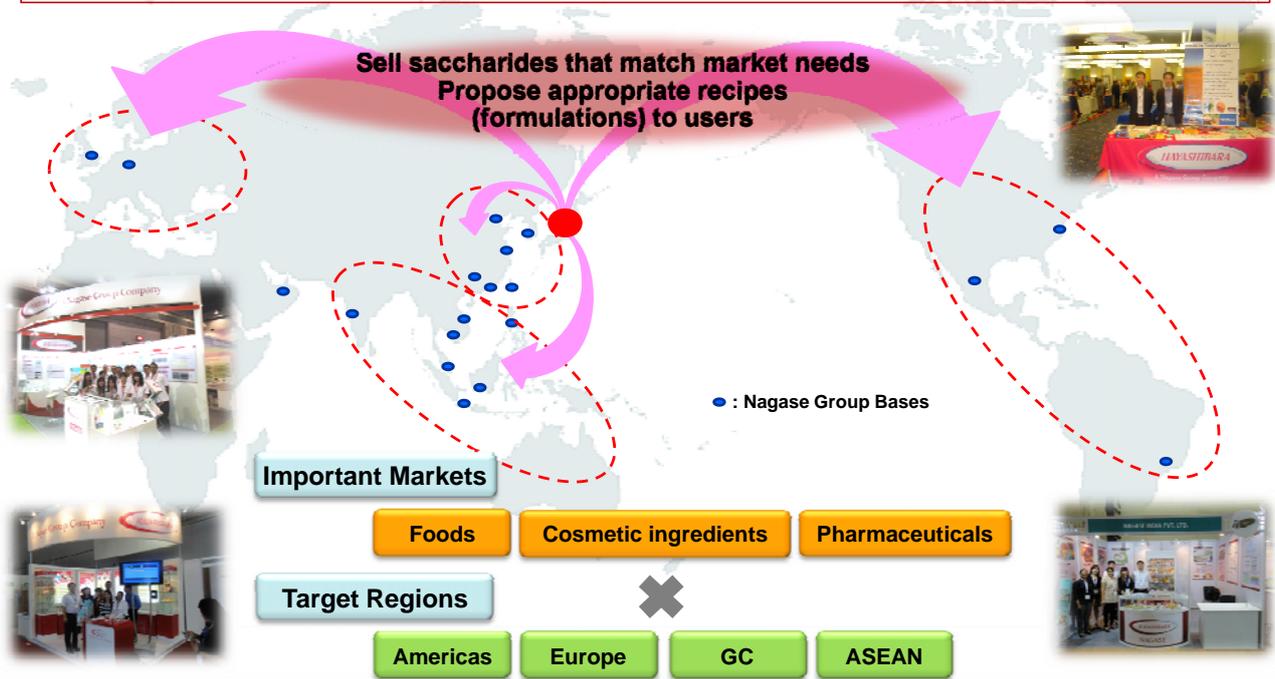
- Appeal new effect/efficacy other than whitening

Announced positive effect in promoting epidermal turnover this year. Will continue to publish new research results in the future.

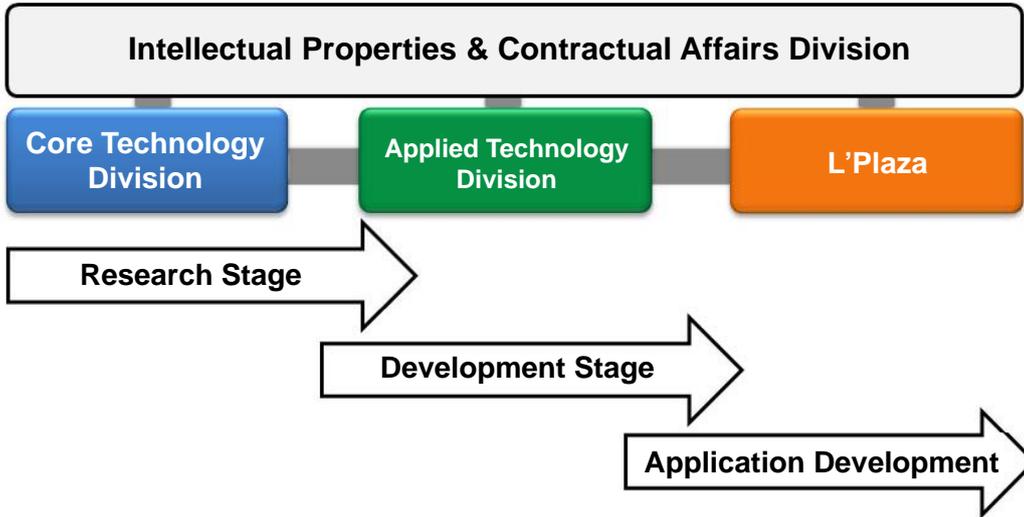




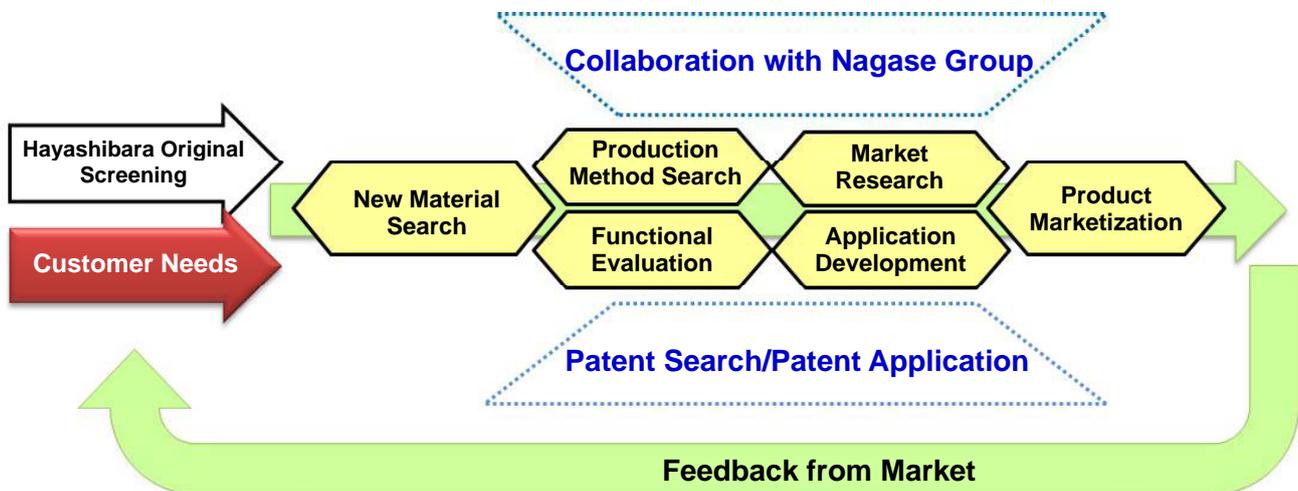
1. Use the functions of Hayashibara functional saccharides to increase recognition in global markets
2. Increase ability to access markets, strengthen sales structure
3. Recognize the diversity of needs in the market and expand product line accordingly



Research & Development Staff: approx. 100
 Research Costs: ¥1.0 billion (FYE March 2013 (forecast))
 Share of Revenues: 4.6% (FYE March 2013 (forecast))
 Number of Patents Owned: 1,037 (as of September 30, 2012)



➤ Path of New Products to the Market



(1) Move to obtain certifications for food safety and product quality management under global standards

Food Safety

FSSC 22000

Product Quality Management **ISO 9001**

(2) Planned, consistent investment for improved facilities, meet user needs, meet Kosher and Halal requirements

Fiscal 2012 (Projected) Capital Investment, Repairs approximately ¥500 million

(3) Hayashibara New Plant Construction

~ Transfer of operations from Hayashibara's Okayama Plant I and functional enhancement~

Press Release :October 15, 2012

- Imabo, Kita-ku, Okayama (approx. 6,000 m²) and Fujisaki, Naka-ku, Okayama (approx. 12,000 m²)
- Construction being scheduled to begin April 2013 and finish March 2015
- Total Investment: ¥8.0 billion (approximately)
- New Plant: Target ¥10.0 billion in sales within several years after completion. Annual production scale of 30,000 tons (Plant I: ¥5.0 billion in FY2011 sales)
 - Stable supply and increased production for current products
 - Flexible production lines
 - Efficient and energy-saving design
 - Pilot plant facilities for new product development

By binding a glucose to poorly water soluble hesperidin (contained in citrus fruit), we have improved hesperidin solubility 100,000 times, significantly improving absorption in the body.

Discovering that monoglucosyl hesperidin reduces the amount of serum triglyceride levels, several products utilizing this effect were released from the summer in 2012. These products include the ITO EN, LTD. "Stylee Sparkling", "Middle Care" by Taisho Pharmaceutical Co., Ltd. and Satoen product, "Midori no Sakucha". These products are being sold as food for specified health uses.

Future Initiatives

- Hold seminars and symposia to grow market recognition of Hayashibara Hesperidin®S
- Support developments of food for specified applications by users
- Enhance research toward expanded applications



A Technology and Intelligence Oriented
Company that Turns Wisdom into Business

NAGASE & CO., LTD.

<http://www.nagase.co.jp>

This presentation materials contain forward-looking projections based on assumptions, forecasts, and plans as of Nov 22, 2012. These materials include reference numbers that have not been independently audited. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.