

**NAGASE**

**FYE March 2013**

# **Financial Briefing**

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

**NAGASE & CO., LTD.**

**May 27, 2013**

**NAGASE**

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- **FYE March 2013 Results**
- **FYE March 2014 Earnings Projections**
- **Life & Healthcare Growth Strategies**

FYE March 2013 Results

Consolidated Results

- Recovery in overseas demand; ¥34.4 billion year-on-year revenue growth
- Hayashibara, gain on sale of fixed assets contribute to ¥14.1 billion net profit (¥5.6 billion increase)

(100 millions of yen)

	12/03	13/03	Change	vs. PY	Published Figures (2Q Revision)	Growth Rate
Net sales	6,318	6,662	344	105%	6,710	99%
Gross profit (GP ratio)	716 <11.3%>	825 <12.4%>	109 <+1.1%>	115%	840 <12.5%>	98%
SG&A expenses	-582	-670	88	115%	-676	101%
Operating profit	134	155	21	116%	164	95%
Ordinary income	156	179	22	114%	176	102%
Net income	85	141	56	166%	136	104%
Exchange rate	@79.62	@83.32	-¥3.7		@78.00	

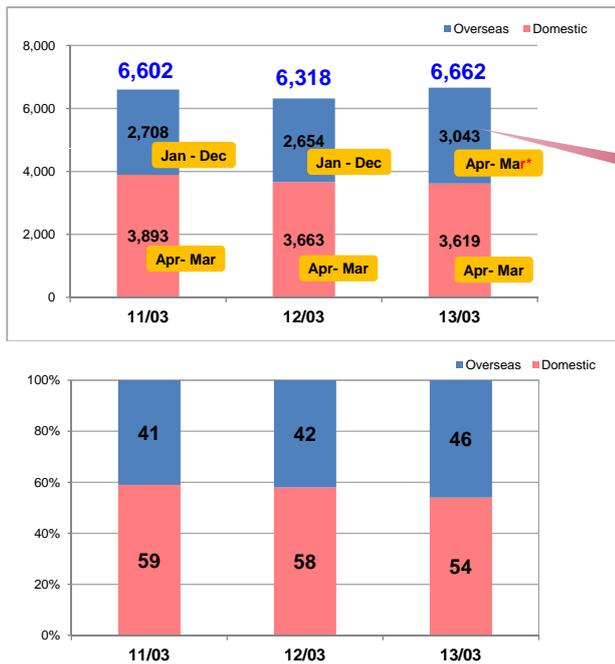
\* Newly Consolidated Co's: Six total. New Equity Method Affiliates: 11 Total

(Per-yen exchange rate impact on net sales and operating profit)

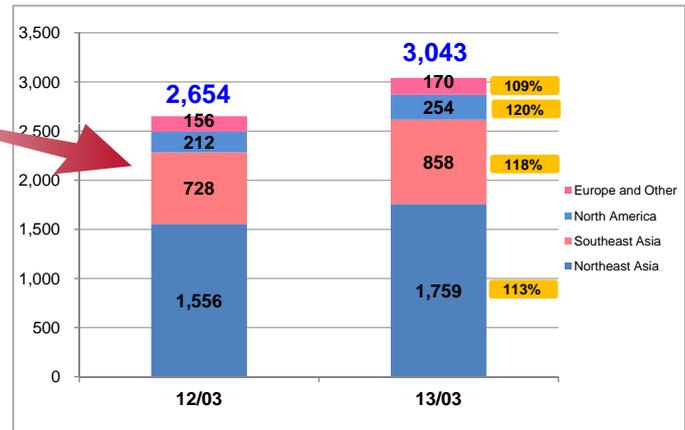
	Impact of dollar/yen rate	Impact on 13/03 Actual
Net sales	¥4.6 billion	+¥17.5 billion
Operating profit	¥150 million	+¥580 million

### Net sales ¥666.2bil (Domestic ¥361.9bil; Overseas ¥304.3bil)

¥34.4bil increase (+5.4%) from the previous fiscal year (Domestic -¥ 4.3bil (-1.2%), Overseas +¥38.8bil (+14.6%)



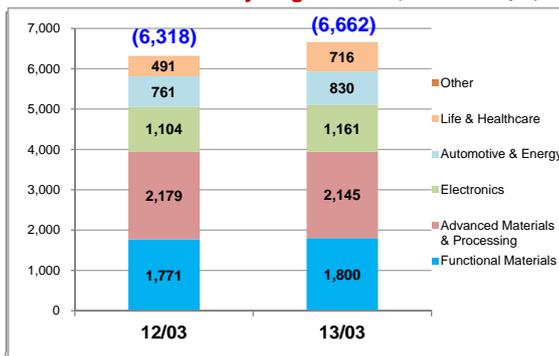
### Overseas Sales by Region (vs. PY)



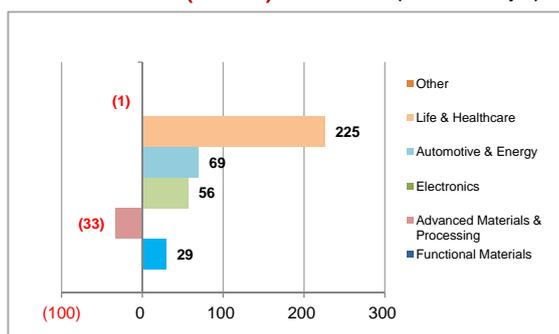
**- Overseas Net Sales Ratio Increase (42% → 46%) -**  
Overseas sales contribute more overall; growth in Northeast, Southeast Asia

\* Overseas subsidiaries align fiscal years beginning FYE March 2013 (January – December changed to April – March)

### Net Sales by Segment (100 millions of yen)



### Change in Net Sales by Segment (vs. PY) (100 millions of yen)



### Net Sales by Segment (vs. PY)

#### Functional Materials ¥180.0bil (+¥2.9bil, +2%)

- Increased revenues in the performance chemical business due to increases in coating raw materials and basic chemical sales (spot business) in Singapore
- Decreased revenues in the speciality chemicals business due to lower sales in raw materials for industrial oil solutions and fluorochemicals to the auto and textiles markets

#### Advanced Materials & Processing ¥214.5bil (-¥3.3bil, -2%)

- Decreased revenues in the colors and imaging business due to lower dyes/additives and information printing materials sales; reorg in textile processing agents and other equity method affiliate businesses also contributed to lower decreases
- Higher revenues in office equipment and appliances due to increased plastics sales and higher molding tools exports in Northeast Asia
- Lower revenues in functional films and sheets and plastic molding products business due to lower performance in liquid crystal polarizer film precision inspection equipment sales

#### Electronics ¥116.1bil (+¥5.6bil, +5%)

- Lower revenues in electronics chemicals business due to decrease in semiconductors and chemicals used in the manufacturer of LCD panels
- Higher revenues in electronics materials business due to increased sales of touch-panel materials in Northeast Asia

#### Automotive & Energy ¥83.0bil (+¥6.9bil, +9%)

- Lower revenues in Japan due to the end of eco-car subsidies and lower domestic auto sales
- Higher revenues overseas; anti-Japanese demonstrations in China led to lower sales of automobile-related materials; however, strong performance in North America and ASEAN push revenues up overall

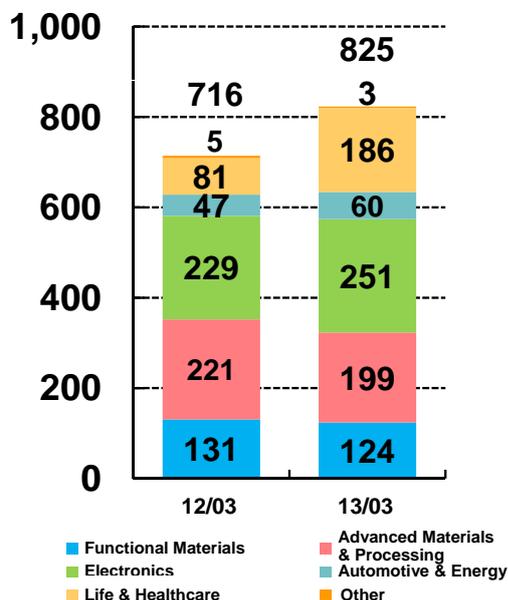
#### Life & Healthcare ¥71.6bil (+¥22.5bil, +46%)

- Consolidation of Hayashibara led to major increase in revenues on the order of ¥24.4 billion
- Higher revenues in the non-Hayashibara fine chemicals business due to solid performance in in vitro diagnostics/medical materials and Nagase ChemteX enzymes
- Lower revenues in the beauty care products business due to decreased sales in existing mainstay products

**Gross Profit: ¥82.5bil +¥10.9bil +15.3%**

<GP ratio: 12.4% +1.1%>

(100 millions of yen)



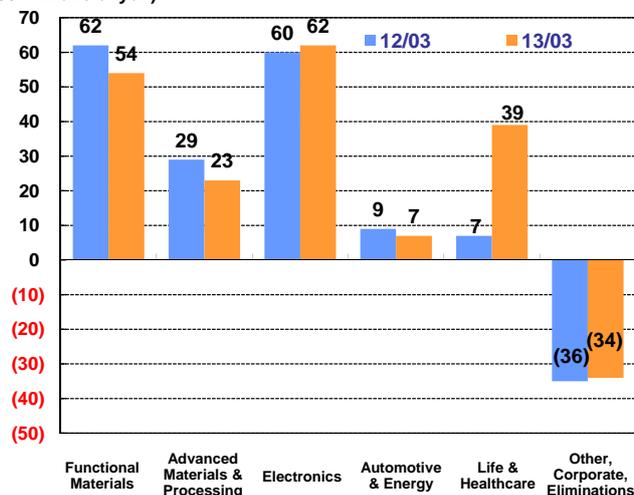
**Gross Profit by Segment (vs. PY)**

Functional Materials <GP Ratio: 6.9%(-0.5%)>	¥12.4bil	- ¥0.7bil	-5.3%
Advanced Materials & Processing <GP Ratio : 9.3%(-0.8%)>	¥19.9bil	- ¥2.1bil	-9.9%
Electronics <GP Ratio: 21.7%(+0.9%)>	¥25.1bil	+¥2.2bil	+9.8%
Automotive & Energy <GP Ratio: 7.2%(+0.9%)>	¥6.0bil	+¥1.2bil	+25.7%
Life & Healthcare <GP Ratio: 26.1%(+9.6%)>	¥18.6bil	+¥10.5bil	+130.2%

**Operating Profit: ¥15.5bil +¥2.1bil +16.0%**

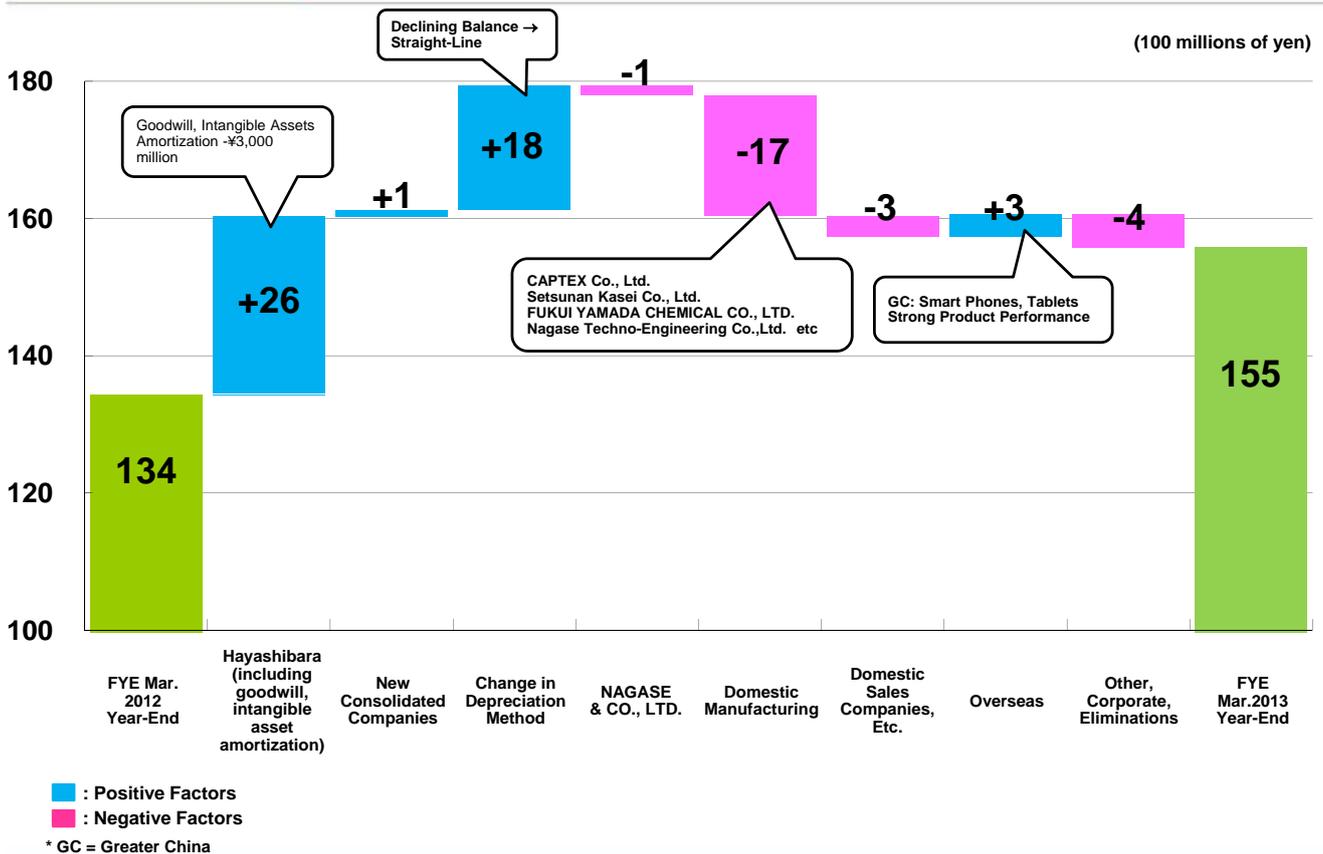
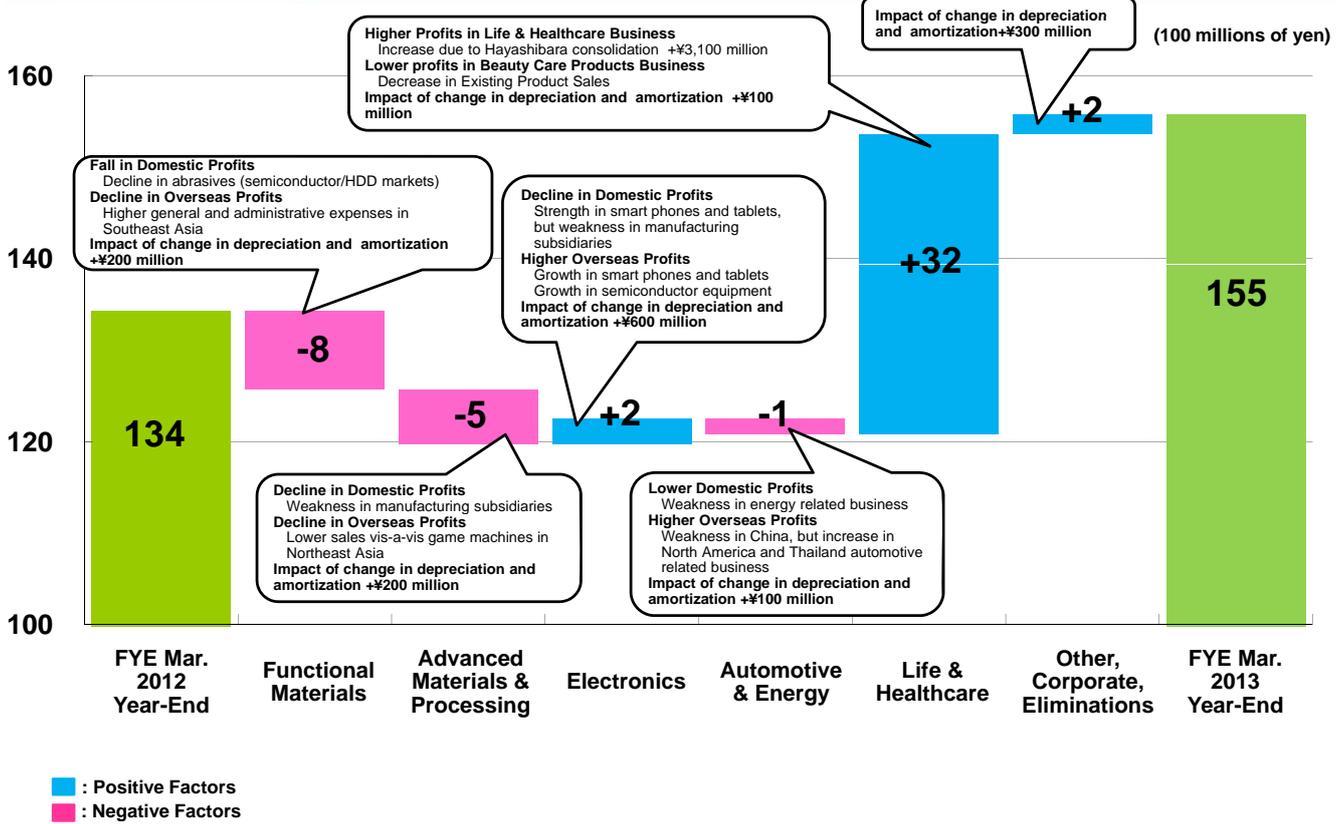
<Operating Profit by Segment>

(100 millions of yen)



**Operating Profit by Segment (vs. PY)**

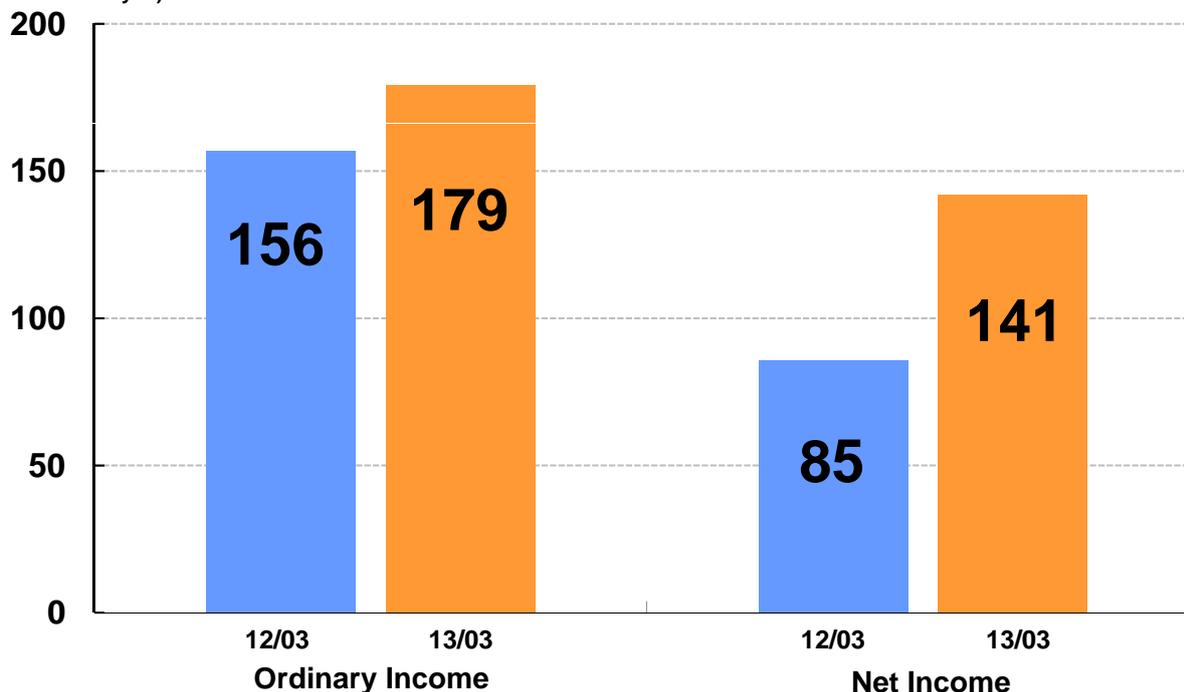
Functional Materials	¥5.4bil	-¥0.8bil	-13.6%
Advanced Materials & Processing	¥2.3bil	-¥0.5bil	-19.9%
Electronics	¥6.2bil	¥ +0.2bil	+4.6%
Automotive & Energy	¥0.7bil	-¥0.1bil	-18.4%
Life & Healthcare	¥3.9bil	+¥3.2bil	+464.1%



**Ordinary Income: ¥17.9bil +¥2.2bil +14.3%**

**Net Income: ¥14.1bil +¥5.6bil +65.5%**

(100 millions of yen)



(100 millions of yen)

Assets	1 2 / 0 3	1 3 / 0 3	Change	Liabilities and Net Assets	1 2 / 0 3	1 3 / 0 3	Change
Cash and time deposits	291	466	+175	Notes and accounts payable	1,091	1,079	-12
Notes and accounts receivable	1,977	1,960	-17	Short-term loans	501	354	-147
Inventories	452	518	+66	Other current liabilities	223	224	+0
Other current assets	101	111	+10	Long-term debt	382	326	-55
Property, plant and equipment	567	609	+42	Bonds	-	300	+300
Intangible fixed assets	574	552	-21	Accrued retirement benefits for employees	100	102	+2
Investments in securities	490	568	+78	Other long-term liabilities	81	102	+20
Other fixed assets	53	78	+24	<b>Total liabilities</b>	<b>2,380</b>	<b>2,489</b>	<b>+108</b>
				Shareholders' equity	2,011	2,117	+106
				(Portion less treasury stock, at cost)	(-54)	(-71)	(-16)
				Net unrealized holding gain on securities	127	179	+52
				Translation adjustment	-91	-12	+79
				Stock acquisition rights	1	0	-0
				<b>Total net assets</b>	<b>2,127</b>	<b>2,378</b>	<b>+250</b>
				(Equity ratio)	(45.4%)	(46.9%)	(+1.5%)
<b>Total assets</b>	<b>4,508</b>	<b>4,867</b>	<b>+359</b>	<b>Total liabilities and net assets</b>	<b>4,508</b>	<b>4,867</b>	<b>+359</b>

- ◆ Operating Cash Flows: ¥18.5 billion net inflow. Payments of ¥6.3 billion in corporate tax, etc. offset by ¥19.4 billion in income before income taxes and recovery of ¥7.4 billion in depreciation and amortization.
- ◆ Investment Cash Flows: Sales of ¥3.2 billion in tangible fixed assets offset by ¥12.2 billion intangible/intangible asset purchases
- ◆ Financing Cash Flows: Inflow of ¥29.8 billion in corporate bond issuance, outflow of ¥16.2 billion in repayment of debt

(100 millions of yen)

	13/03	Main breakdown	12/03
<b>Net cash provided by (used in) operating activities</b>	<b>+185</b>	Income before income taxes +19.4 bil Depreciation and amortization +7.4 bil Goodwill amortization +1.6 bil Impairment loss +1.8 bil Working capital +0.1 bil Corporate tax, etc. -6.3 bil	<b>+ 56</b>
<b>Net cash provided by (used in) investing activities</b>	<b>- 95</b>	Purchases of property plant and equipment -10.5 bil Purchases of intangible fixed assets -1.7 bil Sales of tangible fixed assets +3.2 bil	<b>- 81</b>
<b>Net cash provided by (used in) financing activities</b>	<b>+ 11</b>	Inflow from corporate bond issuance +29.8 bil Inflow from long-term debt +4.6 bil Repayment of long-term debt -16.2 bil Payment of dividends -3.1 bil	<b>+569</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>+126</b>	Exchange gains related to cash and cash equivalents (including +¥2.4bil)	<b>-188</b>
<b>Increase (decrease) in cash and cash equivalents accompanying consolidation</b>	<b>+9</b>	Nagase Electronics Technology ( Xiamen) Co., Ltd. +0.6 bil Nagase India Private Ltd. +0.1 bil Nagase Tool Matex Co., Ltd., three others +0.1 bil	<b>+1</b>
<b>Increase (decrease) in cash and cash equivalents accompanying changes in fiscal years</b>	<b>+37</b>	Japan +¥0.1bil, Greater China +¥3.8bil, Asean -¥0.5bil EU +¥0.2bil, North America +¥0bil	<b>—</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>458</b>	Cash and cash equivalents on the balance sheet ¥46.6bil - ¥0.8bil in certificates of deposit due after three months = ¥45.8bil	<b>285</b>

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(Millions of yen)

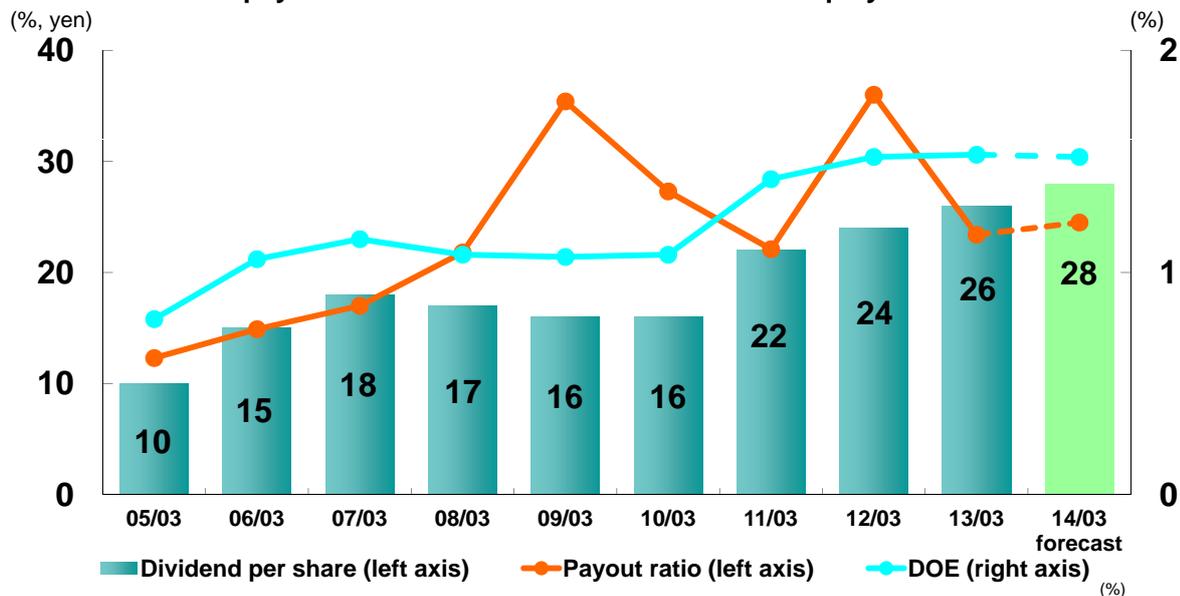
	Company Name	Net Sales	vs. PY	Operating Profit	vs. PY	Net Income	vs. PY
<b>Parent Company</b>	Nagase & CO., LTD.	423,513	97%	2,979	116%	6,652	87%
<b>Manufacturing companies</b>	Nagase ChemteX Corp.	26,273	97%	2,743	100%	1,382	90%
	Hayashibara Co., Ltd.	25,223	-	2,603	-	2,121	-
	Totaku Industries, Inc.	7,571	99%	196	84%	185	166%
	<b>Total for manufacturing*</b>	<b>89,210</b>	<b>126%</b>	<b>5,899</b>	<b>140%</b>	<b>1,950</b>	<b>115%</b>
<b>Domestic sales companies</b>	Nagase Plastics Co., Ltd.	29,141	98%	304	112%	159	121%
	Nagase Chemical Co., Ltd.	15,805	117%	197	96%	111	107%
	Nagase Elex Co., Ltd.	8,174	109%	166	93%	96	103%
	<b>Total for domestic sales*</b>	<b>79,586</b>	<b>90%</b>	<b>1,248</b>	<b>84%</b>	<b>638</b>	<b>100%</b>
<b>Overseas sales companies</b>	Nagase (Hong Kong) Ltd.	57,467	116%	1,052	134%	798	104%
	Nagase (Thailand) Co., Ltd.	29,675	125%	970	122%	730	122%
	Nagase America Corp.	23,593	115%	439	109%	274	110%
	<b>Total for overseas sales*</b>	<b>276,924</b>	<b>119%</b>	<b>5,160</b>	<b>108%</b>	<b>4,111</b>	<b>101%</b>

\* Note) Hayashibara earnings are theoretical earnings after goodwill and intangible asset amortization; impact of taxes not reflected.

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

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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	14/03 forecast
Payout ratio	12.3	14.9	17.0	21.8	35.4	27.3	22.1	36.0	23.4	24.5
DOE	0.79	1.06	1.15	1.08	1.07	1.08	1.42	1.52	1.53	1.52

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

**FYE March 2014 Earnings Projections**

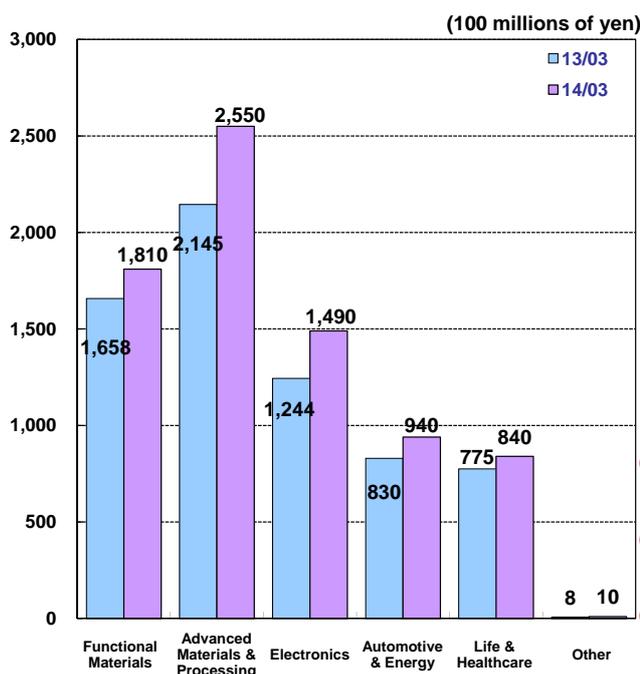
(100 millions of yen, except earning per share)

	13/03 Actual	14/03 Forecast	Change	vs. PY
<b>Net sales</b>	<u>6,662</u>	<u>7,640</u>	<u>+977</u>	<u>115%</u>
Gross profit (GP rate)	825 <12.4%>	934 <12.2%>	+108 <-0.2%>	113%
<b>Operating profit</b>	<u>155</u>	<u>192</u>	<u>+36</u>	<u>123%</u>
Ordinary income	179	210	+30	117%
<b>Net income</b>	<u>141</u>	<u>145</u>	<u>+3</u>	<u>102%</u>
Dividends per share	¥26	¥28	+2円	-
Assumed exchange rate (\$1US)	¥83.3	¥95.0	-¥11.7	-

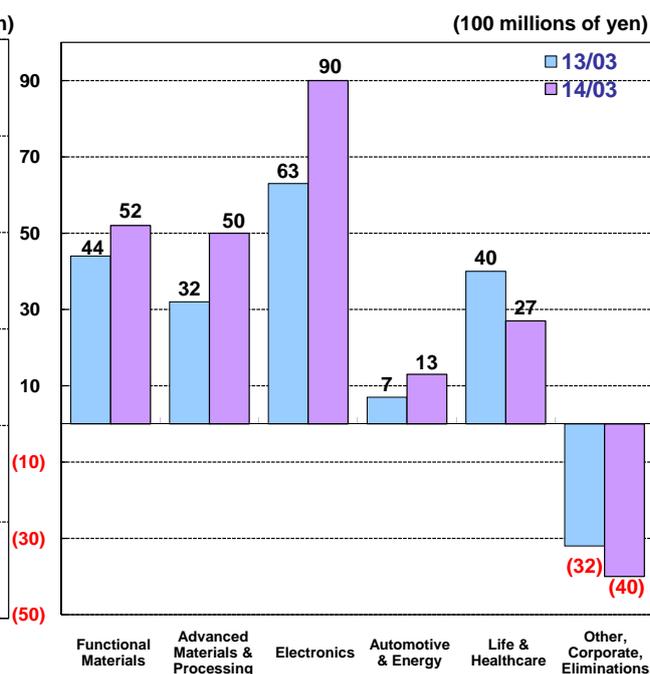
- Higher Overseas Profits / Lower Domestic Profits
- Narrower losses among unprofitable subsidiaries +¥1.3 billion
- Impact of actuarial losses for retirement benefit obligations -¥1.5 billion (13/03 -¥0.7 billion)

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<Net Sales Forecast by Segment>

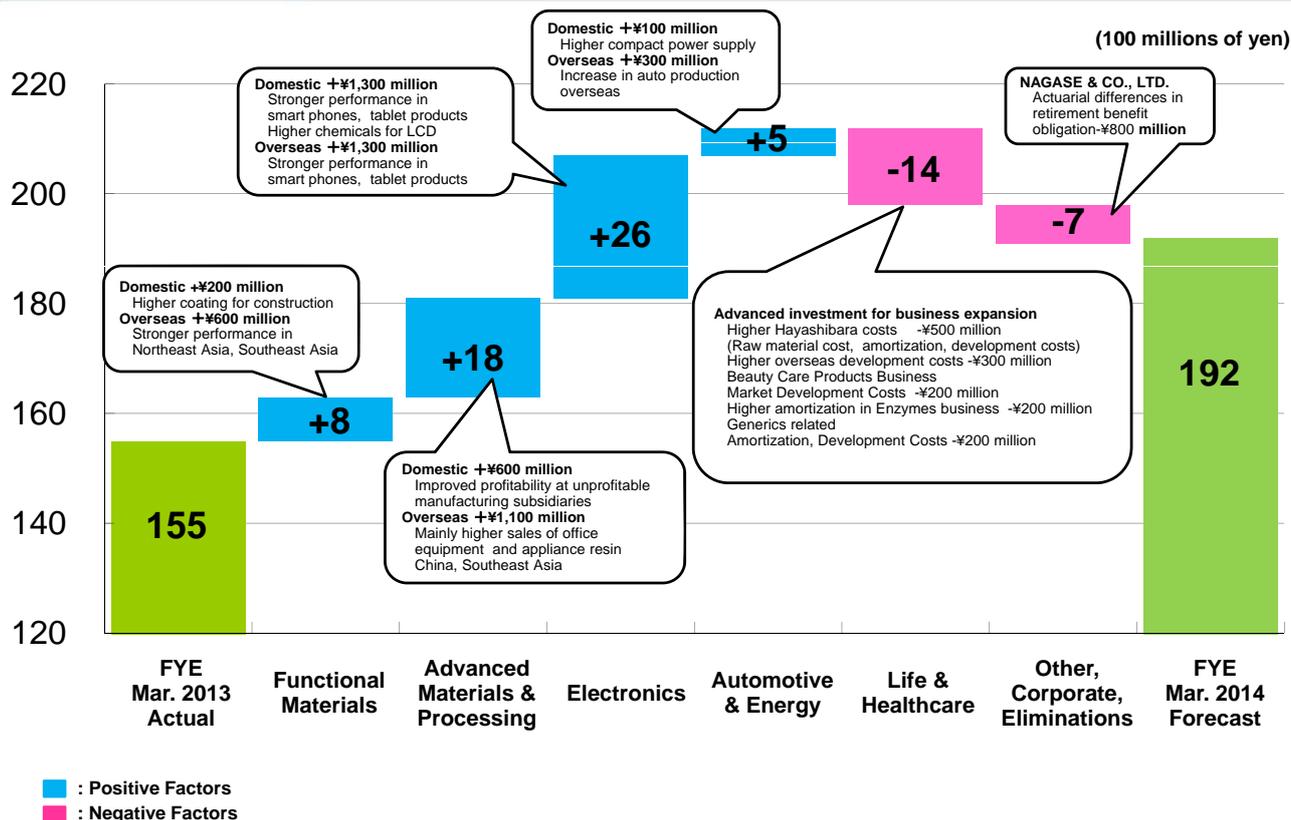


<Operating Profit by Segment>



\* Beginning FYE March 2014, the abrasives sales business for semiconductors and HDD industry (formerly under Functional Materials) will be moved under the Electronics business segment. Sales business for cosmetics industry (formerly under Functional Materials) will be moved under the Life & Healthcare business. FYE March 2013 results have been recalculated to reflect this change.

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### [Business Improvements in Target Fields]

#### 1 Fields Using Bio-Related Technologies

- Grew sales of core Hayashibara products; launched new products. Revised overseas sales activities to begin global rollout.
- Next-generation agri-industrial bio production conducted with Kobe University and others selected as a continuing program by the Ministry of Education, Culture, Sports, Science & Technology  
→ Nagase R&D Center takes main role in advancing research and development in bio technologies through this program
- Established local entity in Brazil to research bio business markets in the large food and agriculture sectors in South America

#### 2 Fields Using Environment and Energy Technologies

- Start of renewable energy feed-in tariff scheme resulted in strong sales of photovoltaic power systems
- CAPTEX plant at full production making secondary battery modules for eco-friendly cars  
→ Compact power supply scheduled for market launch in June 2013; faster rollout of applied development utilizing CAPTEX technologies

#### 3 Fields Using Electronics Technologies

- Global sales, procurement activities for smart phones and tablets resulted in strong component sales for the market
- Engineered Materials Systems Inc. (U.S) turns in strong performance of conductive materials sales for tablet electronics components
- Nagase ChemteX (Wuxi) Corp. begins construction of research and development facility to build up product development capacity meeting local needs

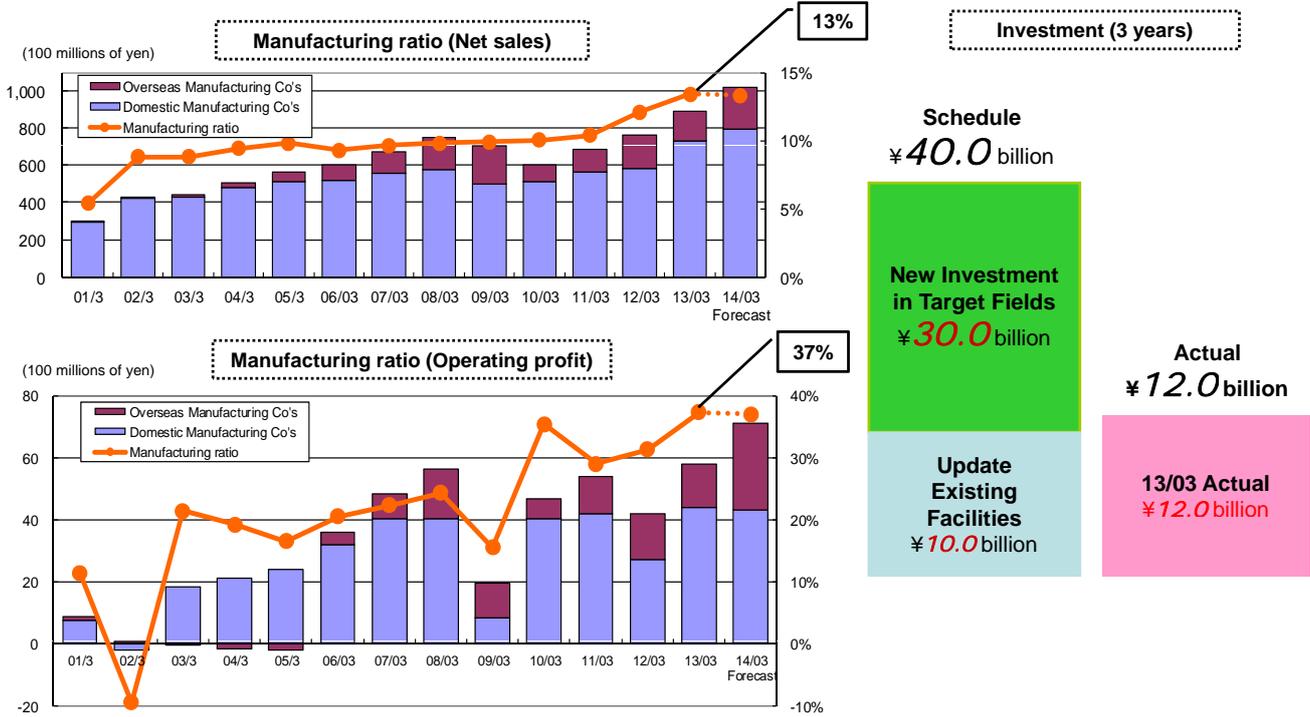
### [Stronger Management Systems]

- Established Investment Guidelines to clarify investment standards; sped up decision-making process; improved post-investment monitoring
- Initiatives to visualize and ameliorate risk for stronger risk management from the standpoint of a manufacturing firm
- Established Regional Operating Centre in Singapore
- Group-wide staff exchange and improved human resources systems

### [Key Indicators]

	FY 2012 Actual	FY 2013 Forecast	FY 2014 Target
Net sales	¥666.2 billion	¥764.0 billion	¥800 billion
Operating profit	¥15.5 billion	¥19.2 billion	¥30.0 billion
ROE	6.5%	6.2%	8.0%

Investment in manufacturing functions, research and development functions, technology and information capacity, and global network for unique strengths and competitive advantage; improved corporate value through improved quality of business



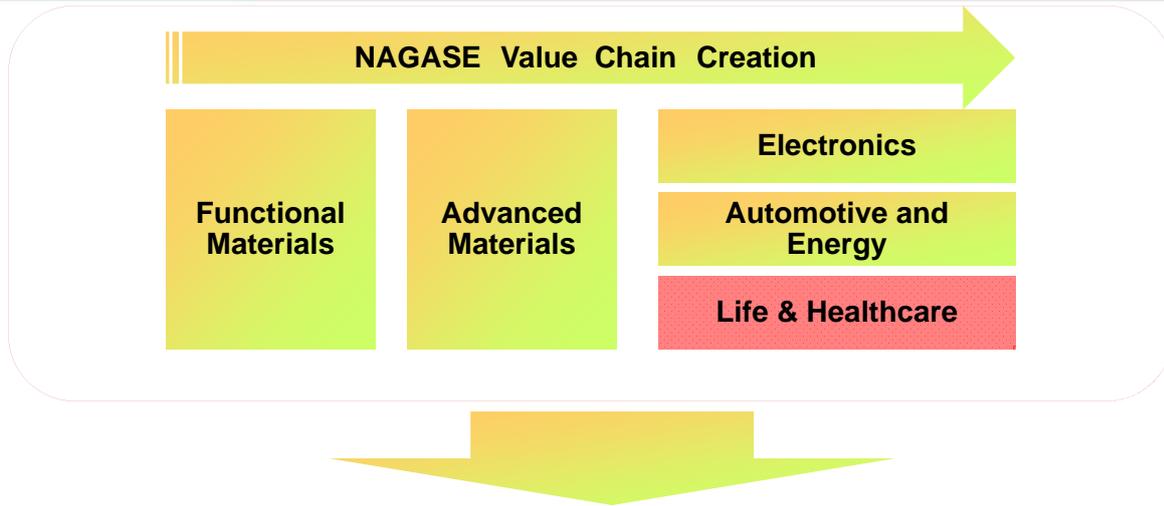
*Change-S2014*



## Life & Healthcare Growth Strategies

Director and Executive Officer, Life & Healthcare  
Osamu Morishita

1. The Business Mission of Life & Healthcare Segment
2. The Life & Healthcare Business and Future Direction
3. The Life & Healthcare Organization
4. Recent Capital Investment for Production
5. Sales Forecast by Division (2012- 2014)
6. Hayashibara's Current Status and Future Outlook
7. The Acceleration of R&D in the saccharide and enzyme business
8. The business policies of Pharmaceutical, Medical Materials and Personal Care

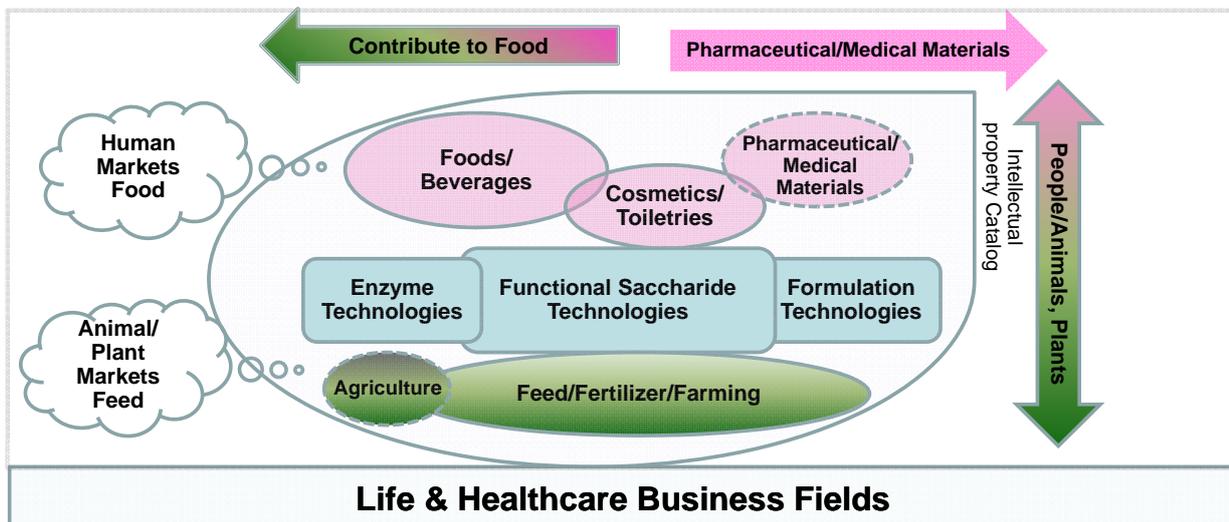


(Create a business that adapts to market changes; strengthen management systems)

***'Contribute to healthier and happier lifestyles'***

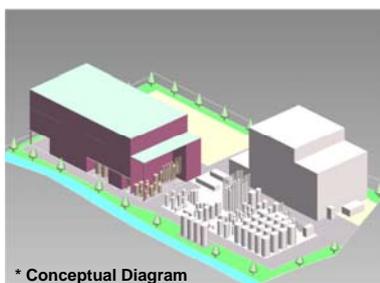
Use the Group's trading company functions and Group-wide corporate management resources to **capture markets globally**, growing our business in **food and beverages, cosmetics and toiletries, and pharmaceuticals and medical materials fields**

1. Open new opportunities in the food industry focusing on saccharide and enzyme functional materials (From Food to Feed)
2. Stabilize and grow business in pharmaceuticals and medical materials, using formulation, synthesis, and pharmaceuticals functions
3. Expand Hayashibara sales in cosmetics and toiletries from a global perspective; grow business value by developing functional materials as a trading company
4. Contribute to food by fostering agribusiness through functional materials (From Food to Feed)





Organization	Markets	Active Fields	Group Manufacturing Companies	Representative Products
Food Material Div.	Foods, Agriculture	Overseas/Domestic	Hayashibara	TREHA® and other functional saccharides
			Nagase ChemteX	Enzymes for food (Processed)
		Domestic	Kawai Hiryo	Organic fertilizers, processed food materials
Personal Care Products Div.	Cosmetics/Toiletries	Overseas/Domestic	Hayashibara	AA2G® and other functional saccharides
			Nagase ChemteX	Phospholipid and other enzyme conductors
Pharma-Medical Div.	Pharmaceuticals, Medical Materials	Overseas/Domestic	Nagase Medicals	Anti-cancer drugs
			Hayashibara	Maltose Functional Saccharides
		Domestic	Nagase ChemteX	Pharmaceutical ingredients (API)



**Hayashibara Co., Ltd. (Okayama Prefecture)**

New Plant at Fujisaki and Imabo areas  
(Plant No. 1 scrap and build)

**Improved Production Functions**

**Stable Supply Efficient Production**  
**Pilot Production for Newly Developed Products**

2015 Spring Planned Completion



**Nagase ChemteX Corporation (Fukuchiyama Plant)**

(total floor space 2,200m<sup>2</sup>)

◆ **Kosher, halal certification.**

**Completion of new enzyme production facilities**

Shore up business foundation to expand enzyme sales globally  
Groundwork for expanding food and beverage business

Completed End of 2012; Full Operations 2012

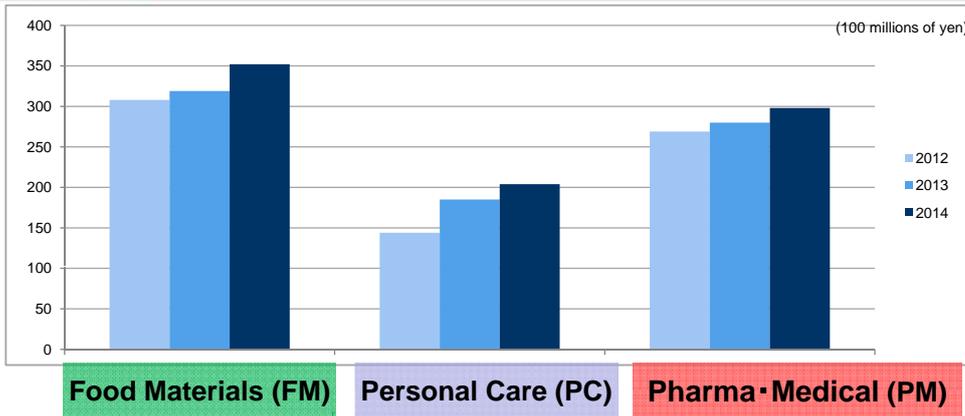


**Nagase Medicals Co., Ltd. (Itami City, Hyogo Prefecture)**

◆ **Anti-cancer drugs (generics) Vial Injector Production**

New Facility Three Floors (Floor Space 1,000m<sup>2</sup>)

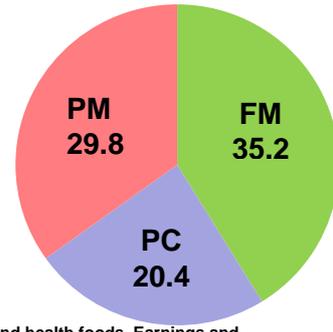
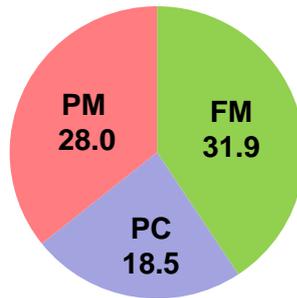
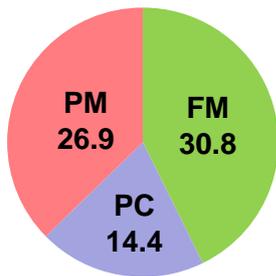
2013 Spring Completed



FY 2012 ¥77.5 billion

FY 2013 ¥84.0 billion

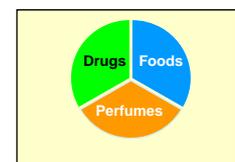
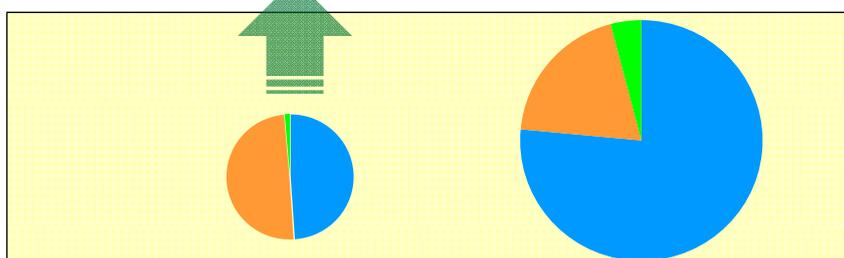
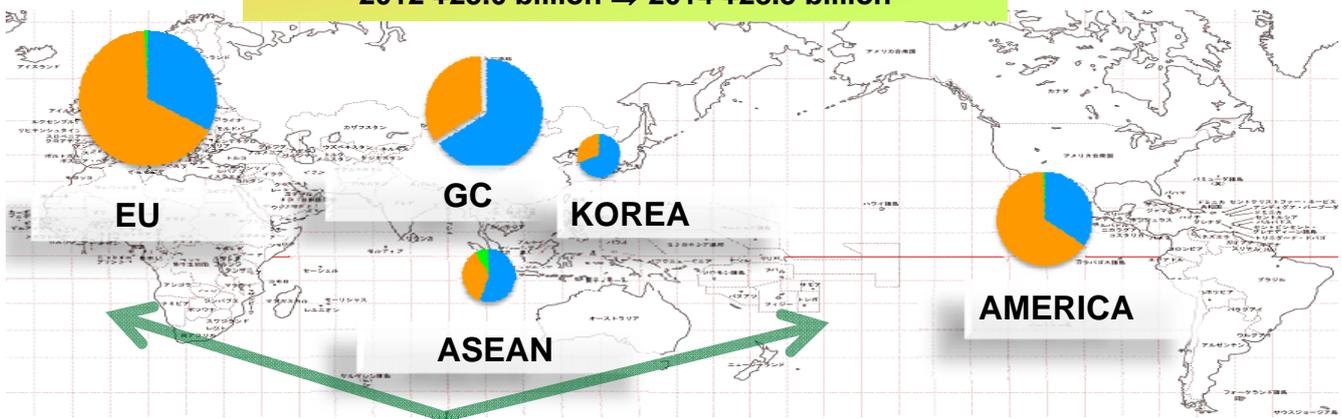
FY 2014 ¥92.0 billion

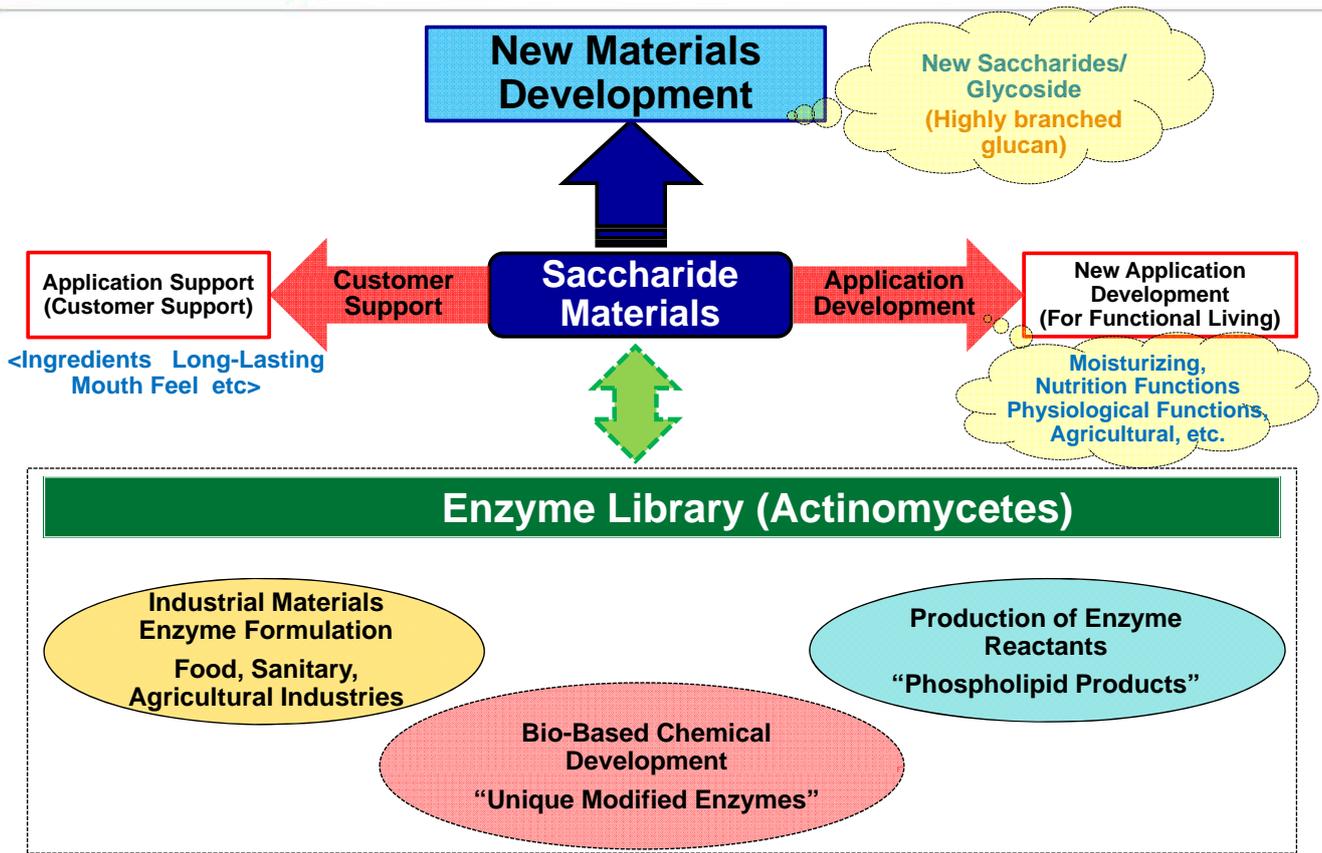


\* The Life & Healthcare segment is home to the Beauty Care Products Dept., which handles sales of cosmetics and health foods. Earnings and forecasts for this department are as follows:  
 FY 2012: ¥5.4 billion FY2013 Forecast: ¥5.6 billion FY 2014 Forecast: ¥6.6 billion

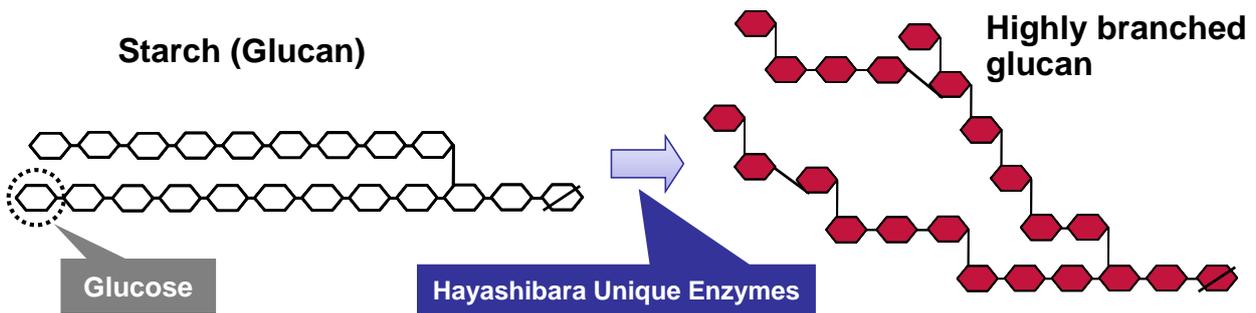
**Expand Overseas Sales and  
Shore Up Development Applications**  
 2012 ¥25.0 billion ⇒ 2014 ¥28.5 billion

Sales Diagram  
(Monetary Basis)





<Highly branched glucan: Polysaccharide materials manufactured using Hayashibara enzyme technologies>



Projected representation of known components for starch, Highly branched glucan

- Announced at the Japan Society for Bioscience, Biotechnology and Agrochemistry March 26, 2013
  - “ Effect on limiting fatty accumulation on the liver”
  - “ Effect on limiting lipid disorder after eating”

**To the dietary fiber market Global expansion**



<b>Pharmaceutical/Medical Materials Business</b>	<b>Formulation (Anti-Cancer Drugs Overseas Pharmaceutical Ingredients)</b>
	<b>Diluting Agent Additives Chemicals</b>
	<b>Pharmaceutical Ingredients (API)</b>
	<b>Medical Materials &lt;Lubricant Anti-Inflammatory etc.&gt;</b>
<b>Personal Care Business</b>	<b>Whitener (AA2G®) Accelerate Global Expansion</b>
	<b>Expand Foundational Materials</b>
	<b>Global Supply Functions</b>

**Pharmaceutical/Medical Materials ... Expanding business for anti-cancer and related products by using formulation technologies**

**Personal Care ... Strengthen business foundation by developing wider products based on AA2G®**

**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 May 27, 2013. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.**