

FYE March 2019 Second Quarter Financial Briefing

**NAGASE & CO., LTD.
November 30, 2018**

Summary

■FYE March 2019 Second Quarter Results

- Net sales, profit measures continue to grow from prior period
- Manufacturing and processing businesses report gains, serving as major driver of Nagase growth (withdrawal from unprofitable businesses also contributes)
- Steady profit contributions of measures executed under our *ACE-2020* mid-term management plan

■FYE March 2019 Earnings Projections

- Keeping an eye on impact of U.S.-China trade frictions, lack of clarity in external factors
- Results progressing in line with initial forecasts
- Earnings improvements at unprofitable business contributing to profits

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

- Accelerating investments in focus areas
- Steadily executing measures in growth areas looking toward medium- and long-term expansion
- Rolling implementation of *ACE-2020* mid-term management plan
- Reviewing overseas management control functions, aiming for stronger governance and medium- to long-term growth

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FYE March 2019 Second Quarter Results

Consolidated Statements of Income

- Net sales : Higher, mainly due to strong performance in base areas (Functional Materials, Advanced Materials & Processing)
- Operating income : Higher, mainly due to higher revenues and increased profitability at manufacturing subsidiaries

(100 millions of yen)

	17/09	18/09	Change	Vs. PY	Orig. Forecast (full year)
Net sales	3,875	4,044	+ 169	104%	8,280
Gross profit	502	529	+ 26	105%	1,073
<GP ratio>	13.0%	13.1%	+0.1%	—	13.0%
SG&A expenses	376	394	+ 18	105%	818
Operating income	126	134	+ 8	107%	255
Ordinary income	138	139	+ 1	101%	275
Profit attributable to owners of the parent	87	103	+ 15	118%	186
US\$ Exchange rate (period average)	@ 111.0	@ 110.3	@ 0.8	strong yen	@105
RMB Exchange rate (period average)	@ 16.4	@ 16.7	@ 0.3	weak yen	@ 16.5

【Foreign exchange rate impact on 18/9 net sales and operating income results】

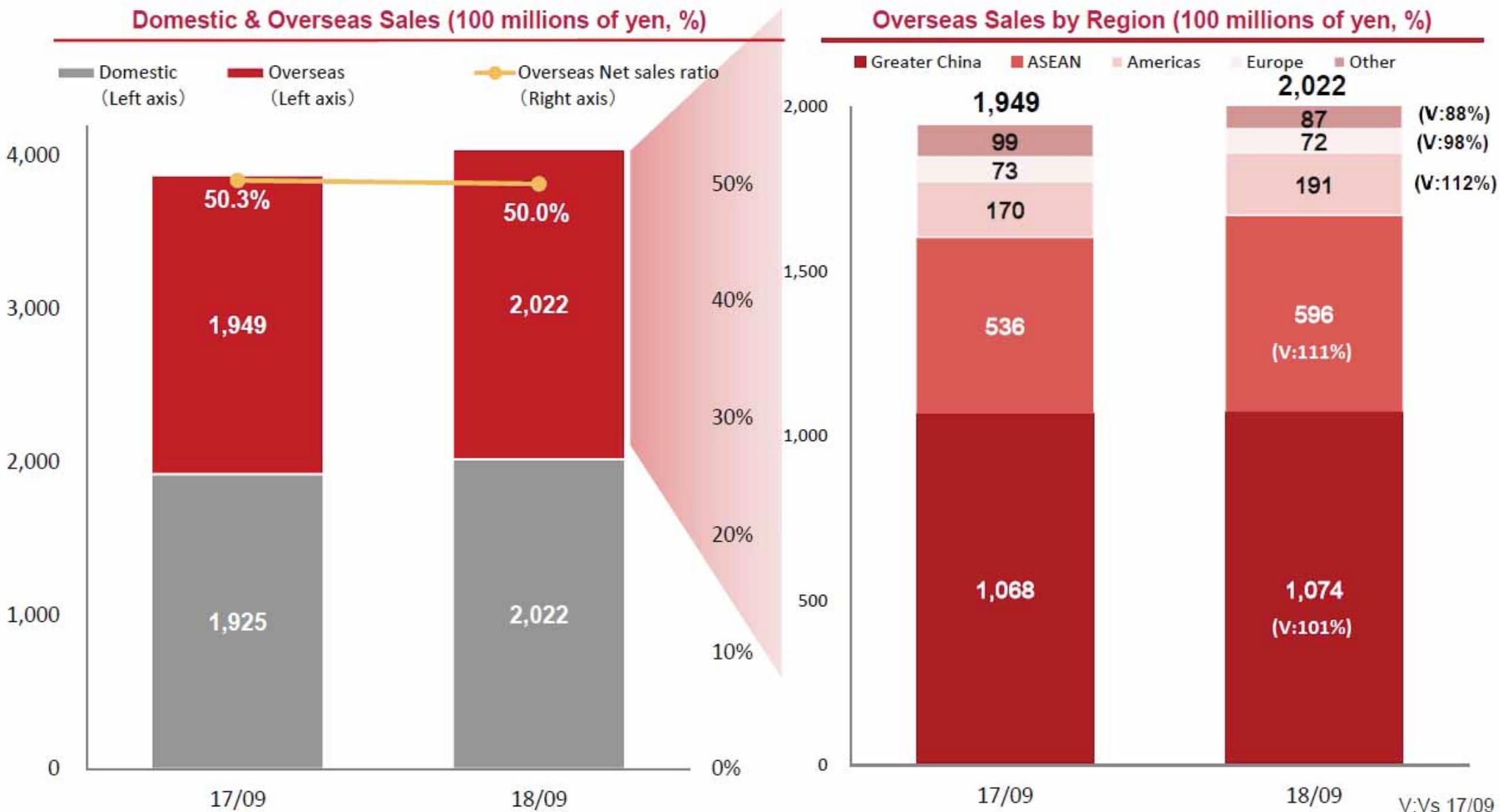
Net sales: **+¥1.4 billion (approx.)**
 Operating income: **+¥60 million (approx.)**

【Per-yen exchange rate impact on net sales and operating income】

	Impact of US\$ /yen	Impact of RMB/yen
Net sales	¥900 million (approx.)	¥4 billion (approx.)
Operating income	¥40 million (approx.)	¥120 million (approx.)

Net Sales by Region (Domestic, Overseas)

- In addition to domestic businesses, performance was strong overseas, particularly in ASEAN and the Americas (overseas ratio of total sales at 50.0%)

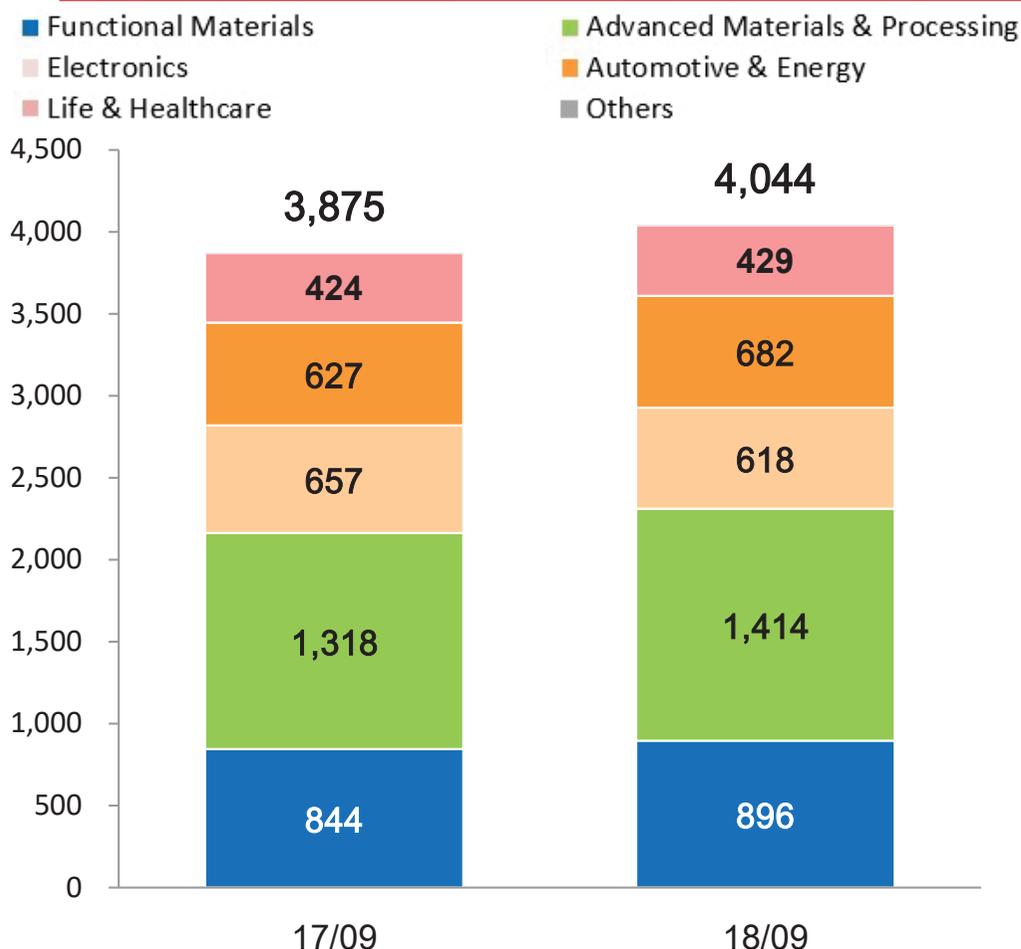


V:Vs 17/09

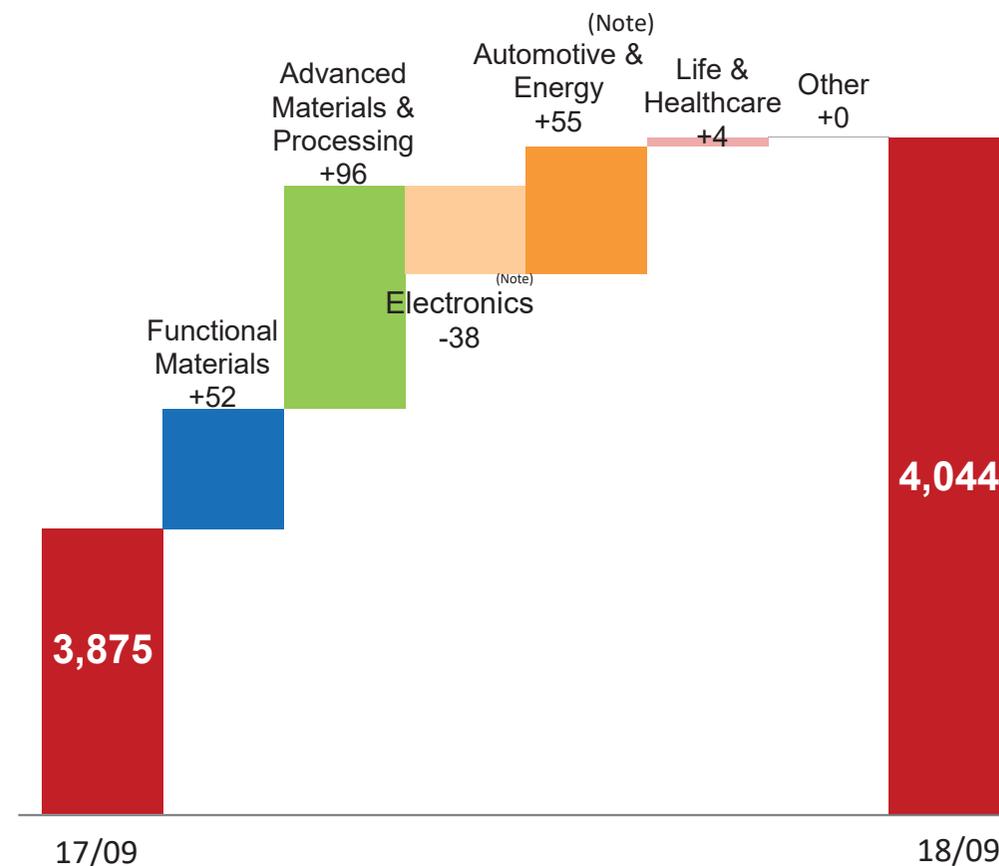
Net Sales: Two-Year Comparison (by Segment)

- **Functional Materials** : Higher sales, driven by (1) increase in sales of coating raw materials and urethane materials, spurred by strong automotive production and naphtha price increases; (2) increased sales of electronics chemicals, etc.; and (3) acquisition of a US-based distributor in the second quarter of the prior consolidated fiscal year
- **Advanced Materials & Processing** : Higher sales in Japan and overseas, mainly due to increased sales of plastics and digital print processing materials

Net Sales by Segment (100 millions of yen)



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



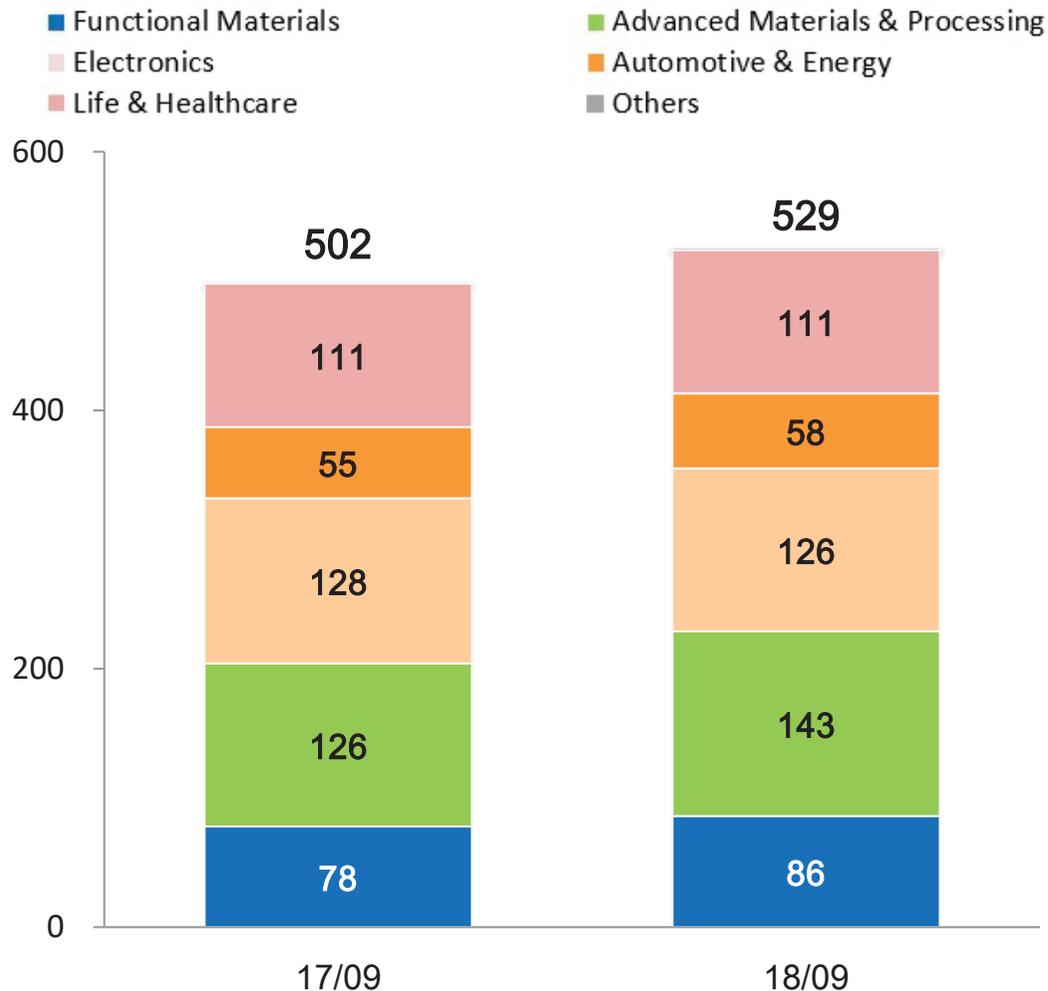
* The Company reclassified reportable segments in the current fiscal year (certain businesses in the Functional Materials segment reclassified to the Life & Healthcare segment). Results for the first six months of fiscal 2017 have been reclassified for comparison.

(Note) The Company transferred the car electronics-related business from the Electronics segment to the Automotive & Energy segment. Eliminating the impact of this transfer, the Electronics segment performed generally level with prior-year results.

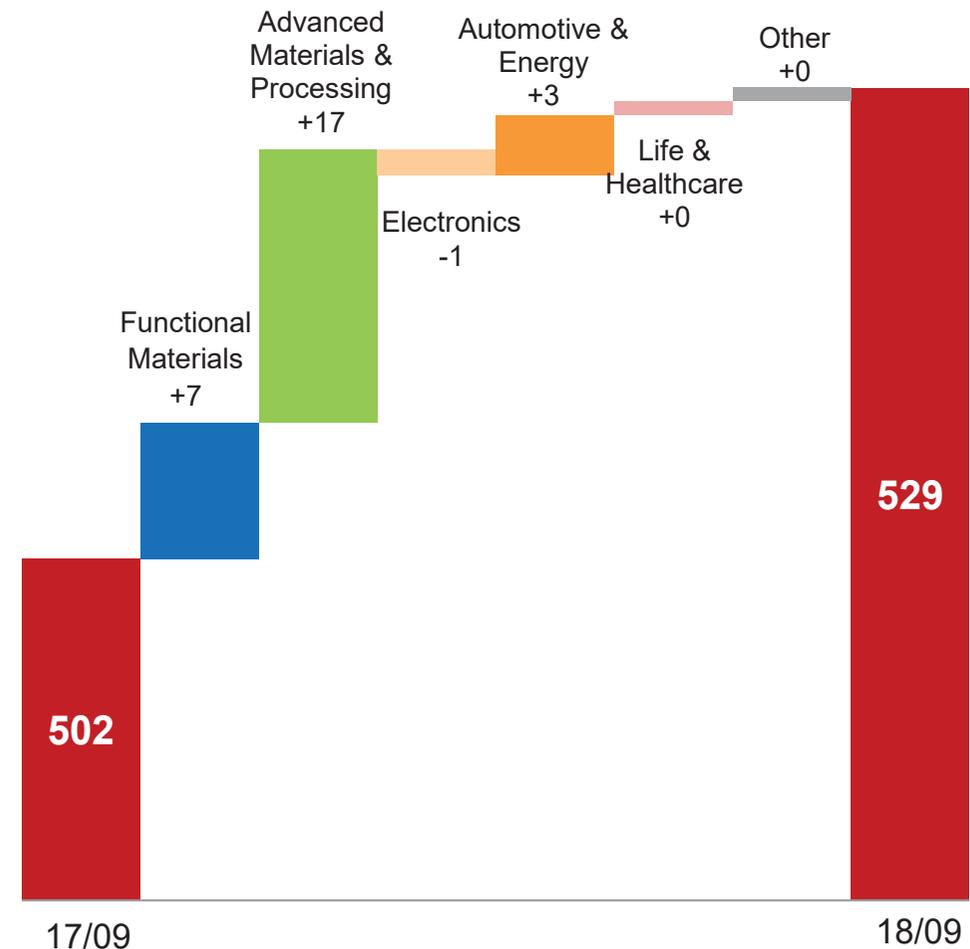
Gross Profit: Two-Year Comparison by Segment

■ Higher profits, mainly due to the impact of increased revenues

Gross Profit by Segment (100 millions of yen)



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

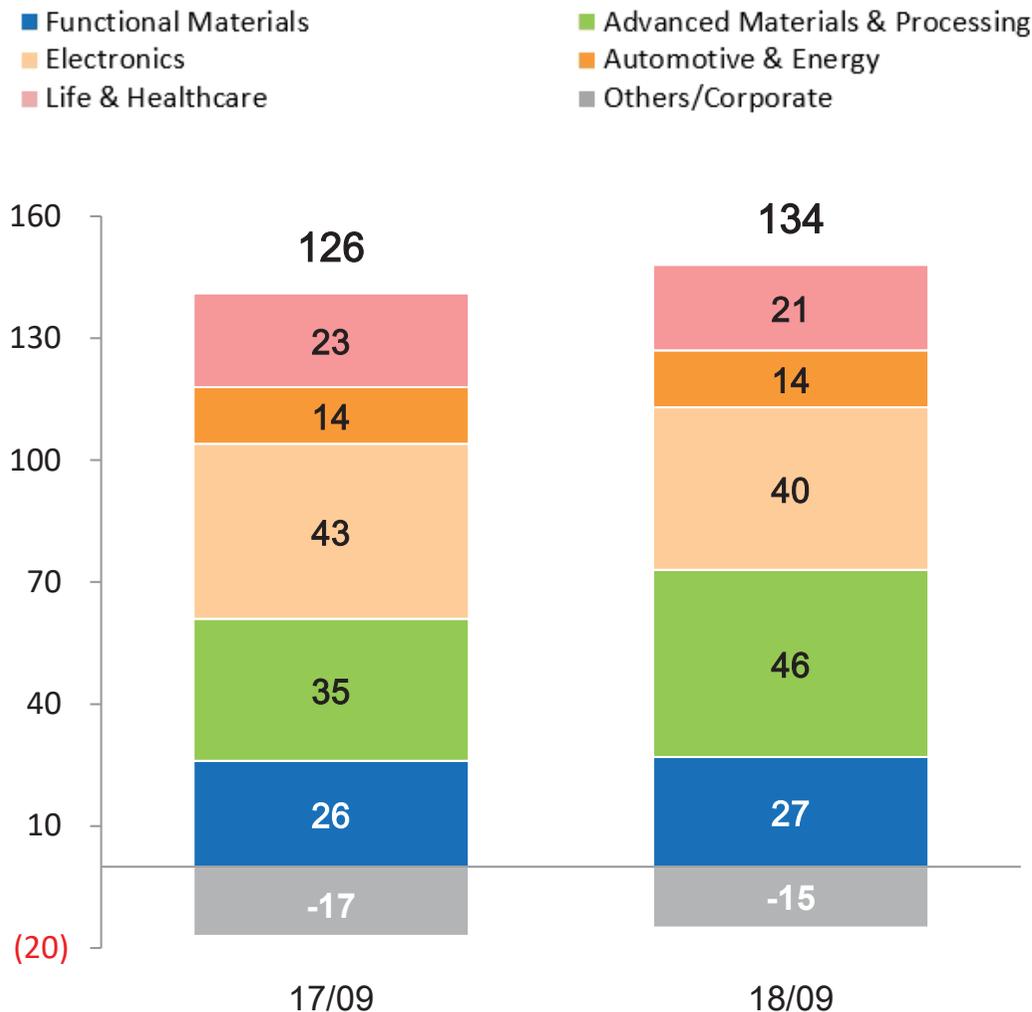


*The Company changed segment classifications during the current period (certain businesses moved from under Functional Materials segment to the Life & Healthcare segment). Results for 17/09 have been reclassified to reflect these changes.

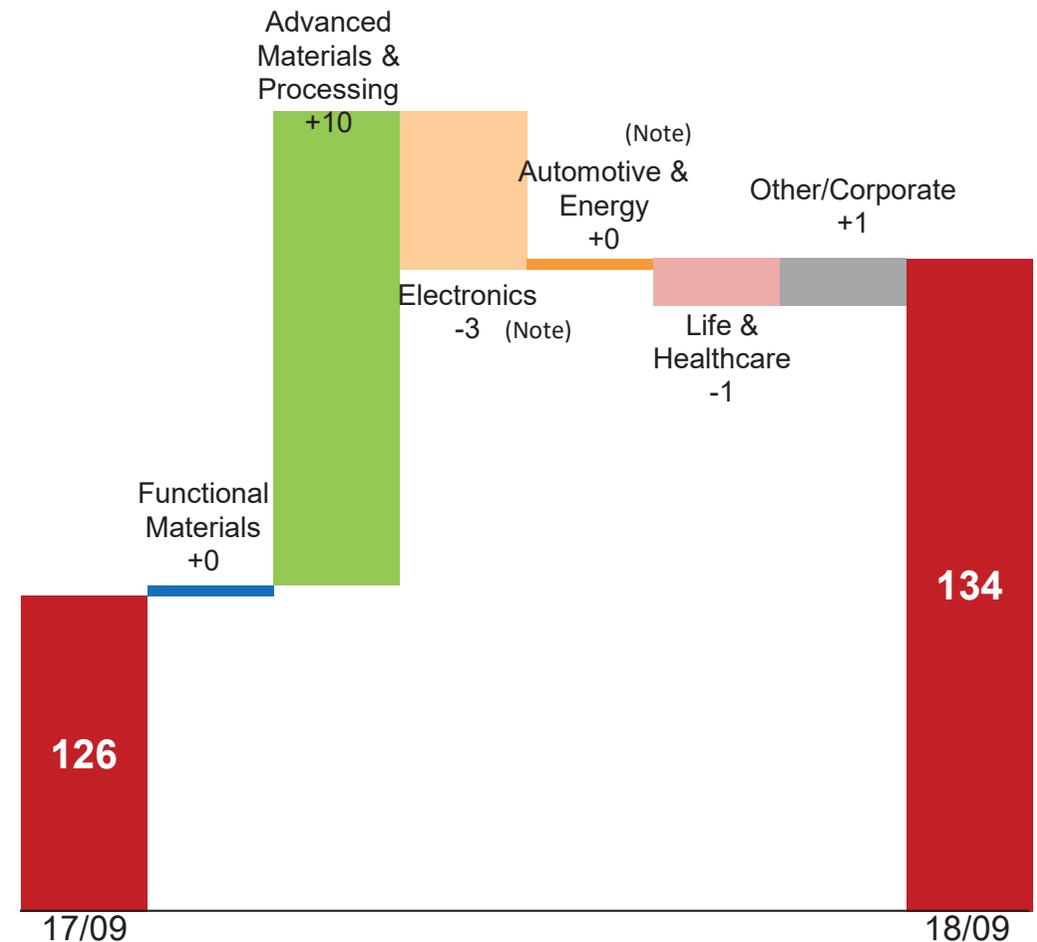
Operating Income: Two-Year Comparison (by Segment)

- **Advanced Materials & Processing: Higher profits, mainly due to improved profitability among manufacturing subsidiaries in Japan and overseas**

Operating income by Segment (100 millions of yen)



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



* The Company reclassified reportable segments in the current fiscal year (certain businesses in the Functional Materials segment reclassified to the Life & Healthcare segment). Results for the first six months of fiscal 2017 have been reclassified for comparison.

(Note) The Company transferred the car electronics-related business from the Electronics segment to the Automotive & Energy segment. Eliminating the impact of this transfer, the Electronics segment performed slightly below prior-year results.

Earnings at Major Consolidated Subsidiaries

- Nagase Plastics Co., Ltd. recorded higher sales and profits, mainly due to solid performance by new business acquired in the prior year
- Nagase (Thailand) Co., Ltd. recorded higher sales and profits, mainly due to solid sales of engineering plastics for the automotive industry

(100 millions of yen)

	Company Name	Net sales	Vs. PY	Operating Income (Note 2)	Vs. PY
Manufacturing Companies	Hayashibara Co., Ltd.	126	104%	25	97%
	Nagase ChemteX Corporation	132	103%	16	118%
	Total for manufacturing (Note 1)	537	105%	60	110%
Domestic Sales Companies	Nagase Plastics Co., Ltd.	185	107%	5	120%
	Nishinohon Nagase Co., Ltd.	42	109%	2	124%
	Nagase Elex Co., Ltd.	52	100%	1	124%
	Total for domestic sales (Note 1)	465	104%	14	109%
Overseas Sales Companies	Nagase (Thailand) Co., Ltd.	197	107%	6	112%
	Shanghai Hua Chang Trading Co., Ltd.	196	100%	6	117%
	Shanghai Nagase Trading Co., Ltd.	232	110%	5	105%
	Total for overseas sales (Note 1)	1,954	106%	49	103%

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.

State of Two Major Manufacturing Subsidiaries

- Hayashibara: Higher sales, despite level sales of TREHA™, as the company recorded increased sales of AA2G™ and Hayashibara Hesperidin S. Profits slightly lower due to increase in raw materials costs and increased expenses incurred to bolster the company's sales structure for future growth
- Nagase ChemteX: Higher sales and profits due to solid sales of epoxy resin and Performance Chemicals Business, despite lower sales in the Photolithography Materials Business caused by the impact of lower customer capacity utilization and other factors

Hayashibara Co., Ltd.

(100 millions of yen)

	17/09	18/09	Change	Vs. PY
Net sales	121	126	+5	104%
Operating income	26	25	-0	97%

- Sales of TREHA™ were even year on year due to inventory adjustments other factors overseas, despite solid sales to the domestic staple foods (bread, etc.) industry in Japan
- Sales of AA2G™ were higher, mainly due to inbound tourist demand in Japan and new customers overseas
- High-function materials Hayashibara Hesperidin S and Fibryxa™ sales were higher, driven by new applications in the food industry
- Higher sales of pullulan for use in hard capsules for medical and health food and mouth-refreshing film
- Operating income was slightly lower due to rising raw materials costs and increased SG&A incurred to bolster the company's sale structure for future growth

Nagase ChemteX Corporation

(100 millions of yen)

	17/09	18/09	Change	Vs. PY
Net sales	129	132	+3	103%
Operating income	14	16	+2	118%

- The Epoxy Resin Business recorded higher sales, mainly due to solid performance of ceiling electronic components embedded in smartphones and sales to the heavy electrical and light electrical industries
- The Photolithography Materials Business recorded lower sales, mainly due to the impact of lower customer capacity utilization (we expect to launch a new business during the second half)
- The Performance Chemicals Business recorded higher sales, driven by solid sales of conductive materials to the LCD industry epichlorohydrin conductors for use in 3D printers, tires
- The Bio Chemicals Business recorded higher sales, driven by solid sales of actinomycete-derived enzymes and other products for the health food and food industries

Consolidated Balance Sheets

- **Assets:** Increase of ¥23.8 billion, mainly due to increases in accounts receivable, inventories, and rising investments in securities due to gains in fair market prices
- **Liabilities:** Increase of ¥13.3 billion due to increases in and short-term loans and current portion of CP
- **Net assets:** Increase of ¥10.5 billion, mainly due to profit attributable to owners of the parent of ¥10.3 billion and increase in net unrealized holding gain on securities
- **Shareholders' Equity Ratio** down 0.3 points to 53.0%

Assets

	18/03	18/09	Change
Total current assets	3,533	3,713	+ 180
Cash and time deposits	433	401	Δ 31
Notes and accounts receivable	2,259	2,377	+ 117
Inventories	736	830	+ 93
Other	103	103	+ 0
Total non-current assets	2,161	2,219	+ 58
Property, plant and equipment	672	686	+ 14
Intangible fixed assets	410	393	Δ 17
Investments, other assets	1,078	1,139	+ 61
Investments in securities	1,004	1,066	+ 62
Other	74	73	Δ 0
Total assets	5,694	5,933	+ 238

Liabilities and Net Assets

(100 millions of yen)

	18/03	18/09	Change
Total current liabilities	1,929	2,155	+ 225
Notes and accounts payable	1,180	1,195	+ 15
Short-term loans and current portion of CP	480	714	+ 234
Other	269	245	Δ 24
Total long-term liabilities	676	583	Δ 92
Long-term loans and Bonds	379	283	Δ 95
Net defined benefit liability	145	133	Δ 11
Other (Deferred tax liabilities, etc.)	152	166	+ 14
Total liabilities	2,606	2,739	+ 133
Total net assets	3,088	3,193	+ 105
Shareholders' equity	2,502	2,572	+ 69
Accumulated other comprehensive income	533	573	+ 39
Net unrealized holding gain on securities	507	530	+ 22
Translation adjustment	29	44	+ 15
Other	Δ 3	Δ 1	+ 1
Non-controlling interests	51	48	Δ 3
Total liabilities and net assets	5,694	5,933	+ 238

Cash Flows

(100 millions of yen)

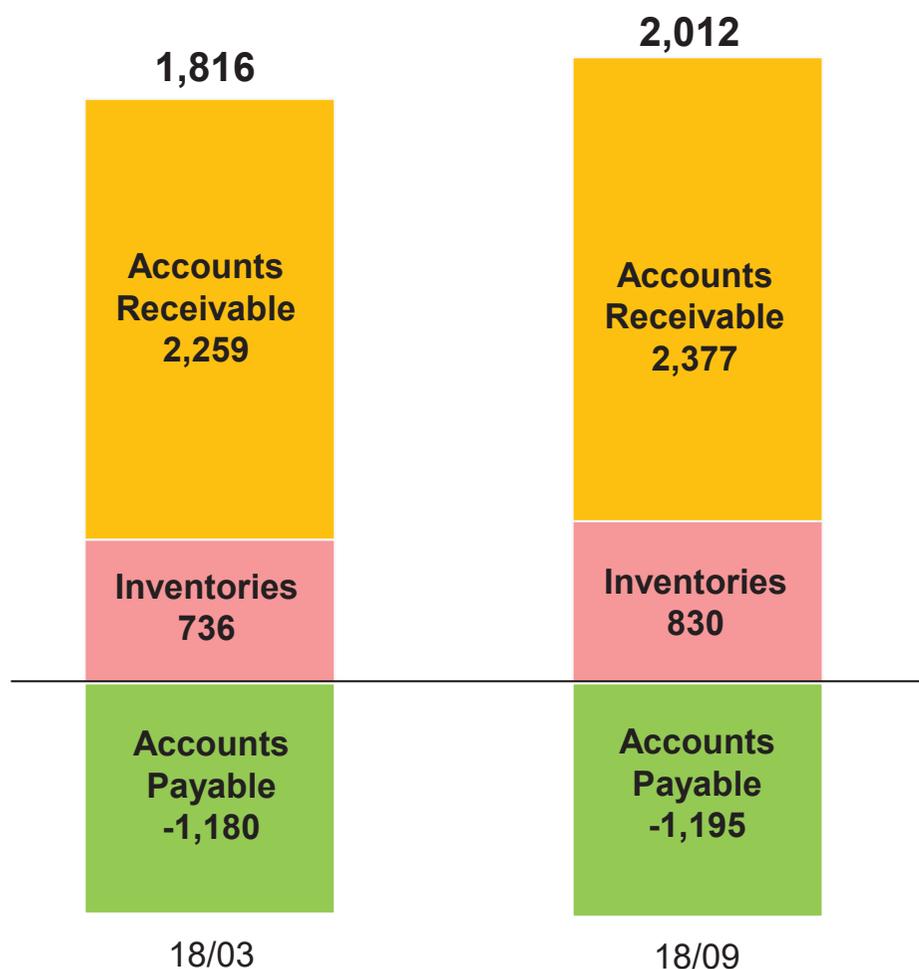
	18/09	Main breakdown	17/09
Net cash provided by (used in) operating activities	▲ 39	Profit before income taxes +138 Depreciation and amortization +46 Working capital ▲184 Income tax paid ▲27	65
Net cash provided by (used in) investing activities	▲ 84	Purchases of tangible and intangible fixed assets ▲68 Purchases of investment in securities ▲16	▲ 102
Net cash provided by (used in) financing activities	89	Net increase (decrease) in short-term loans payable +109 Net increase (decrease) in commercial papers +20 Cash dividends paid ▲28	73
Effects of exchange rate changes on cash and cash equivalents	5		4
Net increase (decrease) in cash and cash equivalents	▲ 28		40
Cash and cash equivalents at beginning of the year	428	Japan 227 , Greater China 117 , , ASEAN 46 , Europe 32 , Americas 4	397
Cash and cash equivalents, at end of the period	400	Japan 217 , Greater China 106 , ASEAN 44 , Europe 26 , Americas 4	438

Working Capital and Investments

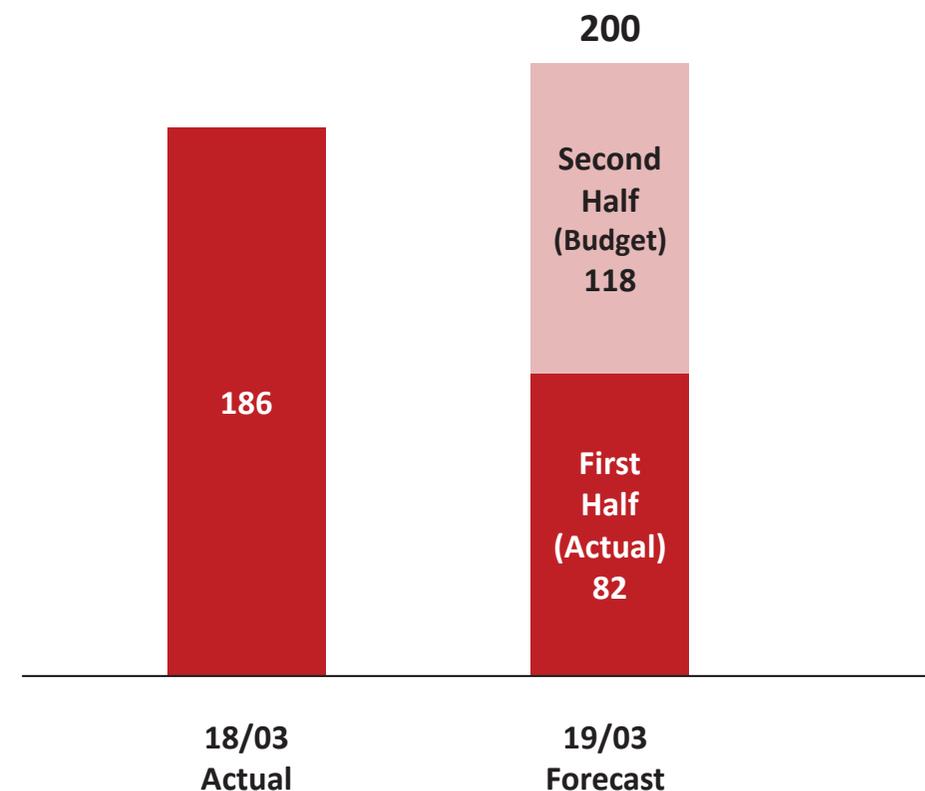
- Increase in working capital resulting from sales growth and planned accumulation of inventories to ease ongoing supply in response to tight supply conditions in certain industries

Working capital increased as a result

Working Capital (100 millions of yen)



Investments (100 millions of yen)



FYE March 2019 Earnings Projections

FYE March 2019 Earnings Projections

- U.S.-China trade frictions and other global factors contribute to ongoing difficulty in predicting the future direction of the economy. However, measures under our *ACE-2020* mid-term management plan will contribute to steady second-half performance, leading us to forecast increased sales and profits

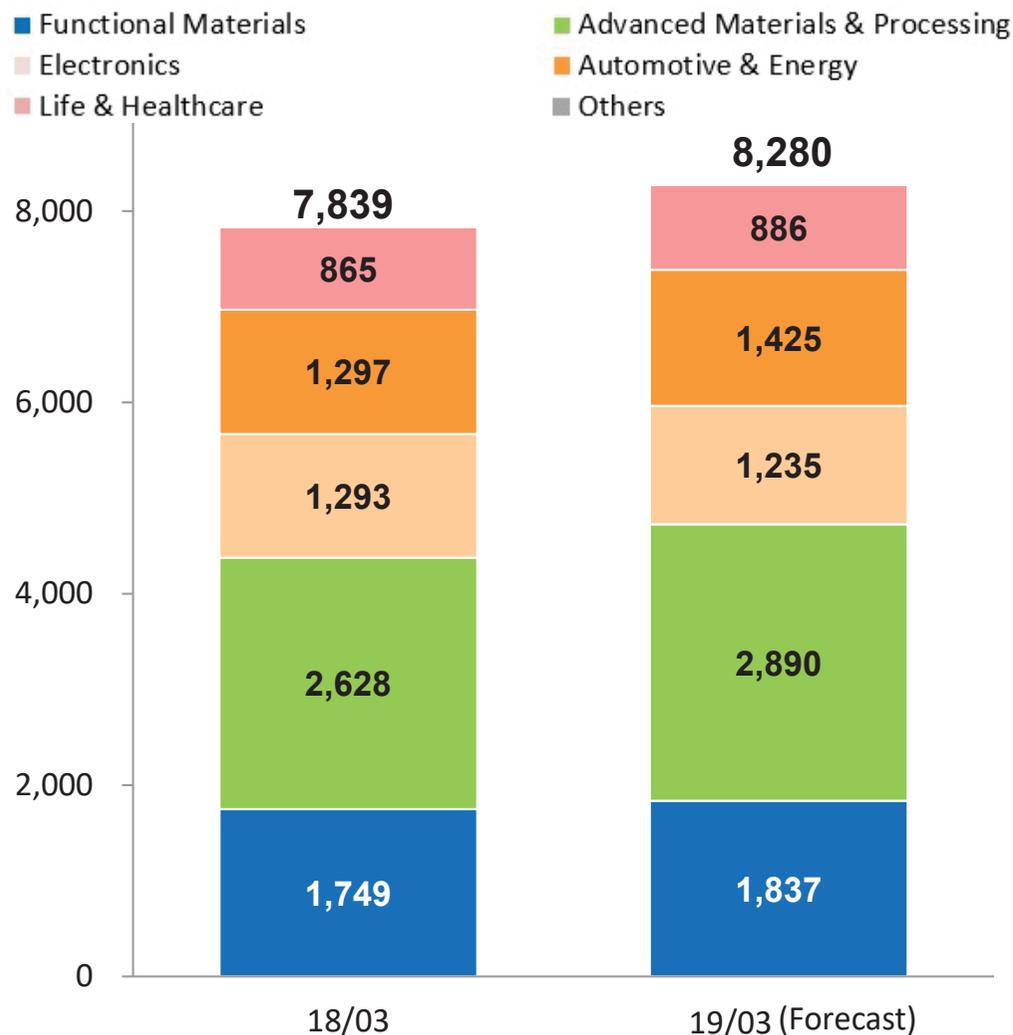
(100 millions of yen)

	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	—

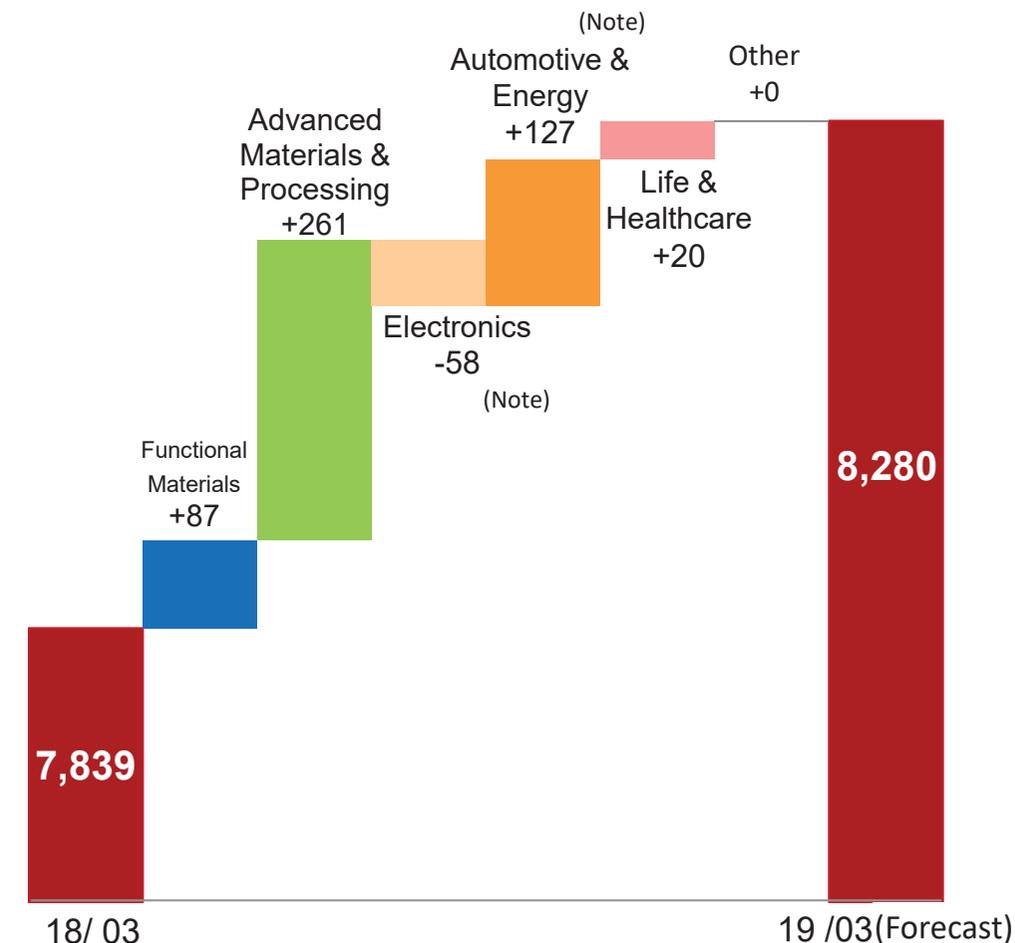
Net Sales Forecast (by Segment)

- **Advanced Materials & Processing:** Higher sales continuing in the second half, mainly due to expanding trade rights (new areas, new suppliers), as well as increasing sales of digital print processing materials and other products
- **Automotive & Energy:** Higher sales in response to increasing automobile production and capture of demand related to the automation and electrification of automobiles. Continuing into the second half, we expect solid sales of high-function materials and car electronics-related products both in Japan and overseas to also contribute

Net Sales by Segment (100 millions of yen)



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



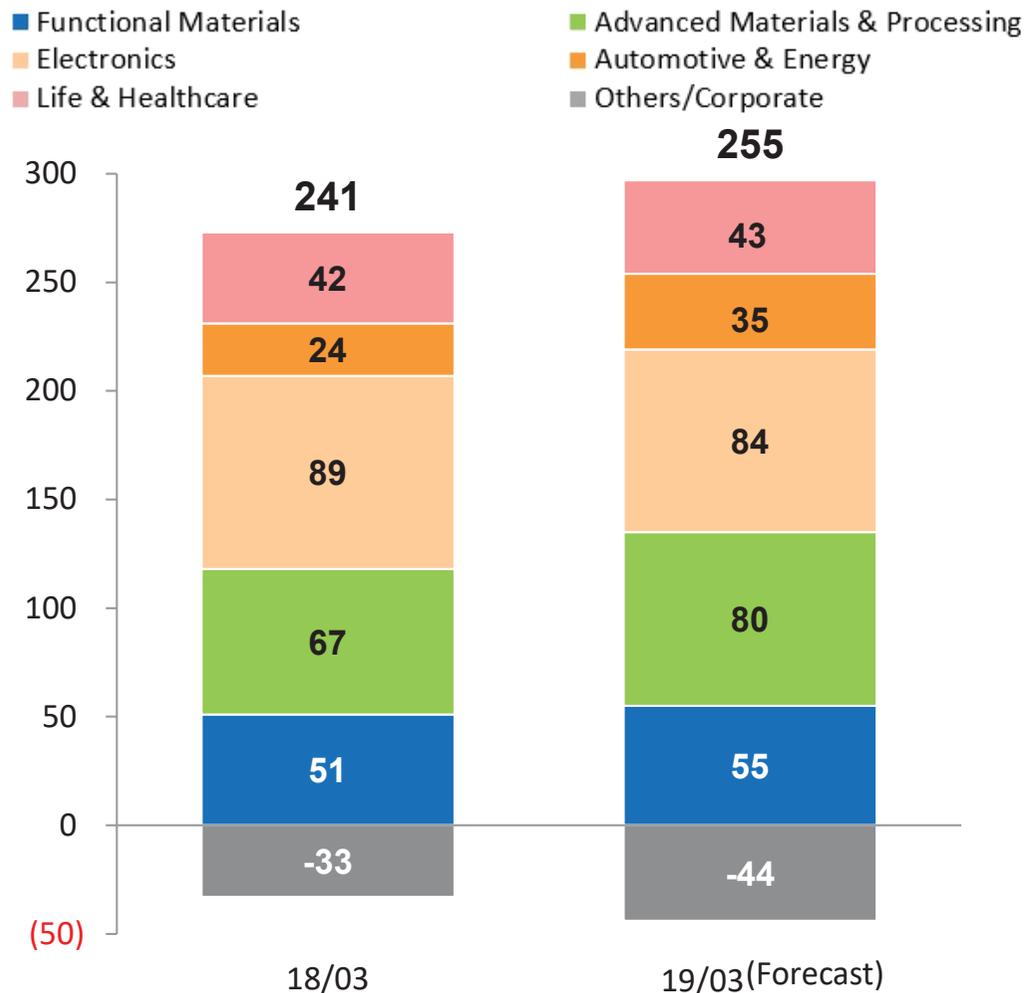
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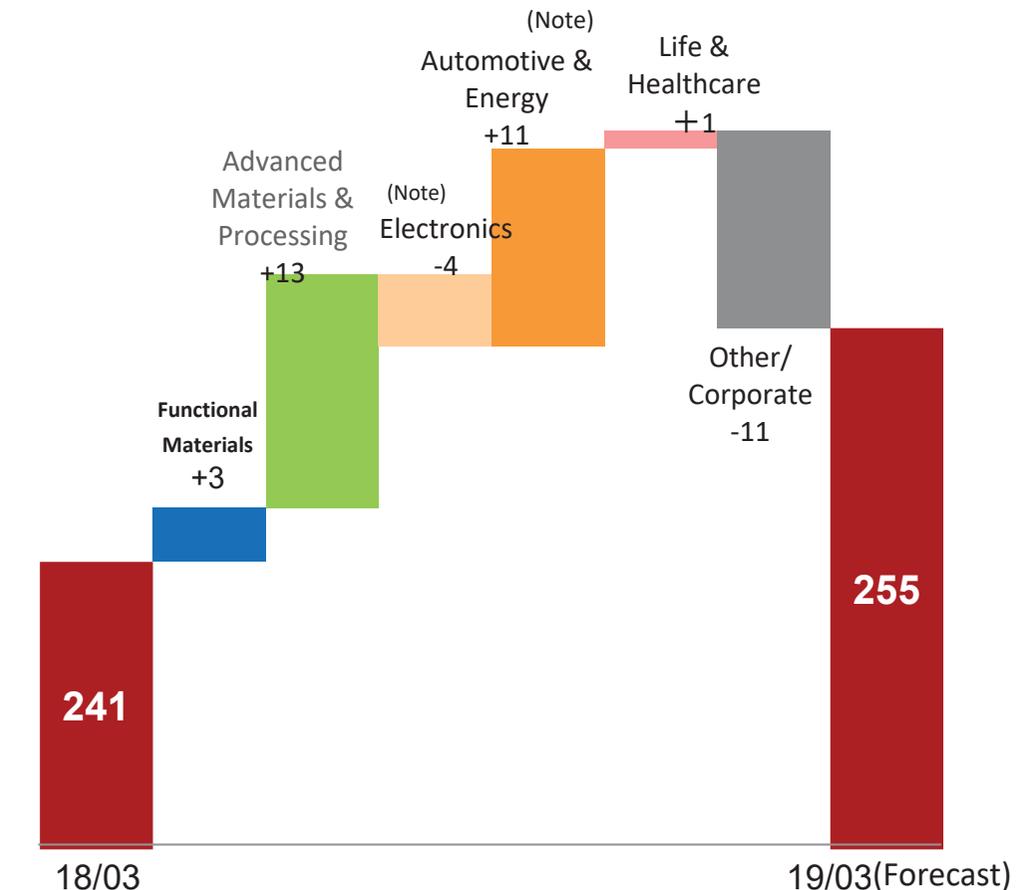
Operating Income Forecast (by Segment)

- We forecast an increase of ¥1.3 billion in operating income; all segments should record higher profits, with the exception of the Electronics segment
- Asset replacement (withdrawal from unprofitable businesses) and improvements in manufacturing and processing business revenues should contribute to profits

Operating Income by Segment (100 millions of yen)



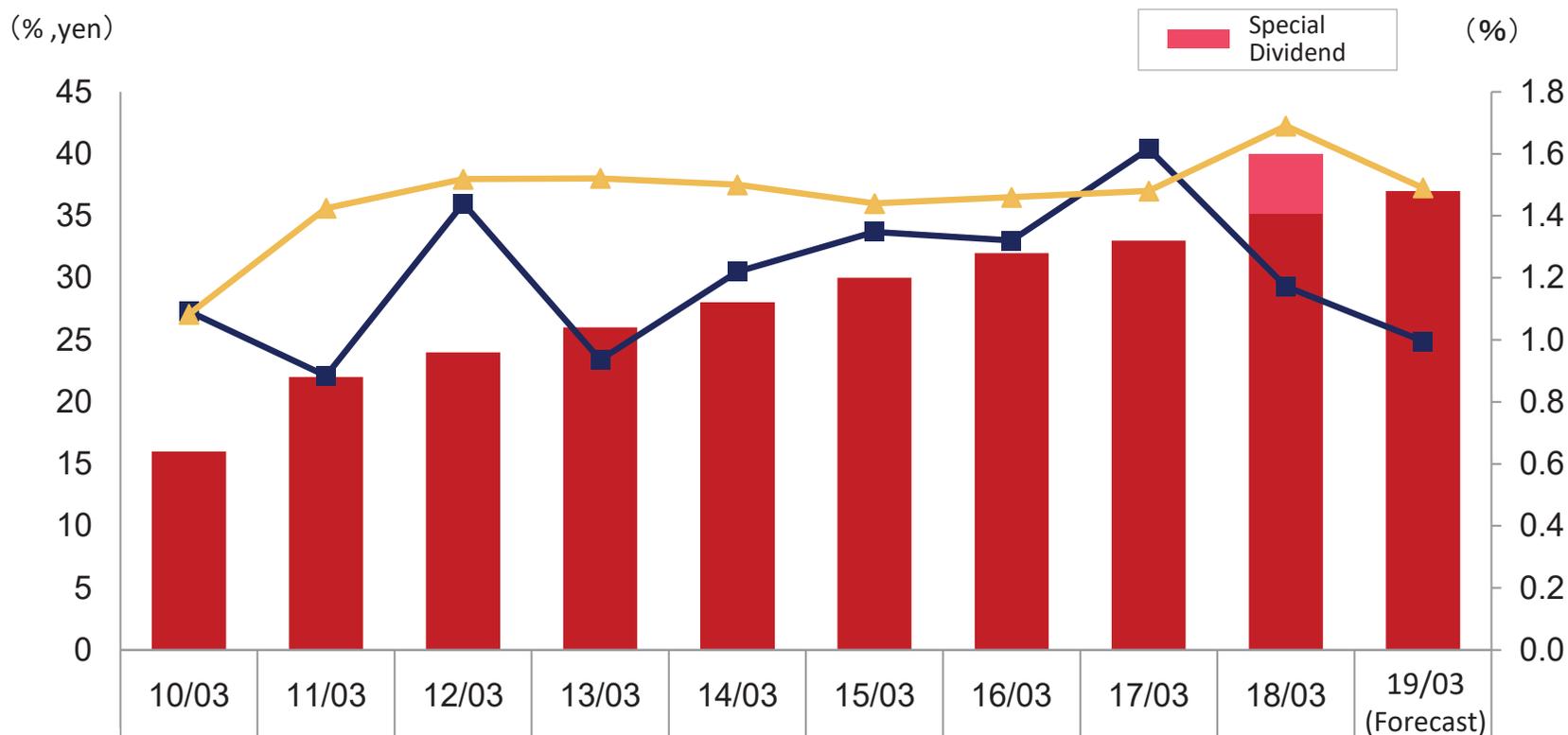
Change in Operating Income by Segment (100 millions of yen)



*The Company changed segment classifications during the current period (certain businesses moved from under Functional Materials segment to the Life & Healthcare segment). Results for 18/03 have been reclassified to reflect these changes.

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.

- **Current period: The Company plans an interim dividend of ¥18 and a year-end dividend of ¥19 for a total annual dividend of ¥37 per share (¥2 per common share increase)**



*19/03 year-end dividend to be submitted for approval to the general meeting of shareholders scheduled for June 2019.

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

Accountability / Commitment / Efficiency



NAGASE Transforms from *Shosha/Trading* to *Business Designer*

Reform Profit Structure

Focus Area

- Investment in 3D Glass Solutions, Inc.
Expand semiconductor business through high-frequency products conforming to 5G communications spec
- Hayashibara signed long-term partnership agreement with LONZA
Strengthen strategic partnerships to grow the pullulan capsule market

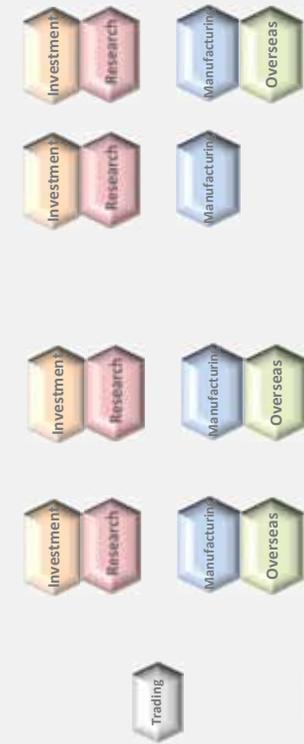
Growth Area

- Joint venture: Established Infinite Material Solutions
Aiming to commercialize water-soluble printing support filament used in 3D printer fused deposition modeling
- Presented Axonerve™ at Intel FPGA Technology Day 2018
Providing FPGA implementation solutions for content addressable memory (CAM) in the 5G, IoT era

Base Area

- Tritan™ utensils adopted in all Saizeriya restaurants
Expanding sales agent business, commercial-use utensil market

Business Designer Functions



Reform Corporate Culture

- Rolling implementation of mid-term management plan
- Strengthen governance overseas, revise regional management control functions
- Strengthen NAGASE Business Expert services for domestic group companies

Example of Asset Replacement Under Mid-Term Management Plan ACE-2020

Glass Thin Processing Business

Moving Assets From Taiwan to China, Uncovering More Value-Added Business by Delivering Expertise



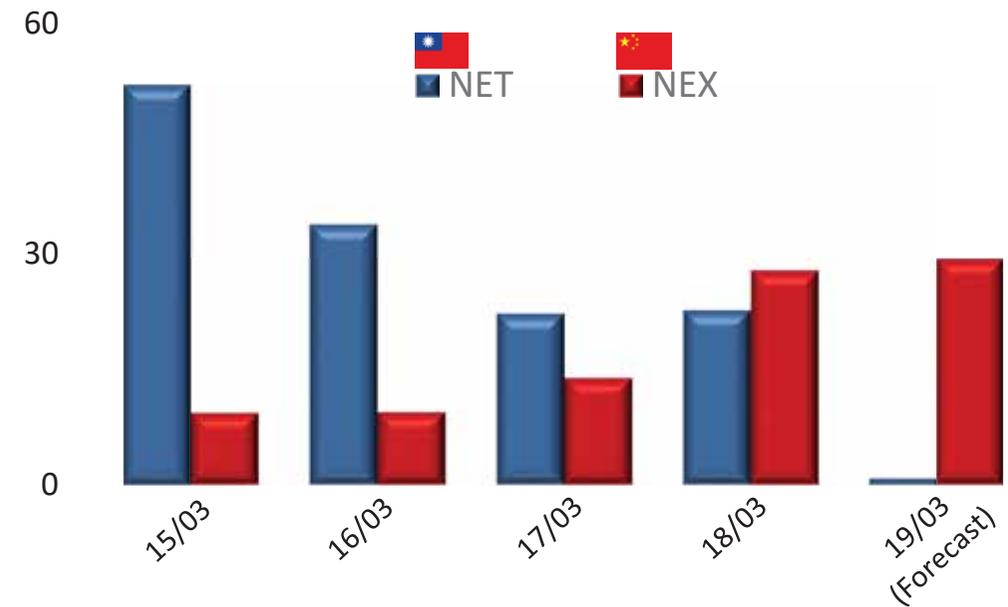
Company Name	Nagase Electronics Technology Co., Ltd.
Established	November 2005
Capital Stock	NT\$230 million (wholly owned by Nagase)



Company Name	Nagase Electronics Technology (Xiamen) Co., Ltd.
Established	December 2012
Capital Stock	RMB134 million (wholly owned by NET)

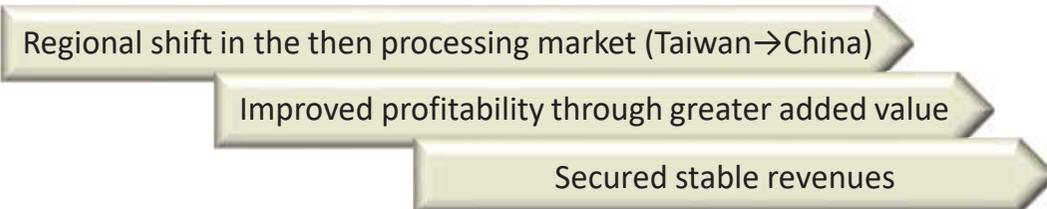


Sales (¥ hundred million)



【New Glass Thin Processing Business Structure】

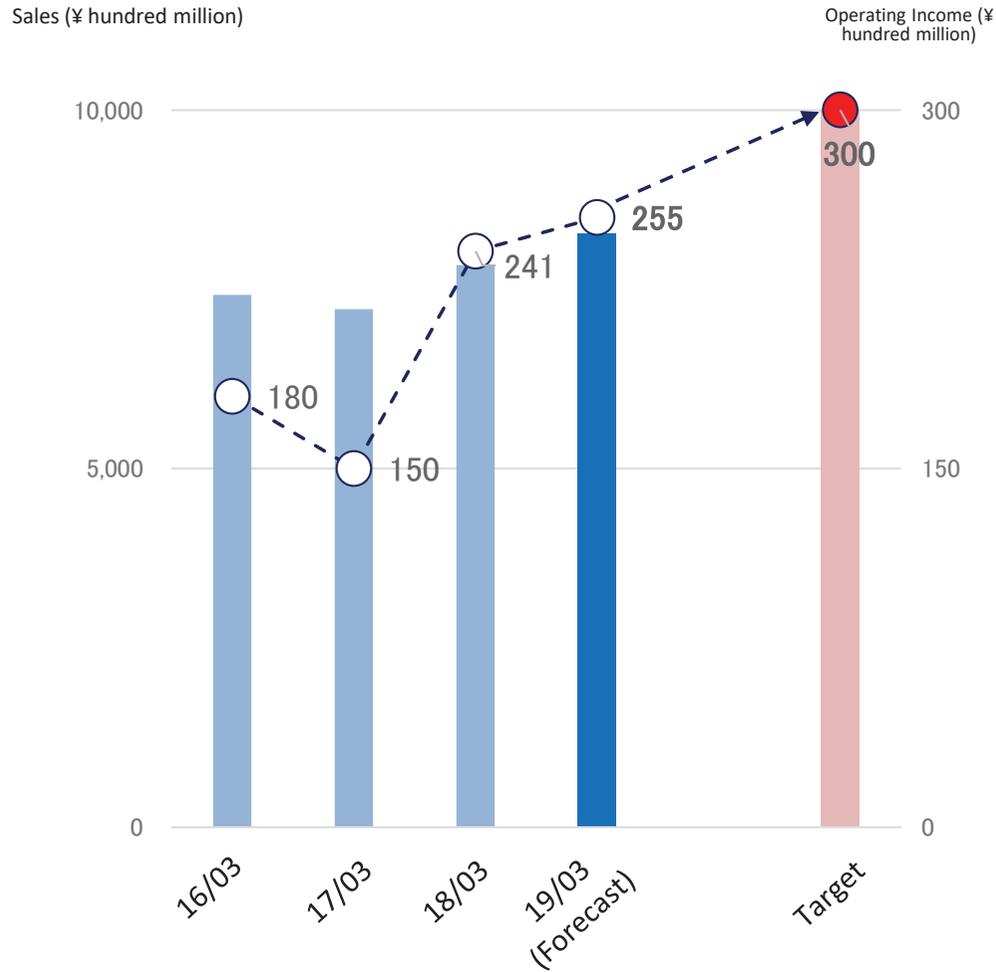
- Consolidated production bases under NEX (Xiamen, China)
- Completed transfer of expertise and technology in chemicals, automated sheet thickness measurement, etc.
- Possesses metal film and organic coating facilities, as well as technological expertise
- Conforms to the high-end specification market in China



Progress of KGI Under Mid-Term Management Plan ACE-2020 NAGASE

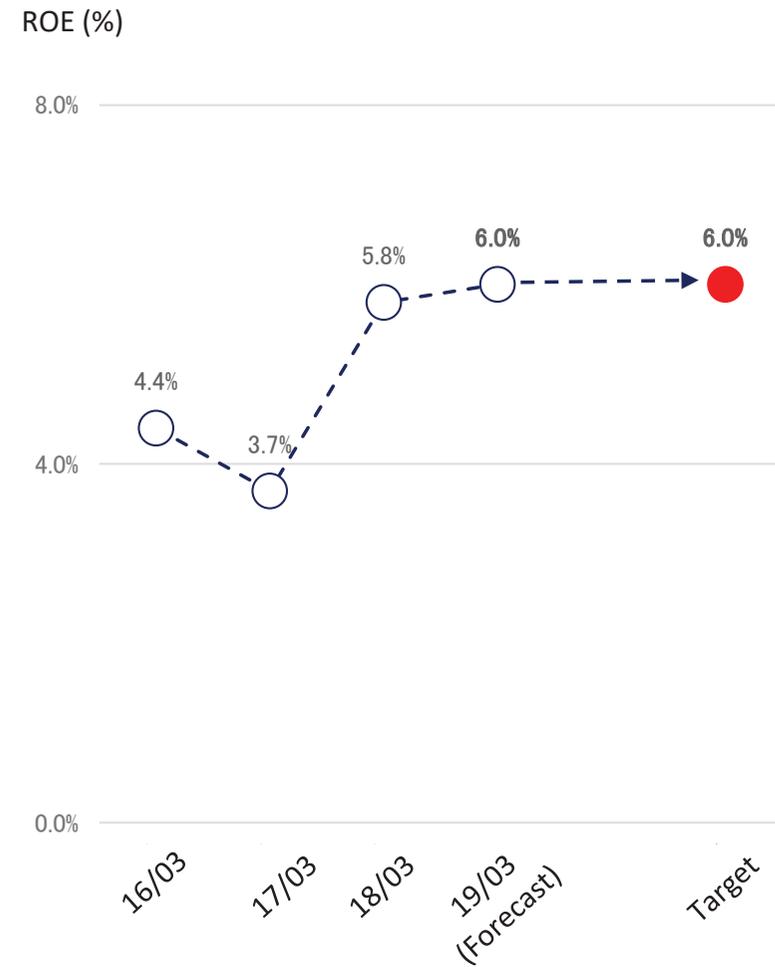
Net Sales/Operating Income

¥1 trillion or more/¥30 billion or more



ROE

Normalize over 6%



Hayashibara Co., Ltd.

Business Strategy

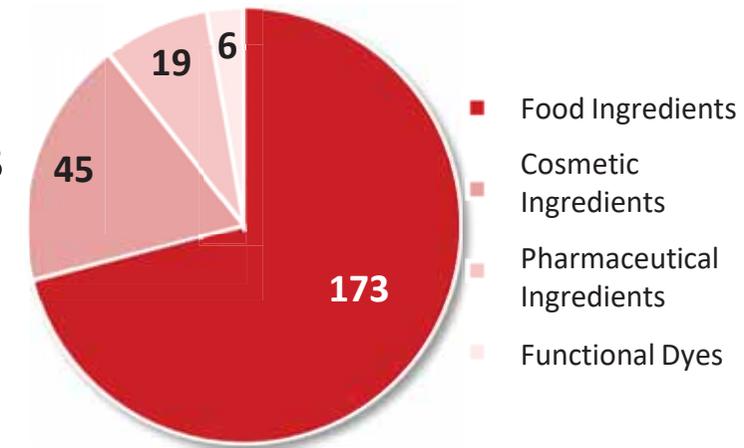
Naoki Yasuba
Representative Director and President
Hayashibara Co., Ltd.

Company Overview

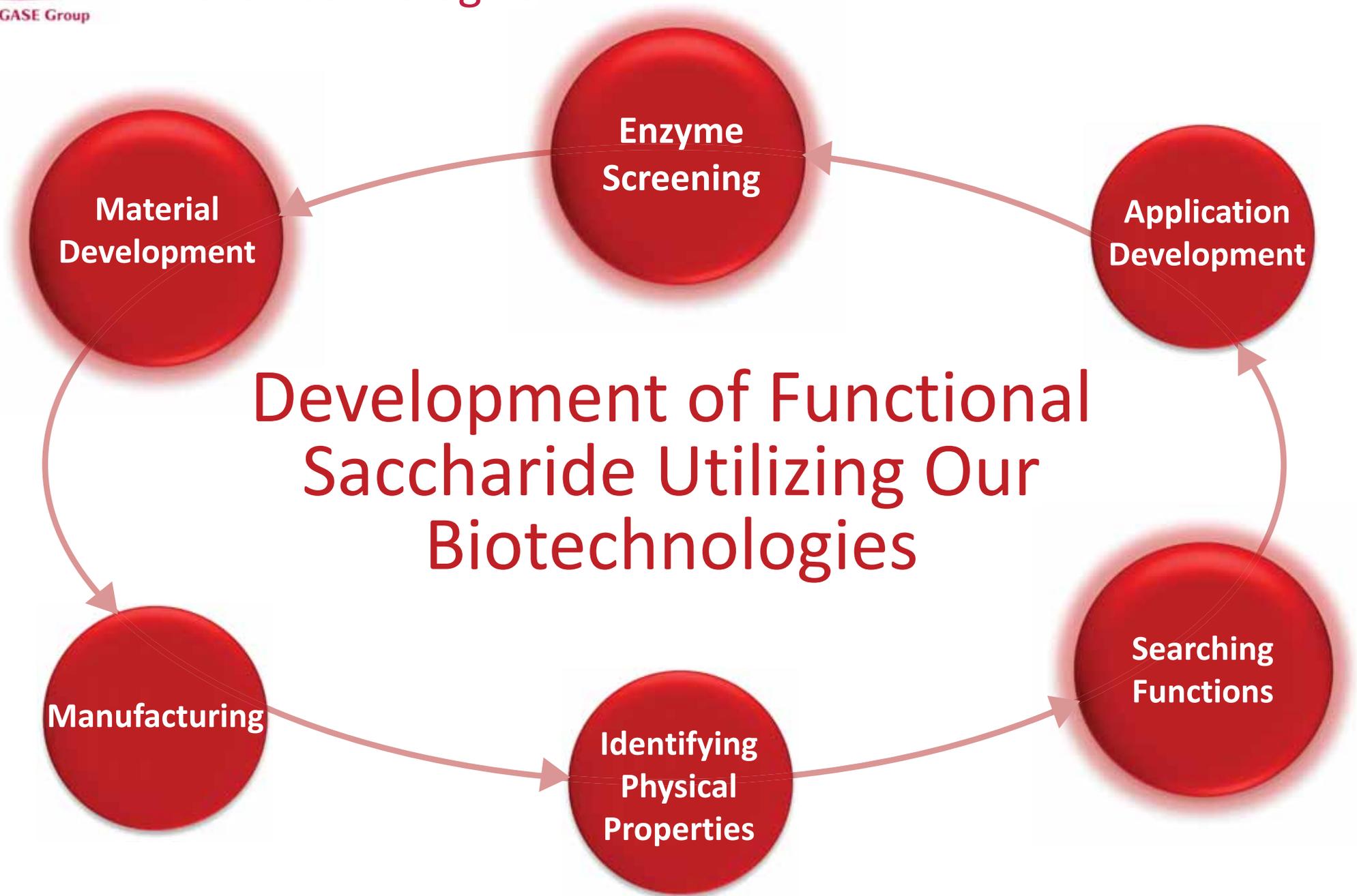
Company Name	: Hayashibara Co.,Ltd
Head Office	: Nihon-Seimei Okayama Bldg. II Shinkan 1-1-3 Shimoishii, Kita-ku, Okayama: 1883
Founded	: 1883
Capital	: 7.5 billion JPY
Number of Employee	: 667
Business	: Development, manufacture and sales of food, pharmaceutical, cosmetic, and health food ingredients and functional dyes.
Sales	: 24.3 billion JPY (fiscal year ended March 2018)
Operating income	: 5.0 billion JPY (fiscal year ended March 2018)
Associated Company	: NAGASE & CO., LTD. (wholly owned subsidiary as of February 2012)

Sales Composition FYE March 2018

(100 millions of yen)



(As of April 1, 2018)



Food Ingredients



TREHA™



SUNMALT™



PULLULAN



Health Food Ingredients



GLUCOSYL HESPERIDIN



Fibryxa™



Ascofresh™



Cosmetic Ingredients



AA2G™



Tornare



ALPHA GLUCOSYL HESPERIDIN



Pharmaceutical Ingredients



HIGH PURITY MALTOSE



TREHALOSE SG



LUMIN™-A



Functional Dyes



Dyes for recordable media



Dyes to produce data images in LCDs



Dyes as test agents and dyes with medicinal and bioactive applications



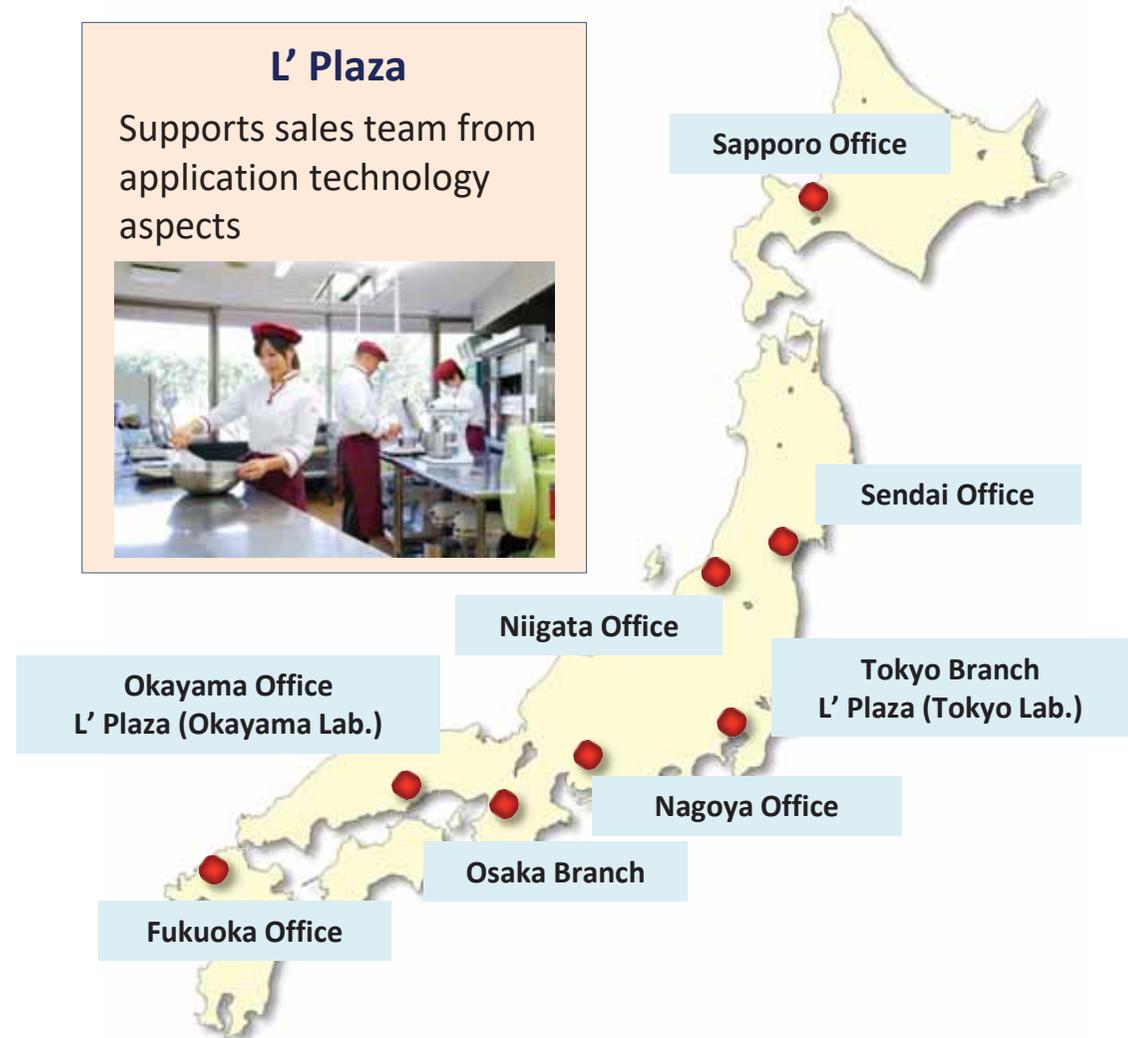
Locations in Okayama



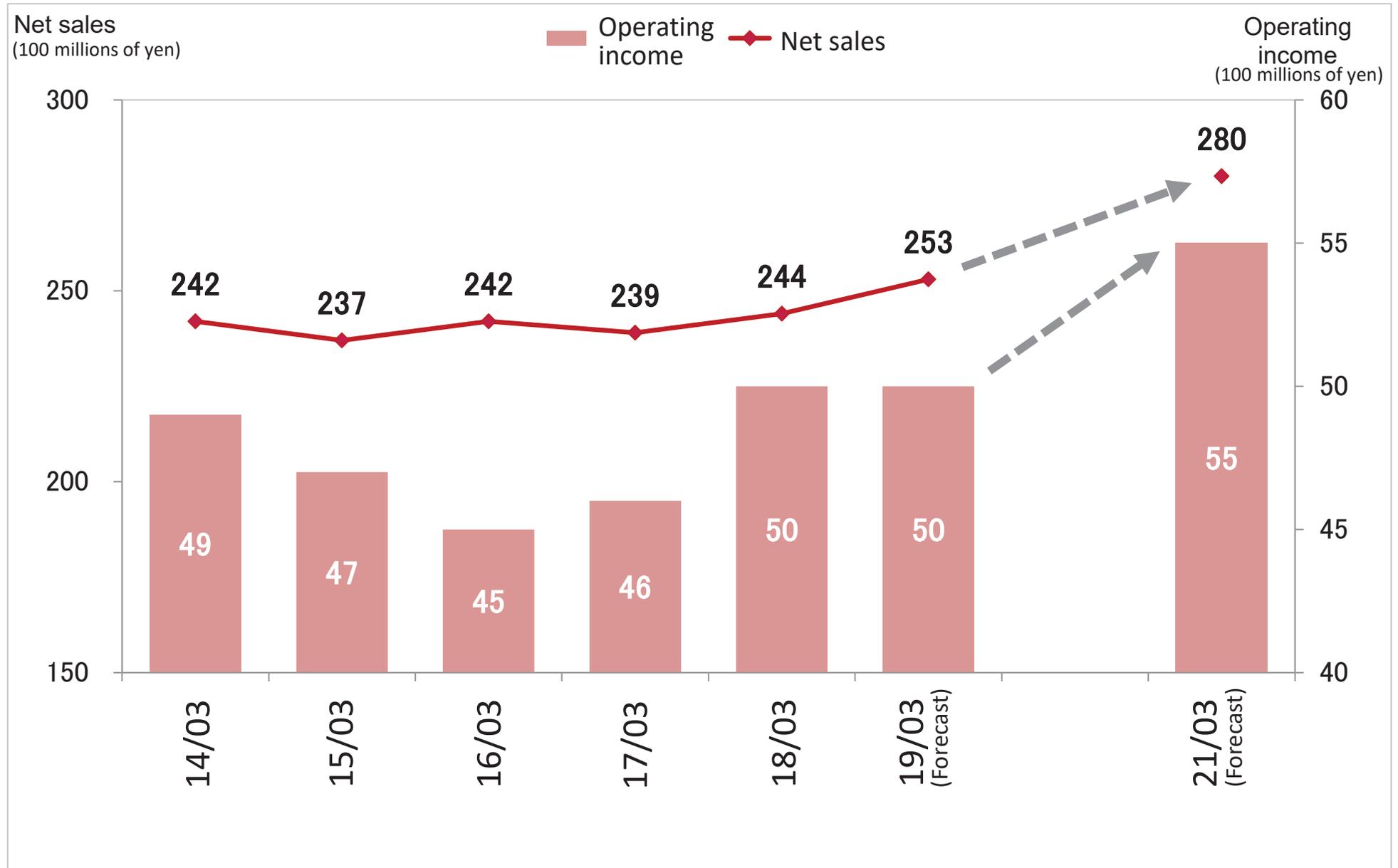
Sales Offices in Japan

L' Plaza

Supports sales team from application technology aspects

Earnings Performance



Key Policies



Global Expansion: Restructure Business Infrastructure
Strengthen Japan Sales: Respond to Inbound Tourist
Demand



Expand Applications in Foods with Function
Claims

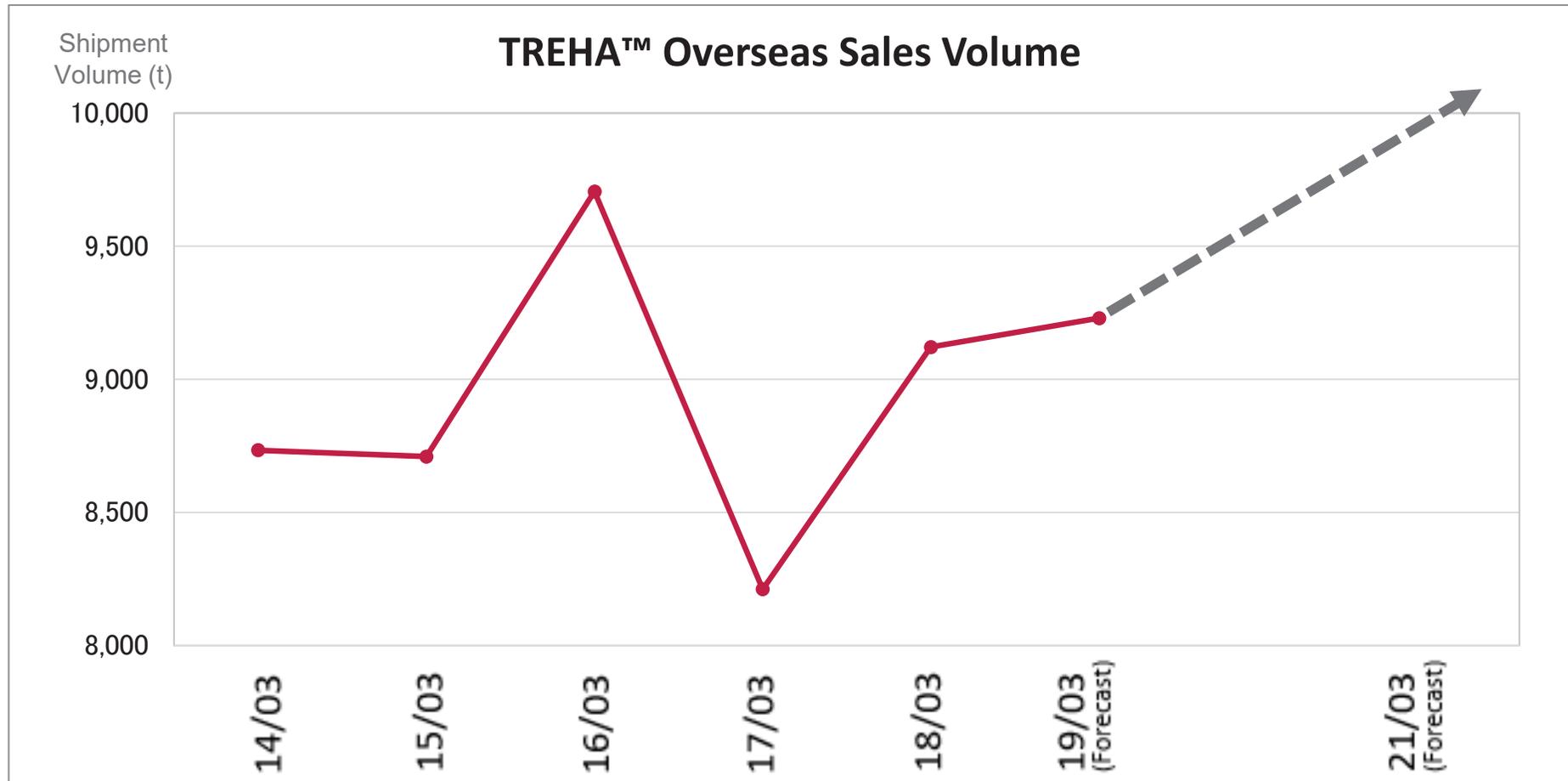


Introduce New Ingredients (for the anti-aging
market)



Pullulan: Accelerate Partnerships with Major
Customers Overseas

Global Expansion: Current Status and Issues



- Lack of awareness of Hayashibara/TREHA brand
- Left to sales agents
- Lack of solutions proposals



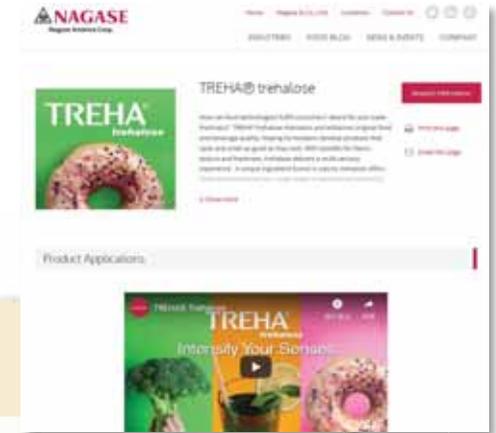
Europe

- Revise policy toward sales agents
- Strengthen relationships with major customers
- Focus greater efforts in France, Spain, and Italy



China/ASEAN

- Launch solution facilities
- Differentiate from the competition through stronger solutions proposals



North America

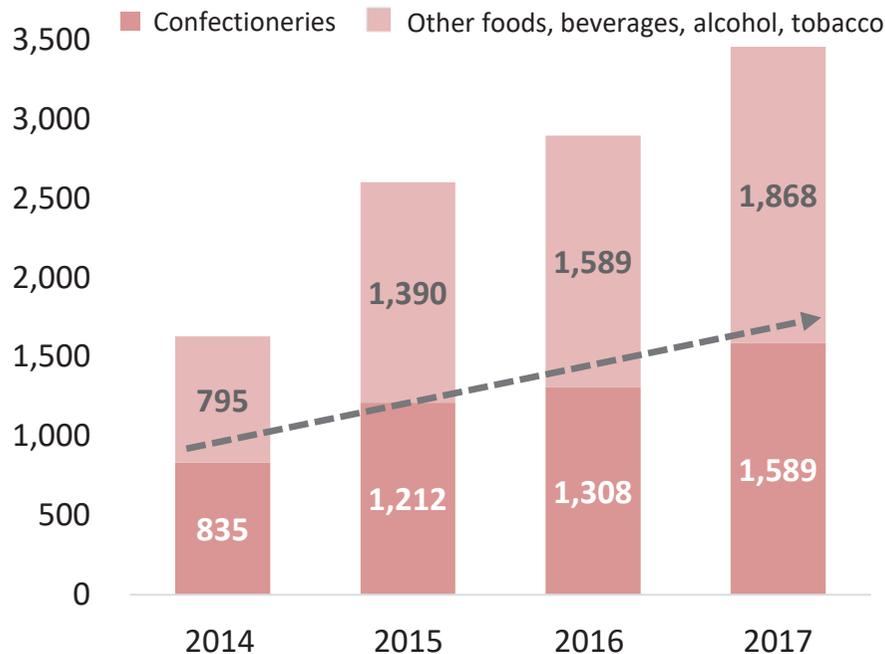
- Revise policy toward sales agents
- Communicate product information via IT
- Launch solution facilities

Strengthen structure in each area ⇒ Resource Allocation
 Strengthen solutions proposals ⇒ Set up overseas solution facilities
 Investigate future overseas production

Respond to the growing Japan market of inbound tourist demand
Strengthen proposals to major domestic confectioners

Japan Inbound Tourist Purchases of Food Products

(100 millions of yen)



Source: 2017 Report on Food Purchasing by Inbound Tourists,
Ministry of Agriculture, Forestry and Fisheries



Strengthen TREHA™ functional proposals to major confectioners, expand applications

Raise awareness of trehalose
~Common Denominator in Flavor and Quality~

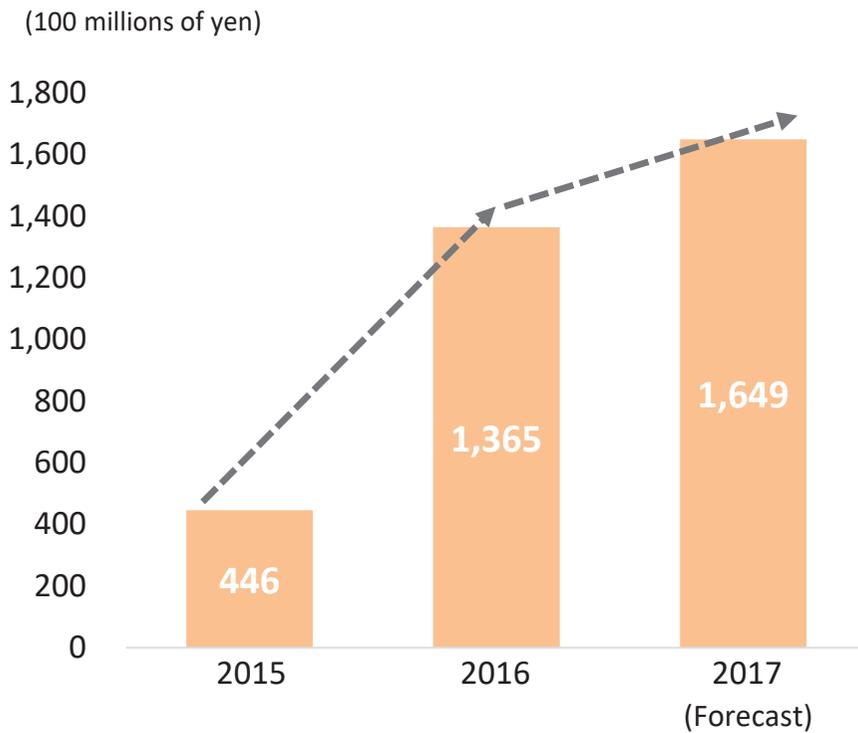
Attention to TREHA™ by overseas food companies

Hayashibara Hesperidin S: More active expansion of successful applications

Fibryxa™: Prepare evidence for three main claims~strengthen rollouts to customers

*Three main claims: Improves bowel movements, attenuates postprandial blood glucose and triglyceride

Foods with Function Claims Market Growth
(Manufacturer Shipping Price Base)



Source: (press release) *Health Foods Market 2018*, Yano Research Institute

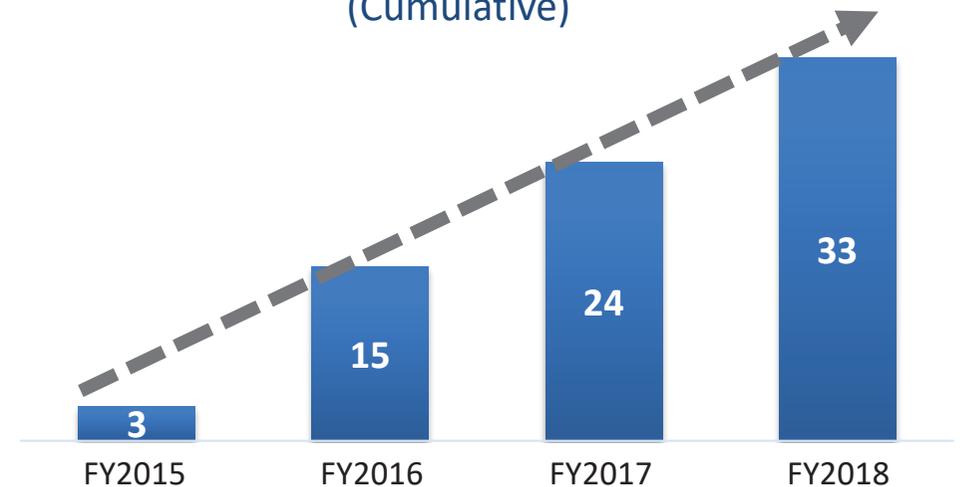


▲ Hayashibara Hesperidin S



▲ Fibryxa™

Nagase Products in Food with Function Claims Products
(Cumulative)

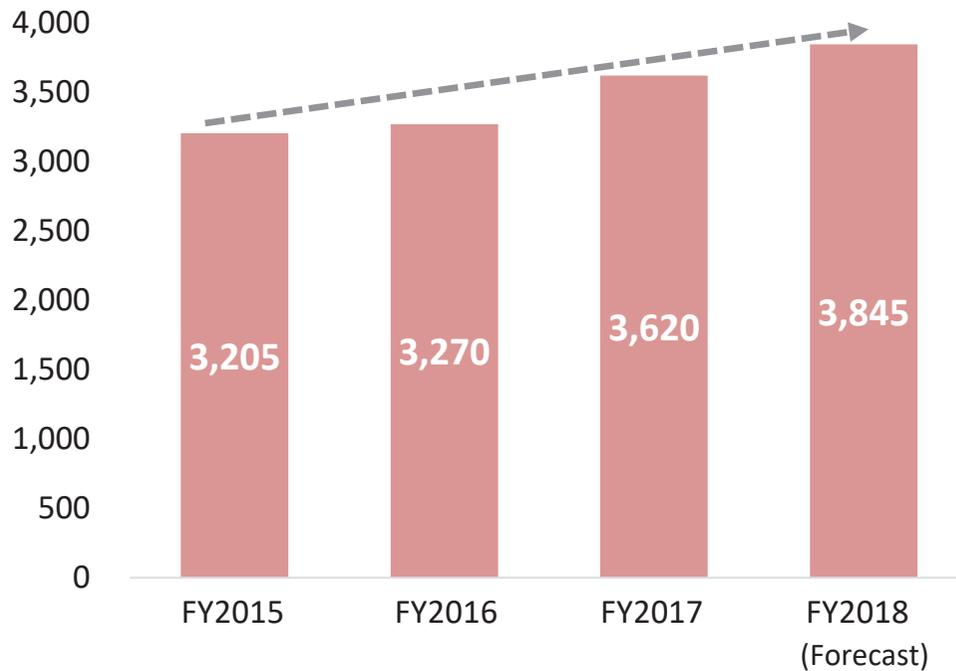


(As of October 2018)

Introduce new plant-derived materials to the market (planned for next spring)

Anti-Aging Cosmetics Market Growth
(Sales by Japanese Cosmetics Makers)

(100 millions of yen)



Source: *Anti-Aging Cosmetics Market Survey Results*, TPC Marketing Research

Plant-Derived Raw Materials



Hayashibara Research and Development



New Anti-Aging Materials



Long-Term Partnership Agreement Signed with LONZA (Basel, Switzerland) to Expand the Pullulan Capsule Market

Expanding needs for plant-derived raw ingredients in the supplement market

Growing demand for pullulan capsules

Long-term agreement to supply Hayashibara pullulan and joint development of new products



▲ Signing Ceremony, Held September 25, 2018
(Right) Erasmo Schutzer, President, Lonza Consumer Health
(Left) Naoki Yasuba, Representative Director and President, Hayashibara

Capital Investment: New Plant Okayama Plant II P Building

P Building (manufacturing enzymes and pullulan) renovation and expansion; scheduled to begin construction early spring 2019

Artist's Conception



**Response to need for stable enzyme supply
and future business expansion**

(Reference) Information by Segment

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/18		FYE 03/19				
	Interim	Full-Year	Interim	Vs. PY	Year Forecast	Vs. PY	
Net Sales	Domestic	785	1,617	826	105%	1,700	105%
	Overseas	271	565	297	109%	579	102%
	Eliminations	-213	-433	-227	-	-442	-
	Total	844	1,749	896	106%	1,837	105%
Operating Income	Domestic	19	40	20	106%	41	103%
	Overseas	7	16	7	99%	16	97%
	Eliminations	-0	-5	-1	-	-2	-
	Total	26	51	27	101%	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)

*The Company changed segment classifications during the current period (certain businesses moved from under Functional Materials segment to the Life & Healthcare segment). Results for 18/03 have been reclassified to reflect these changes.

FYE March 2019 Second Quarter Results

Net sales ¥89.6 billion (106%)

- ◆ The Performance Chemicals business recorded a higher sales due to improve the sales of coating and urethane materials, spurred by strong automotive production and rising naphtha prices. Another contributing factor was the acquisition of a distributor in the United States during the second quarter of the prior consolidated fiscal year.
- ◆ The Speciality Chemicals business recorded higher sales overall. Sales of electronics chemicals and plastic materials/plastic additives were higher for the semiconductor and other electronics industries in Japan. Overseas, sales were level with the prior year.

Operating income ¥2.7 billion (101%)

- ◆ Higher profits due to higher revenues.

FYE March 2019 Outlook

- ◇ We project higher revenues and profits due to increased sales of coating and urethane materials, spurred by rising automotive production during the second half. Further, we expect to see higher sales of electronics chemicals for the semiconductor and other electronics industries.

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/18		FYE 03/19				
	Interim	Full-Year	Interim	Vs. PY	Year Forecast	Vs. PY	
Net Sales	Domestic	813	1,661	888	109%	1,831	110%
	Overseas	809	1,596	900	111%	1,758	110%
	Eliminations	-304	-628	-374	-	-699	-
	Total	1,318	2,628	1,414	107%	2,890	110%
Operating Income	Domestic	19	38	27	141%	43	111%
	Overseas	16	29	20	122%	37	127%
	Eliminations	-0	-1	-2	-	+0	-
	Total	35	67	46	129%	80	120%

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

FYE March 2019 Second Quarter Results

Net sales ¥141.4 billion (107%)

- ◆ The Colors & Advanced Processing business recorded higher sales, driven by growth in plastic resins for industrial and packaging applications and dyes/additives in Japan, as well as by increased sales of digital print processing materials in both Japan and overseas.
- ◆ The Polymer Global Account business recorded higher sales overall, driven by growth in Japan, Greater China, and ASEAN.

Operating income ¥4.6 billion (129%)

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

FYE March 2019 Outlook

- ◇ Our outlook calls for higher revenues and profits due to increased sales of plastics and digital print processing materials in Japan and overseas.

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/18		FYE 03/19				
	Interim	Full-Year	Interim	Vs. PY	Year Forecast	Vs. PY	
Net Sales	Domestic	650	1,297	608	94%	1,283	99%
	Overseas	385	753	368	95%	697	93%
	Eliminations	-379	-757	-358	-	-745	-
	Total	657	1,293	618	94%	1,235	95%
Operating Income	Domestic	24	49	23	97%	48	96%
	Overseas	19	40	17	87%	37	92%
	Eliminations	-0	-1	-0	-	-1	-
	Total	43	89	40	93%	84	95%

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

FYE March 2019 Second Quarter Results

Net sales ¥61.8 billion (94%)

- ◆ Despite solid performance of formulated epoxy resins and equipment-related sales, lower sales of photolithography material resulted in the Electronic Chemicals business recording slightly lower sales.
- ◆ The Electronic Materials business recorded lower sales. This decrease was due to lower performance of display-related materials, despite steady performance in our business for abrasives used in intermediate semiconductor processing.

Operating income ¥4.0 billion (93%)

- ◆ Lower profits, mainly due to lower revenues.

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.
- ◇ We forecast a recovery over the second half. Despite expected lower sales of display-related materials due to model changes, our epoxy resin and equipment-related business should continue to be solid. We also expect improved capacity utilization among our photolithography material customers and the launch of new businesses to contribute positively.

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/18		FYE 03/19				
	Interim	Full-Year	Interim	Vs. PY	Year Forecast	Vs. PY	
Net Sales	Domestic	316	674	377	119%	795	118%
	Overseas	416	840	425	102%	875	104%
	Eliminations	-106	-218	-121	-	-245	-
	Total	627	1,297	682	109%	1,425	110%
Operating Income	Domestic	2	2	4	222%	12	425%
	Overseas	12	21	9	80%	23	109%
	Eliminations	-0	-0	0	-	-0	-
	Total	14	24	14	104%	35	147%

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

FYE March 2019 Second Quarter Results

Net sales

¥68.2 billion (109%)

- ◆ The Automotive Solutions business recorded higher sales, driven by solid performance in our resins business in Japan, Greater China, and ASEAN, as well as increased sales of car electronics-related products.

Operating income

¥1.4 billion (104%)

- ◆ 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 due to expected solid sales of high-function materials and car electronics-related products in Japan and overseas, driven by expectations of increased automotive production compared to the first half. Improved profitability at our manufacturing subsidiaries should also make a positive contribution.

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/18		FYE 03/19				
	Interim	Full-Year	Interim	Vs. PY	Year Forecast	Vs. PY	
Net Sales	Domestic	497	1,006	495	100%	1,033	103%
	Overseas	68	135	64	94%	140	104%
	Eliminations	-140	-276	-129	-	-287	-
	Total	424	865	429	101%	886	102%
Operating Income	Domestic	36	70	34	94%	69	99%
	Overseas	1	3	2	171%	5	167%
	Eliminations	-15	-31	-16	-	-31	-
	Total	23	42	21	93%	43	104%

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

*The Company changed segment classifications during the current period (certain businesses moved from under Functional Materials segment to the Life & Healthcare segment). Results for 18/03 have been reclassified to reflect these changes.

FYE March 2019 Second Quarter Results

Net sales

¥42.9 billion (101%)

- ◆ Sales of TREHA™ and other products to the food materials industry overseas were lower; however, sales grew in Japan. Sales of AA2G™ to customers in the skincare and toiletries field were higher both in Japan and overseas. In the medical and pharmaceutical field, sales of pharmaceutical raw materials and intermediates, medical materials, and pharmaceutical business products were slightly lower than the prior year. As a result, the business recorded sales level with the prior year.
- ◆ The Beauty Care Products business recorded lower sales, driven down due to weak performance across all product categories.

Operating income

¥ 2.1 billion (93%)

- ◆ Lower profits, mainly due to decreased sales at certain domestic manufacturing subsidiaries and expenses associated with upfront investments.

FYE March 2019 Outlook

- ◇ We forecast overall sales and profit growth for the segment. Despite expected decreases in business related to the medical and pharmaceutical field, we project increased sales of TREHA™ and solid performance of raw materials to the skincare and toiletries fields.



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

These presentation materials contain forward-looking projections based on assumptions, forecasts, and plans as of November 30, 2018. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.