

FYE March 2015 Financial Briefing

May 26, 2015

NAGASE & CO., LTD.

Contents

- | | |
|---|-------|
| 1. FYE March 2015 Results | P. 3 |
| 2. FYE March 2016 Earnings Projections | P. 13 |
| 3. Mid-Term Management Plan Overview/Long-Term
Management Plan | P. 19 |
| 4. (Reference) Information by Segment | P. 28 |

FYE March 2015 Results

Consolidated Results

- Net sales: Higher sales in automobile-related business and office equipment and appliances business drive higher revenues
- Operating profit: Increase in gross profit and decrease in retirement benefit costs result in higher profits
- Net Income: Write down of deferred tax assets (due to tax law changes) result in lower net income.

(100 millions of yen)

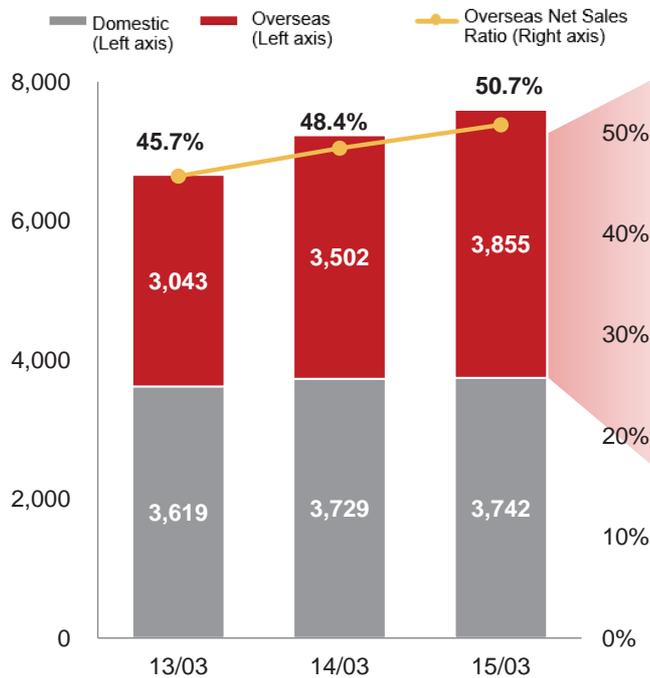
	14/03	15/03	Change	Vs. PY	Published Forecast (Revised 2Q)	Difference
Net sales	7,232	7,597	+365	105%	7,600	-2
Gross profit	889	919	+30	103%	911	+8
<GP ratio>	12.3%	12.1%	-0.2pt	—	12.0%	—
SG&A expenses	731	738	+6	101%	743	-4
Operating profit	157	181	+23	115%	168	+13
Ordinary income	179	203	+24	114%	187	+16
Net income	116	113	-3	97%	128	-14
US\$ Exchange rate (period average)	@¥100.5	@¥109.9	@¥9.4 devaluation		@¥103	@¥6.9 devaluation

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

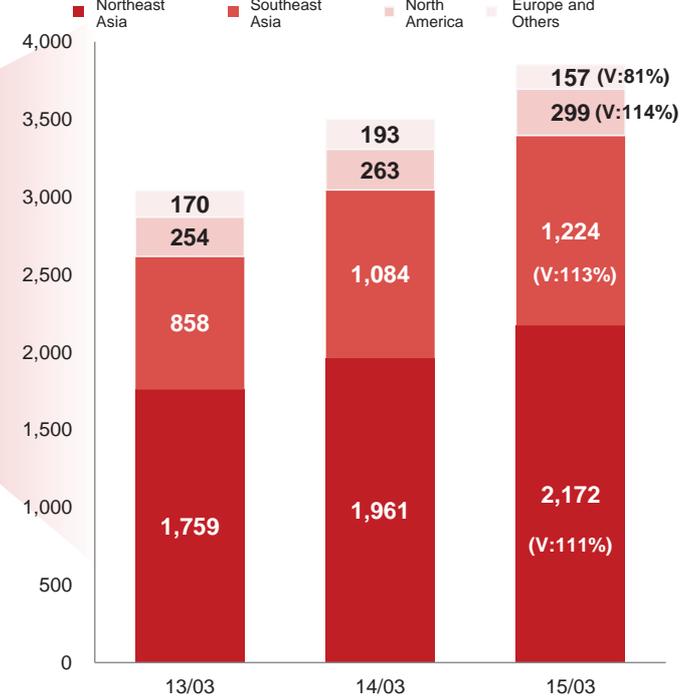
	Impact of dollar/yen rate	Impact on 15/03 Actual
Net sales	¥3.2 billion (approx.)	+ ¥ 30 billion (approx.)
Operating profit	¥ 80 million (approx.)	+ ¥ 800 million (approx.)

■ Higher sales in all regions except Europe and Others; higher ratio of overseas sales to total sales (toward 50%+)

Domestic & Overseas Sales
(100 millions of yen, %)



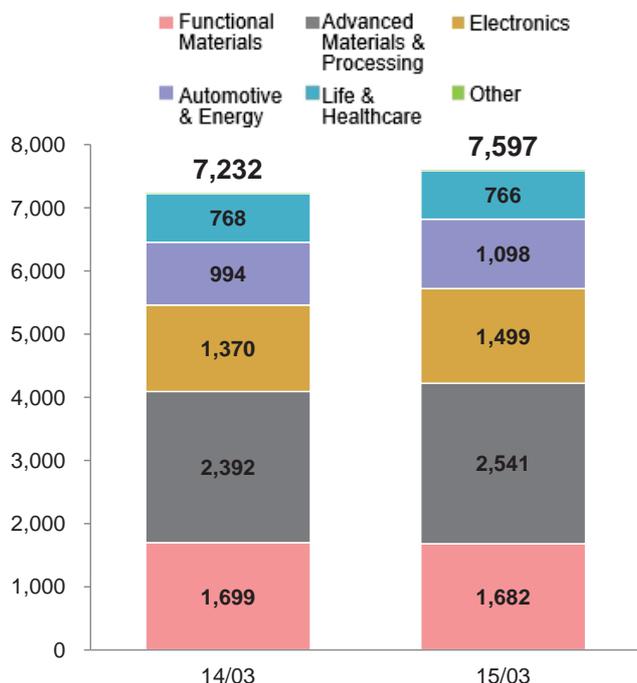
Overseas Sales by Region
(100 millions of yen)



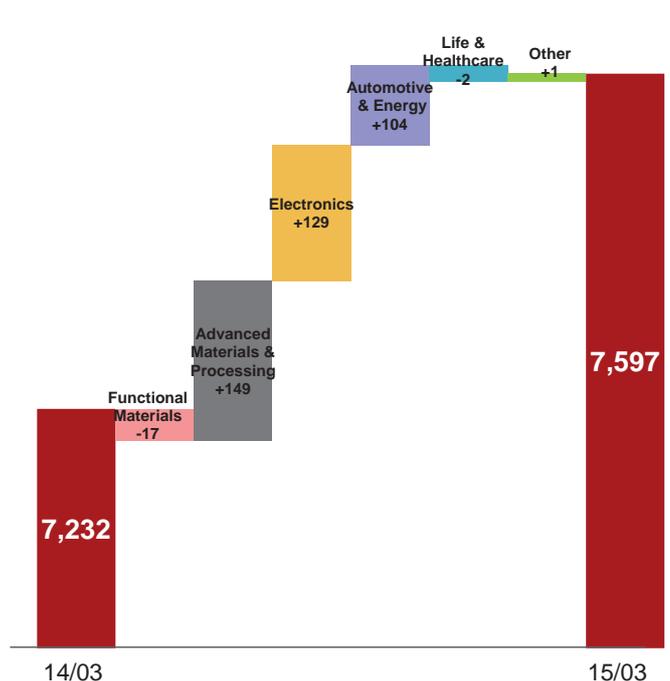
V: Vs. Same Period in Prior Fiscal Year

- **Advanced Materials & Processing:** Office equipment and appliances business experienced favorable sales
- **Electronics:** LED-related materials, thin-glass panel processing and touch-panel materials sales all performed well
- **Automotive & Energy:** Automobile-related components sold well in Japan, China, and North America

Net Sales by Segment
(100 millions of yen)



Change in Net Sales by Segment
(100 millions of yen)

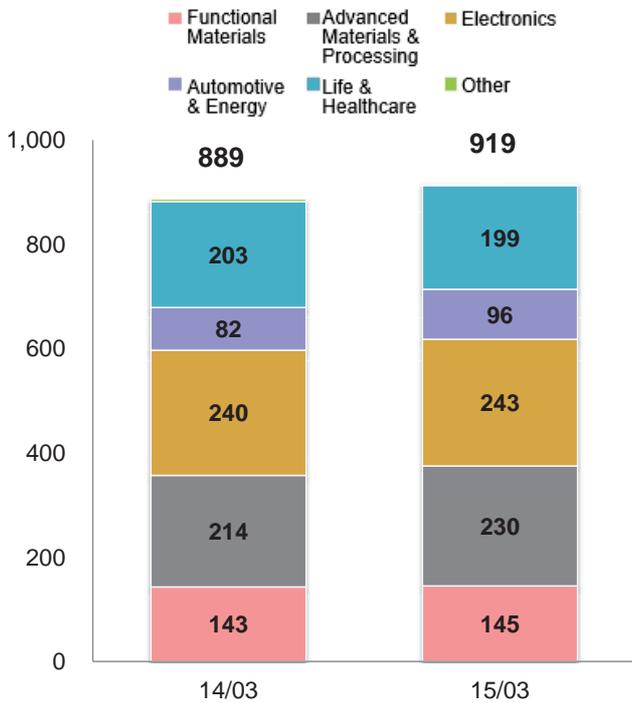


*14/03 Actual figures recategorized to reflect 15/03 reorganization for comparison.

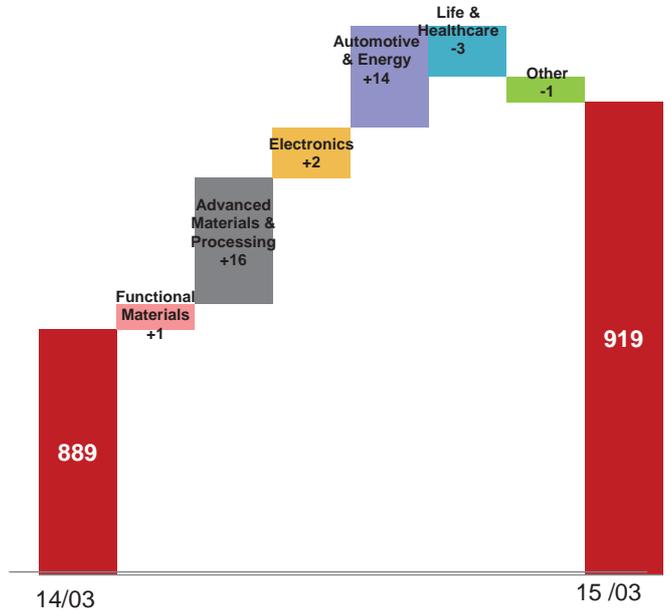
(Transferred the network technologies development team from the Electronics segment to the Automotive & Energy segment)

Higher profits driven by higher revenues

Gross Profit by Segment (100 millions of yen)



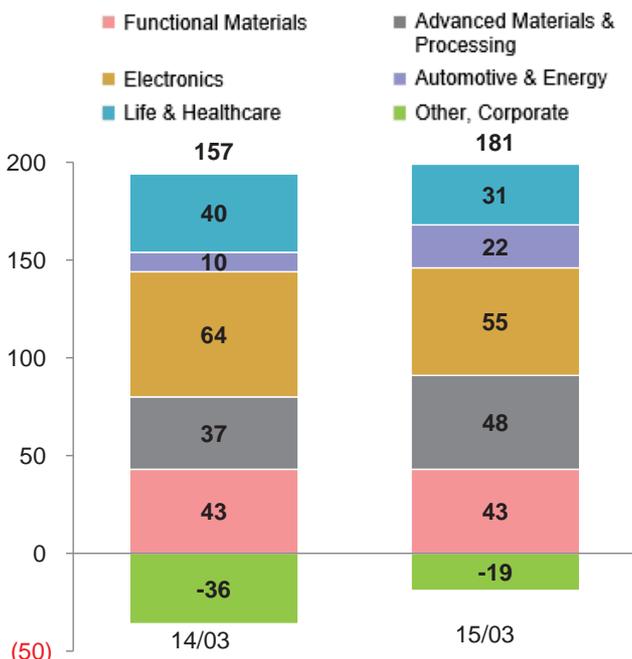
Change in Gross Profit by Segment (100 millions of yen)



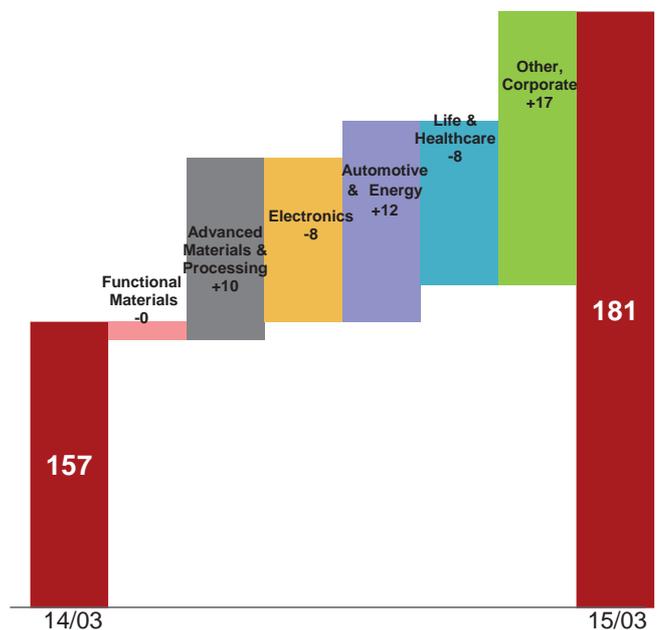
*14/03 Actual figures recategorized to reflect 15/03 reorganization for comparison. (Transferred the network technologies development team from the Electronics segment to the Automotive & Energy segment)

- Electronics segment recorded allowance for doubtful account at Taiwanese subsidiary
- Lower retirement benefit costs due to amortization of actuarial differences in retirement benefit obligations result in improved profitability

Operating Profit by Segment (100 millions of yen)



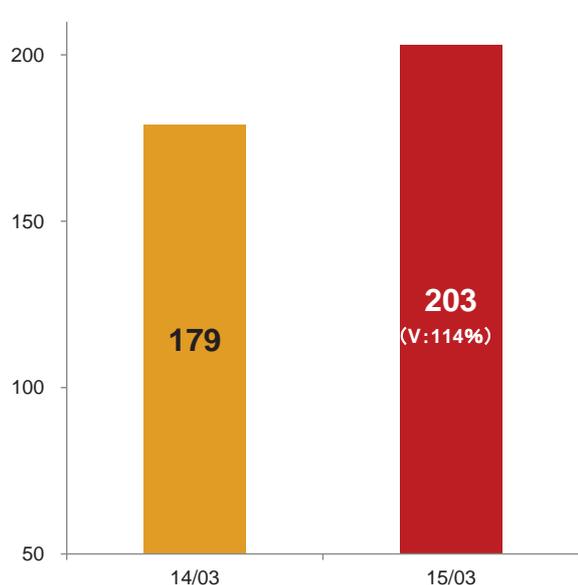
Change in Operating Profit by Segment (100 millions of yen)



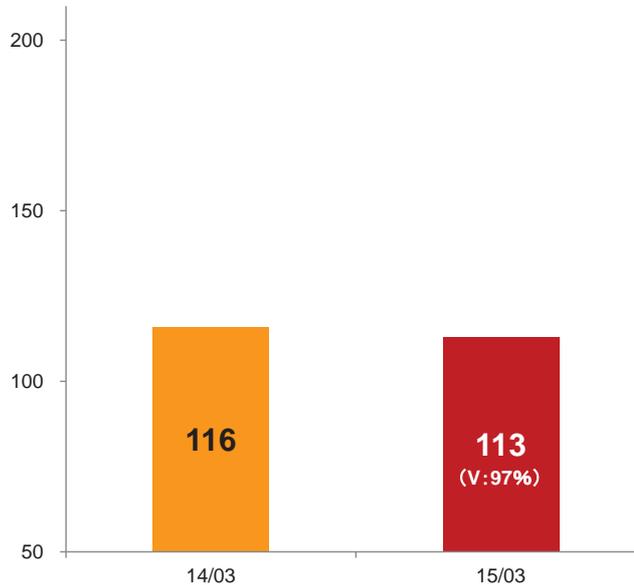
*14/03 Actual figures recategorized to reflect 15/03 reorganization for comparison. (Transferred the network technologies development team from the Electronics segment to the Automotive & Energy segment)

■ Write-down of deferred tax assets (due to 2015 tax law changes) resulted in increase in income taxes-deferred of ¥1.1 billion; net income of ¥ 11.3 billion

Ordinary Income
(100 millions of yen)



Net Income
(100 millions of yen)



V: Vs. Same Period in Prior Fiscal Year

■ Hayashibara sales level with prior year. The firm reported higher net sales spurred by strong performance of our proprietary TREHA™ (trehalose) to the overseas food industries, but inclement summer weather negatively affected sales of our proprietary AA2G™ product to the skin care industry. Depreciation and amortization, and other SG&A expenses were higher than prior year.

(100 millions of yen)

	Company Name	Net Sales	Vs. PY	Operating Profit	Vs. PY
Parent Company	NAGASE & CO., LTD.	4,512	102%	45	160%
Manufacturing Companies	Hayashibara Co., Ltd.	237	98%	47	96%
	Nagase ChemteX Corp.	263	101%	20	85%
	Total for manufacturing (Note)	979	104%	82	118%
	Domestic Sales Companies	Nagase Plastics Co., Ltd.	338	103%	5
Nishinohon Nagase Co., Ltd.		72	112%	3	200%
Nagase Chemical Co., Ltd.		153	93%	2	102%
Total for domestic sales (Note)		845	98%	14	99%
Overseas Sales Companies	Nagase (Hong Kong) Ltd.	646	102%	10	68%
	Nagase (Thailand) Co., Ltd.	352	108%	9	99%
	Shanghai Hua Chang Trading Co., Ltd.	336	114%	9	115%
	Total for overseas sales (Note)	3,507	109%	62	96%

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

■ Shareholders' equity ratio up 2.0 points to 51.5% (vs. 49.5% at end of prior year)

Assets				Liabilities and Net Assets			
				(100 millions of yen)			
	14/03	15/03	Change		14/03	15/03	Change
Total current assets	3,063	3,298	+234	Total current liabilities	1,636	1,764	+127
Cash and time deposits	349	405	+55	Notes and accounts payable	1,050	1,057	+7
Notes and accounts receivable	2,029	2,082	+52	Short-term loans (Including current portion of long-term loans)	354	377	+23
Inventories	574	690	+115	Current portion of bonds	—	100	+100
Other current assets	109	120	+11	Other current liabilities	232	229	-2
Total non-current assets	1,917	2,166	+248	Total long-term liabilities	826	826	-0
Property, plant and equipment	639	667	+28	Long-term loans	271	303	+31
Intangible fixed assets	530	488	-41	Bonds	300	200	-100
Investments, other assets	748	1,010	+262	Net defined benefit liability	118	108	-10
Investments in securities	662	926	+263	Other (Deferred tax liabilities, etc.)	135	214	+78
Other fixed assets	85	84	-1	Total liabilities	2,462	2,590	+127
				Total net assets	2,518	2,875	+356
				Shareholders' equity	2,193	2,263	+69
				Accumulated other comprehensive income	273	550	+277
				Net unrealized holding gain on securities	247	449	+201
				Translation adjustment	22	94	+72
				Others	3	6	+2
				Minority interests	51	61	+9
Total assets	4,981	5,465	+483	Total liabilities and net assets	4,981	5,465	+483

■ Increase in cash and equivalents of ¥6.6 billion. Increase in outlay for investments for capital investment, increase in working capital offset by cash from net income and cash from increase in long-term loans

Cash Flows

(100 millions of yen)

	14/03	15/03	Main breakdown
Net cash provided by (used in) operating activities	+127	+154	Income before income taxes +189 Depreciation and amortization/amortization of goodwill +109 Working capital -97 Corporate tax, etc. -83
Net cash provided by (used in) investing activities	-141	-77	Purchases of intangible fixed assets -119 Proceeds from sale of investment securities +24 Decrease in time deposits +11
Net cash provided by (used in) financing activities	-118	-32	Repayment of long-term loans -68 Cash dividends paid -36 Increase in long-term loans +93
Exchange gains related to cash and cash equivalents	+11	+21	
Net increase (decrease) in cash and cash equivalents	-121	+66	
Cash and cash equivalents at beginning of the year	458	338	
Impact of other changes (Changes accompanying new consolidation or removal from consolidation)	+1	+0	
Cash and cash equivalents at end of the year	338	405	Japan 223 Greater China 111 ASEAN 46

FYE March 2016 Earnings Projections

13

FYE March 2016 Earnings Projections

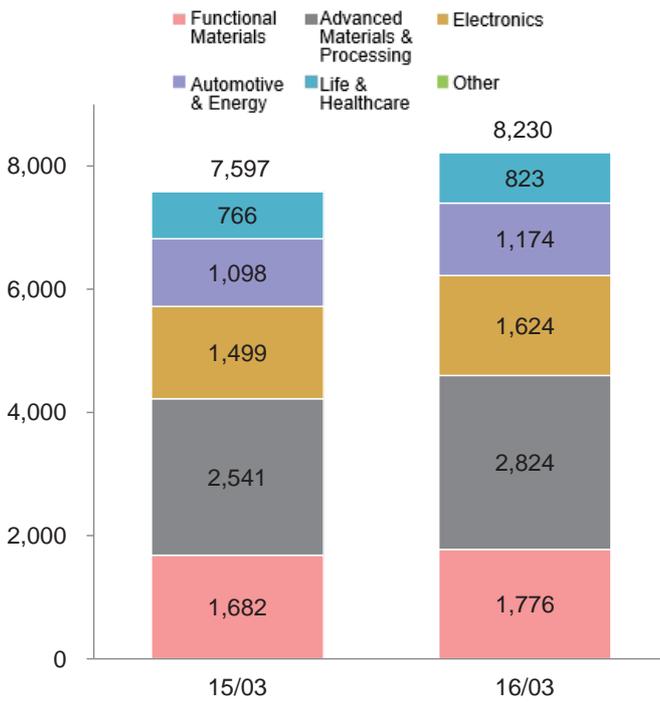
- Higher revenues, particularly in Asia for Advanced Materials & Processing and Electronics segments
- Improved profitability among unprofitable subsidiaries

(100 millions of yen)

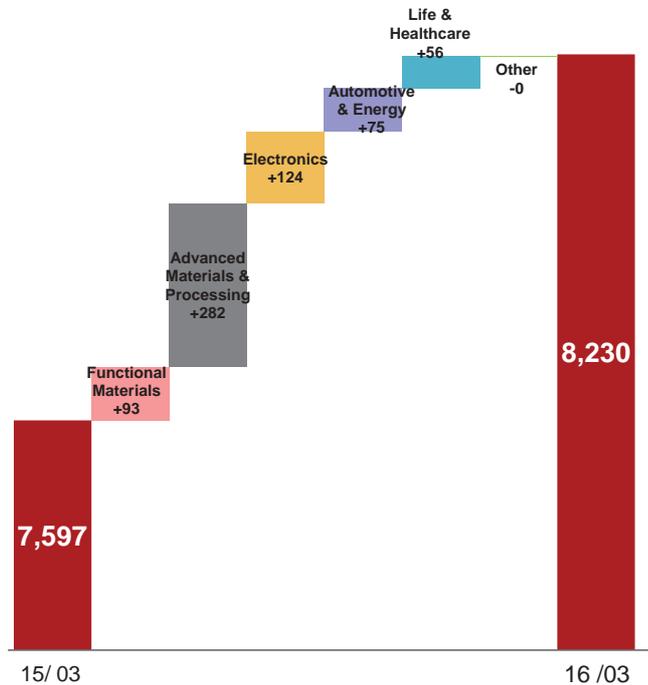
	15/03 Actual	16/03 Forecast	Change	Vs. PY
Net sales	7,597	8,230	+632	108%
Gross profit	919	973	+53	106%
<GP ratio>	12.1%	11.8%	—	—
SG&A expenses	738	778	+39	105%
Operating profit	181	195	+13	107%
Ordinary income	203	206	+2	101%
Net income	113	121	+7	107%
US\$ Exchange rate (period average)	@¥109.9	@¥120	@¥10.1 devaluation	—

- Strong sales of plastics for office equipment and appliances in Japan, overseas
- Strong sales for smartphone- and tablet-related business

Net Sales by Segment (100 millions of yen)

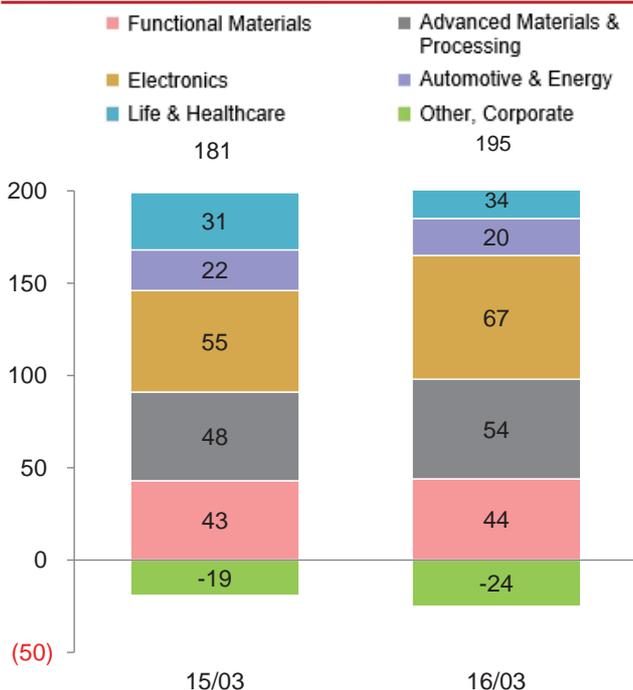


Change in Net Sales by Segment (100 millions of yen)

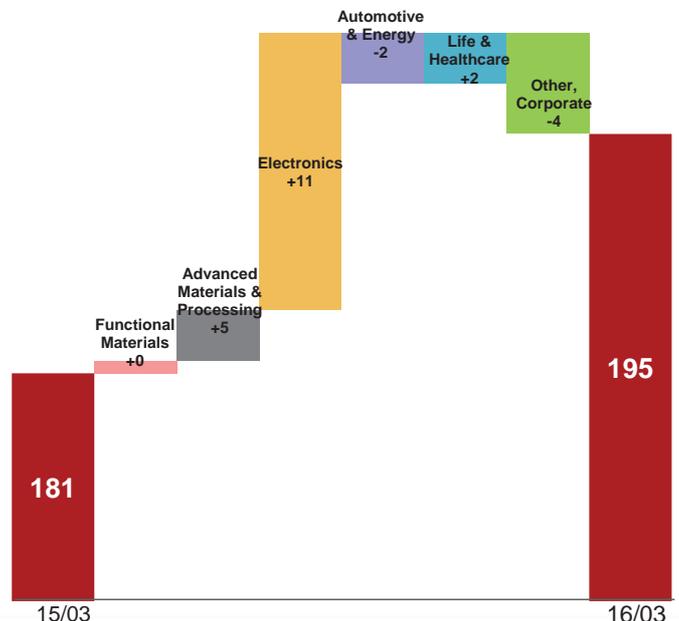


- Forecast higher profits. Increase in depreciation and amortization due to investments will be offset by higher gross profit (higher revenues) and higher profits due to improved profitability among unprofitable subsidiaries.

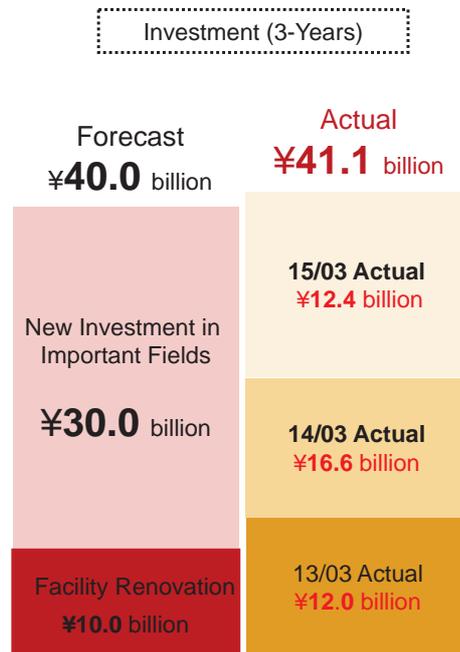
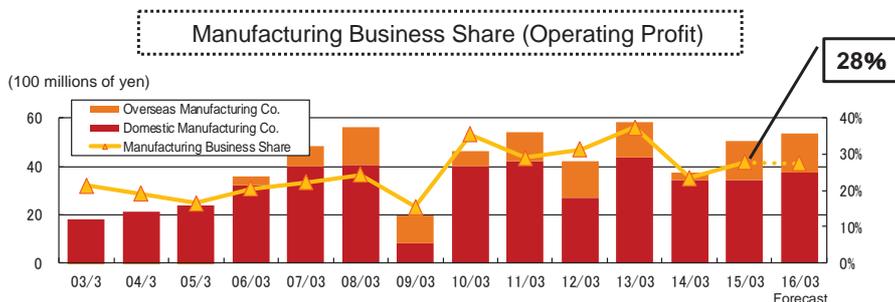
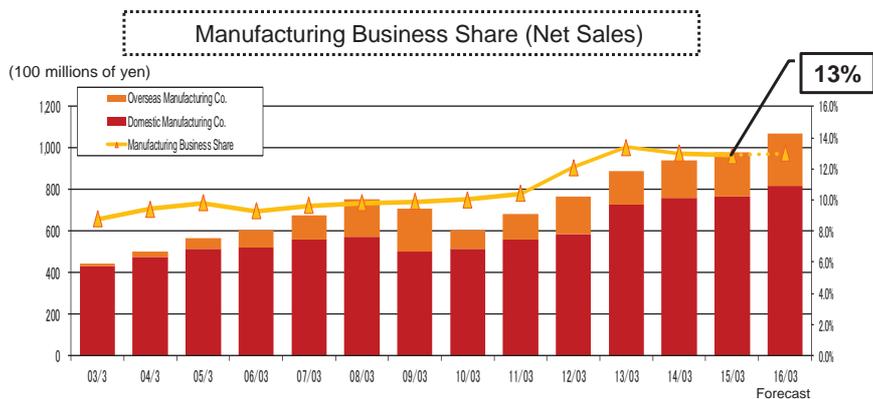
Operating Profit by Segment (100 millions of yen)



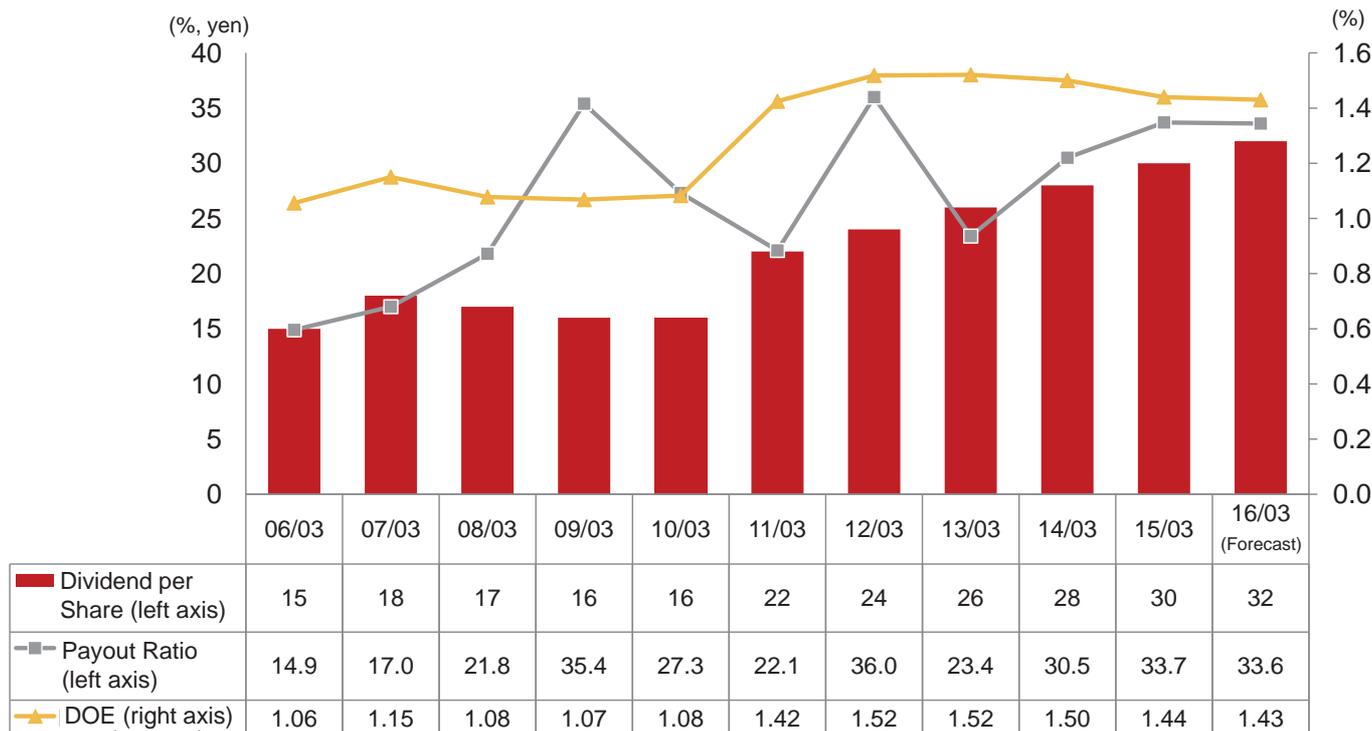
Change in Operating Profit by Segment (100 millions of yen)



Investments and financing to bolster manufacturing function, R&D function, technical/information-related capacity, and global networks will create proprietary/competitive advantages; improve business quality and corporate value.



Next period: Interim dividend of 16 yen, year-end dividend of 16 yen for 32-yen dividend (scheduled)



*FYE March 2015 year-end dividends to be addressed at annual shareholders' meeting scheduled for June 2015

Mid-Term Management Plan Overview/Long-Term Management Plan

Positioning

Accelerate CHANGE

Basic Strategy

Accelerate improvement in the quality of our businesses and management (Speed Up)

Bring the total strength of the NAGASE Group to bear throughout the value chain in strategic markets (Step Up)

Global rollout of unique solutions for sustained growth (Sustainable Growth)

Focus Fields

Technologies in Bio, Environment & Energy, and Electronics

Important Strategies

Globalization, creation of high-value-added businesses, stronger operational footing

[Stronger Business in Important Fields]**1. Fields utilizing bio-related technologies**

▪ Stage for focusing on business mainstay (Hayashibara) and continuing improvement

- Build a sales structure for Hayashibara products overseas; generate higher overseas revenues
- Focus Nagase R&D Center research on biotech; use the Nagase R&D Center as the center of cross-Group R&D; accumulate basic technologies and conduct applied research

2. Fields utilizing environment-/energy-related technologies

▪ Stage for finding a core business. Delay in business launches led to significant discrepancy with initial revenue plan

- In process of conducting customized development of CAPTEX lithium ion secondary battery module market/applications

3. Fields utilizing electronics-related technologies

▪ Stage for finding a second-generation core business. Differences in rollout between regions and decline in manufacturing subsidiary profitability

- Component sales strong due to global consulting/procurement activities for smartphones and tablets
- Decision to invest in a Chinese supply company involved in chemicals used in the manufacture of LCD panels

[Stronger Operational Foundation]

- Improve investment quality by following Investment Guidelines; withdraw from unprofitable businesses
- Adopt new core systems at overseas entities; improve consolidated management structure
- Foster global-minded employees through company-wide staff interchange and improved HR systems; establish Nagase Global HR Development Center (including use as BCP measure)

■ Targets not achieved**[Three-Year Results]**

	FYE March 2013 Results	FYE March 2014 Results	FYE March 2015 Results	FYE March 2015 Initial Targets (Published May 2011)	Difference
Net Sales	¥666.2 billion	¥723.2 billion	¥759.7 billion	¥800.0 billion	-¥40.3 billion
Operating Profit	¥15.5 billion	¥15.7 billion	¥18.1 billion	¥30.0 billion	-¥11.9 billion
ROE	6.5%	4.9%	4.3%	8.0%	-3.7pt

Major Factors**Delay in New Business Launches**

Slow progress in development stages for environment and energy fields

Differences in Launch Timing among Global Fields/Regions

Automotive: Generally in line with plan for China, North America
Functional Materials overseas business not growing as planned

Group Manufacturing Company Profitability

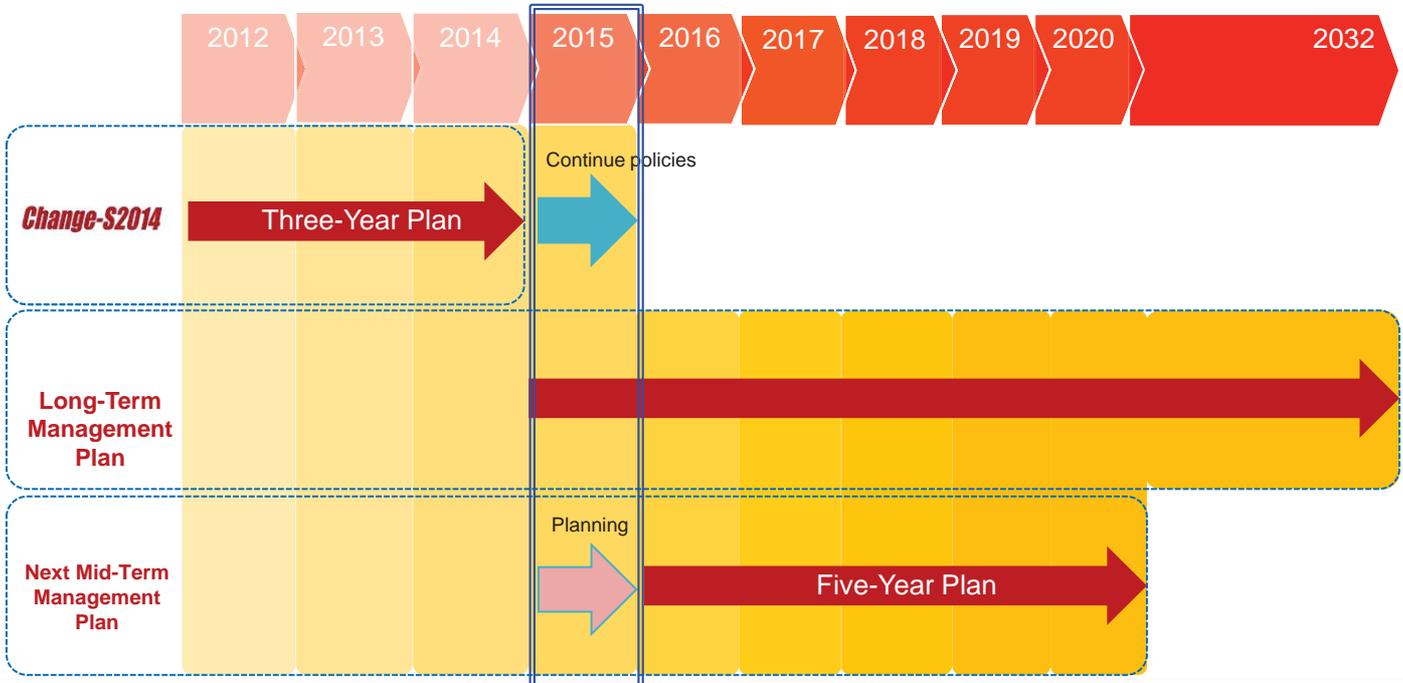
Delay in restructure of manufacturing subsidiaries→Timing delays, but improving revenues

■ Follow single-year plan for FY2015; implement new mid-term management plan beginning FY2016

Create long-term management plan through 2032, Nagase's 200th anniversary

This year we will create a mid-term management plan that dovetails with our long-term management plan

Our next mid-term management plan will cover five fiscal years



Current low-growth trend will underperform target

*Need Drastic Change
in Approach*

Need to clearly describe our future,
sharing our vision/long-term plan within the Group
to define basic approaches and activities

Global Branding Activities
Directly Overseen by President

Long-Term Plan
Led by Management

Revise Group Philosophy Structure

NAGASE Management Philosophy

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.

Vision

NAGASE Vision

To realize “a sustainable world where people live with peace of mind”, each of us embodies our value proposition, “Identify, Develop and Expand” thorough daily activities.

Policy + Plan

NAGASE Policy and Plan

Policy: Growth strategy, focus field, and framework of resource allocation
 Management Plan: Quantitative goal and action plan

NAGASE : Nagase Group

■ Long-Term Management Policy Framework: Challenges for Growth and Reinforcement of Business Base

Challenges for growth

- Increase investment
- Accelerate organic growth
- Expand overseas operation

Reinforcement of business base

- Restructure global governance
- Increase flexibility in HR management
- Enhance safety and reassurance-conscious
- Consolidate communication infrastructure

Challenges for growth

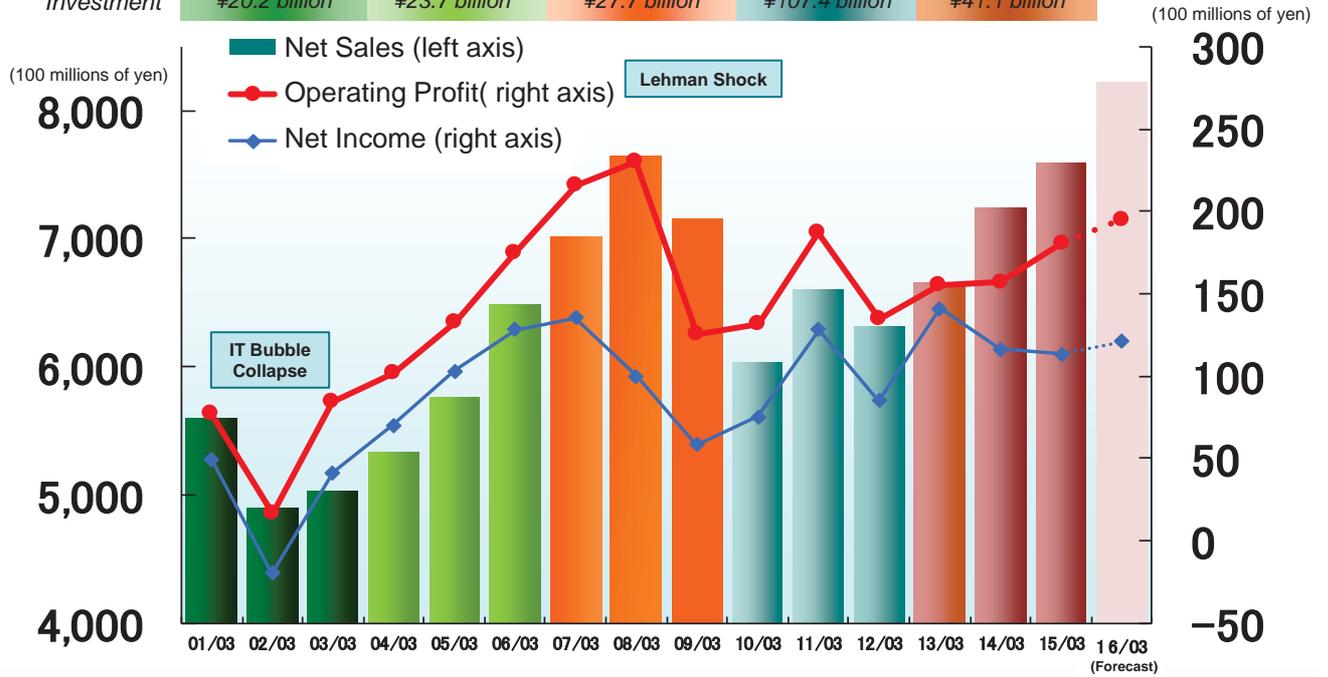
- Realize a significant growth by allocating resources to focus field, and by shifting operation from Japan-centrism to multinational management system.
- Research business investment as a means for growth, including large-scale investments

Reinforcement of business base

- Lead our challenges for growth to success, with forming the basis of scale expansion and globalization.

Escaping low-order growth through higher corporate value

Mid-term Management Plan	Innovate <i>WIT2000</i>	Promote <i>WIT21</i>	Expand/ Strengthen <i>WIT2008</i>	Improve Business, Management Quality <i>"CHANGE" 11</i>	Accelerate "CHANGE" <i>Change-S2014</i>	Continue Plan →
Investment	¥20.2 billion	¥23.7 billion	¥27.7 billion	¥107.4 billion	¥41.1 billion	



(Reference) Information by Segment

<Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/15		FYE03/16		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	1,631	98%	1,672	103%
	Overseas	454	104%	526	116%
	Eliminations	-403	-	-422	-
	Total	1,682	99%	1,776	105%
Operating profit	Domestic	33	90%	33	102%
	Overseas	10	153%	11	105%
	Eliminations	-1	-	-0	-
	Total	43	99%	44	102%

* Figures above are a combination of consolidated entities by location. Inter-region eliminations not reflected; adjustments provided in the eliminations column.

FYE March 2015 Actual

Net Sales ¥168.2 billion (99%)

- ◆ Performance chemicals business experienced slight declines in net sales due to sluggish sales of paints for construction and building materials and sluggish sales of basic chemicals in the Middle East.
- ◆ 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.

Operating Profit ¥4.3 billion (99%)

- ◆ Lower profit due to slow performance at domestic manufacturing businesses

FYE March 2016 Outlook

- ◇ Recovery in domestic manufacturing businesses and coating raw materials sales
- ◇ Recovery in sales of high-function ceramics in Europe
- Forecast for overall higher revenues and profits

<Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/15		FYE03/16		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	1,618	102%	1,678	104%
	Overseas	1,569	110%	1,824	116%
	Eliminations	-646	-	- 678	-
	Total	2,541	106%	2,824	111%
Operating profit	Domestic	24	133%	24	102%
	Overseas	23	131%	29	122%
	Eliminations	+0	-	+1	-
	Total	48	130%	54	112%

* Figures above are a combination of consolidated entities by location. Inter-region eliminations not reflected; adjustments provided in the eliminations column.

FYE March 2015 Actual

Net Sales ¥254.1 billion (106%)

- ◆ Colors and imaging business recorded overall sales level with the prior fiscal year. Dyes and additives business reported strong sales, but the information printing materials business experienced weaker sales performance.
- ◆ Office equipment and appliance business reported higher net sales as a whole, due to higher plastic materials revenues in Northeastern and Southeastern Asia.
- ◆ Functional films and sheet and plastic molding products reported revenue gains. Plastic materials, materials for LCD TV reflectors, conductive polymer materials sales drive performance.

Operating Profit ¥4.8 billion (130%)

- ◆ Higher profits due to higher revenues and improved profitability at manufacturing subsidiaries

FYE March 2016 Outlook

- ◇ Strong sales of plastics in Japan and overseas
- ◇ Improved profitability at plastic compound manufacturing subsidiaries
- Forecast for overall higher revenues and profits (particularly strong in Northeastern Asia)

<Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/15		FYE03/16		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	1,410	105%	1,464	104%
	Overseas	810	107%	940	116%
	Eliminations	-721	-	-780	-
	Total	1,499	109%	1,624	108%
Operating profit	Domestic	37	88%	38	101%
	Overseas	19	85%	31	162%
	Eliminations	-1	-	-2	-
	Total	55	87%	67	120%

* Figures above are a combination of consolidated entities by location. Inter-region eliminations not reflected; adjustments provided in the eliminations column (Including amortization of goodwill).

FYE March 2015 Actual

Net Sales ¥149.9 billion (109%)

- ◆ Electronic chemicals business reported net sales level with the same period in the prior fiscal year. 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.
- ◆ Electronics materials business reported overall revenue gains. Stronger performance in sales of LED-related products, glass-related products, and touch-panel materials.

Operating Profit ¥5.5 billion (87%)

- ◆ Glass-related products recover in Northeast Asia, but declining product mix results in lower profitability and allowance for doubtful account at Taiwanese subsidiary resulted in lower profits

FYE March 2016 Outlook

- ◇ Strong performance in formulated epoxy resin and smartphone-tablet-related products
- ◇ Strong performance in glass-related products in China
→ Forecast for overall higher revenues and profits

<Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/15		FYE03/16		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	553	107%	553	100%
	Overseas	759	118%	839	111%
	Eliminations	-214	-	-219	-
	Total	1,098	110%	1,174	107%
Operating profit	Domestic	0	-	-2	-
	Overseas	22	128%	22	100%
	Eliminations	-1	-	-0	-
	Total	22	217%	20	90%

* Figures above are a combination of consolidated entities by location. Inter-region eliminations not reflected; adjustments provided in the eliminations column.

FYE March 2015 Actual

Net Sales ¥109.8 billion (110%)

- ◆ The automobile-related business recorded overall growth in Japan, China, and North America, mainly due to strengthened sales structures and expanded product lines.
- ◆ Energy-related business recorded overall growth, due to growth in solar power-related products and contributions from sales of rechargeable battery systems

Operating Profit ¥ 2.2 billion (217%)

- ◆ Higher profits due to higher revenues and improved profitability at domestic manufacturing businesses

FYE March 2016 Outlook

- ◇ Lower profits due to weakness in Japan and China, offsetting continued strong performance in automobile-related business in North America
→ Forecast for overall higher revenues, lower profits

<Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/15		FYE03/16		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	950	100%	1,014	107%
	Overseas	124	113%	133	107%
	Eliminations	-309	-	-324	-
	Total	766	100%	823	107%
Operating profit	Domestic	62	93%	64	103%
	Overseas	2	76%	3	106%
	Eliminations	-33	-	-33	-
	Total	31	79%	34	108%

* Figures above are a combination of consolidated entities by location. Inter-region eliminations not reflected; adjustments provided in the eliminations column (Including amortization of goodwill).

FYE March 2015 Actual

Net Sales ¥76.6 billion (100%)

◆ Life & healthcare products business reported higher net sales overall. Lower sales of AA2G™ products to the skin care industry, but improved sales structure in overseas markets for TREHA™ (trehalose) and other products to the food materials industry overseas; higher sales of medical materials products

◆ Beauty care products business saw lower sales due to front-loaded demand in anticipation of the consumption tax rate increase in Japan during the prior fiscal year, as well weak sales of new products.

Operating Profit ¥3.1 billion (79%)

◆ Lower profits due to lower sales of proprietary products and higher SG&A expenses

FYE March 2016 Outlook

- ◇ Improved revenues at Nagase Medicals and other domestic manufacturing subsidiaries
 - ◇ Forecast for higher revenues at Hayashibara (mainly TREHA™ sales), but higher SG&A expenses to result in slightly lower operating profit
- Forecast for overall higher revenues and profits