

FYE March 2018 Financial Briefing

May 25, 2018

NAGASE & CO., LTD.

Contents

FYE March 2018 Results	P.3
FYE March 2019 Earnings Projections	P.15
Progress of Mid-Term Management Plan ACE-2020	P.21
NAGASE Group Businesses in the Americas	P.30
(Reference) Information by Segment	P.40

FYE March 2018 Results

Consolidated Statements of Income

✓ Record highs for net sales and all profit measures

■ Net sales: Growth driven by Base Area businesses (Functional Materials, Advanced Materials & Processing Segment), revenue growth across all segments

■ Operating income: Higher, due to favorable market conditions, contribution of mid-term management plan policies
Higher profits due to lower amortization (¥2.8 billion) of retirement benefit accounting actuarial differences (100 millions of yen)

	17/03	18/03	Change	Vs. PY	Published Forecast (Published 11/2)	Achievement
Net sales	7,223	7,839	+615	109%	7,710	102%
Gross profit	915	1,026	+111	112%	1,000	103%
<GP ratio>	12.7%	13.1%	+0.4%	—	13.0%	—
SG&A expenses	764	785	+20	103%	765	—
Operating income	150	241	+90	160%	235	103%
Ordinary income	163	259	+96	159%	255	102%
Profit attributable to owners of the parent	103	171	+68	166%	160	107%
US\$ Exchange rate (period average)	@108.4	@110.9	@¥2.5 devaluation		@111.0	—
RMB Exchange rate (period average)	@16.1	@16.7	@¥0.6 devaluation		@16.4	—

(Foreign exchange rate impact on 18/03 net sales and operating income results)

Net sales: +¥15.7 billion (approx.)
Operating income: +¥570 million (approx.)

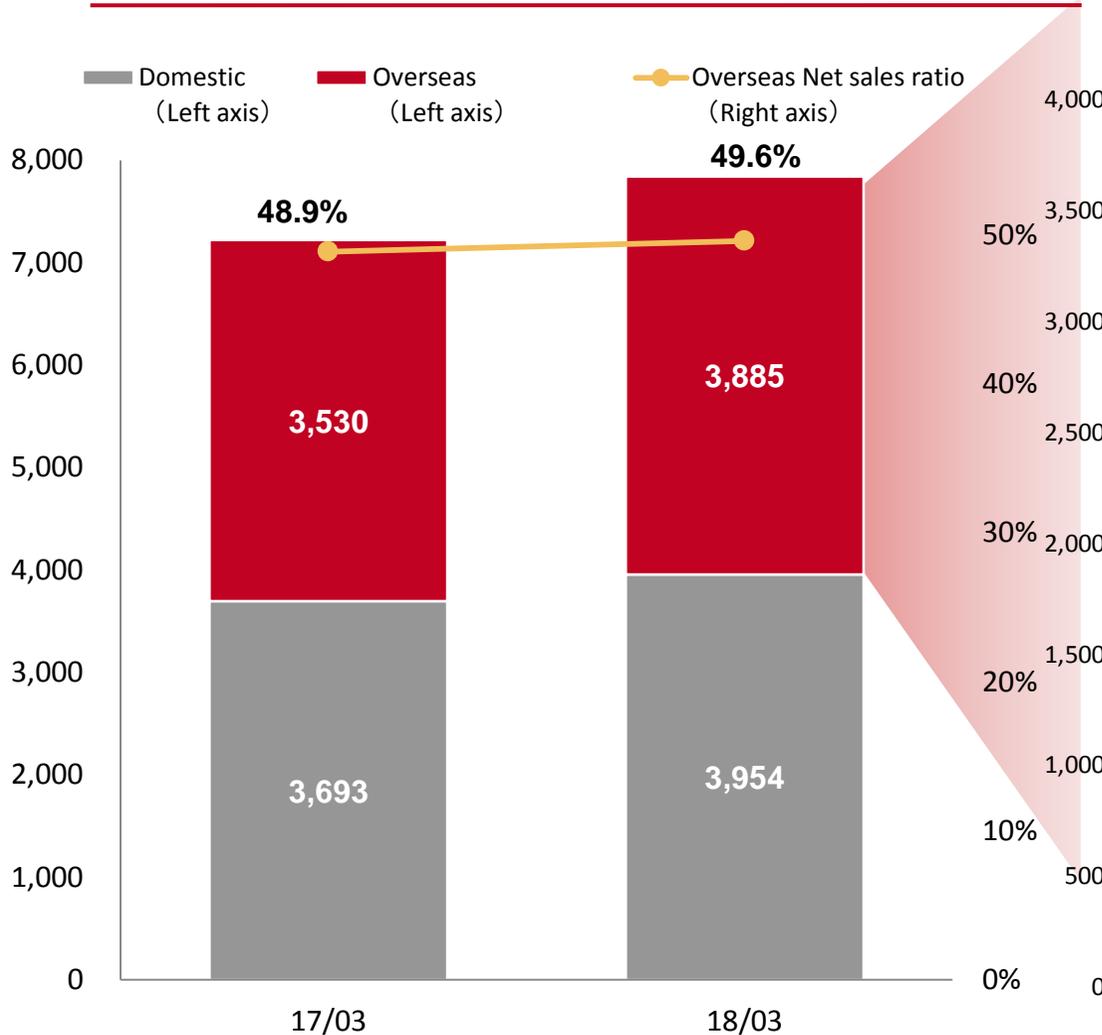
(Per-yen exchange rate impact on net sales and operating income)

	Impact of US\$ /yen	Impact of RMB/yen
Net sales	¥1.4 billion (approx.)	¥7.2 billion (approx.)
Operating income	¥20 million (approx.)	¥240 million (approx.)

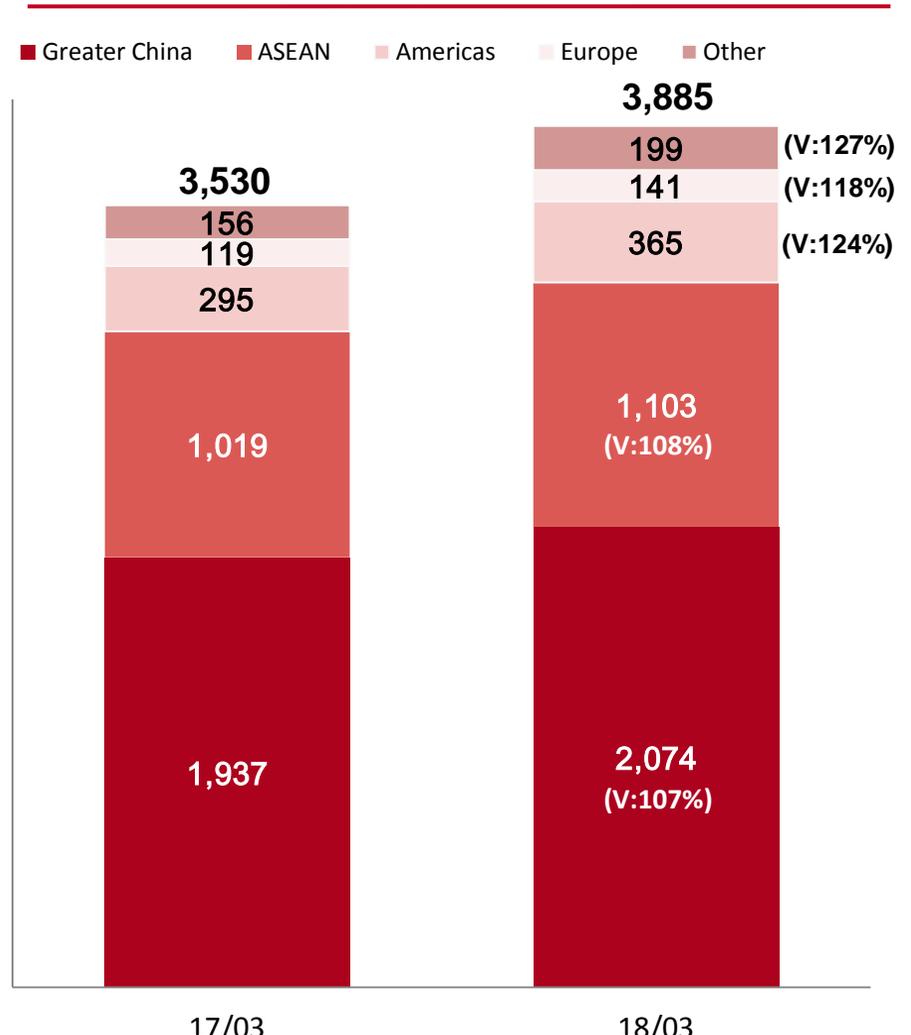
Net Sales by Region (Domestic, Overseas)

■ Higher revenues in Japan and every region overseas (ratio of overseas net sales 49.6%)

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



Overseas Sales by Region (100 millions of yen, %)

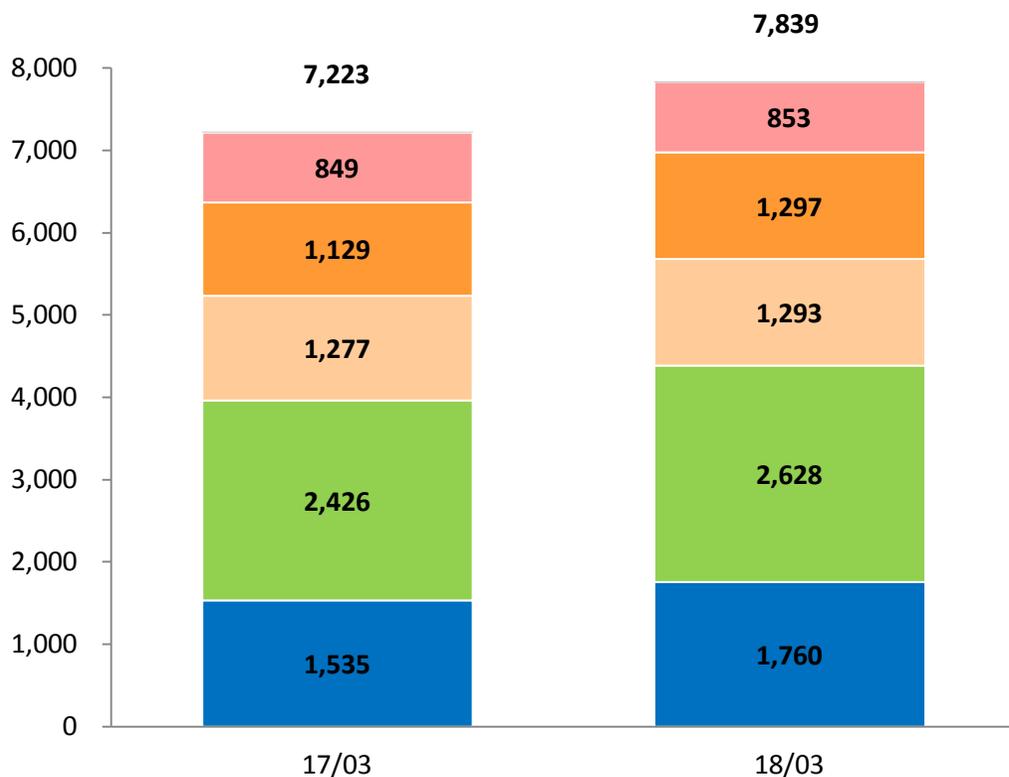


Net Sales: Two-Year Comparison (by Segment)

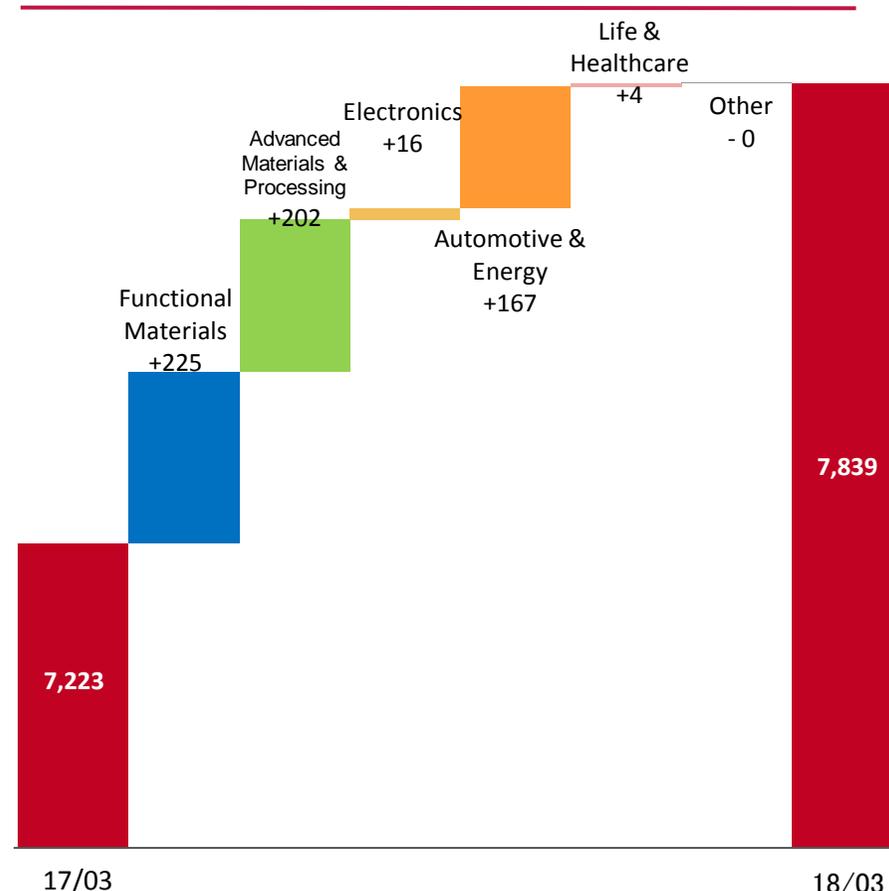
- **Functional Materials:** Higher sales, mainly due to improved sales of coating raw materials and urethane materials associated with strong production of automobiles, as well as increased sales of electronics chemicals; acquisition of U.S. Specialty chemicals distributor Fitz Chem Corporation also had positive impact
- **Advanced Materials & Processing:** Higher sales, mainly due to acquisition of new trade rights and increase in sales of plastics in Japan and overseas

Net Sales by Segment (100 millions of yen)

- Functional Materials
- Advanced Materials & Processing
- Electronics
- Automotive & Energy
- Life & Healthcare
- Others



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



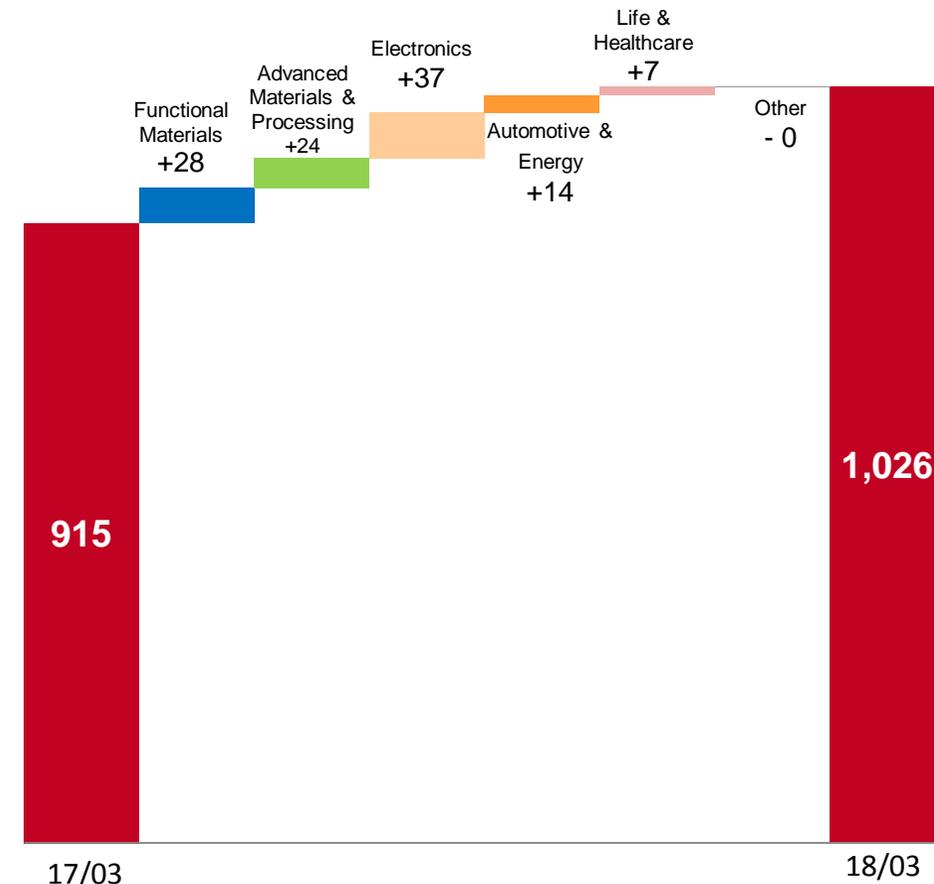
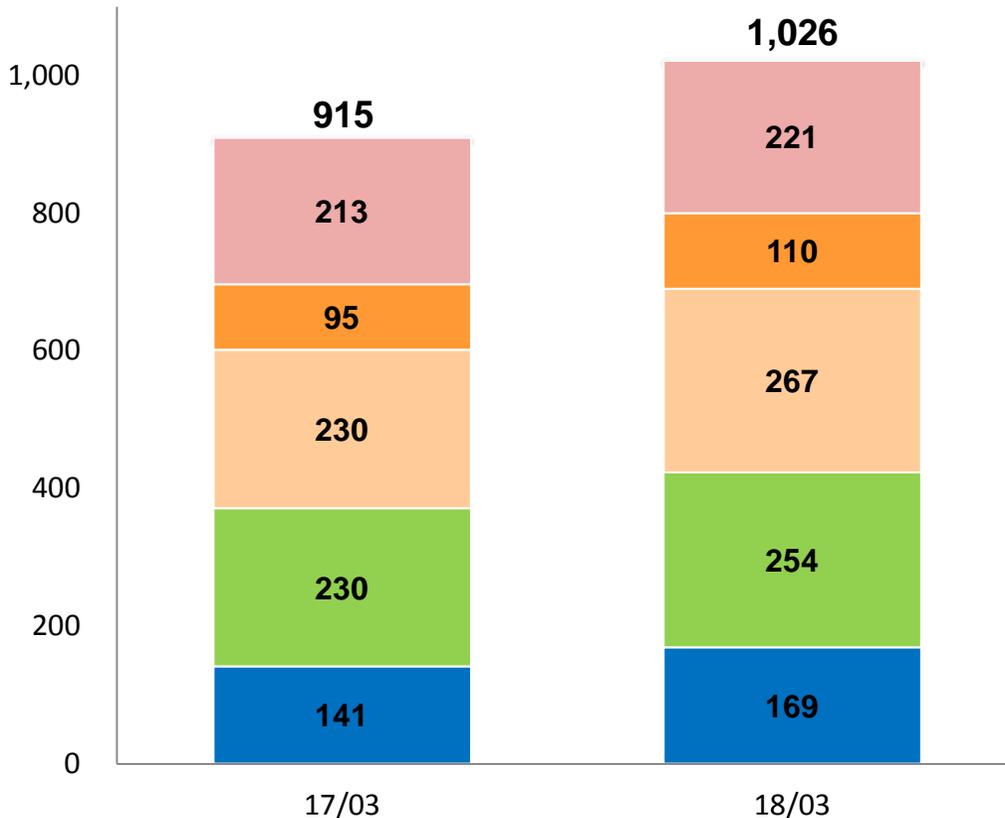
Gross Profit: Two-Year Comparison (by Segment)

- Higher profits, mainly due to the impact of increased revenues
- Profit ratio improved 0.4%, mainly due to product mix improvements resulting from strong performance among manufacturing subsidiaries

Gross Profit by Segment (100 millions of yen)

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

- Functional Materials
- Electronics
- Life & Healthcare
- Advanced Materials & Processing
- Automotive & Energy
- Others

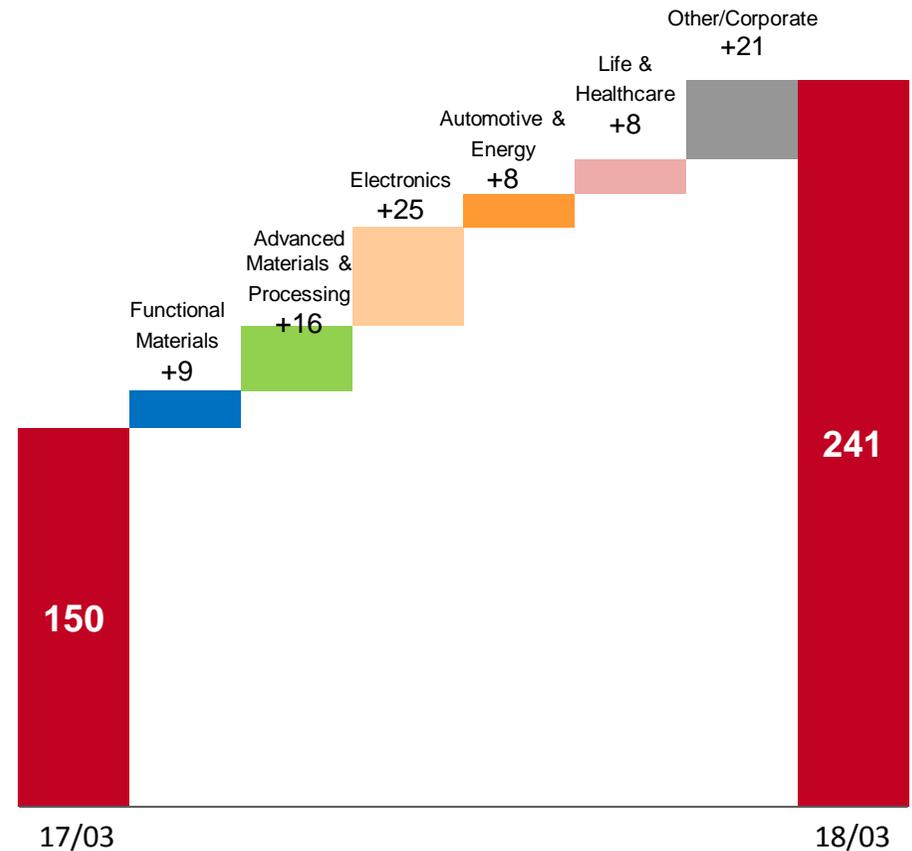
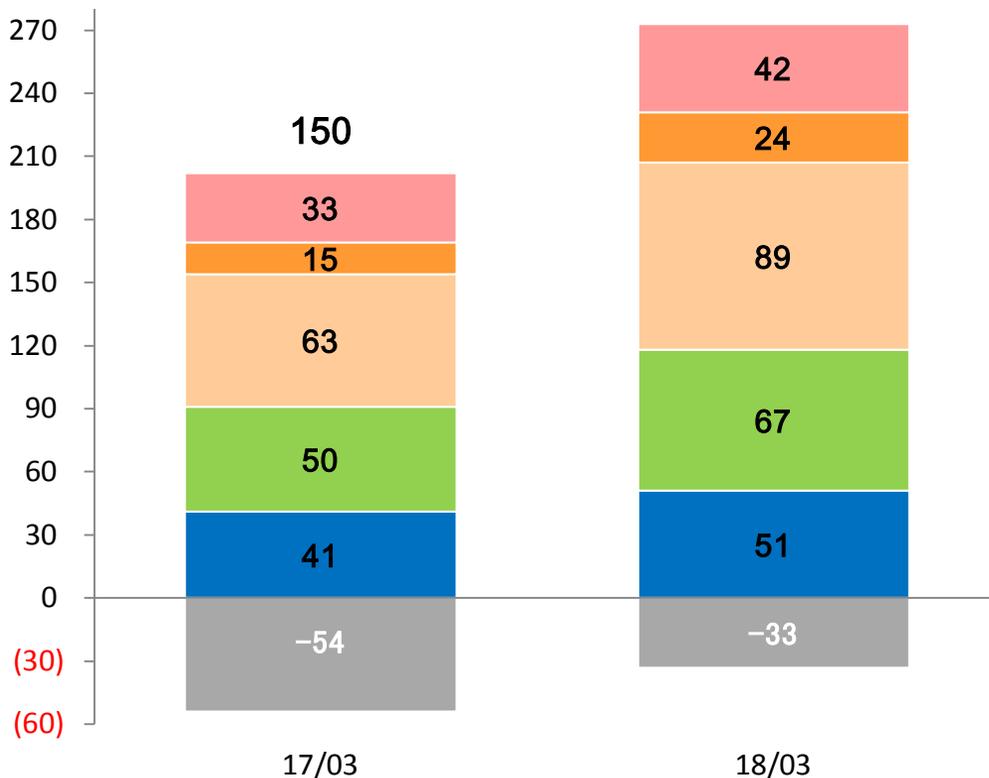


Operating Income: Two-Year Comparison (by Segment)

- In addition to higher sales among all segments, increased revenues among electronics component production equipment manufacturing subsidiaries also had a positive impact
- Lower amortization of retirement benefit accounting actuarial differences for the Others/Corporate segment resulted in overall increase in operating income of ¥9.0 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 Plastics Co., Ltd. recorded higher sales and profits, mainly driven by the acquisition of new trade rights and increased sales of super engineering plastics to the electronics industry
- Shanghai Nagase Trading Co., Ltd. recorded higher sales and profits as the photolithography materials manufacturing subsidiary established in the prior year (Wuxi Chenghong Electronic Chemicals; equity-method affiliate) began full operations, which led to strong sales of photolithography materials to display manufacturers in China and components for displays by Wuxi Chenghong

(100 millions of yen)

	Company Name	Net Sales	Vs. PY	Operating Income (Note 2)	Vs. PY
Manufacturing Companies	Hayashibara Co., Ltd.	243	102%	50	109%
	Nagase ChemteX Corporation	259	101%	29	100%
	Total for manufacturing (Note 1)	107	111%	114	126%
Domestic Sales Companies	Nagase Plastics Co., Ltd.	361	113%	9	133%
	Nishinohon Nagase Co., Ltd.	80	102%	3	70%
	Nagase Chemical Co., Ltd.	185	117%	3	111%
	Total for domestic sales (Note 1)	913	110%	25	128%
Overseas Sales Companies	Nagase (Thailand) Co., Ltd.	378	113%	11	134%
	Shanghai Hua Chang Trading Co., Ltd.	383	111%	8	90%
	Shanghai Nagase Trading Co., Ltd.	409	123%	7	168%
	Nagase Vietnam Co., Ltd.	140	122%	3	152%
	Total for overseas sales (Note 1)	3,336	110%	88	135%

*Note 1: Totals for each category are the simple sums of each company in the category. These sums do not equal consolidated figures.

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

- Hayashibara: Strong sales of TREHA™ and AA2G™; new adoptions of Fibryxa™, Hayashibara Hesperidin S, and other high-function materials contributed to sales growth; profits higher, due in part to stable low raw materials costs

Hayashibara Co., Ltd.

(100 millions of yen)

	FYE03/17	FYE03/18	Change	Vs. PY
Net sales	238	243	+5	102%
Operating income	46	50	+3	109%

- TREHA™ sales higher, mainly driven by sales in Europe and other overseas markets
- Sales of AA2G™ were higher, despite lower sales overseas; capture of domestic inbound tourist demand led to higher overall performance
- New applications in the food industry led to higher sales of Fibryxa™, Hayashibara Hesperidin S, and other high-function materials
- Higher sales of pullulan for use in hard capsules for medical and health food and mouth-refreshing film

<Increased Sales of High-Function Materials>

Soluble Dietary Fiber Fibryxa™



- First new product since Hayashibara joined the NAGASE Group
- Also improves gut flora
- Increasing use in Foods With Function Claims since market introduction in 2015
- Confirmed mechanism to suppress rise in blood sugar levels
- Accelerating application development

Hayashibara Hesperidin S, Glycosyltransferase-delivered Hesperidin



- Glycoltransferase-delivered hesperidin also functions to reduce neutral lipids in blood
- Increasing adoption for Foods With Function Claims
- Marketing initiatives in Asia, Europe, and the U.S.

=> New core product to follow TREHA™, AA2G™

State of Nagase ChemteX Corporation (Major Manufacturing Subsidiary)

- Despite lower sales of conductive materials to the LCD industry, sales in our Photolithography Materials Business were strong, driven by new business and improved customer operating rates

Nagase ChemteX Corporation

(100 millions of yen)

	FYE03/17	FYE03/18	Change	Vs. PY
Net sales	256	259	+3	101%
Operating income	29	29	+0	100%

- Epoxy Resin Business experienced flat sales; strong sales for semiconductor applications and heavy electrical/light electrical
- Photolithography Materials Business recorded higher sales, mainly due to new business and improved customer operating rates
- Performance Chemicals Business sales down due to weak sales of conductive materials and other products to the LCD industry



*Consolidated Subsidiaries: Nagase ChemteX (Wuxi) Corporation, Engineered Materials Systems, Inc., INKRON LIMITED
 Equity-Method Affiliates: Wuxi Chenghong Electronic Chemicals Co., Ltd.
 Affiliates: Mianyang Chenghong Electronic Chemicals Co., Ltd.

Consolidated Balance Sheets

- **Assets:** Increase of ¥40.6 billion, mainly due to increases in accounts receivable, inventories, and rising investments in securities due to gains in fair market prices
- **Liabilities:** Increase of ¥27 billion due to increases in accounts payable and short-term loans
- **Net assets:** Increase of ¥13.6 billion, mainly due to profit attributable to owners of the parent of ¥17.1 billion and increase in net unrealized holding gain on securities
- **Shareholders' Equity Ratio** down 1.6 points to 53.1%

Assets

	17/03	18/03	Change
Total current assets	3,212	3,561	+ 348
Cash and time deposits	398	433	+ 34
Notes and accounts receivable	2,068	2,259	+ 191
Inventories	631	736	+ 105
Other	114	131	+ 17
Total non-current assets	2,095	2,153	+ 57
Property, plant and equipment	676	672	3
Intangible fixed assets	407	410	+ 3
Investments, other assets	1,011	1,070	+ 58
Investments in securities	945	1,004	+ 58
Other	66	66	+ 0
Total assets	5,307	5,714	+ 406

Liabilities and Net Assets

(100 millions of yen)

	17/03	18/03	Change
Total current liabilities	1,664	1,930	+ 265
Notes and accounts payable	1,020	1,180	+ 159
Short-term loans and current portion of CP	416	480	+ 63
Other	227	270	+ 42
Total long-term liabilities	690	696	+ 5
Long-term loans and Bonds	400	379	21
Net defined benefit liability	146	145	1
Other (Deferred tax liabilities, etc.)	143	171	+ 27
Total liabilities	2,355	2,626	+ 270
Total net assets	2,951	3,088	+ 136
Shareholders' equity	2,396	2,502	+ 106
Accumulated other comprehensive income	505	533	+ 28
Net unrealized holding gain on securities	476	507	+ 30
Translation adjustment	31	29	2
Other	2	3	+ 0
Non-controlling interests	49	51	+ 1
Total liabilities and net assets	5,307	5,714	+ 406

Consolidated Cash Flows

■ Cash and cash equivalents up ¥3.1 billion. Cash flows from operating activities of ¥21.0 billion (¥24 billion in profit before income taxes), cash used in investing activities of ¥14.4 billion (¥7.2 billion used in purchases of tangible and intangible fixed assets, ¥5.9 billion used in purchase of shares of subsidiaries resulting in a change in scope of consolidation), cash used in financing activities of ¥3.1 billion (¥10 billion used in redemption of bonds), and the impact of translation differences

Cash Flows

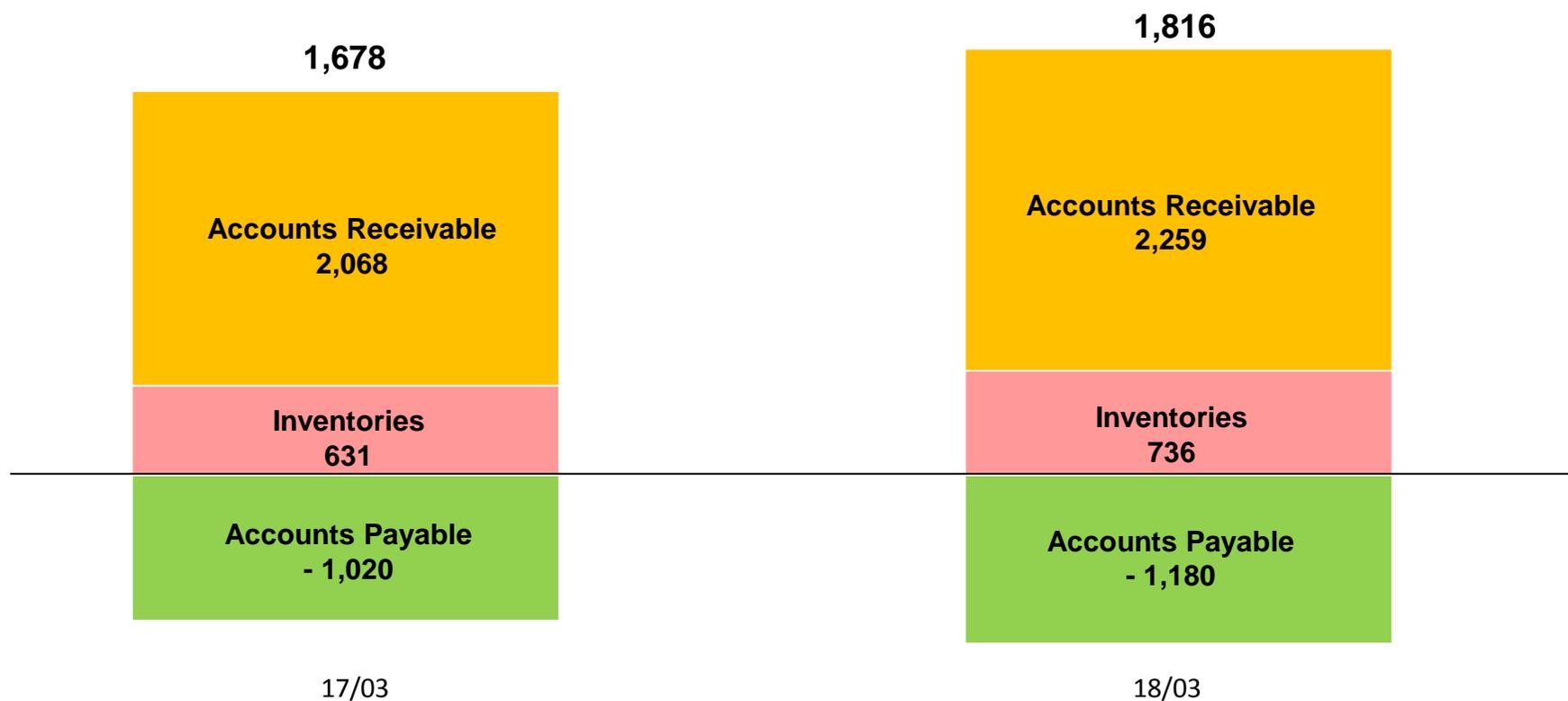
(100 millions of yen)

	18/03	主な内訳	17/03
Net cash provided by (used in) operating activities	210	Profit before income taxes +240 Depreciation and amortization/amortization of goodwill +110 Working capital ▲119 Income tax paid ▲48	145
Net cash provided by (used in) investing activities	▲ 144	Purchases of property, plant and equipment ▲66 Purchase of shares of subsidiaries resulting in change in scope of consolidation ▲59 Purchases of investment in securities ▲16 Purchases of intangible fixed assets included in other assets ▲5	▲ 65
Net cash provided by (used in) financing activities	▲ 31	Proceeds from and Repayments of long-term loans payable +51 Net increase (decrease) in commercial papers +50 Net increase (decrease) in short-term loans payable +36 Redemption of bonds ▲100 Cash dividends paid ▲42	▲ 105
Effects of exchange rate changes on cash and cash equivalents	▲ 1		▲ 5
Net increase (decrease) in cash and cash equivalents	32		▲ 31
Cash and cash equivalents at beginning of the year	397	Japan 254、Greater China 70、ASEAN 35、Europe 18、Americas 5、Other 13	429
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	▲ 1		—
Cash and cash equivalents, at end of the period	428	Japan 226、Greater China 105、ASEAN 46、Europe 30、Americas 4、Other 12	397

Change in Working Capital

- Increase in working capital resulting from sales growth and planned accumulation of inventories to ease ongoing supply in response to tight supply conditions in certain industries.

Working Capital (100 millions of yen)



FYE March 2019 Earnings Projections

FYE March 2019 Earnings Projections

- Sales and profit growth overall; sales growth in every segment (excluding Electronics), mainly due to increased sales of synthetic plastics in Advanced Materials & Processing
 Electronics forecast calls for level YoY sales as we transfer the car electronics-related business to the Automotive & Energy segment. Eliminating the relevant impact of the move, both sales and profits should be level with prior year

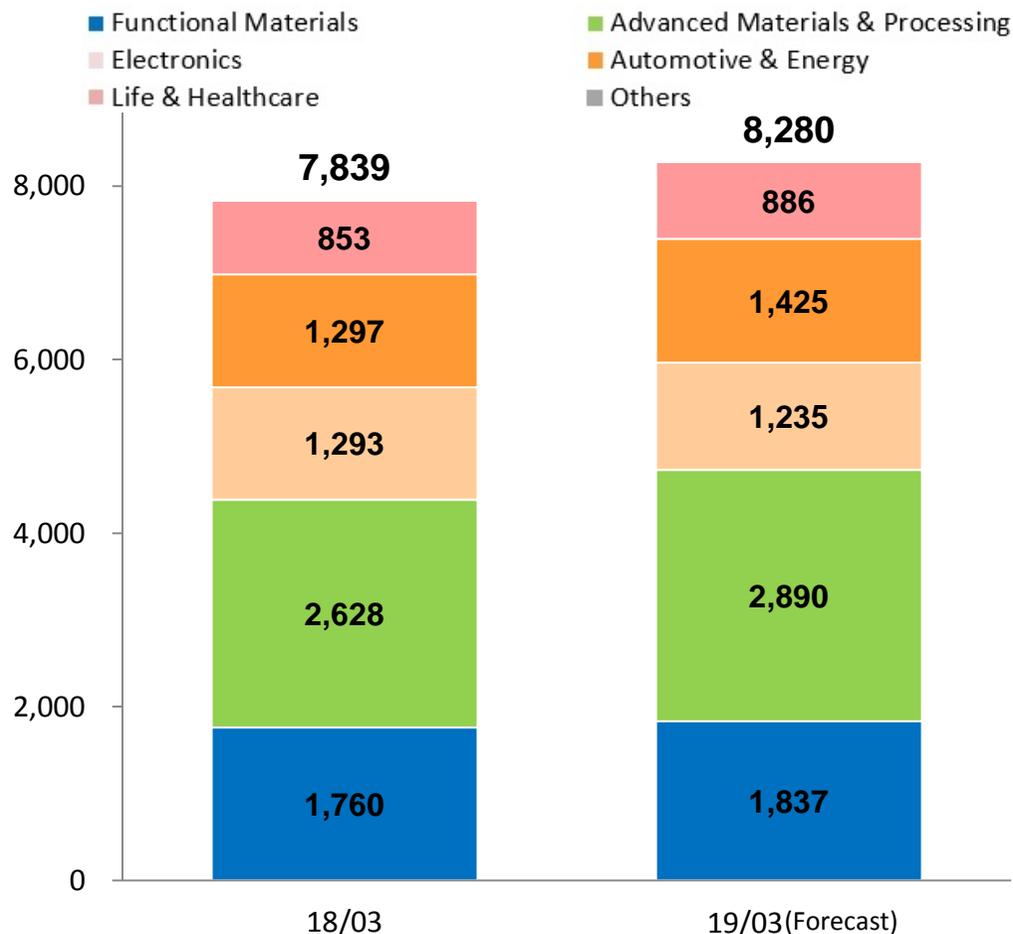
(100 millions of yen)

	18/03 Actual	19/03 Forecast	Change	Vs. PY
Net sales	7,839	8,280	+440	106%
Gross profit	1,026	1,073	+46	105%
<GP ratio>	13.1%	13.0%	-0.1%	—
SG&A expenses	785	818	+32	104%
Operating income	241	255	+13	106%
Ordinary income	259	275	+15	106%
Profit attributable to owners of the parent	171	186	+14	108%
US\$ Exchange rate (period average)	@110.9	@105	@¥5.9 revaluation	—
RMB Exchange rate (period average)	@16.7	@16.5	@¥0.2 revaluation	—

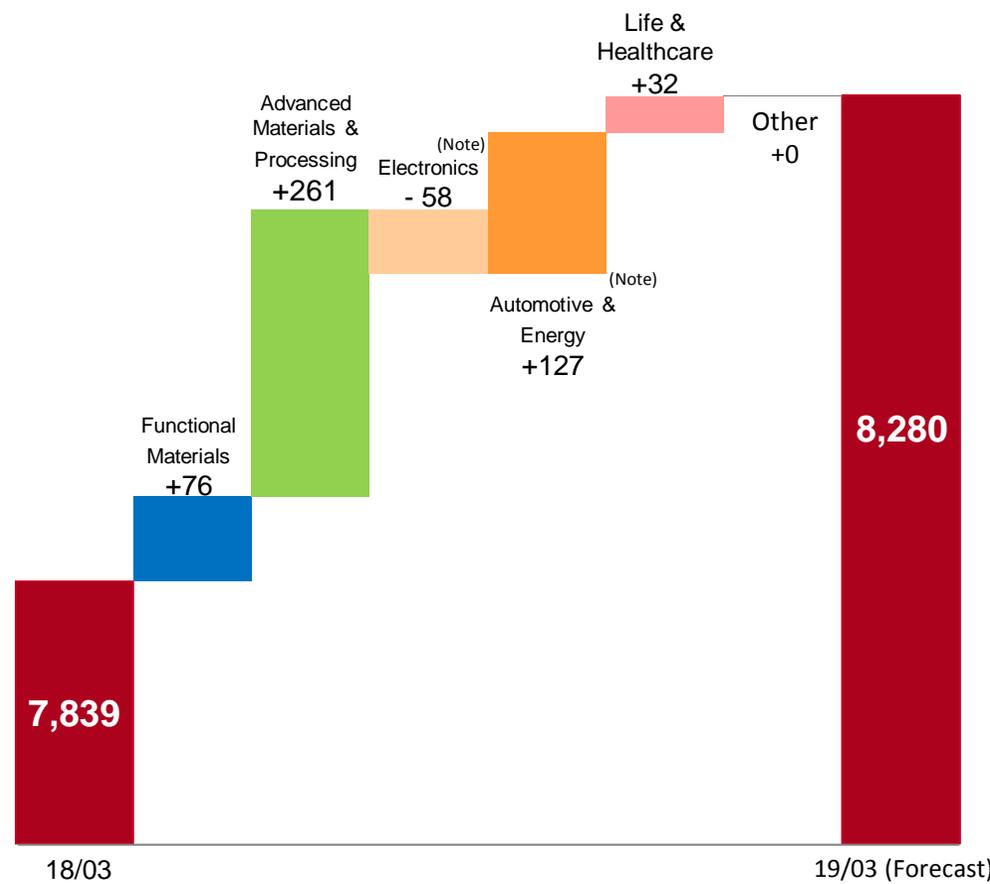
Set Sales Forecast (by Segment)

- **Advanced Materials & Processing:** Higher sales, mainly due to expanded trade rights (new areas, new suppliers initiated in the prior year), as well as strong performance in plastics for office equipment, appliance, game device, and electronic equipment markets in Greater China, ASEAN, and other regions. Strength in the digital print-related business will also contribute to increased sales
- **Automotive & Energy:** Higher sales, mainly due to strong performance in high-function materials and car electronics-related products (both Japan and overseas), driven by electrification and electronification of automobiles

Net Sales by Segment (100 millions of yen)



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



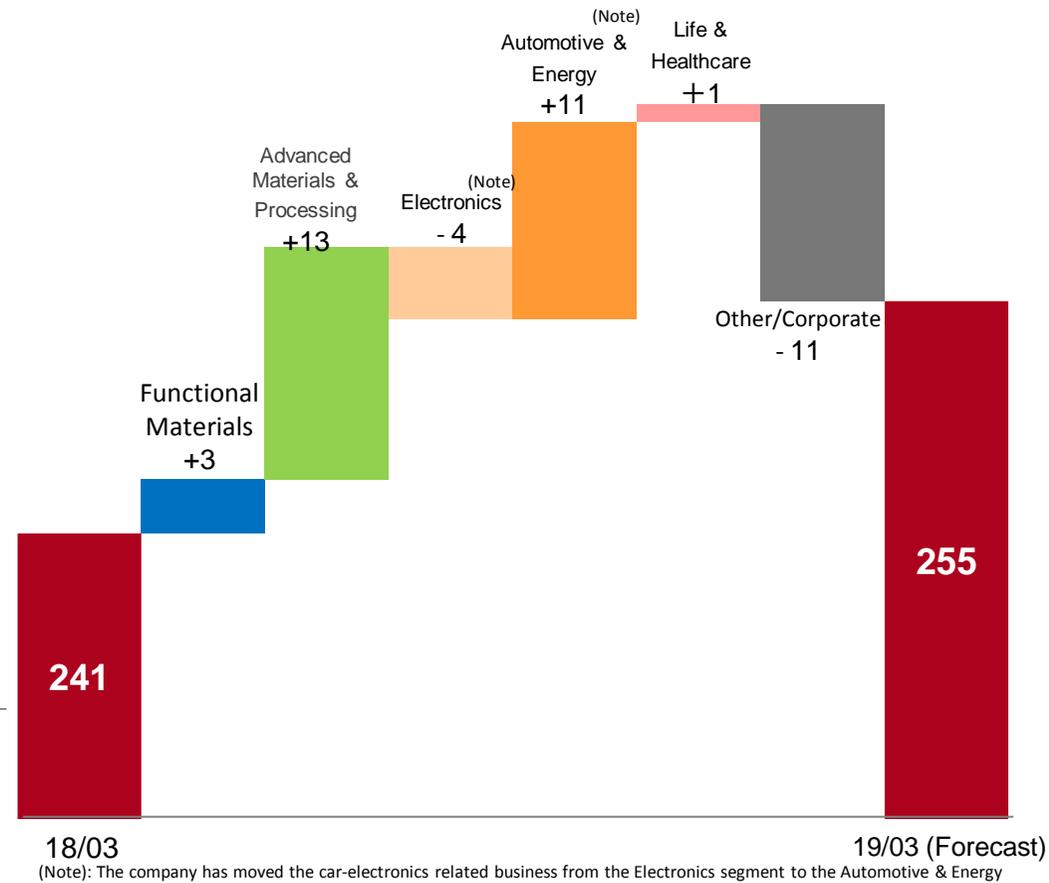
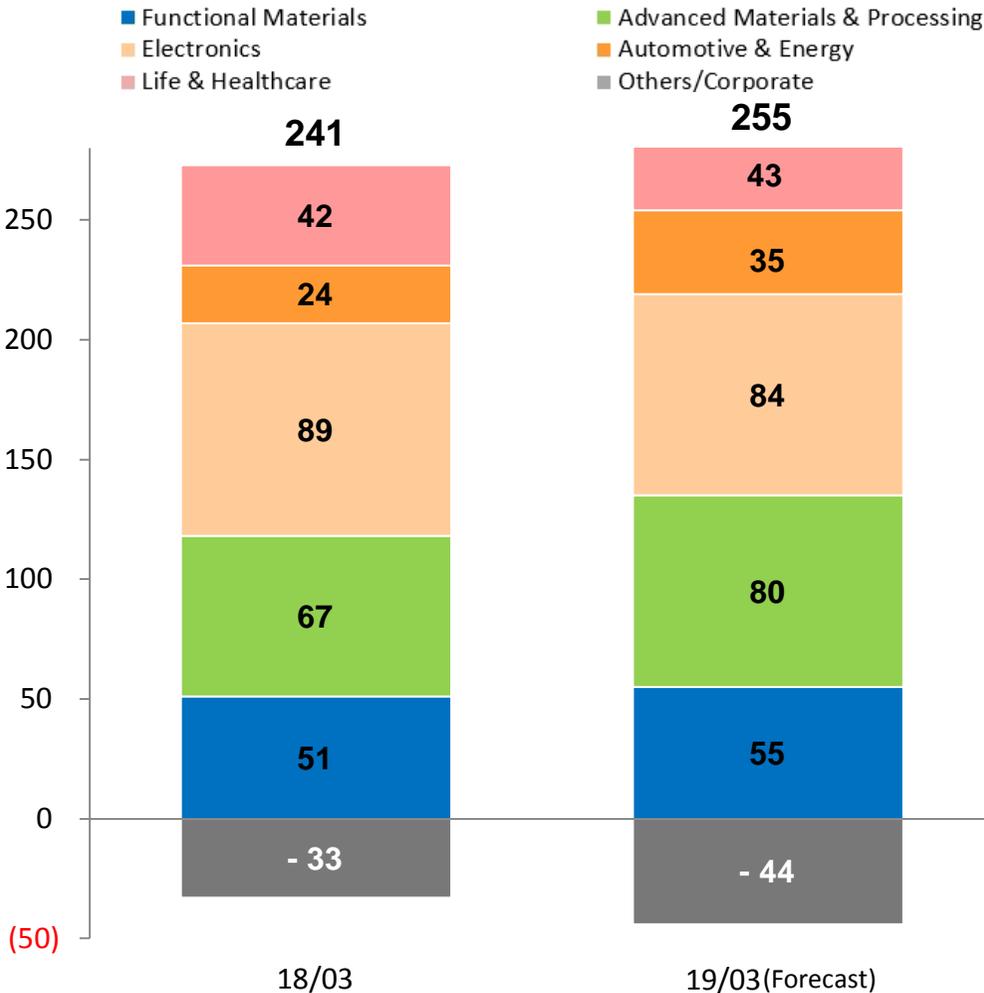
(Note): The company has moved the car electronics-related business from the Electronics segment to the Automotive & Energy segment. Electronics performance should be level with the prior year when eliminating the relevant impact of the move.

Operating Income Forecast (by Segment)

- We forecast an increase of ¥1.3 billion in operating income compared to the prior fiscal year. While Electronics segment performance should be level with prior year (after eliminating the business move), all other segments should record higher profits

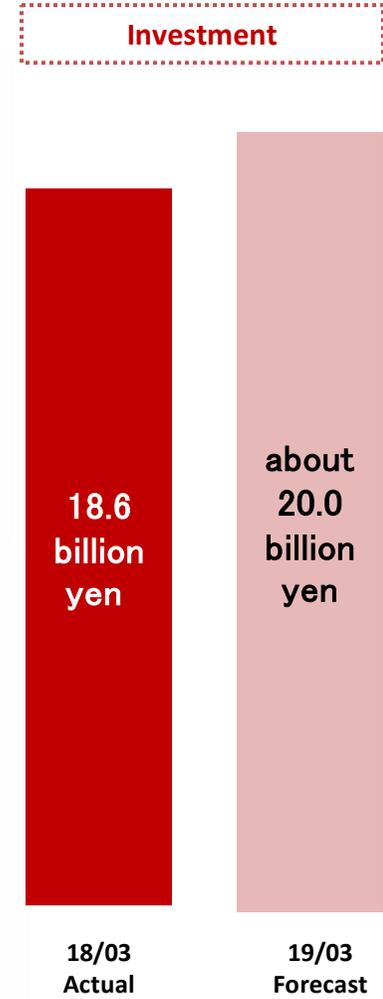
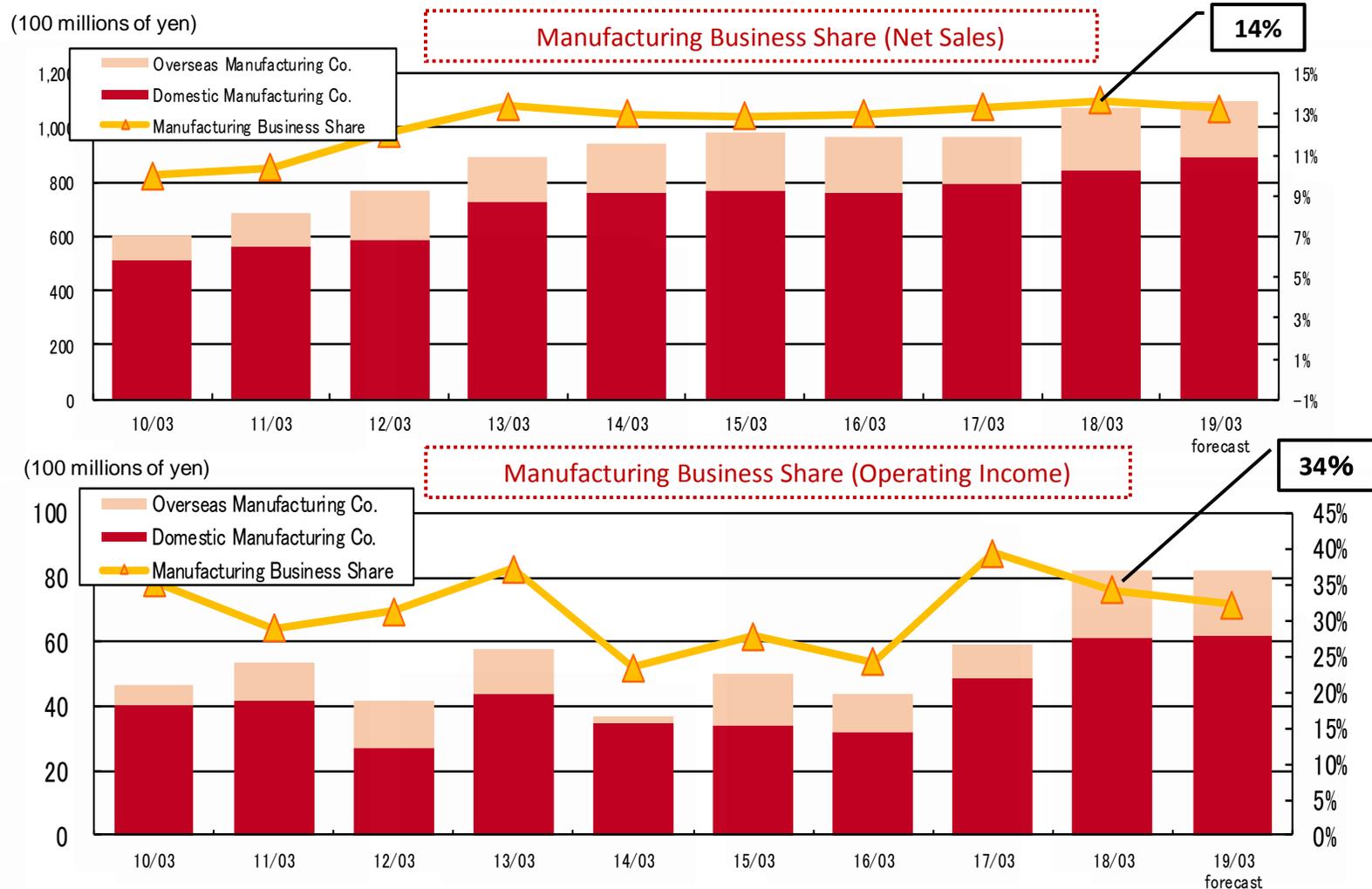
Operating Income by Segment (100 millions of yen)

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



Manufacturing Business Share and Investment Results

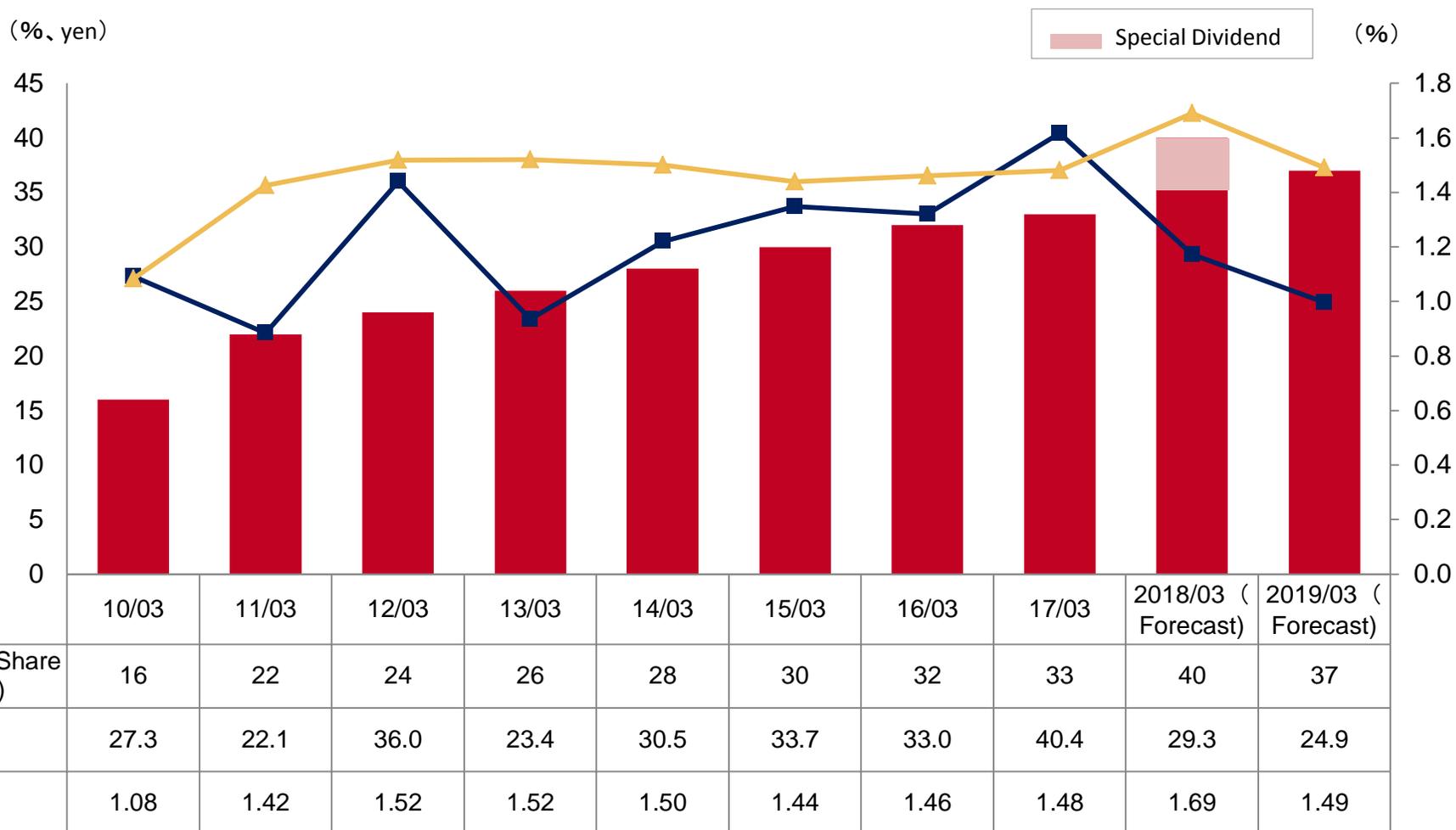
Investments and financing to bolster manufacturing function, R&D function, technical/information-related capacity, and global networks will create proprietary/competitive advantages; improve business quality and corporate value.



Dividends

■ **Current period:** Total annual dividend of ¥40 per common share (¥17 interim dividend, ¥18 year-end dividend, ¥5 special year-end dividend)

■ **Next period:** Total annual dividend of ¥37, including interim dividend of ¥18 and year-end dividend of ¥19 (¥2 per common share increase)



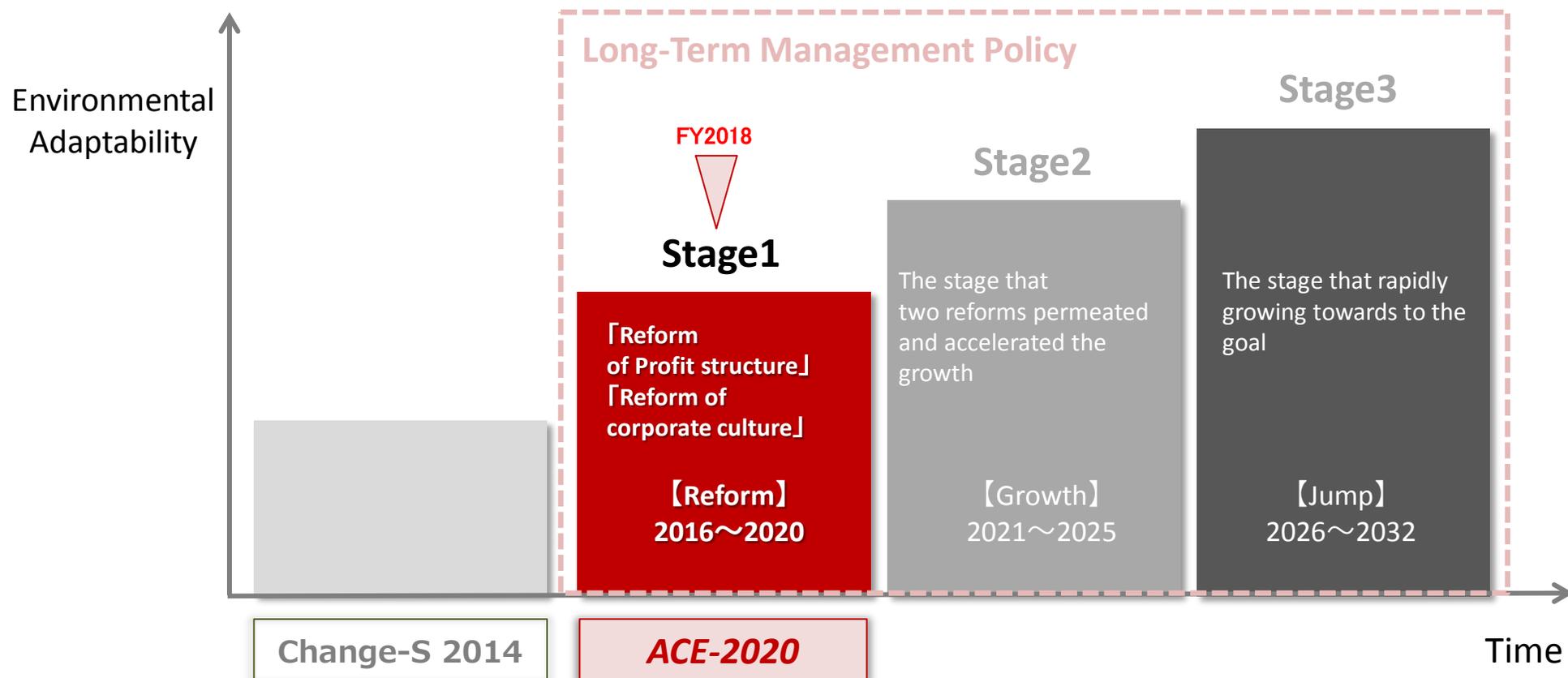
*18/03 year-end dividend to be submitted for approval to general meeting of shareholders scheduled for June 2018

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

Accountability / Commitment / Efficiency

To achieve our goal by 2032, the last year of Long-Term Management Policy, we divide 17 years of its term into 3 and start stage 1 as the beginning of the Mid-Term management Plan ACE-2020.

* Our goal: Normalization of the profit more than tripled.



ACE-2020 Basic Policy

NAGASE Transforms from “Shosha/Trading” to “Business Designer”.

NAGASE strings all the groups together to create and provide new value to the world through 6 key functions.

Leverage Group functions to achieve the quantitative and qualitative targets.



【6 Functions】

Reform Profit Structure

Portfolio Optimization

- Categorization of business and execution of strategy that matches with the area
- Replacement of asset and reallocation of resources
- Acceleration in investment that creates core business of group

Expand and Strengthen Revenue Base

- Accelerate globalization “G6000”
- Improve manufacturing profitability

Reform Corporate Culture

Mindset

- Breed independence and responsibility
- Share the management’s message
- Thorough monitoring and PDCA

Strengthen Management Platform

- Pursue efficiency
- HR development

Reform Profit Structure: Portfolio Optimization

Categorization of business and execution of strategy that matches with the area / replacement of assets and reallocation of resources

Divide into four areas (Growth, Focus, Base, Improvement) to gain maximum efficiency of management resources and expand business.

Accelerate withdrawal from unprofitable businesses; solidify management resources that can be reallocated; conduct aggressive growth investment (asset replacement)

Focus Expected further increase in profit

Electronics

- Established joint venture (polyimide film manufacturing and sales) with TOYOBO CO., LTD.
- Invested in OLED venture with Kyulux
- Wuxi Chenghong Electronic Chemicals established a company in Mianyang, Sichuan Province
- Established the Semiconductor Materials and Processing Department; formed global strategy for semiconductors

Life & Healthcare

- Opened Lyon branch aiming to expand cosmetics business in Europe
- Invested in PeptiStar, Inc., developing next-generation pharmaceuticals
- Integrated food materials business with Hayashibara; strengthened manufacturing strategy functions

Base Contributes to stable increase of corporate value

- Acquired U.S. Specialty chemicals distributor Fitz Chem LLC
- Acquired Daitai Kako Co., Ltd.
- Developed Pat!naLock™-Σ, an effective reactive coating against acidic corrosive environments
- Improved profitability through sales promotions in resin sales business, high-function resins

Growth/Emerging Transform to Focus Area in 3 years

- Established joint venture in Huizhou, China, aiming to expand car electronics-related products in China
- Made follow-on investment in joint venture with Indian auto components maker; strengthened partnerships in growth markets
- Research into brain-inspired devices, applied technologies for biomimetics

Improvement Businesses requiring immediate drastic improvement in profit structure

- Sold shares of LAUDi Co., Ltd.
- Sold shares of Kawai Hiryo Corporation
- Withdrew from unprofitable businesses
- Improved profitability of unprofitable manufacturing businesses

Replace Non-Operating Assets

- Sold idle assets

Establishment of Xenomax - Japan Co., Ltd.

- oJoint venture with TOYOBO
- oManufacture and sales of high heat-resistant polyimide film XENOMAX®
- oGoal to achieve ¥10 billion in sales as quickly as possible

Target Market

Next-generation display market



Fukui Governor Nishikawa (left)
TOYOBO President Narahara (center)

Established Mianyang Chenghong Electronic Chemicals Co., Ltd.

- oEstablished Wuxi Chenghong Electronic Chemicals Co., LTD., a joint venture with China Star Entertainment Limited
- oExpanded geographic area for chemicals supply business

Target Market

LCD, semiconductor markets in China



Equipment Inside Plant
(Remover Tanks)

Established 惠州三力協成精密部件有限公司

- oJoint venture with Shenzhen Kedali Industry Co., Ltd. and ATECS corporation
- oManufacturing and sales of precision metal molded components
- oSupply electric drive system components

Target Market

New energy vehicle markets (EV, PHEV, FCV) in China



ATECS Corporation President Asano (right)
Shenzhen Kedali Chairman Li (center left)

Expanding Sales Network/Area

- oAcquired Fitz Chem
Expanded customer base, inventory facilities in Midwest U.S.
- oEstablished branch in Lyon, France
Sales, cooperative research for cosmetics raw materials

Target Market

Functional materials, personal care markets in the U.S.
Cosmetics markets in Europe



Exterior of Lyon Branch

Investment in Kyulux

- o Venture company developing OLED material
- o Next-generation technology using TADF

Target Market
OLED market



OEL blue light-emitting material

Investment in PeptiStar

- o Owns specialty peptide pharmaceutical technology
- o R&D for next-generation medium molecule synthesis, production methods
- o Update cutting-edge technology and latest information

Target Market

Next-generation pharmaceutical markets



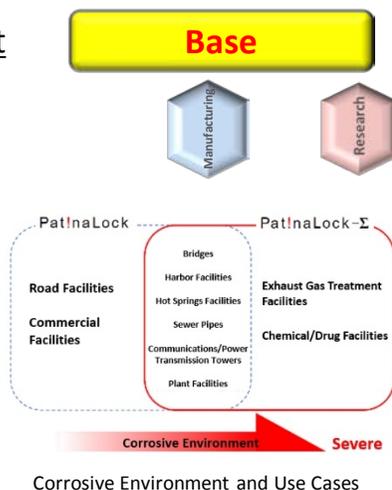
Development of corrosion-resistant reactive coatings

Pat!naLock®-Σ

- o Joint development with Kansai Electric Power, Kyoto Materials, Mitsubishi Hitachi Power Systems
- o Reduce maintenance costs via improved corrosion resistance in steel material

Target Market

Thermal power plant and other infrastructure markets



Strengthened R&D Activities

- o Human resources, technology interchange with INKRON
- o Develop market for Axonerve IP Core (semiconductor design technology)
- o Brain-inspired device, biomimetic technology research through IBM's RFI Consortium
- o Joint R&D with national, public, private universities and research institutes

Target Market

AI, IoT, 5G, photonics, car electronics, environmental business markets



Reform Corporate Culture: Mindset/Strengthen Management Platform

ACE-2020 Issues

Mindset

- Build Accountability, Responsibility and Risk Awareness
Instill a shared vision of the mid-term management plan
- Thorough Monitoring and PDCA
Improve investment quality
- Share Management's Message
Create better communication

Strengthen Management Platform

- Pursue efficiency
Eliminate excess/duplication and increase efficiency of the organization/function
- HR Development

FY2016/FY2017

Delegation of authority, review organizations group-wide

Hold seminar of mid-term management plan

Strengthen monitoring system
Create dashboard, change meeting structure

Update investment guidelines and management, launch M&A projects and management

Uncover risks in manufacturing business, establish rules/operations for NAGASE product market introduction

Branding activities (implement Top Management Tour), publish president videos, hold town meetings

Back Office Functionality and Efficiency Project
Establish Business Process Re-engineering Division

Launch new HR system

FY2018

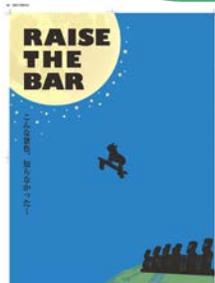
Review organizations group-wide

Implement rolling mid-term management plan

Study ESG activity disclosure policies

Consolidate operations to Nagase Business Expert for greater efficiency

Run operations under new HR system



RAISE THE BAR Corporate Newsletter
Poster ACE News



President Video
(conversation with general managers in English)



Top Management Tour
Singapore



Town Meeting



Wednesday Seminar
(optional study session on no-overtime day)

KGI (Key Goal Indicator)

KGI	FY2016	FY2017	FY2018(Forecast)	FY2020
Consolidated Sales Amount	722.3 Billion Yen	783.9 Billion Yen	828.0 Billion Yen	1.0 Trillion Yen or more
Consolidated Operating Income	15.0 Billion Yen	24.1 Billion Yen	25.5 Billion Yen	30.0 Billion Yen or more
ROE	3.7%	5.8%	6.0%	6.0% or more

KPI (Key Performance Indicator) Factor index to achieve KGI

Reform/Strategy	measures	KPI (Index)	FY2016	FY2017	FY2018 (Forecast)	FY2020
Profit Structure Reform Indicator	Increase Focused Business (Portfolio Optimization)	* Operating Profit in Focus Area	11.9B yen	13.1B yen	13.3B yen	16.9B yen
		Growing investment distribution ratio in focus area	46%	52%	59%	35% <
	Accelerate Globalization (Expand and Strengthen Profit Structure)	* Overseas Group Sales	350.2B yen	389.0B yen	405.1B yen	600B Yen
		Sales Growth Rate in USA	90%	103%	110%	170%
Corporate Culture Reform Indicator	Pursue Efficiency (Strengthen Management Platform)	Increase Manufacturing Profitability (Expand and Strengthen Profit Structure)	9 B yen	11.4B yen	11.5B yen	14.4B Yen
		* Break-Even Point Sales Ratio	76%	76%	77%	73%
Financial Strategy Indicator	Investment	Growth Investment	8.2B yen	**23.5B yen	**42.3B yen	* 100B Yen
	Financial Structure	Rating (R&I)	「A」	「A」	「A」or more	[A] or more

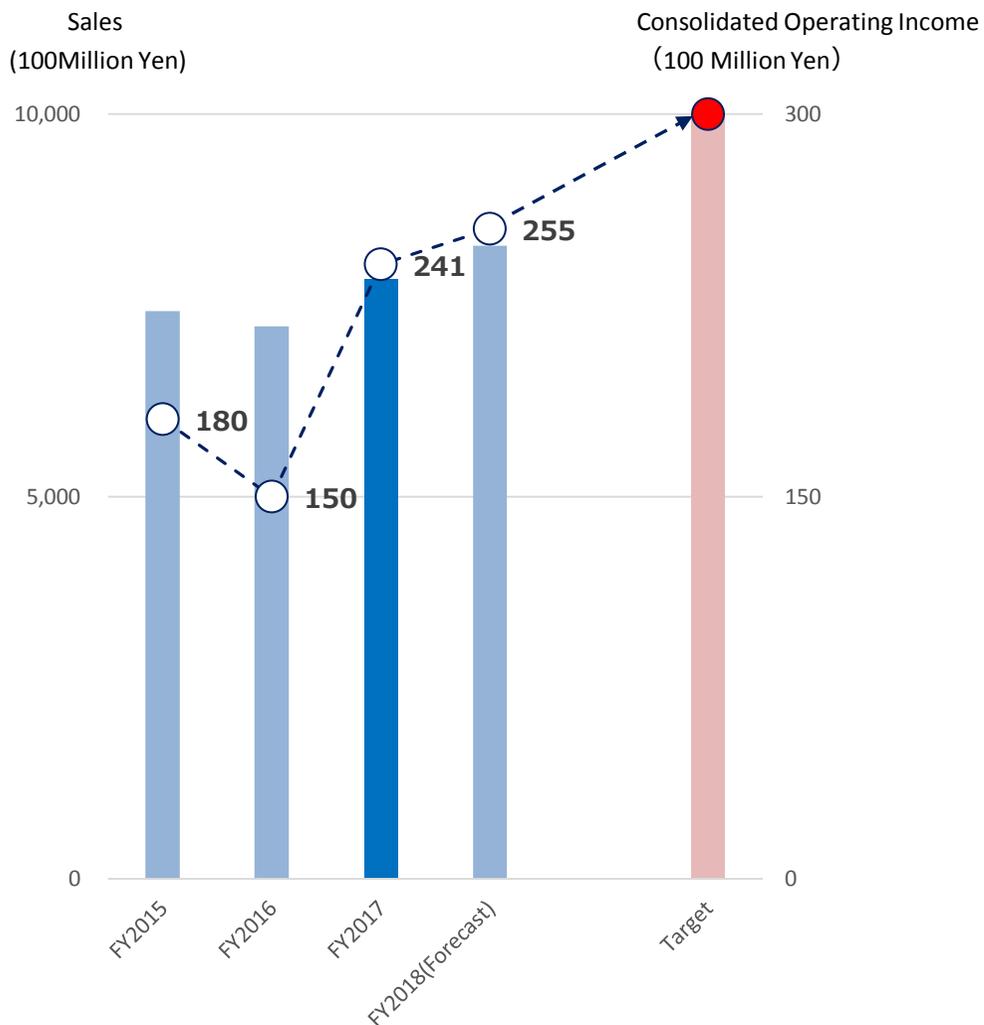
* Total numbers in 5 years

* The figures in this document are all management accounting data (simple sums)
It is different from the figures disclosed on the consolidated financial statement.

Appendix : Past results and ACE-2020 Target

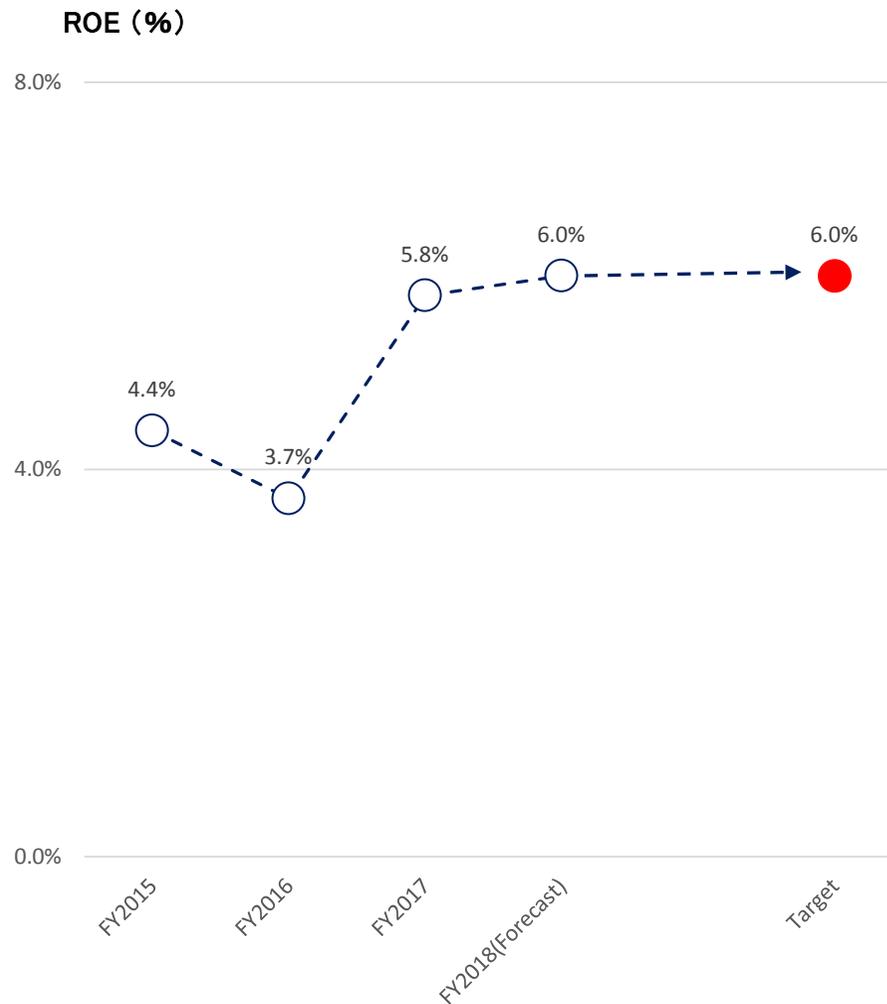
Consolidated Sales/Operating Income

Normalize 1.0 Trillion Yen or more/
30 Billion or more



ROE

Normalize Over 6% at early stage



NAGASE Group Businesses in Americas

Ryuichi Uchida

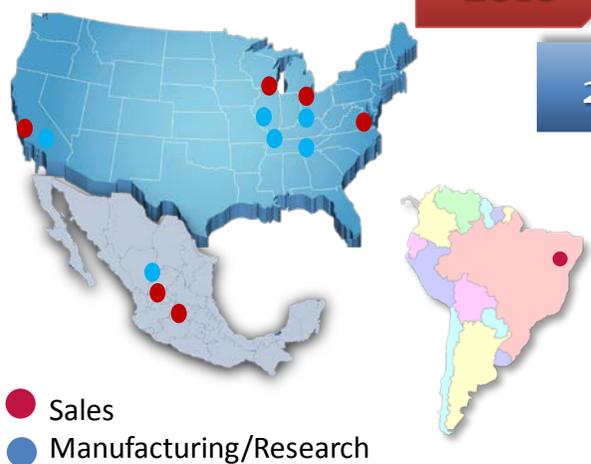
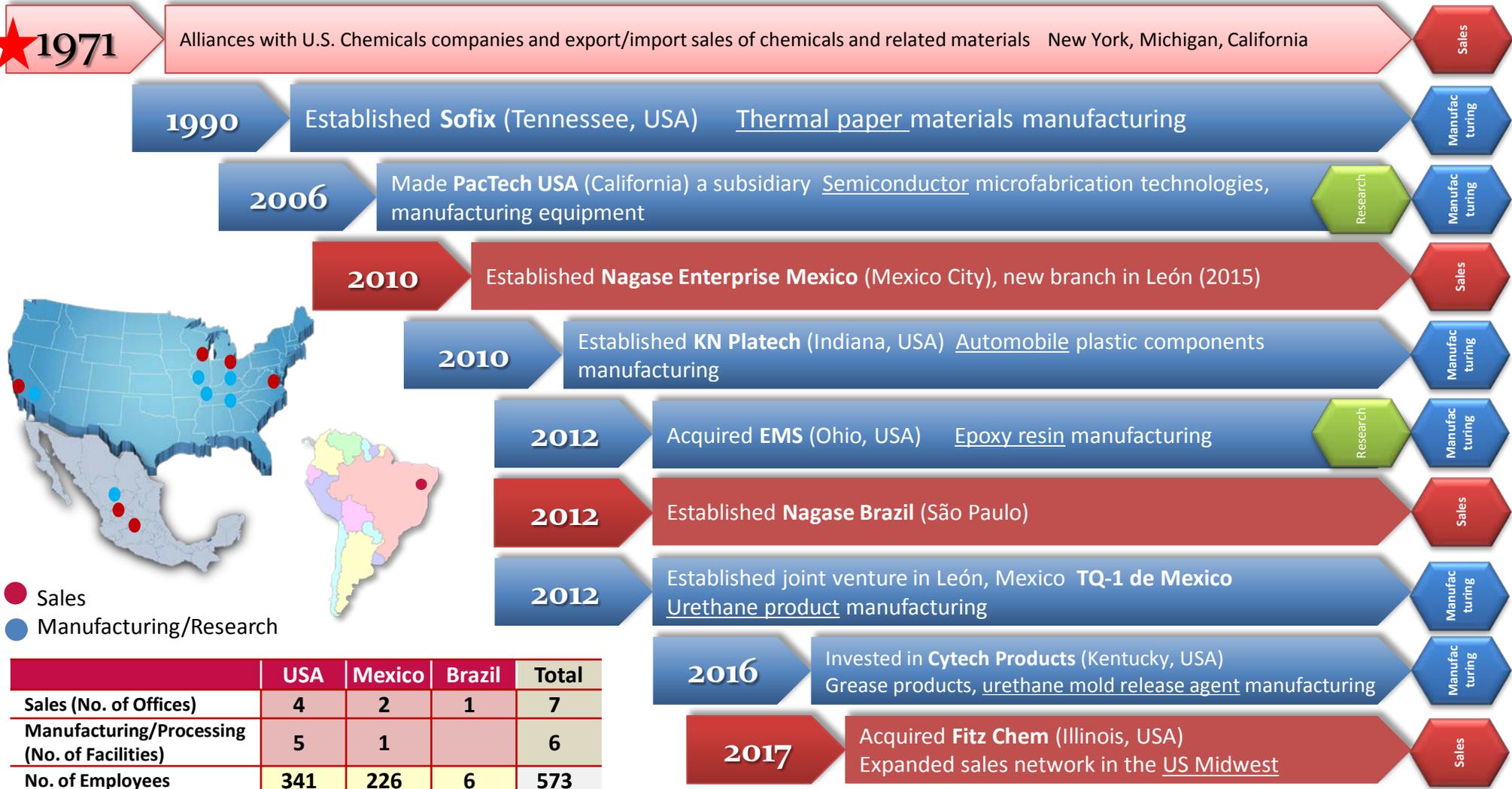
Nagase America Corporation CEO

Nagase do Brasil Comércio de Produtos Químicos Ltda. CEO

Nagase Enterprise Mexico S.A. de C.V. CEO

Our History of Growth

Nagase America Corp Established

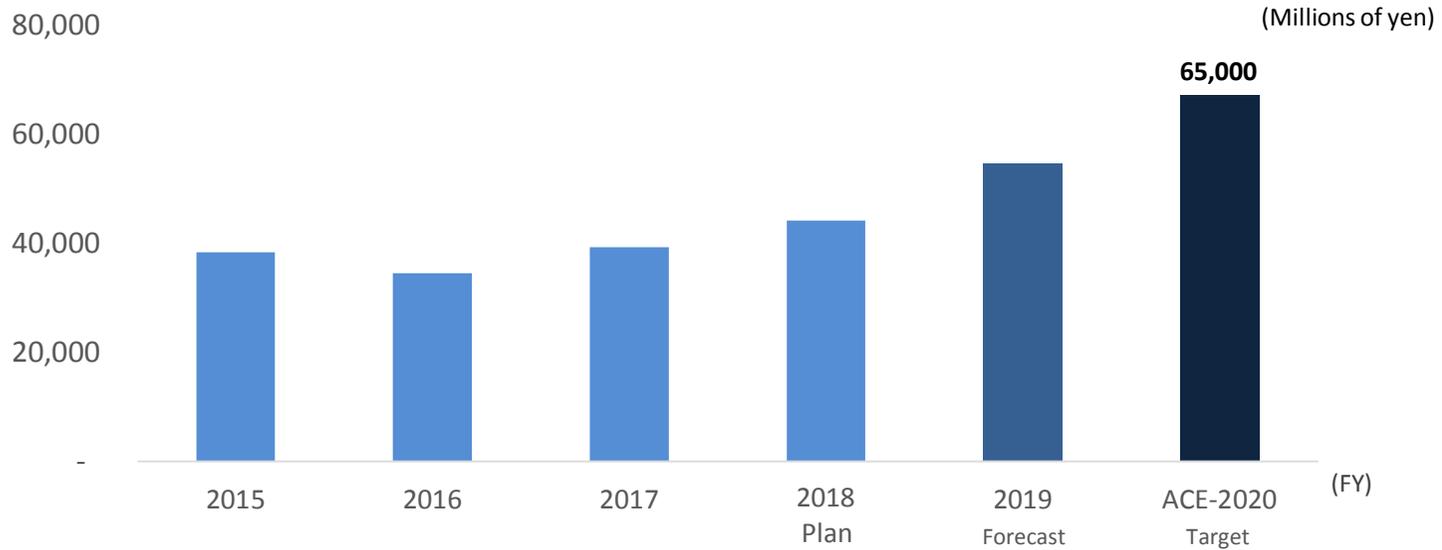


	USA	Mexico	Brazil	Total
Sales (No. of Offices)	4	2	1	7
Manufacturing/Processing (No. of Facilities)	5	1		6
No. of Employees	341	226	6	573

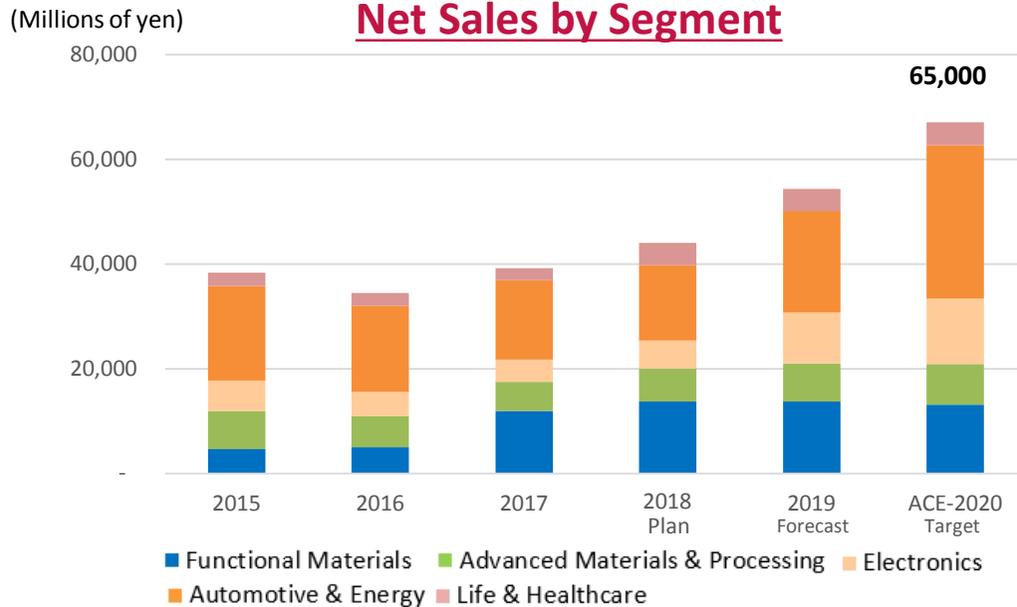
* As of April 2018
* Includes branch offices

* EMS: Engineered Materials Systems Inc.

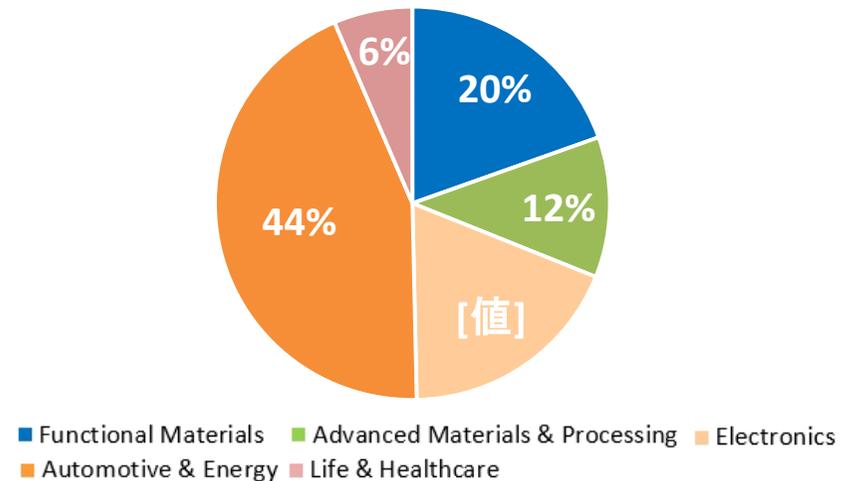
Mid-Term Management Plan **ACE-2020** Net Sales Targets



Net Sales by Segment



Net Sales Composition Ratio by Segment (ACE-2020)



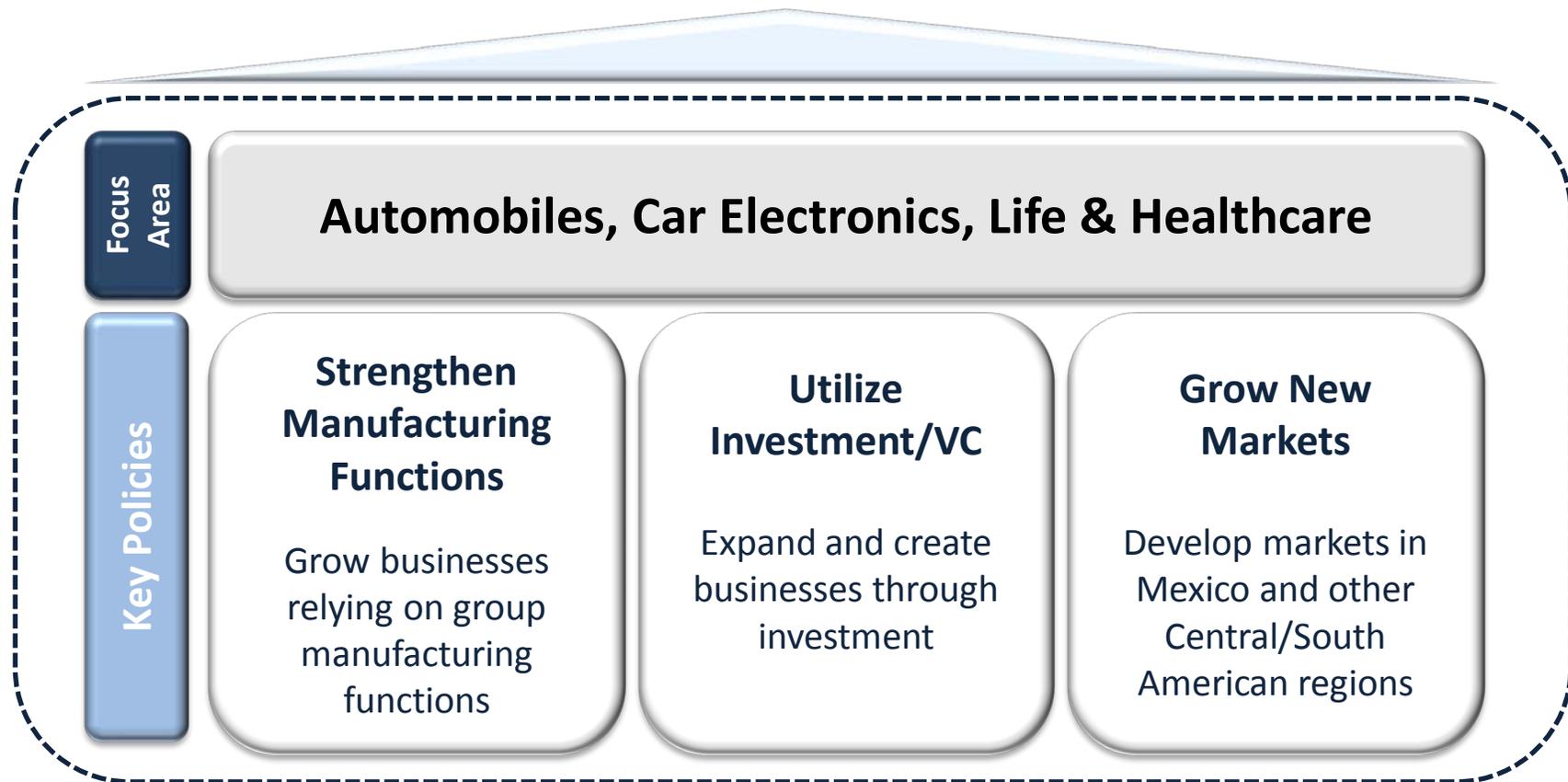
* Net sales figures are simple sums (by geographic location) and do not equal net sales as presented on published financial statements (by destination)

Focus Areas: Automobiles, Car Electronics, Life & Healthcare

Key Policies: Strengthen manufacturing/processing functions, utilize investment/VC, open new markets

Management Structure: Develop management functions and promote localization, while building a structure to support head office management functions

Develop local US-based businesses to achieve **ACE-2020** KPI G6000*



*G6000: Mid-term management plan **ACE-2020** KPI (¥600 billion in overseas sales)

Focus Areas: Automobiles, Car Electronics

Leverage strengths in Japan to provide **materials and manufacturing technology solutions**
Utilize resources in Michigan (US auto industry cluster) and California (venture company incubator) to **Connect** seeds and needs

NAGASE Use Cases: Change as Business Opportunity

<p>Connected Car Multimedia, HMI</p> <ul style="list-style-type: none"> • Silicone • Heat-resistant polarizing film • AR, AG film • Semiconductor-related products 	<p>Autonomous Sensors</p> <ul style="list-style-type: none"> • LiDAR <p>Growth</p>
<p>Shared Research technologies for future internal components</p> <p>Growth</p>	<p>Electrification Inverters, Motors, Batteries</p> <ul style="list-style-type: none"> • Engineering plastics • Epoxy resin (sealants, adhesives) • Electric drive components <p>Focus</p>

Growing North American Electric Vehicle Market Production Volume and Market Share



(Source: HIS Markit)



Focus Area: Life & Healthcare

Turn wide range of foods, personal care materials, and other products into core businesses

1. Acquire necessary licenses in US

- (1) NON-GMO
- (2) Natural Flavor
- (3) VEGAN



2. Online marketing

Webinars

(Tools for two-way information exchange)



3. Secure sales network

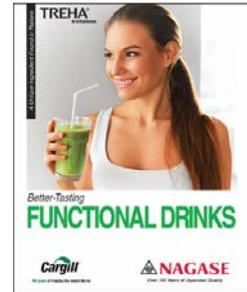
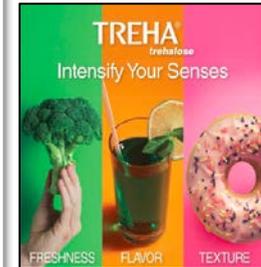
Acquisition of Fitz Chem

Secure sales organization and customer base



Two-Way Communication With Customers...

- o Raise awareness
- o Identify needs
- o Propose applications



Key Policy:

Strengthen Manufacturing Functions

Grow businesses relying on group manufacturing functions
Supply manufactured goods to US/Mexican markets



Semiconductor
Microfabrication
Production Equipment



Epoxy Resin
Products



Plastics for
Automobiles

TQ-1 de
MEXICO S.A. de
C.V.



Urethane Products

Cytech Products
Inc.



Urethane Mold
Release Agents



Thermal Paper
Materials

Nagase America

(Sales, Marketing, Investment, New Businesses)

Semiconductors/Environment
and Energy



Autos/EV



Paper Mfg. Materials/Contract
Manufacturing



Key Policy: Utilize Investment/VC

Expand and Create Businesses Through Investment

Investment: 2017 Acquisition of Fitz Chem

Specialty chemicals and personal care business distributor active in US Midwest

Adds new functions to NAGASE

- oSales area covering 20 US Midwest states
- oNearly 10 sales offices and inventory facilities
- oCustomer base exceeding 1,000 companies

Allows Nagase America East/West Coast coverage to expand to Midwest US, accelerates business synergies, and extends NAGASE reach across entire US

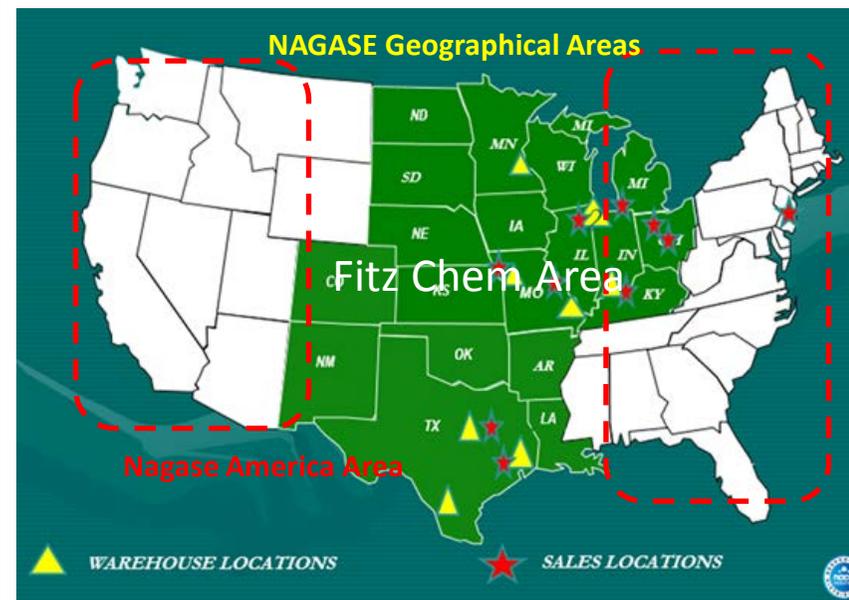
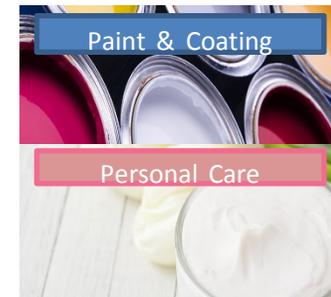
VC: 2016 Investment in VC

Establish opportunities to invest in companies with new technologies and information, access to start-up venture cooperative businesses and product commercialization expertise

Leveraging Silicon Valley office location (hub of startup activity in US) as a base to collect and share information about new businesses with the NAGASE Group

Current Projects

- oOEL, next-generation display materials
- oLiDAR, sensor technologies
- o3D printing-related technologies



Key Policy: Grow New Markets (Area Expansion)

Develop Markets in Mexico and Other Central/South American Regions



Mexico City Market Development

1. Distribution network
Expand use of dedicated truck delivery in growing automotive industry
2. Manufacturing functions
Use TQ-1 de MEXICO as a point for adding value through manufacturing and processing functions, as well as expanding auto interior component customer base
3. Cosmetics and hair care markets
Address unique market needs in Mexico

Markets

Automotive



Food materials



Cosmetics materials



Use Brazil to expand sales agent network throughout South America (Colombia, Peru, Argentina)

Focus on food and personal care products using NAGASE materials
Leverage strengths of agricultural nation to build businesses in agriculture and feed

Use natural resources to build materials export business

Food Materials:
Annatto



Perfume Materials:
Orange oil, lemon oil

Key Policy: Grow New Markets (Locally Developed Businesses)

Provide Functional Materials for 3D Printers to Markets in Europe/America (Major New Tech Development)

At present, Europe and the US lead the growing market for 3D printing. We expect to see rapid growth in our business over the next three years as we identify development trends in these regions and provide high-quality functional materials. We will coordinate among our group to launch businesses in Europe and the US, laying the strategic foundation for growth in the Japanese and Asian markets.

3D Printer Global Market

*3D printers, materials, software, and related services
2016 US\$13.2 billion => 2020 US\$28.9 billion (forecast)
No.1: US (US\$3.3 billion), No.2: Europe, No.3: Asia
No.4: Japan (less than ¥30 billion)

Identify cutting-edge technologies and information trends to develop functional materials for each printing method, additives, and related products

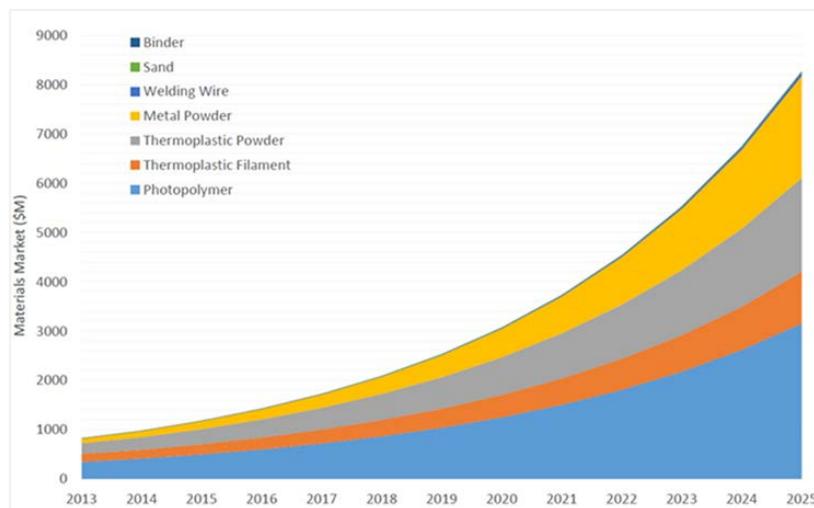
FDM (Fused Deposition Modeling)

Method that melts thermoplastic resins and processes into thread-like filaments, ejected from a nozzle to build up a model in layers

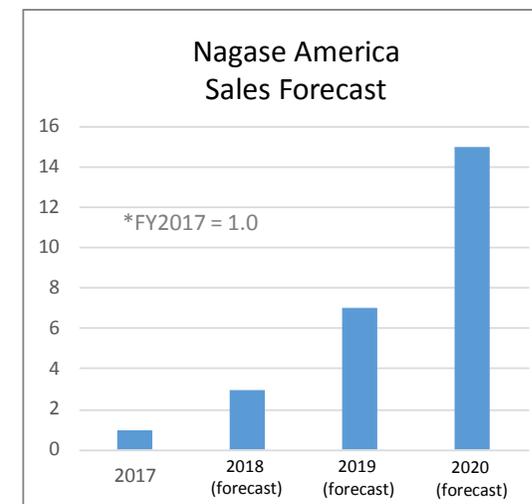
Photo-Curing System

Layer-by-layer UV curing of liquid photo-curable resins

US Market Forecast



(Source: IDTechEx)



(Reference) Information by Segment

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/18		FYE 03/19		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net Sales	Domestic	1,617	110%	1,700	105%
	Overseas	576	128%	579	100%
	Eliminations	- 433	-	- 442	-
	Total	1,760	115%	1,837	104%
Operating Income	Domestic	40	122%	41	103%
	Overseas	16	188%	16	95%
	Eliminations	- 5	-	- 2	-
	Total	51	124%	55	107%

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

FYE March 2018 Actual

Net sales

¥176.0 billion (115%)

- ◆ The Performance Chemicals business recorded higher sales due to improved sales of coating raw materials and urethane materials, spurred by strong automotive production in Japan and overseas. Another contributing factor was a jump in sales associated with the Company's acquisition of distributor Fitz Chem in the United States.
- ◆ The Speciality Chemicals business recorded higher sales overall. Sales of fluorochemicals, electronics chemicals, and raw materials for industrial oil solutions were higher for the semiconductor and other electronics industry in Japan. Overseas, sales were higher for electronics chemicals and other products.

Operating income

¥5.1 billion (124%)

- ◆ Higher profits due to higher revenues.

FYE March 2019 Outlook

- ◇ We project higher revenues and profits due to strong sales of coating raw materials and fluorochemicals for semiconductors. Fitz Chem, acquired in the prior year, will contribute to earnings for the full year. Further, we expect to see increased revenues and profits from development projects designed for business growth.

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/18		FYE 03/19		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net Sales	Domestic	1,661	108%	1,831	110%
	Overseas	1,596	109%	1,758	110%
	Eliminations	- 628	-	- 699	-
	Total	2,628	108%	2,890	110%
Operating Income	Domestic	38	136%	43	111%
	Overseas	29	131%	37	127%
	Eliminations	- 1	-	+0	-
	Total	67	132%	80	120%

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

FYE March 2018 Actual

Net sales

¥262.8 billion (108%)

- ◆ The Colors & Advanced Processing business recorded higher sales as a whole, 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.
- ◆ The Polymer Global Account business recorded higher sales overall, driven by growth in Japan, Greater China, and ASEAN.

Operating income

¥6.7 billion (132%)

- ◆ Higher profits, mainly due to higher revenues and increased profits at manufacturing subsidiaries.

FYE March 2019 Outlook

- ◇ Our outlook calls for higher revenues and profits due to expanded trade rights, as well as strong performance in plastics for office equipment, appliance, game device, and electronics devices. Digital print-related business performance should also be strong.

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/18		FYE 03/19		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net Sales	Domestic	1,297	100%	1,283	99%
	Overseas	753	106%	697	93%
	Eliminations	- 757	-	- 745	-
	Total	1,293	101%	1,235	95%
Operating Income	Domestic	49	125%	48	96%
	Overseas	40	171%	37	92%
	Eliminations	- 1	-	- 1	-
	Total	89	141%	84	95%

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

FYE March 2018 Actual

Net sales

¥129.3 billion (101%)

- ◆ The Electronic Chemicals business recorded higher sales due to growth in photolithography material and equipment-related sales, as well as strong performance of formulated epoxy resins for the electric and electronics industries.
- ◆ The Electronic Materials business recorded lower sales. This decrease was due to declines in processed materials sales associated with smartphone model changeovers.

Operating income

¥8.9 billion (141%)

- ◆ Higher profits, mainly due to higher revenues and increased profits at manufacturing subsidiaries.

FYE March 2019 Outlook

- ◇ Sales and profits should be level with the prior year, after eliminating the impact of moving certain businesses to the Automotive & Energy Segment.
- ◇ While we saw special demand for electronics components in the prior year, sales here will decrease this fiscal year. Despite expected lower sales of certain display-related materials, sales of both formulated epoxy resins and photolithography materials should be strong. We also project strong performance in China for glass thin processing business sales, polyimide film business sales (for flexible display panels), and other businesses.
- ◇ Strategic growth investments are expected to increase costs for the year.

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/18		FYE 03/19		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net Sales	Domestic	674	115%	795	118%
	Overseas	840	111%	875	104%
	Eliminations	- 218	-	- 245	-
	Total	1,297	115%	1,425	110%
Operating Income	Domestic	2	-	12	425%
	Overseas	21	107%	23	109%
	Eliminations	- 0	-	- 0	-
	Total	24	157%	35	147%

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

FYE March 2018 Actual

Net sales

¥129.7 billion (115%)

- ◆ The Automotive Solutions business recorded higher sales, driven by factors including strong performance in our resins businesses in Japan, Greater China, and ASEAN.

Operating income

¥2.4 billion (157%)

- ◆ Higher profits due to higher revenues.

FYE March 2019 Outlook

- ◇ We forecast higher sales and profits, even when eliminating the impact of moving certain businesses from the Electronics Segment.
- ◇ We forecast higher revenues and profits, despite projections that automobile production will be level with the prior year. Sales of high-function materials in Japan, Greater China, and ASEAN should rise in conjunction with the electrification and electronification of automobiles. Further, sales of car electronics-related products should also be strong for the year.

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/18		FYE 03/19		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net Sales	Domestic	1,006	99%	1,033	103%
	Overseas	123	107%	140	113%
	Eliminations	- 276	-	- 287	-
	Total	853	101%	886	104%
Operating Income	Domestic	70	112%	69	99%
	Overseas	2	237%	5	194%
	Eliminations	- 30	-	- 31	-
	Total	42	127%	43	103%

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

FYE March 2018 Actual

Net sales

¥85.3 billion (101%)

- ◆ 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, medical materials, and pharmaceutical business products all underperformed prior year. As a result, the business recorded sales slightly lower compared to the prior year.
- ◆ The Beauty Care Products business recorded lower sales, driven down due to weak performance across all product categories.

Operating income

¥4.2 billion (127%)

- ◆ Higher profits due to higher revenues.

FYE March 2019 Outlook

- ◇ We forecast overall sales and profit growth for the segment. We expect strong sales of TREHA™, Hayashibara Hesperidin, Fibryxa™, and other functional materials to the food materials industry. We also expect strong sales of raw materials to the skincare and toiletries fields.



Bringing it all together

<https://www.nagase.co.jp/english>

These presentation materials contain forward-looking projections based on assumptions, forecasts, and plans as of May 25, 2018. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.