

FYE March 2018 Second Quarter Financial Briefing

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NAGASE & CO., LTD.

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FYE March 2018 Second Quarter Results

Consolidated Statements of Income



NAGASE achieved record highs for sales and all profit for the cumulative consolidated second quarter

- Net sales: Higher, mainly due to strong sales in all segments and the lower valuation of the yen
- Operating income: Higher, mainly due to operating profit growth and lower amortization of retirement benefit accounting actuarial differences

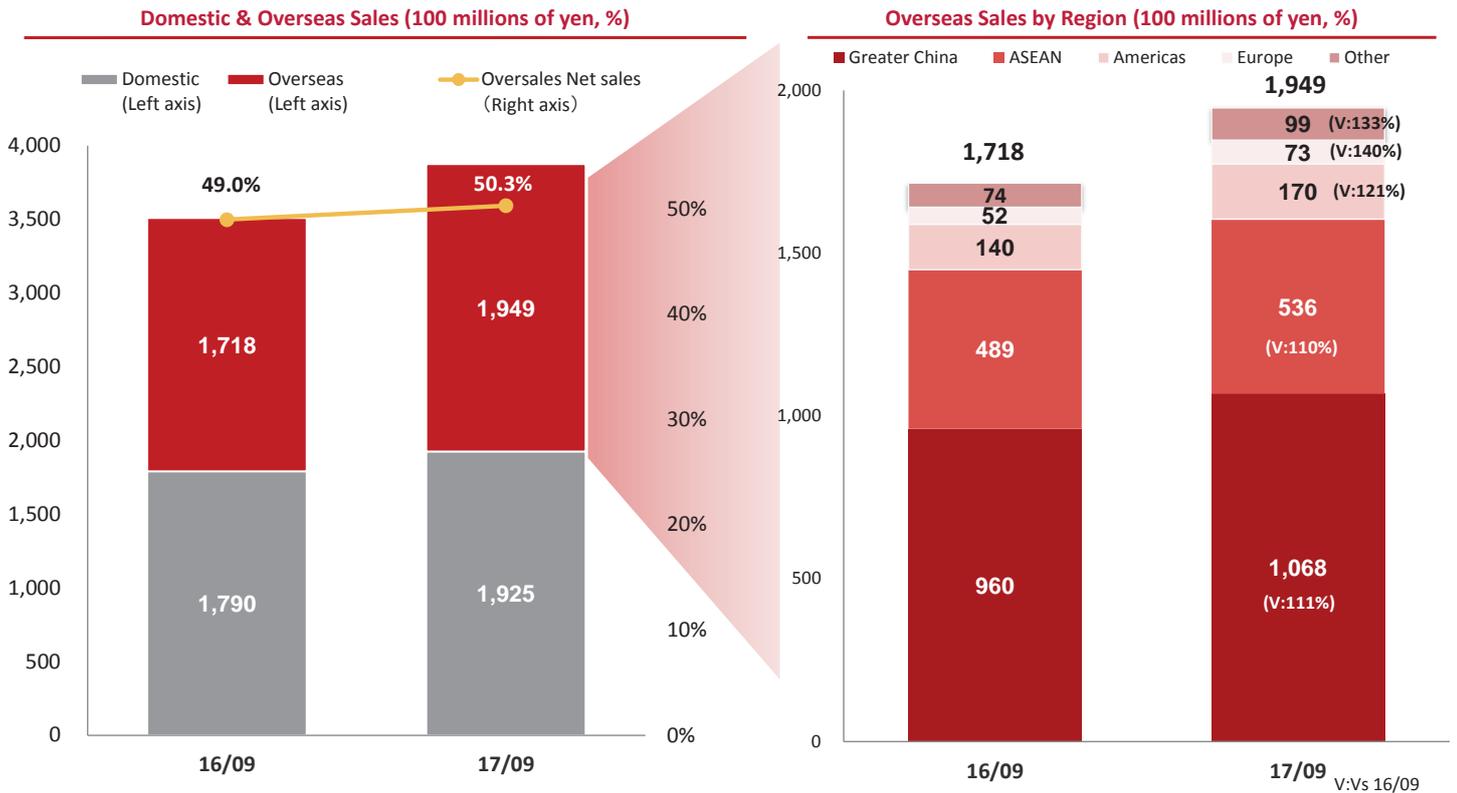
| | 16/09 | 17/09 | Change | Vs. PY | Orig. Forecast (full year) |
|---|--------|--------|-----------------|--------|-------------------------------|
| Net sales | 3,508 | 3,875 | +366 | 110% | 7,320 |
| Gross profit | 446 | 502 | +55 | 112% | 950 |
| <GP ratio> | 12.7% | 13.0% | +0.2% | — | 13.0% |
| SG&A expenses | 374 | 376 | +1 | 100% | 759 |
| Operating income | 72 | 126 | +53 | 174% | 191 |
| Ordinary income | 74 | 138 | +63 | 184% | 209 |
| Profit attributable to owners of the parent | 46 | 87 | +40 | 187% | 125 |
| US\$ Exchange rate (period average) | @105.3 | @111.0 | @5.8devaluation | | @108 |
| RMB Exchange rate (period average) | @15.9 | @16.4 | @0.5devaluation | | @15.6 |

(Foreign exchange rate impact on 17/09 net sales and operating income results)
 Net sales: +¥10 billion (approx.)
 Operating income: +¥280 million (approx.)

(Per-yen exchange rate impact on net sales and operating income)
 Impact of US\$ /yen Impact of RMB/yen
 Net sales ¥1.5 billion (approx.) ¥7.4 billion (approx.)
 Operating income ¥20 million (approx.) ¥250 million (approx.)

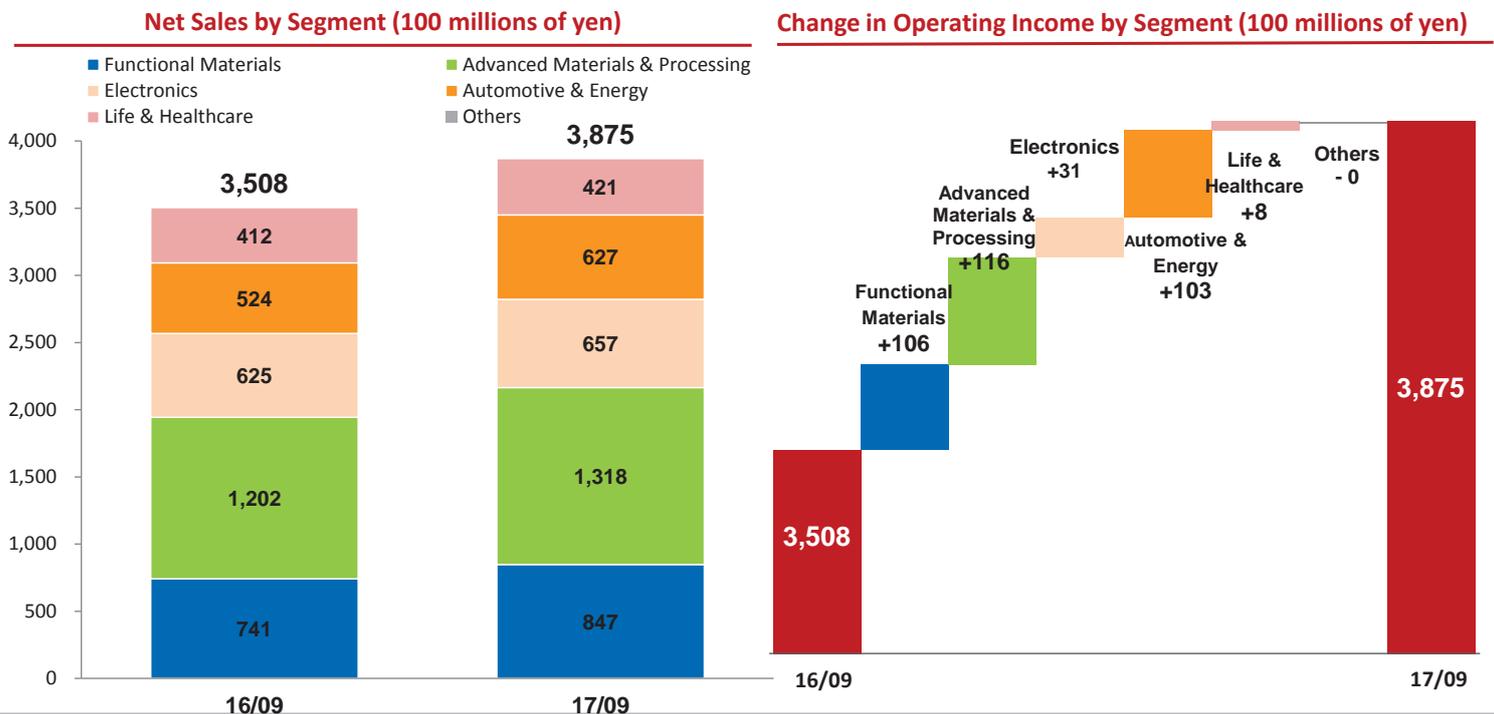
Net Sales by Region (Domestic, Overseas)

■ Higher sales in Japan and every region overseas (overseas ratio of total sales 50.3%)



Net Sales: Two-Year Comparison (by Segment)

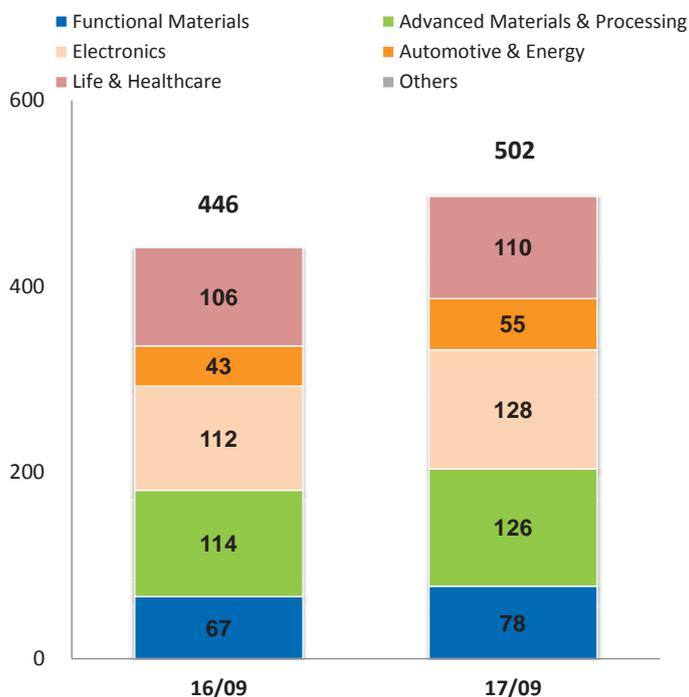
- **Functional Materials:** Higher sales, mainly due to improved sales of coating raw materials and urethane materials associated with higher production of automobiles, improved sales of fluorochemicals for use in semiconductors, and the impact of our acquisition of Fitz Chem Corporation (U.S. specialty chemicals distributor) and the addition of the company to our consolidated results
- **Advanced Materials & Processing:** Higher sales, mainly due to an increase of new business and improved sales of plastics in Japan and overseas
- **Automotive & Energy:** Higher sales, mainly due to increased sales of engineering plastics and car-electronics related products



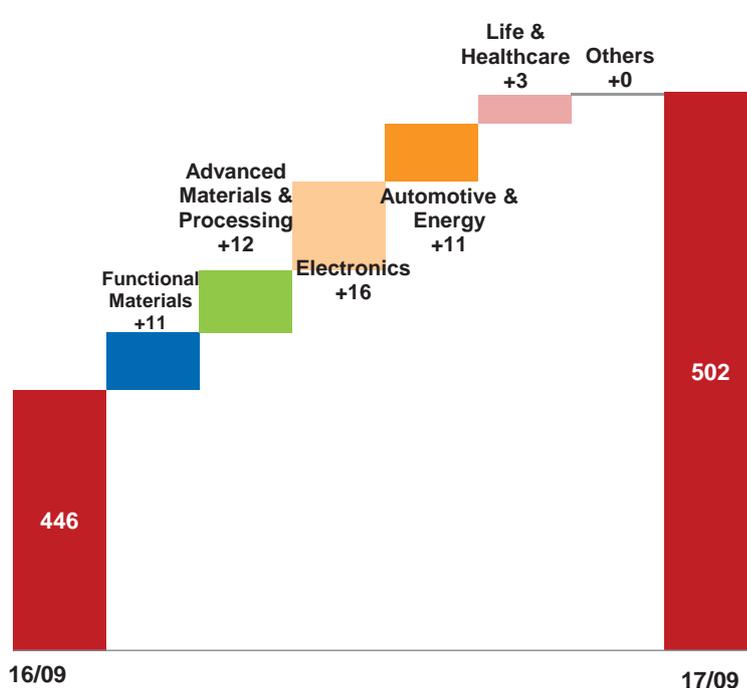
Gross Profit: Two-Year Comparison (by Segment)

- Improved profit ratio (0.2% improvement), mainly due to increase in high-margin businesses in our Electronics Segment and other businesses

Gross Profit by Segment
(100 millions of yen)



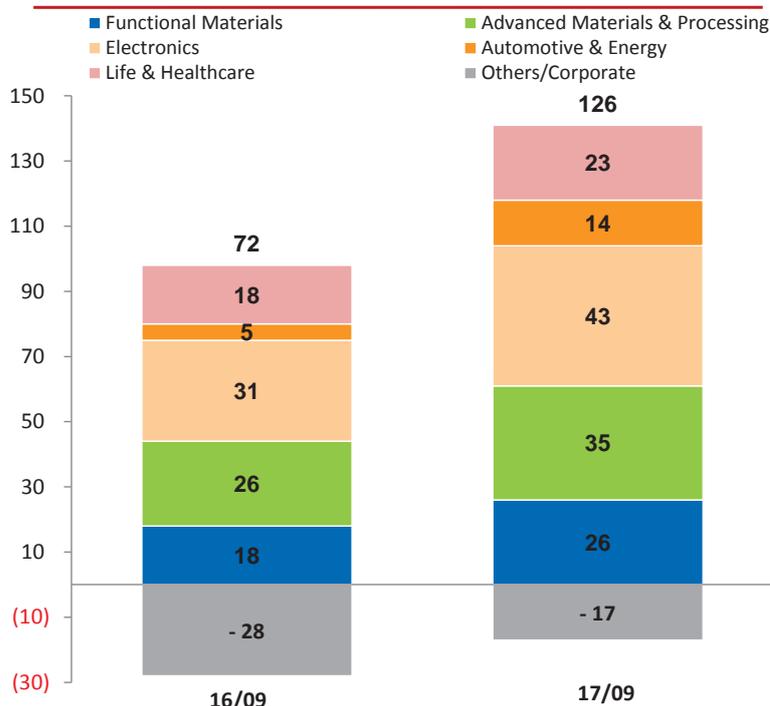
Change in Gross Profit by Segment
(100 millions of yen)



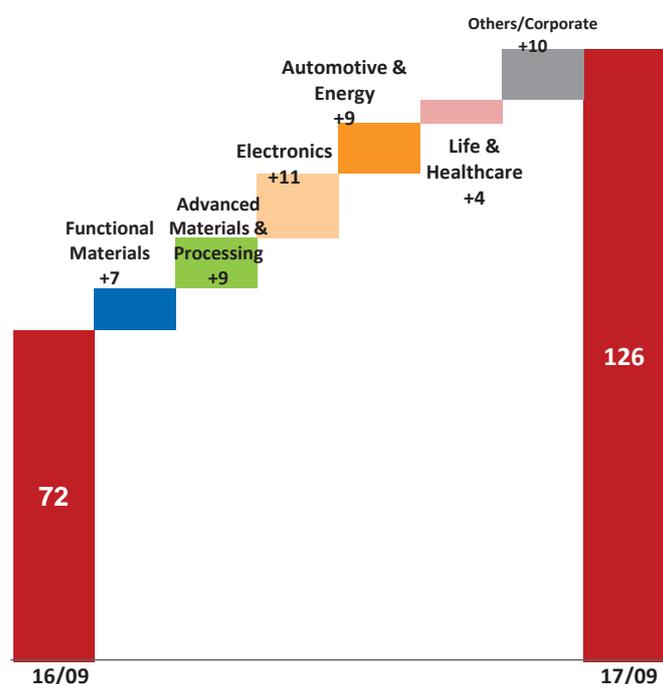
Operating Income: Two-Year Comparison (by Segment)

- In addition to higher sales among all segments, growth of manufacturing subsidiaries in Electronics, Advanced Materials & Processing, and other segments also had a positive impact.
- In addition to the preceding, lower amortization of retirement benefit accounting actuarial differences for the Others/Corporate segment resulted in overall increase in operating income of ¥5.3 billion.

Operating Income by Segment (100 millions of yen)



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



Earnings at Major Consolidated Subsidiaries

- NAGASE & Co. recorded higher profits on a non-consolidated basis, mainly due to increased sales and a decrease in amortization of retirement benefit accounting actuarial differences
- Nagase Plastics Co., Ltd. recorded higher sales and profits, mainly due to the acquisition of new business and increased sales of super engineering plastics to the electronics industry

(100 millions of yen)

| Company Name | | Net Sales | Vs. PY | Operating Income (Note 2) | Vs. PY |
|--------------------------|--------------------------------------|-----------|--------|------------------------------|--------|
| Parent Company | NAGASE & CO., LTD. | 2,192 | 106% | 24 | -% |
| Manufacturing Companies | Hayashibara Co., Ltd. | 121 | 102% | 26 | 107% |
| | Nagase ChemteX Corporation | 129 | 101% | 14 | 90% |
| | Total for manufacturing (Note 1) | 513 | 111% | 55 | 121% |
| Domestic Sales Companies | Nagase Plastics Co., Ltd. | 173 | 113% | 4 | 133% |
| | Nishinohon Nagase Co., Ltd. | 38 | 104% | 1 | 67% |
| | Nagase Chemical Co., Ltd. | 91 | 118% | 1 | 105% |
| | Total for domestic sales (Note 1) | 446 | 111% | 12 | 137% |
| Overseas Sales Companies | Nagase (Thailand) Co., Ltd. | 183 | 117% | 5 | 141% |
| | Shanghai Hua Chang Trading Co., Ltd. | 196 | 113% | 5 | 99% |
| | Shanghai Nagase Trading Co., Ltd. | 210 | 128% | 4 | 189% |
| | Total for overseas sales (Note 1) | 1,845 | 114% | 48 | 144% |

*Note1: Totals for each category are simply the sums of each company. These sums do not equal consolidated figures.

*Note 2: Operating income does not reflect amortization of goodwill and depreciation of technology-based assets.

State of Two Major Manufacturing Subsidiaries

- Hayashibara: Higher sales and profits, despite decrease in AA2G™ sales, as the company recorded increased sales of TREHA™ in Europe. Newly introduced products made from high-function materials, including Hayashibara Hesperidin S and Fibryxa™, also had a positive impact.
- Nagase ChemteX: Higher sales, despite sluggishness in certain businesses, as the company recorded strong sales in its photolithography materials business. Operating income was slightly lower, mainly due to worsening product mix.

Hayashibara Co., Ltd.

(100 millions of yen)

| | FYE09/16 | FYE09/17 | Change | Vs. PY |
|------------------|----------|----------|--------|--------|
| Net Sales | 118 | 121 | +2 | 102% |
| Operating Income | 24 | 26 | +1 | 107% |

- Higher sales of TREHA™ due to improved sales in Europe and other overseas locations
- Lower sales of AA2G™ due to lower performance overseas although the sales increases to major customers achieved in Japan in response to the capture of inbound tourist demand, etc.
- Higher sales, supported by the introduction to the food industry of products made from high-function materials, including Hayashibara Hesperidin S and Fibryxa™
- Increased sales of pullulan for use in hard capsules and mouth-refreshing film for medical and health food uses

Nagase ChemteX Corporation

(100 millions of yen)

| | FYE09/16 | FYE09/17 | Change | Vs. PY |
|------------------|----------|----------|--------|--------|
| Net Sales | 127 | 129 | +1 | 101% |
| Operating Income | 16 | 14 | - 1 | 90% |

- Formulated Epoxy Resins Business recorded slightly lower sales. While sales were strong to the heavy electrical and light electrical industries, epoxy resin used for sealing electronic components embedded in smartphones entered an inventory adjustment period.
- Photolithography Materials Business recorded higher sales, mainly due to new contracts, with associated market share gains, and improved customer capacity utilization
- Performance Chemicals Business recorded lower sales, mainly due to weak sales of conductive materials and other products for the LCD industry
- Bio Chemicals Business recorded level sales, mainly due to delays in introducing new products

Consolidated Balance Sheets



- Assets: Increase of ¥48.6 billion, mainly due to increases in accounts receivable and inventories, as well as rising investments in securities due to gains in fair market prices
- Net assets: Increase of ¥13.9 billion, mainly due to profit attributable to owners of the parent of ¥8.7 billion and increase in net unrealized holding gain on securities
- Shareholders' Equity Ratio down 2.2 points to 52.5%

Assets

Liabilities and Net Assets (100 millions of yen)

| | 17/03 | 17/09 | Change | | 17/03 | 17/09 | Change |
|---------------------------------|--------------|--------------|-------------|---|--------------|--------------|-------------|
| Total current assets | 3,212 | 3,577 | +365 | Total current liabilities | 1,664 | 1,912 | +247 |
| Cash and time deposits | 398 | 442 | +43 | Notes and accounts payable | 1,020 | 1,195 | +174 |
| Notes and accounts receivable | 2,068 | 2,315 | +247 | Short-term loans and Current portion of bonds | 416 | 473 | +56 |
| Inventories | 631 | 708 | +77 | Other | 227 | 244 | +16 |
| Other | 114 | 110 | -3 | Total long-term liabilities | 690 | 790 | +99 |
| Total non-current assets | 2,095 | 2,217 | +121 | Long-term loans and Bonds | 400 | 464 | +63 |
| Property, plant and equipment | 676 | 684 | +8 | Net defined benefit liability | 146 | 145 | -1 |
| Intangible fixed assets | 407 | 434 | +27 | Other (Deferred tax liabilities, etc.) | 143 | 180 | +36 |
| Investments, other assets | 1,011 | 1,098 | +86 | Total liabilities | 2,355 | 2,702 | +347 |
| Investments in securities | 945 | 1,034 | +89 | Total net assets | 2,951 | 3,091 | +139 |
| Other | 66 | 63 | -3 | Shareholders' equity | 2,396 | 2,458 | +61 |
| | | | | Accumulated other comprehensive income | 505 | 582 | +76 |
| | | | | Net unrealized holding gain on securities | 476 | 538 | +61 |
| | | | | Translation adjustment | 31 | 45 | +14 |
| | | | | Other | -2 | -1 | +1 |
| | | | | Non-controlling interests | 49 | 51 | +1 |
| Total assets | 5,307 | 5,794 | +486 | Total liabilities and net assets | 5,307 | 5,794 | +486 |

Consolidated Cash Flows



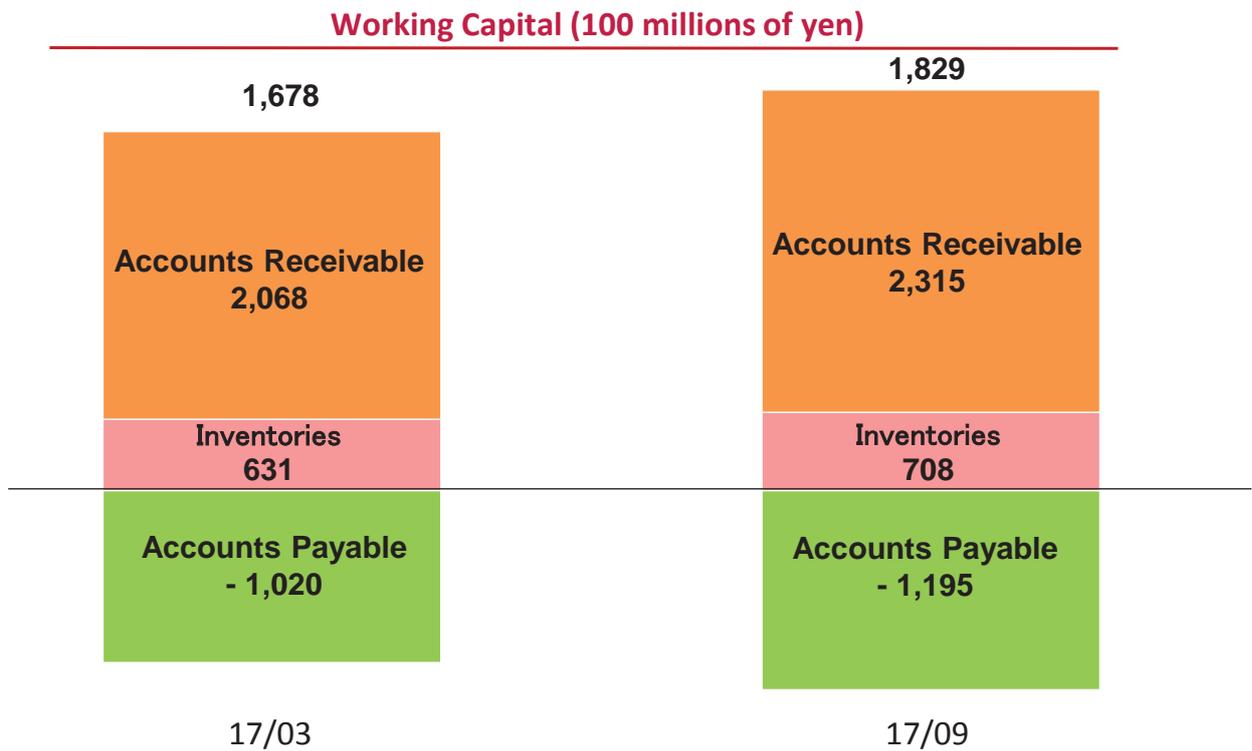
- Cash and cash equivalents up ¥4.0 billion, cash flows from operating activities of ¥6.5 billion (¥13.0 billion in profit before income taxes), from investing activities of ¥10.2 billion (¥6.0 billion in purchase of shares of subsidiaries resulting in a change in scope of consolidation), from financing activities of ¥7.3 billion (increase of ¥13.2 billion in net borrowings, decrease of ¥10.0 billion in redemption of bonds), and the impact of translation differences

Cash Flows

(100 millions of yen)

| | 17/09 | Main breakdown | 16/09 |
|---|-------|---|-------|
| Net cash provided by (used in) operating activities | 65 | Profit before income taxes +130 Depreciation and amortization/amortization of goodwill +54 Working capital -117 Income tax paid -25 | 47 |
| Net cash provided by (used in) investing activities | -102 | Purchases of property, plant and equipment -34 Purchases of intangible fixed assets -1 Purchases of investment in securities -3 Purchase of shares of subsidiaries resulting in change in scope of consolidation -60 | -52 |
| Net cash provided by (used in) financing activities | 73 | Net increase in short-term loans payable +90 Net increase in commercial papers +70 Long-term loans (net payment/proceeds) +41 Redemption of bonds -100 Cash dividends paid -21 | -23 |
| Effects of exchange rate changes on cash and cash equivalents | 4 | | -20 |
| Net increase (decrease) in cash and cash equivalents | 40 | | -48 |
| Cash and cash equivalents at beginning of the year | 397 | Japan 254, Greater China 70, ASEAN 35, Europe 18, Americas 5, Other 13 | 429 |
| Cash and cash equivalents, at end of the period | 438 | Japan 262, Greater China 77, ASEAN 44, Europe 23, Americas 11, Other 13 | 380 |

- Increase of ¥15 billion in working capital, mainly due to the impact of sales growth



FYE March 2018 Earnings Projections

Forecast calls for record high sales and profits

- **Net sales:** Higher, mainly due to overall continued strength, despite slowing expected in some businesses
- **Operating income:** Higher, mainly due to higher sales and an expectation of ¥300 million in amortization of retirement benefit accounting actuarial differences (vs. income statement impact of +2.8 billion in the prior year).

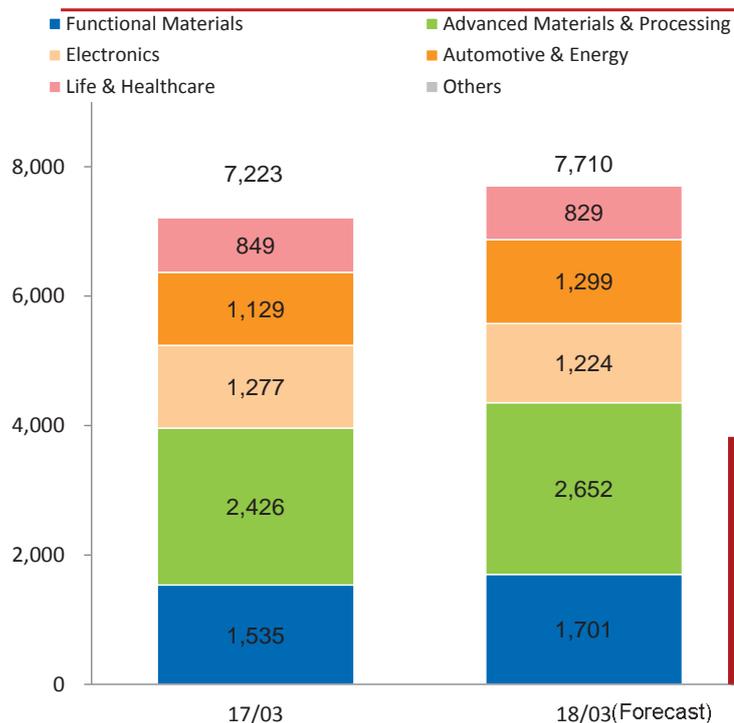
(100 millions of yen)

| | 17/03 | 18/03 | | | |
|--|------------|---------------------------------|--------------------------------|------------------|--------------|
| | Actual (A) | Previous Full Year Forecast (B) | Revised Full Year Forecast (C) | Change (C-A) | Vs. PY (C/A) |
| Net sales | 7,223 | 7,320 | 7,710 | +486 | 107% |
| Gross profit | 915 | 950 | 1,000 | +85 | 109% |
| <GP ratio> | 12.7% | 13.0% | 13.0% | +0.3% | — |
| SG&A expenses | 764 | 759 | 765 | +1 | 100% |
| Operating income | 150 | 191 | 235 | +84 | 156% |
| Ordinary income | 163 | 209 | 255 | +91 | 156% |
| Profit attributable to owners of the parent | 103 | 125 | 160 | +56 | 155% |
| US\$ Exchange rate (period average) | @108.4 | @108.0 | @111.0 | @2.7 devaluation | — |
| RMB Exchange rate (period average) | @16.1 | @15.6 | @16.4 | @0.3 devaluation | — |

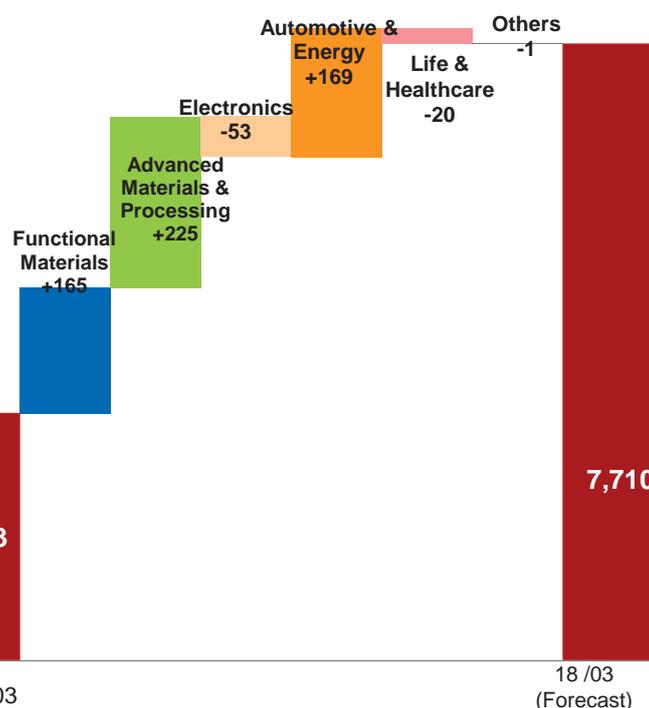
Net Sales Forecast (by Segment)

- **Advanced Materials & Processing:** Higher sales, mainly due to strong performance in plastics for the office equipment, game device, and electronics industries, as we expand our business by working with new suppliers overseas and capture new business in Japan.
- **Automotive & Energy:** Higher sales, mainly due to increased sales of engineering plastics through captured demand associated with the electrification/electronification of automobiles, as well as strong sales of car electronics-related products

Net Sales by Segment (100 millions of yen)



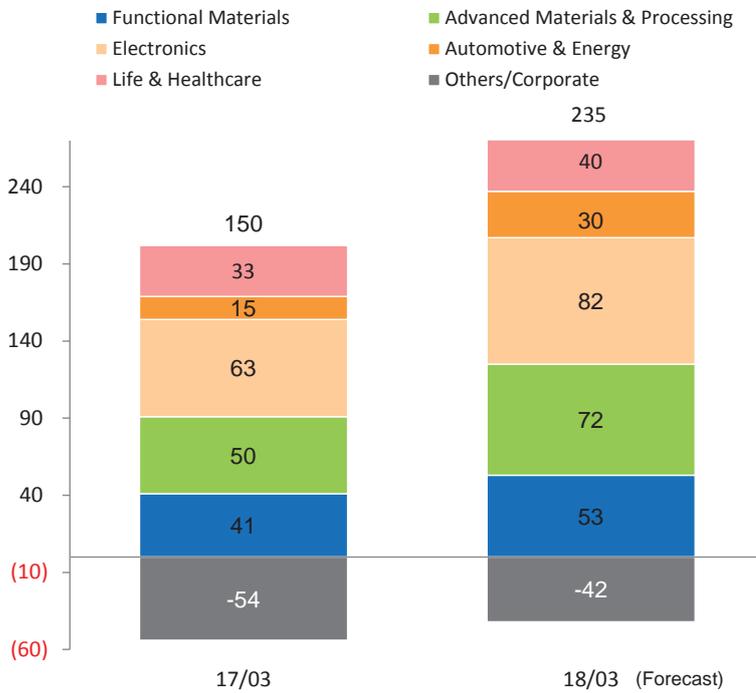
Change in Net Sales by Segment (100 millions of yen)



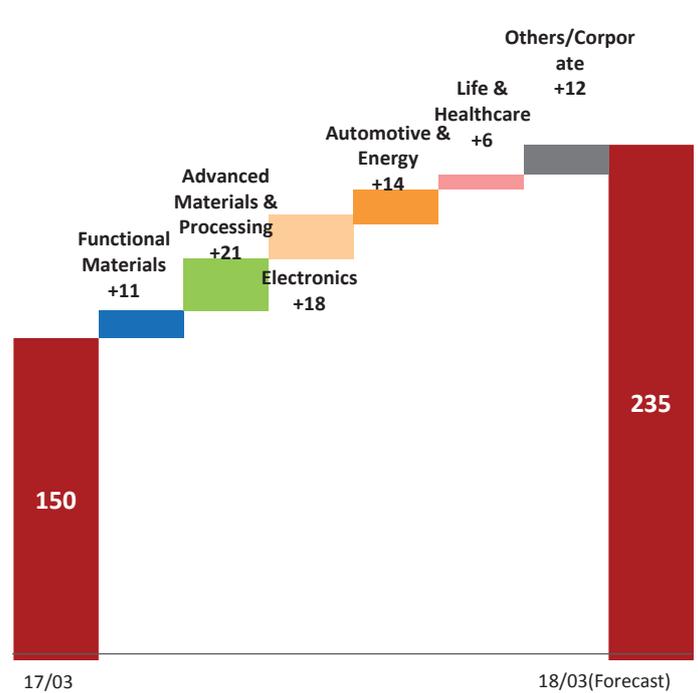
Operating Income Forecast (by Segment)

- Higher profit, mainly due to increased sales and an expected ¥300 million in amortization of retirement benefit accounting actuarial differences (vs. income statement impact of ¥2.8 billion in the prior year).

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



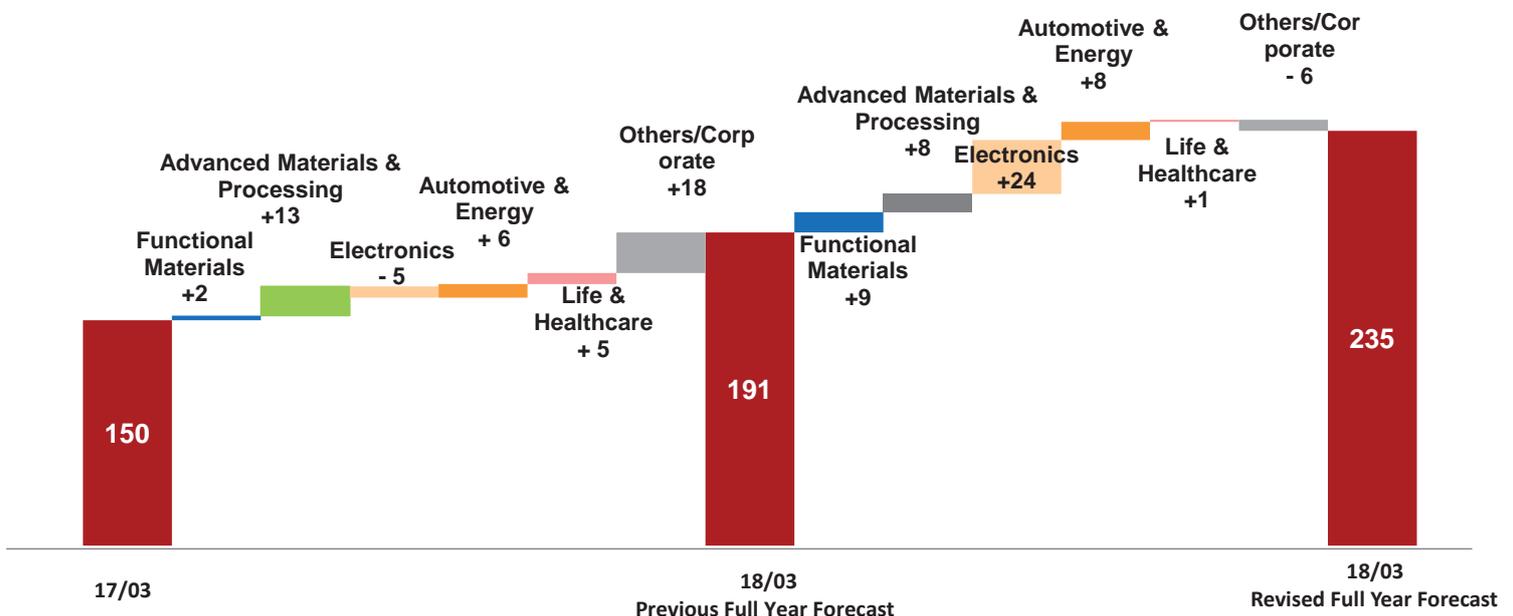
Change in Operating Income by Segment (100 millions of yen)



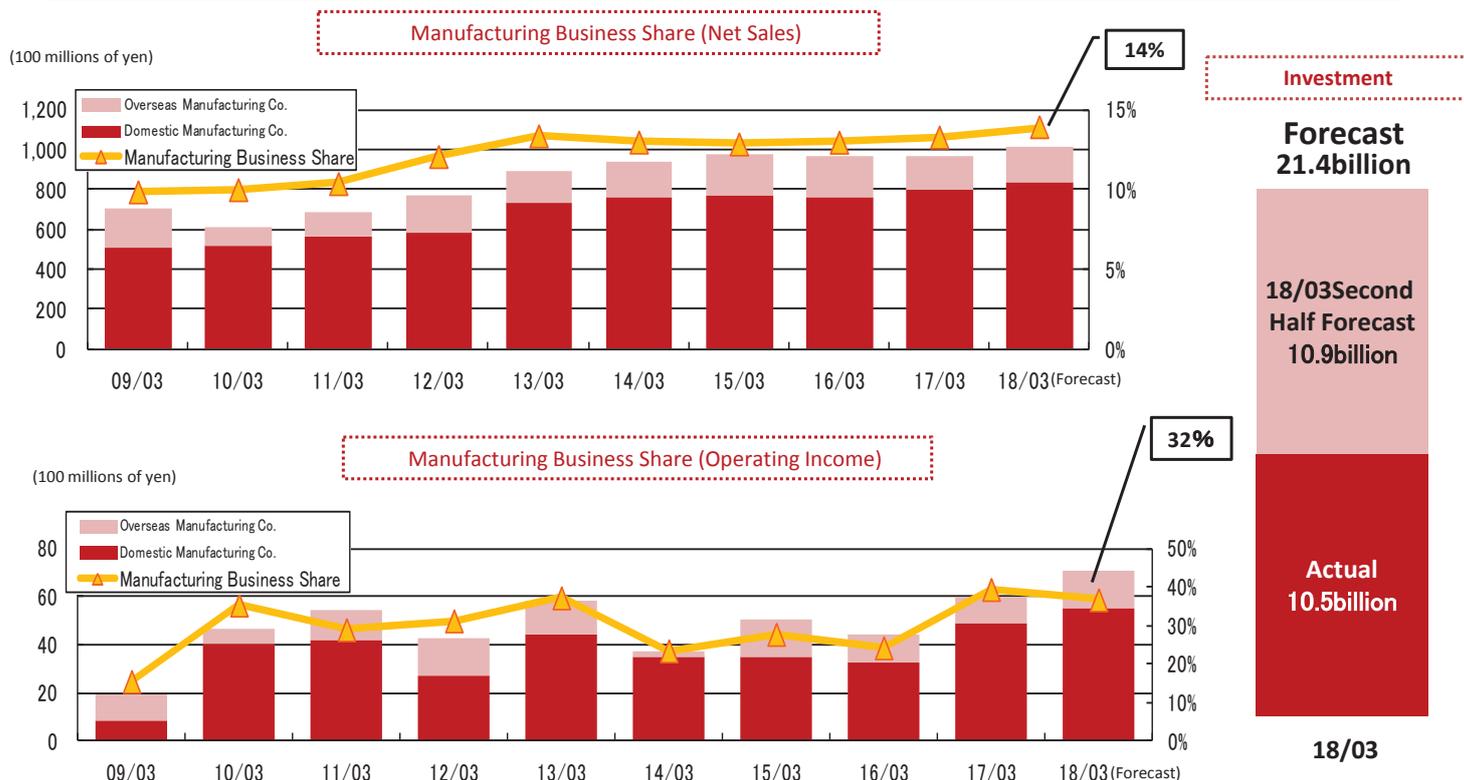
Change in Operating Income (PY Actual vs. Initial Forecast vs. Revised Forecast)

- We expect higher profits than initially forecast due a weak yen and strong demand in the electronics and automotive industries. Further, we intend to create new businesses in our trading business under our ACE-2020 mid-term management plan, while restructuring or withdrawing from unprofitable businesses to generate higher manufacturing business profits.

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

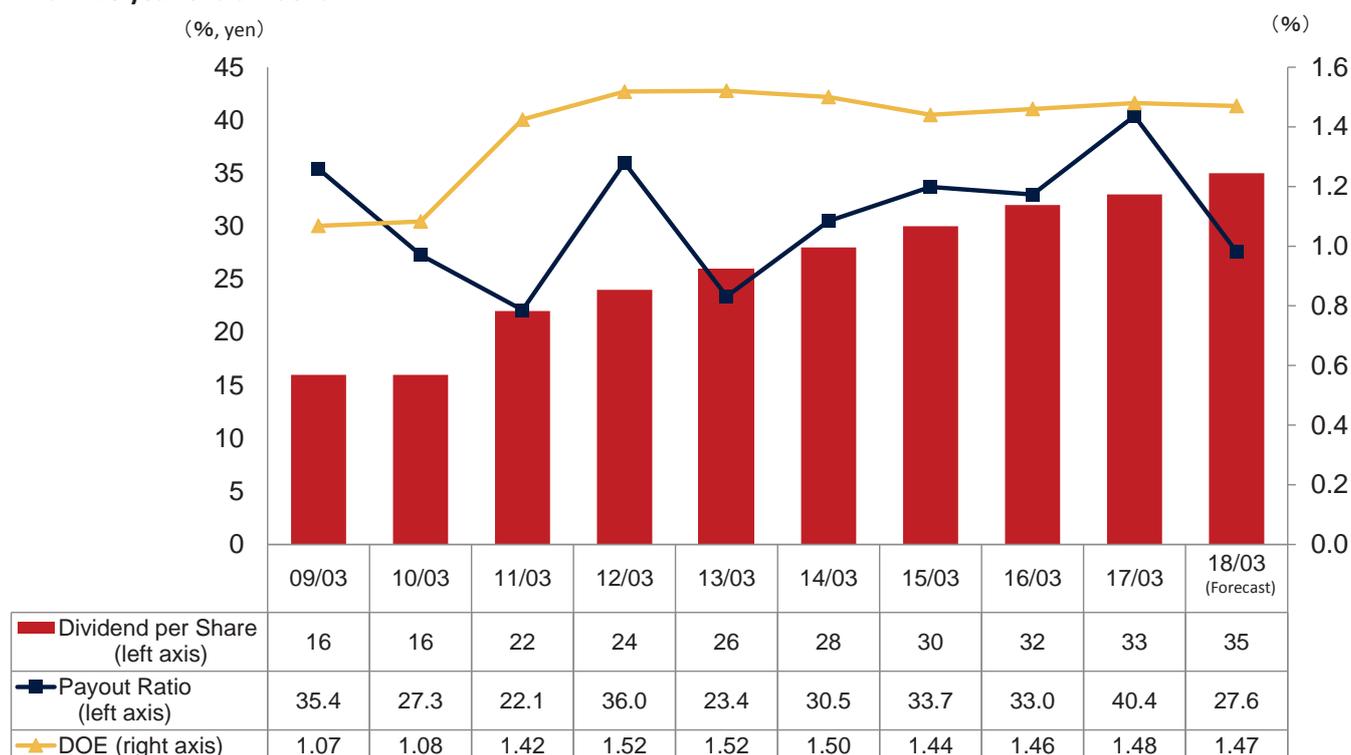


- Investments and financing to bolster manufacturing function, R&D function, technical/information-related capacity, and global networks will create proprietary/competitive advantages; improve business quality and corporate value.



Dividends

- Projected eighth consecutive period of dividend increases
- Current period: Projected annual dividend of ¥35 per share (¥2 increase YoY), representing a ¥17 interim dividend and an ¥18 year-end dividend



*18/03 year-end dividend to be submitted for approval to general meeting of shareholders scheduled for June 2018

Progress of Mid-Term Management Plan *ACE-2020*

Accountability / Commitment / Efficiency

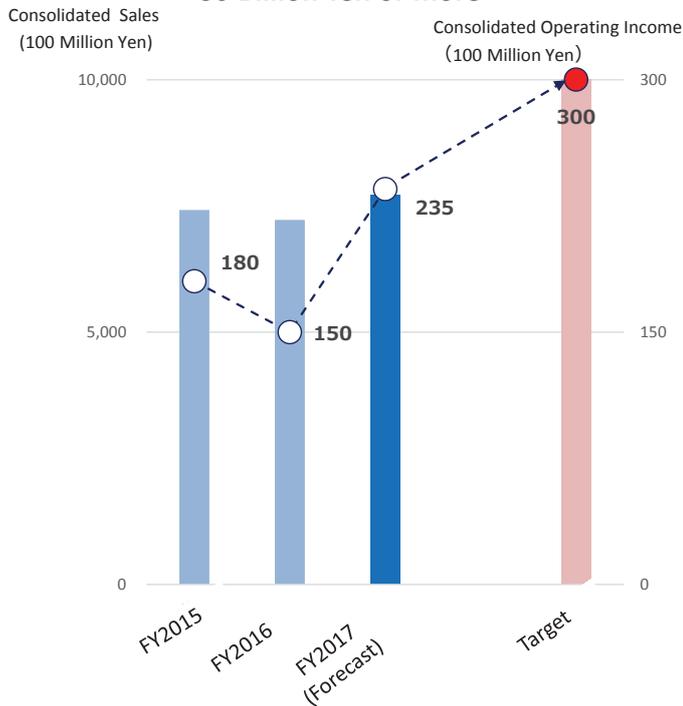
Progress of Mid-Term Management Plan *ACE-2020*

- Allocate management resources to focus areas and regions via asset replacement
- Implement measures toward mindset reform

| Expand and Strengthen Revenue Base | | | |
|---|------------------------|--------|-----------------------|
| | Relationship with KPIs | | |
| | Focus Area | Global | Manufacturing |
| <ul style="list-style-type: none"> ● <u>Established MIANYANG CHENGHONG ELECTRONIC CHEMICALS CO., LTD</u> Steady supply of chemicals to the Chinese electronics market | ✓ | ✓ | ✓ |
| <ul style="list-style-type: none"> ● <u>Acquired Fitz Chem Corporation</u> Expanded channels into the specialty chemicals markets in the Americas | ✓ | ✓ | ✓ |
| <ul style="list-style-type: none"> ● <u>Approved establishment of heat-resistant PI film manufacturing and sales company with Toyobo Co., Ltd.</u> Building a stronger flexible display panel business | ✓ | ✓ | ✓ |
| <ul style="list-style-type: none"> ● <u>Acquired DAITAI KAKO CO., LTD.</u> Entry into the downstream coatings market, expand R&D functions | | | ✓ |
| <ul style="list-style-type: none"> ● <u>Opened Bases of Operations in Lyon and Izmir</u> Expand market in Europe and Middle East regions | ✓ | ✓ | |
| Reform Corporate Culture | | | |
| <ul style="list-style-type: none"> ● Launched Nagase Business Expert Co., Ltd. | | | → Pursue efficiencies |
| <ul style="list-style-type: none"> ● Implement new HR system (FY2018) | | | → HR training |

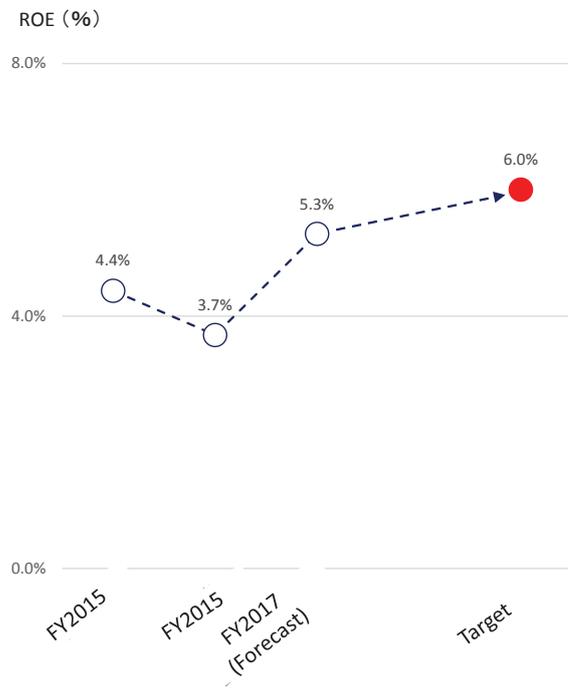
Consolidated Sales/Operating Income

**Normalize 1.0 Trillion Yen or more/
30 Billion Yen or more**



ROE

Normalize Over 6% at early stage



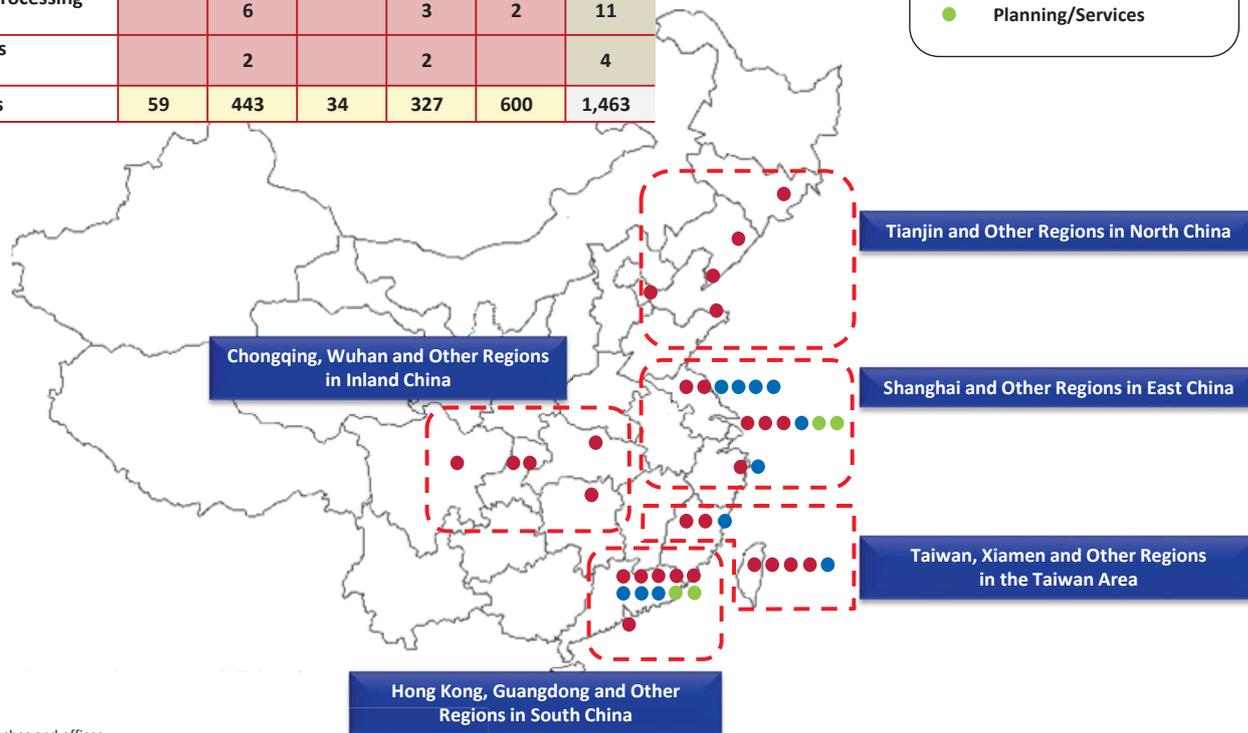
NAGASE Group Business in Greater China

**Executive Officer
Greater China CEO
Katsuhisa Yamaguchi**

Operation Network

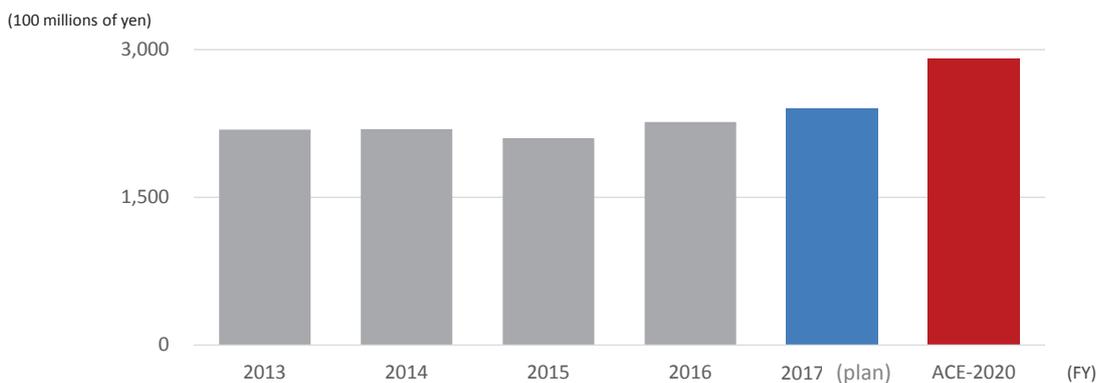
| | North China | East China | Inland China | South China | Taiwan | Total |
|---|-------------|------------|--------------|-------------|--------|-------|
| Sales (No. of Bases) | 5 | 6 | 5 | 6 | 6 | 28 |
| Manufacturing/Processing (No. of Bases) | | 6 | | 3 | 2 | 11 |
| Planning/Services (No. of Bases) | | 2 | | 2 | | 4 |
| No. of Employees | 59 | 443 | 34 | 327 | 600 | 1,463 |

- Sales
- Manufacturing/Processing
- Planning/Services



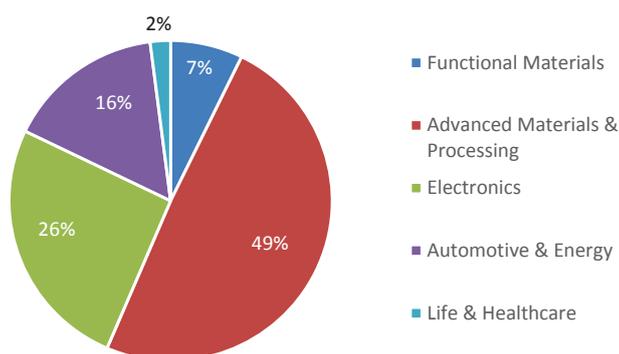
*Number of bases includes branches and offices
 *Number of employees represents total employees of consolidated subsidiaries by operating base

Mid-Term Management Plan ACE-2020 Sales Targets



Net Sales Trends by Segment

Sales Composition Ratio by Segment (ACE-2020)



*Net sales are simple sums (by location); accordingly, these figures differ from by-region sales figures published in our financial results.
 *For ease of comparison, we have used the same foreign exchange rate for all fiscal year figures.

Business: Achieve the **ACE-2020** KPI **G6000** by delving deeper into four focus areas (stronger manufacturing/processing functions, cooperation with local partners) and priority policies (China-originated business tailored to local regional characteristics)

Management Platform: Management Pursue localization, while promoting a platform capable of supporting HQ management functions

Reform of Corporate Culture: Expand diversity by promoting national staff to management and hiring external employees
Build a flexible and adaptive compensation system

Focus Area

Automotive

***Priority Development Fields:**
Develop non-Japanese OEM customers, car electronics, EV

Semiconductors

***Priority Development Fields:**
Taiwan, continental China, wafer substrates, circuit formation, rewiring, packaging

Displays

***Priority Development Fields:**
Flexible displays (OLED), LCD, car multimedia

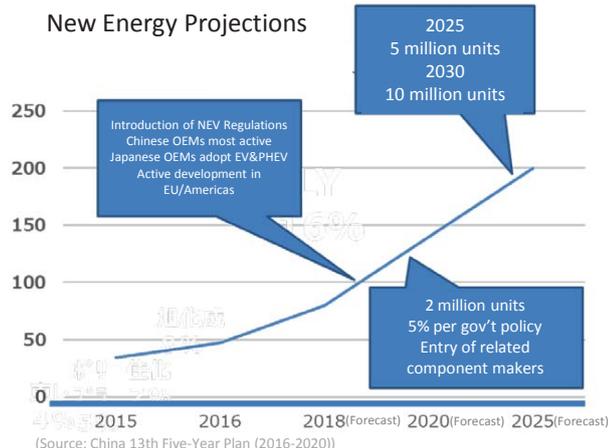
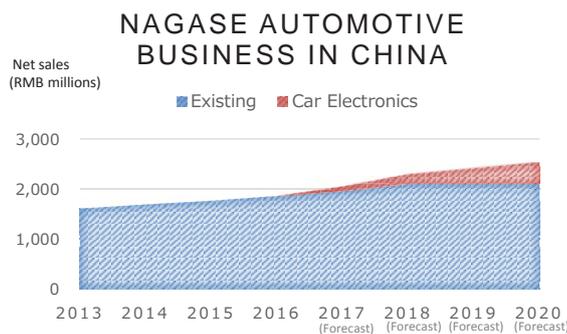
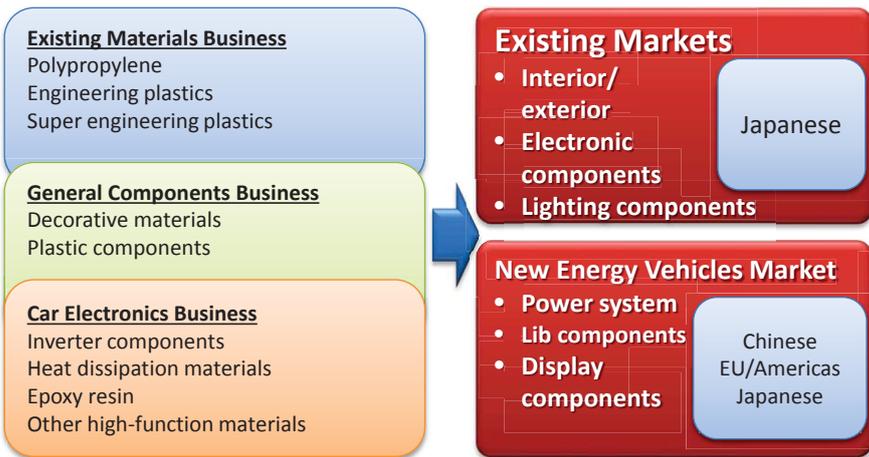
Environment and Energy, Life & Healthcare

***Priority Development Fields:**
Environment and Energy: PV, VOC response (measure, recover, concentrate, combust, aqueous printing ink), soil modification
Life & Healthcare: Food additives and food materials from Hayashibara products

*G6000: Key Performance Indicator under the **ACE-2020** mid-term management plan (overseas group company net sales of ¥600 billion)

Action Plans for Achieving **ACE-2020** - Focus Area: Automotive -

High-function materials, precision plastic components for growing new energy vehicles market (XEV)



- Resins Business: Engineering plastics, super engineering plastics
Increasing sales -- +28% annual average growth
- High-Function Materials: Heat dissipation materials, insulating materials, specialty adhesives, etc. -- Nagase ChemteX Corporation
- New Energy Vehicles: Compliance with Chinese environmental regulations -- More experience in Japan
- Production Platform: Work with local Chinese partners -- Group corporate technologies

Action Plans for Achieving **ACE-2020**

- Focus Area: Semiconductors -

Strengthen group development and production functions ahead of MIC2025

Pre-processing

Intermediate Processing

Post-processing



CHEC
E-chemicals 电子化学品

Photolithography Materials Business



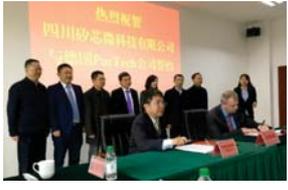
Shanghai Demo Center



PacTech
member of nagase group

(Photo of Pac Tech GmbH)

Equipment Business



Signing ceremony between Pac Tech and SiChip



Nagase ChemteX
NAGASE Group

Nagase ChemteX (Wuxi)

Formulated Epoxy Resins Business

※MIC2025 : Made In China 2025

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Action Plans for Achieving **ACE-2020**

- Focus Area: Displays -

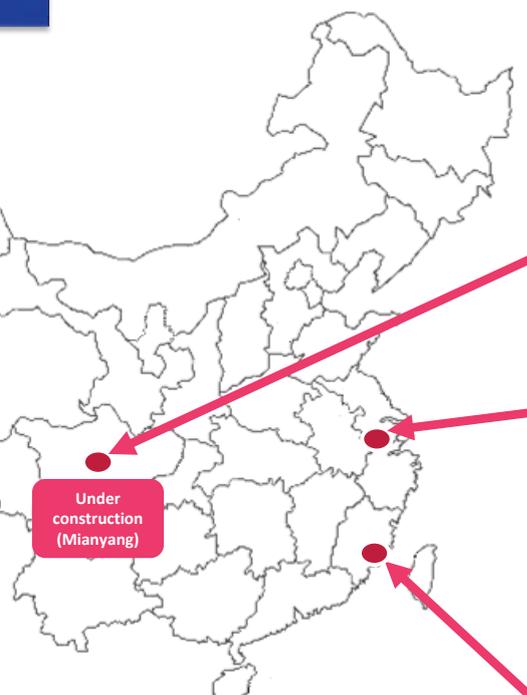
Group manufacturing/processing company business in China, where OLED and LCD panel production plants are expanding rapidly

OLED/LCD Panel Production Capacity (Top: Small Panels; Bottom: Large Panels)

(Units: 1,000m²)

| Year | Small Panels (1,000m ²) | Large Panels (15" x million panels/M) |
|------------------------|-------------------------------------|---------------------------------------|
| 2016 (NAGASE estimate) | ~10,000 | ~45 |
| 2017 (Forecast) | ~13,000 | ~60 |
| 2018 (Forecast) | ~14,000 | ~75 |
| 2019 (Forecast) | ~17,000 | ~90 |
| 2020 (Forecast) | ~20,000 | ~125 |

Group Manufacturing/Processing Companies



Company Name: MIANYANG CHENGHONG ELECTRONIC CHEMICALS CO., LTD

Capital: 20 million yuan

Investment: Wuxi Chenghong Electronic Chemicals Co., Ltd. 90%
Mianyang Isaacs Electronic Materials Co., Ltd. 10%

Business: Production of chemicals for LCDs, semiconductors

Company Name: Wuxi Chenghong Electronic Chemicals Co., Ltd.

Capital: 40 million yuan

Investment: NAGASE Group 39%
Jiangyin Chengxing Industrial Group Co., Ltd. 61%

Business: Production of chemicals for LCDs, semiconductors

Company Name: Nagase Electronics Technology (Xiamen) Co., Ltd.

Capital: USD21.0 million

Investment: NAGASE Group 100%

Business: Chemical etching of liquid crystal glass panel units

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- Formulate sound business schemes and business models in the environmental field (VOC, soil, water treatment), contributing to a better society through a record of success in functional materials, equipment, and systems for Japanese manufacturers, as well as NAGASE Group products.

★January 1, 2016 Promulgation of the Air Pollution Control Act (Revised)

⇒ VOC became subject to regulations and monitoring

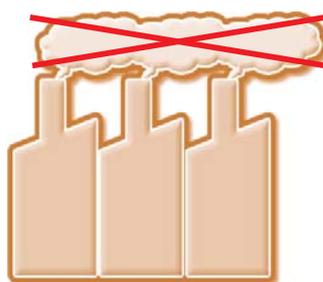
Ex.) Shanghai City Local standards related to paint and ink manufacturers

| | National | Shanghai City |
|-----------------------------|--|--|
| Regulation Name | Integrated Emission Standard of Air Pollutants | Air Emission Standard for Manufacture of Paint, Ink, and Allied Products |
| Standard (Year Promulgated) | GB16297 (1996) | DB31/881 (2015) |
| Benzene | 12 | 1 |
| Toluene | 40 | 10 |
| Xylene | 70 | 20 |

(Unit: mg/m³)

(Source: Chinese and Shanghai City regulations)

1. VOC Emissions Reduction and Monitoring System



2. Printing Ink Solvent ⇒ Water-based

1. Exhaust Treatment

Online VOC Measurement Equipment



VOC recovery, liquefaction equipment



VOC concentration + regenerative combustor

2. Aqueous Printing Ink

Proposal of aqueous printing ink in preferential policies encouraging aqueous printing inks on soft packaging

Proposal of zero VOC emissions through the adoption of aqueous inkjet printing systems

Proposal of wastewater treatment facilities to treat wastewater from printer equipment cleaning

(Reference) Information by Segment

<Net Sales/Operating Income by Location>

(100 millions of yen)

| | FYE 03/17 | | FYE 03/18 | | | | |
|------------------|--------------|-------------|--------------|------------|---------------|--------------|-------------|
| | Interim | Year Actual | Interim | Vs. PY | Year Forecast | Vs. PY | |
| Net sales | Domestic | 714 | 1,468 | 785 | 110% | 1,562 | 106% |
| | Overseas | 211 | 451 | 275 | 130% | 556 | 123% |
| | Eliminations | - 185 | - 384 | - 213 | - | - 417 | - |
| | Total | 741 | 1,535 | 847 | 114% | 1,701 | 111% |
| Operating income | Domestic | 15 | 33 | 19 | 130% | 42 | 128% |
| | Overseas | 4 | 9 | 7 | 189% | 13 | 155% |
| | Eliminations | - 0 | - 0 | - 0 | - | - 3 | - |
| | Total | 18 | 41 | 26 | 143% | 53 | 127% |

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

FYE March 2018 Second Quarter Actual

Net sales

¥84.7 billion (114%)

- ◆ The Performance Chemicals Business recorded higher sales, mainly due to increased sales of coating raw materials and urethane materials associated with higher production of automobiles, as well as the impact of the acquisition of Fitz Chem Corporation (U.S. Specialty chemicals distributor) and the addition of the company to NAGASE consolidated results.
- ◆ The Specialty Chemicals Business recorded higher sales, mainly due to increased sales of fluorochemicals, electronics chemicals, and raw materials for industrial oil solutions for the semiconductor and other electronics industries.

Operating income

¥2.6 billion (143%)

- ◆ Higher profits due to higher sales.

FYE March 2018 Outlook

- ◇ We project higher fiscal year revenues and profits, as coating raw materials and urethane materials sales perform well, while sales of fluorochemicals to semiconductor and other electronics industry segments perform similarly well.

Advanced Materials & Processing Segment

<Net Sales/Operating Income by Location>

(100 millions of yen)

| | FYE 03/17 | | FYE 03/18 | | | | |
|------------------|--------------|--------------|--------------|--------------|---------------|--------------|-------------|
| | Interim | Year Actual | Interim | Vs. PY | Year Forecast | Vs. PY | |
| Net sales | Domestic | 755 | 1,534 | 813 | 108% | 1,643 | 107% |
| | Overseas | 723 | 1,466 | 809 | 112% | 1,615 | 110% |
| | Eliminations | - 276 | - 574 | - 304 | - | - 606 | - |
| | Total | 1,202 | 2,426 | 1,318 | 110% | 2,652 | 109% |
| Operating income | Domestic | 14 | 28 | 19 | 139% | 38 | 136% |
| | Overseas | 12 | 22 | 16 | 138% | 33 | 150% |
| | Eliminations | +0 | +0 | - 0 | - | - 0 | - |
| | Total | 26 | 50 | 35 | 135% | 72 | 141% |

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

FYE March 2018 Second Quarter Actual

Net sales

¥131.8 billion (110%)

- ◆ The Colors & Advanced Processing business recorded higher sales, driven by growth in plastic resins for industrial and packaging applications, dyes/additives, and digital print processing materials in Japan. Overseas, strong sales of print-related business products contributed to higher overall performance.
- ◆ Our business selling plastics to office equipment, appliance, and video game device markets recorded strong sales of new business-related products, as well as strong sales of resins to the office equipment/appliance and electronics markets in Japan. Overseas, the business recorded higher sales across all regions, owing in part to work with new suppliers.

Operating income

¥3.5 billion (135%)

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

FYE March 2018 Outlook

- ◇ We project higher sales and profits for the fiscal year. Sales of resin to office equipment/appliance and electronics markets and the electronics market are expected to continue to be strong in Japan during the second half, while business overseas is expected to grow through work with new suppliers.

<Net Sales/Operating Income by Location>

(100 millions of yen)

| | FYE 03/17 | | FYE 03/18 | | | | |
|------------------|--------------|-------------|--------------|------------|---------------|--------------|-------------|
| | Interim | Year Actual | Interim | Vs. PY | Year Forecast | Vs. PY | |
| Net sales | Domestic | 638 | 1,297 | 650 | 102% | 1,229 | 95% |
| | Overseas | 353 | 712 | 385 | 109% | 716 | 101% |
| | Eliminations | - 366 | - 732 | - 379 | - | - 722 | - |
| | Total | 625 | 1,277 | 657 | 105% | 1,224 | 96% |
| Operating income | Domestic | 19 | 39 | 24 | 121% | 48 | 122% |
| | Overseas | 11 | 23 | 19 | 165% | 35 | 148% |
| | Eliminations | +0 | - 0 | - 0 | - | - 0 | - |
| | Total | 31 | 63 | 43 | 137% | 82 | 129% |

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

FYE March 2018 Second Quarter Actual

Net sales ¥65.7 billion (105%)

- ◆ The Electronic Chemicals Business recorded higher sales due to an increase of new business, as well as growth in photolithography material and equipment-related sales. The business also recorded strong performance of formulated epoxy resins for the electric and electronics industries.
- ◆ The Electronic Materials Business recorded lower sales, despite higher sales of display-related products, as sales of processed materials fell due to smartphone model changeovers.

Operating income ¥4.3 billion (137%)

- ◆ Higher profits due to higher sales.

FYE March 2018 Outlook

- ◇ We project lower sales for the fiscal year. During the second half of the year, sales of flexible display panel-related products are expected to increase, while photolithography material sales should increase in response to improved customer capacity utilization and new business. Glass thin processing business in China should continue to perform well. However, lower sales for certain electronic components and materials are expected to drive performance lower for the business as a whole.
- ◇ We project higher profits due to improved profits at our manufacturing businesses and improved product mix.

Automotive & Energy Segment

<Net Sales/Operating Income by Location>

(100 millions of yen)

| | FYE 03/17 | | FYE 03/18 | | | | |
|------------------|--------------|-------------|--------------|------------|---------------|--------------|-------------|
| | Interim | Year Actual | Interim | Vs. PY | Year Forecast | Vs. PY | |
| Net sales | Domestic | 264 | 584 | 316 | 120% | 673 | 115% |
| | Overseas | 360 | 756 | 416 | 116% | 849 | 112% |
| | Eliminations | - 100 | - 211 | - 106 | - | - 224 | - |
| | Total | 524 | 1,129 | 627 | 120% | 1,299 | 115% |
| Operating income | Domestic | - 5 | - 4 | 2 | - | 5 | - |
| | Overseas | 9 | 20 | 12 | 126% | 24 | 123% |
| | Eliminations | +0 | - 0 | - 0 | - | - 0 | - |
| | Total | 5 | 15 | 14 | 277% | 30 | 195% |

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

FYE March 2018 Second Quarter Actual

Net sales ¥62.7 billion (120%)

- ◆ The Automotive Solutions Business recorded higher revenues overall. Sales of engineering plastics were higher due to captured demand associated with the electrification/electronification of automobiles. Sales of car electronics-related products were likewise strong.

Operating income ¥1.4 billion (277%)

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

FYE March 2018 Outlook

- ◇ We project higher sales and profits for the fiscal year, as automobile production is expected to continue to be strong throughout the second half of the year. Further, we expect to see strong sales of engineering plastics, owing to the addition of new business.

<Net Sales/Operating Income by Location>

(100 millions of yen)

| | FYE 03/17 | | FYE 03/18 | | | | |
|------------------|--------------|-------------|------------|------------|---------------|------------|-------------|
| | Interim | Year Actual | Interim | Vs. PY | Year Forecast | Vs. PY | |
| Net sales | Domestic | 497 | 1,018 | 497 | 100% | 994 | 98% |
| | Overseas | 52 | 115 | 64 | 124% | 112 | 97% |
| | Eliminations | - 137 | - 284 | - 140 | - | - 277 | - |
| | Total | 412 | 849 | 421 | 102% | 829 | 98% |
| Operating income | Domestic | 33 | 62 | 36 | 109% | 68 | 109% |
| | Overseas | 0 | 1 | 1 | 943% | 2 | 209% |
| | Eliminations | - 15 | - 30 | - 15 | - | - 30 | - |
| | Total | 18 | 33 | 23 | 126% | 40 | 120% |

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

FYE March 2018 Second Quarter Earnings

Net sales

¥42.1 billion (102%)

- ◆ Sales of TREHA™ and other products to food ingredient makers in our Life & Healthcare Products Business were level, while sales in Europe and other regions overseas grew. Although the business recorded lower sales of AA2G™ to major customers in the skin care and toiletries field overseas, sales to major customers in Japan were higher. In the medical and pharmaceutical field, sales of pharmaceutical raw materials and intermediates and medical materials were level with the year-ago period, while sales of pharmaceutical business products were lower, resulting in slightly higher sales for the Life & Healthcare Products Business.
- ◆ The Beauty Care Products business recorded lower sales, driven down due to weak performance across all product categories.

Operating income

¥2.3 billion (126%)

- ◆ Higher profits due to higher sales.

FYE March 2018 Outlook

- ◇ We project lower sales for the fiscal year. Sales of TREHA™ should be level with the first half of the year, and sales of Fibryxa™, Hayashibara Hesperidin S, and other products using high-function materials should be higher. However, declining sales of pharmaceutical raw materials and intermediates to the medical and pharmaceutical field should drive overall performance lower.
- ◇ We project higher profits due to improved product mix and other factors.