

NAGASE



FYE March 2015 Second Quarter Financial Briefing

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

NAGASE & CO., LTD.

November 28, 2014

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FYE March 2015 Second Quarter Results

Overseas businesses drive revenue growth; allowance for doubtful accounts results in lower profits

(100 millions of yen)

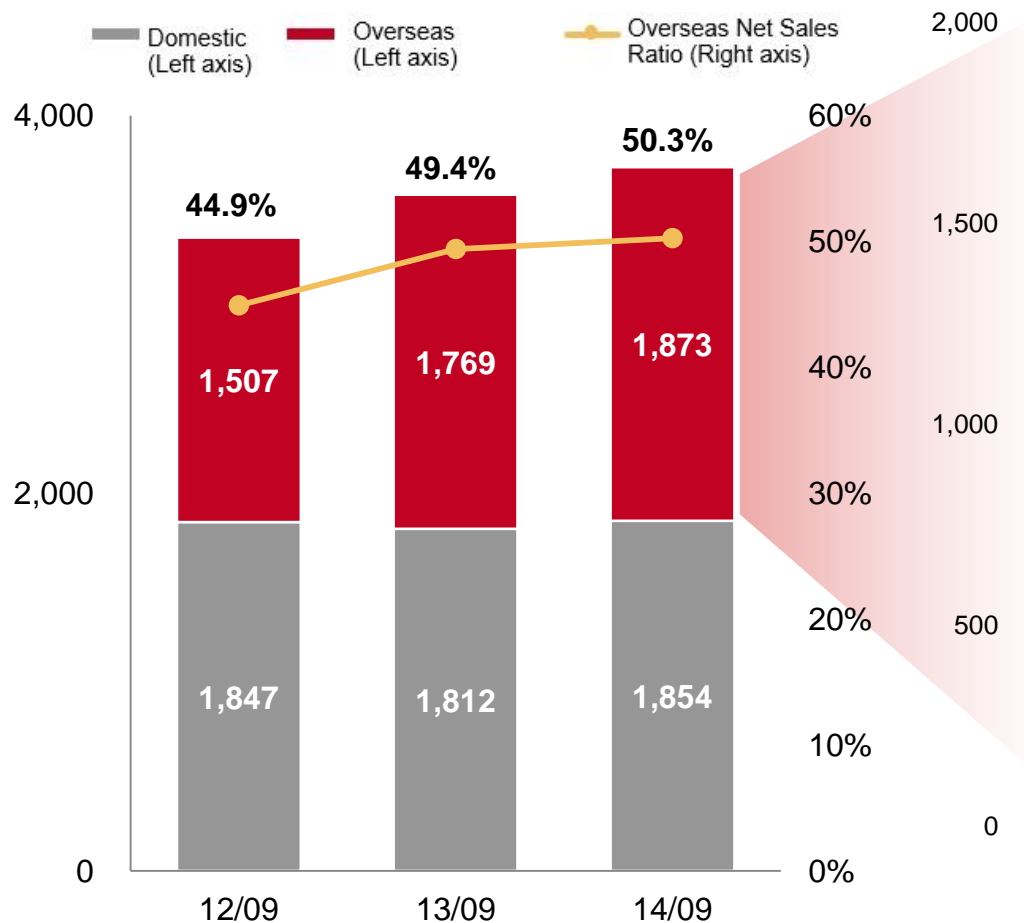
	13/09	14/09	Change	Vs. PY	Initial Forecast (Full-Year)	Progress Rate
Net sales	3,582	3,727	+145	104%	7,830	48%
Gross profit	449	444	-4	99%	947	47%
<GP ratio>	12.5%	11.9%	-0.6%	—	12.1%	—
SG&A expenses	362	364	+2	101%	757	48%
Operating profit	86	79	-7	92%	190	42%
Ordinary income	98	91	-7	92%	215	42%
Net income	72	66	-5	92%	142	47%
Exchange rate	@¥98.6	@¥103.0	-¥4.4		@¥103.0	

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

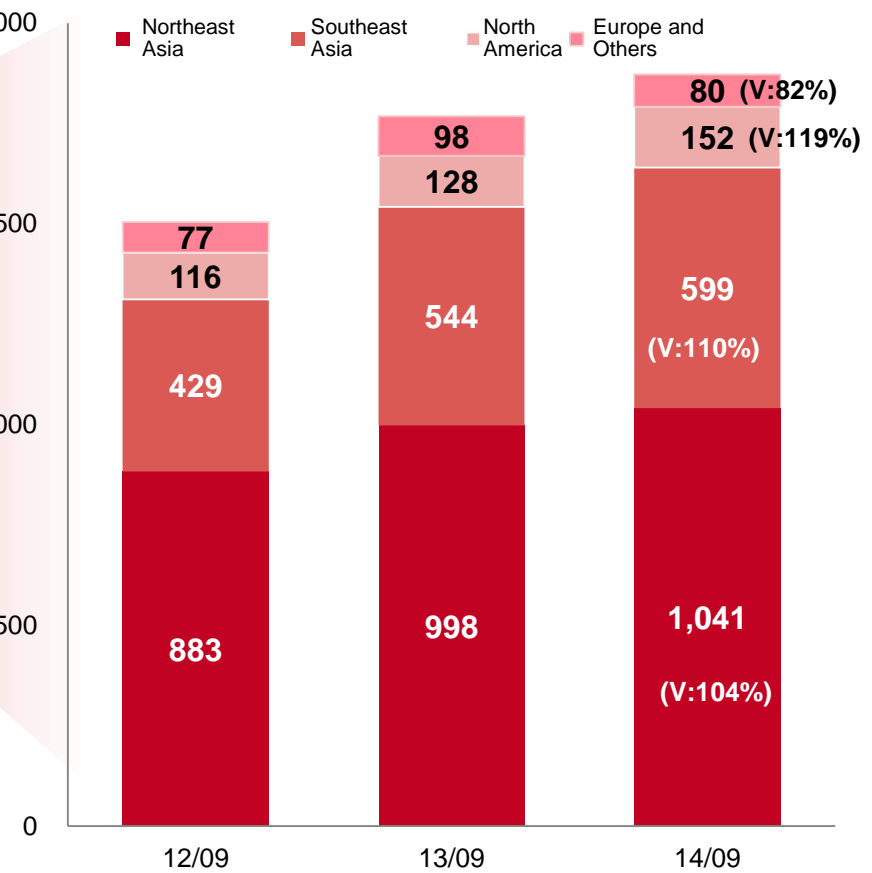
	Impact of dollar/yen rate	Impact on 14/09 Actual
Net sales	¥1.6 billion (approx.)	+ ¥ 7.2 billion (approx.)
Operating profit	¥ 50 million (approx.)	+ ¥ 200 million (approx.)

- Higher sales in all regions except Europe; higher ratio of overseas sales to total sales (toward 50%+)
- Northeast Asia reported strong sales of plastics for smartphone, laptop PC, game devices and automobile-related products

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



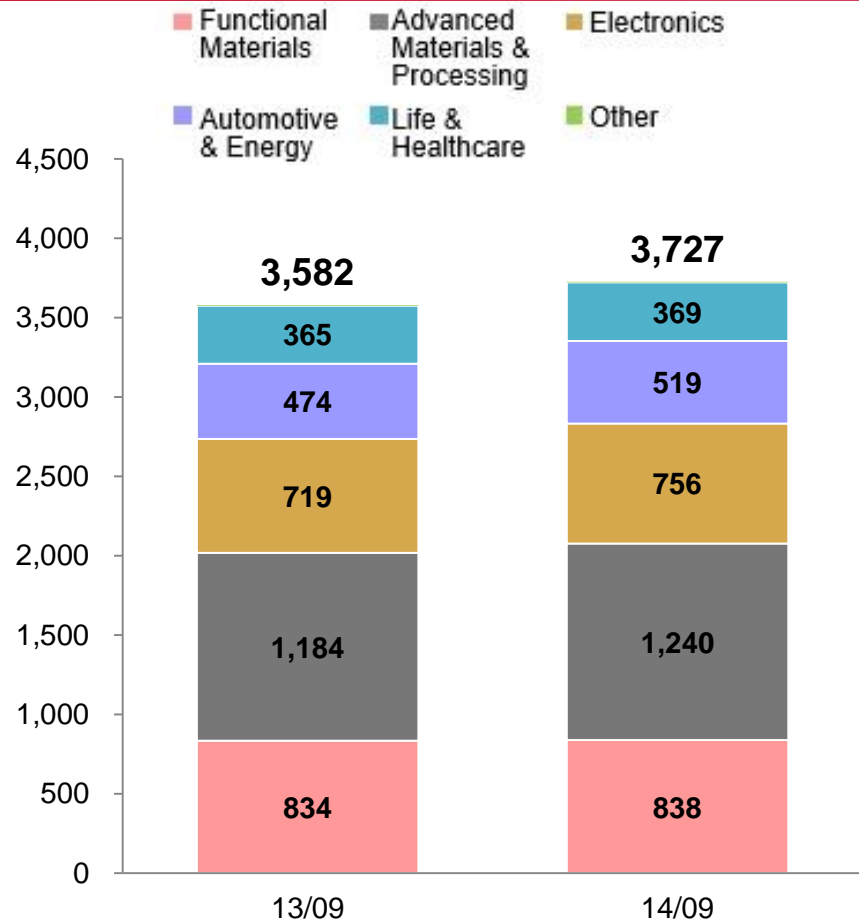
Overseas Sales by Region (100 millions of yen)



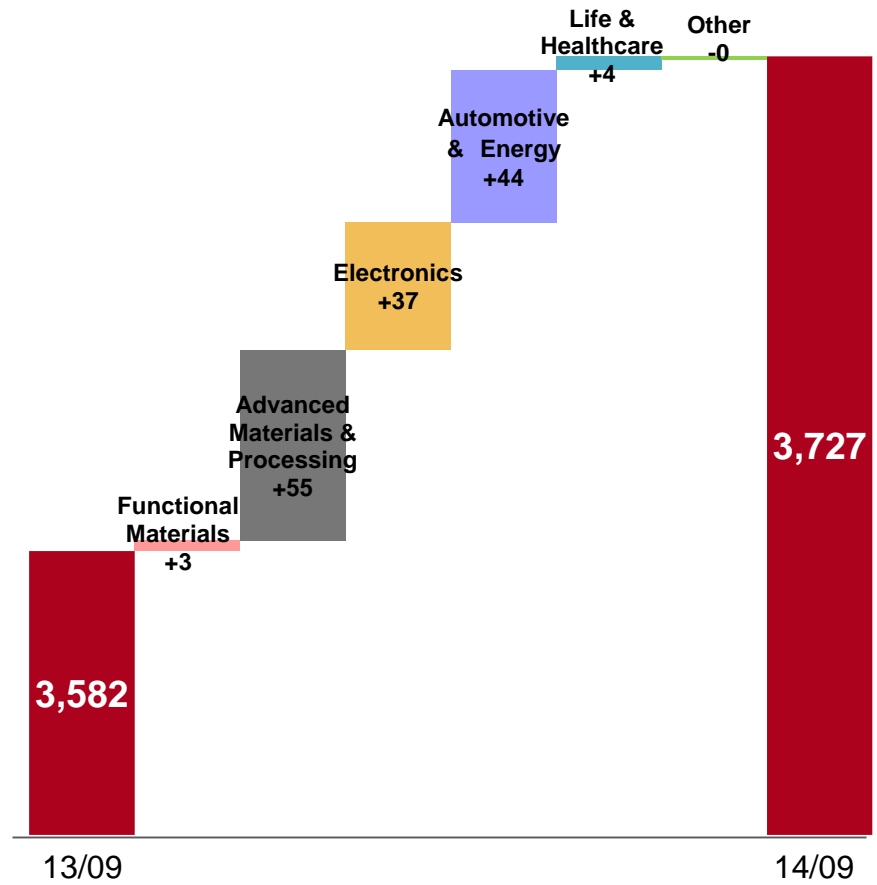
*V: Vs. Same Period in Prior Fiscal Year

- Strong sales of plastics for office equipment and appliances in Japan and overseas.
- Strong sales of automobile-related products in Japan (rollout of new car models) and overseas (vehicle production increases)

Net Sales by Segment (100 millions of yen)



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

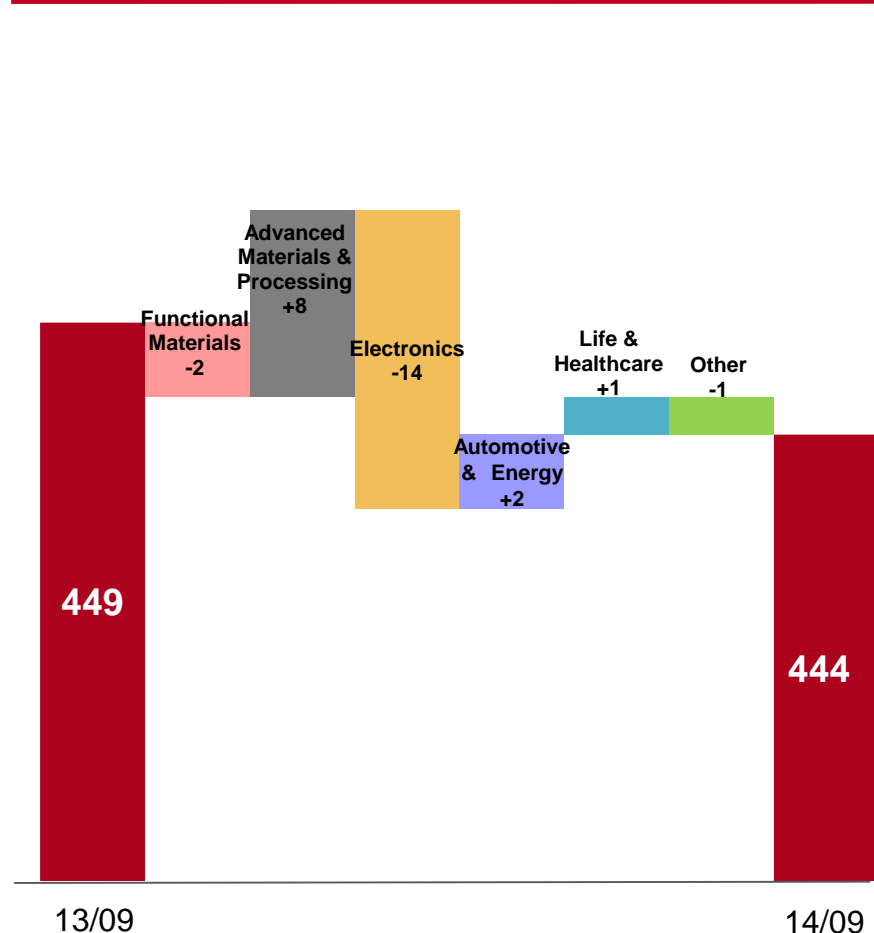
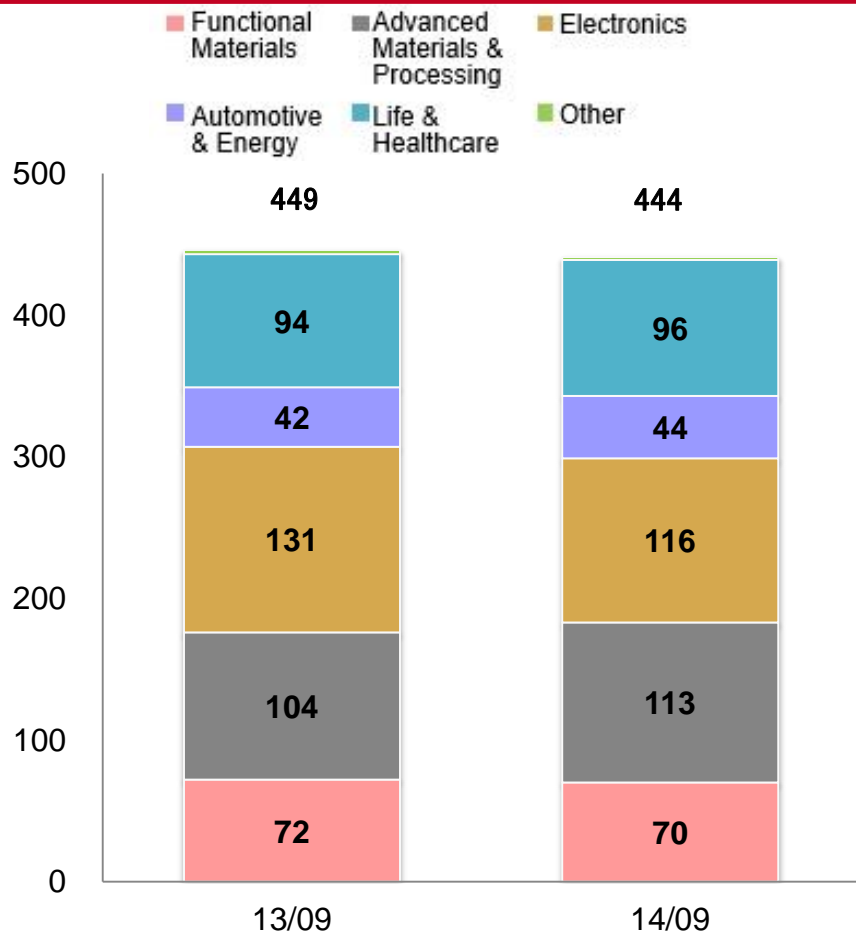


*13/09 Actual figures recategorized to reflect 15/03 reorganization for comparison.
(Transferred the network technologies development team from the Electronics segment to the Automotive & Energy segment)

■ Electronics segment reported lower profit ratios and lower profits due to declining product mix and other factors

Gross Profit by Segment
(100 millions of yen)

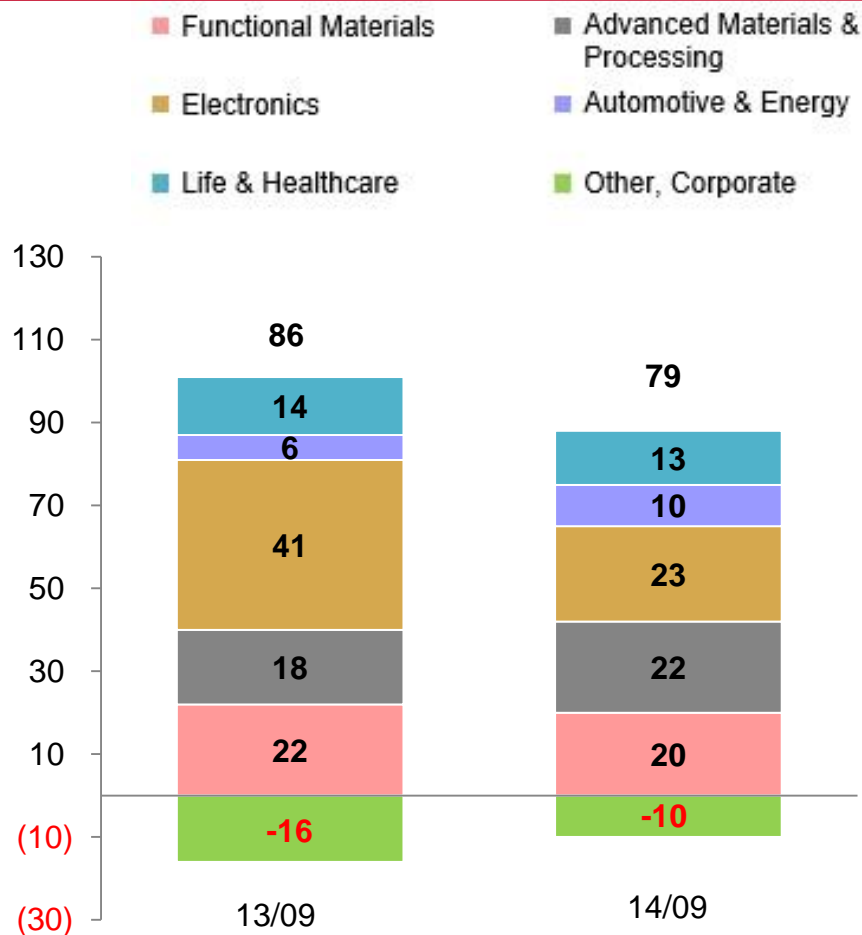
Change in Gross Profit by Segment
(100 millions of yen)



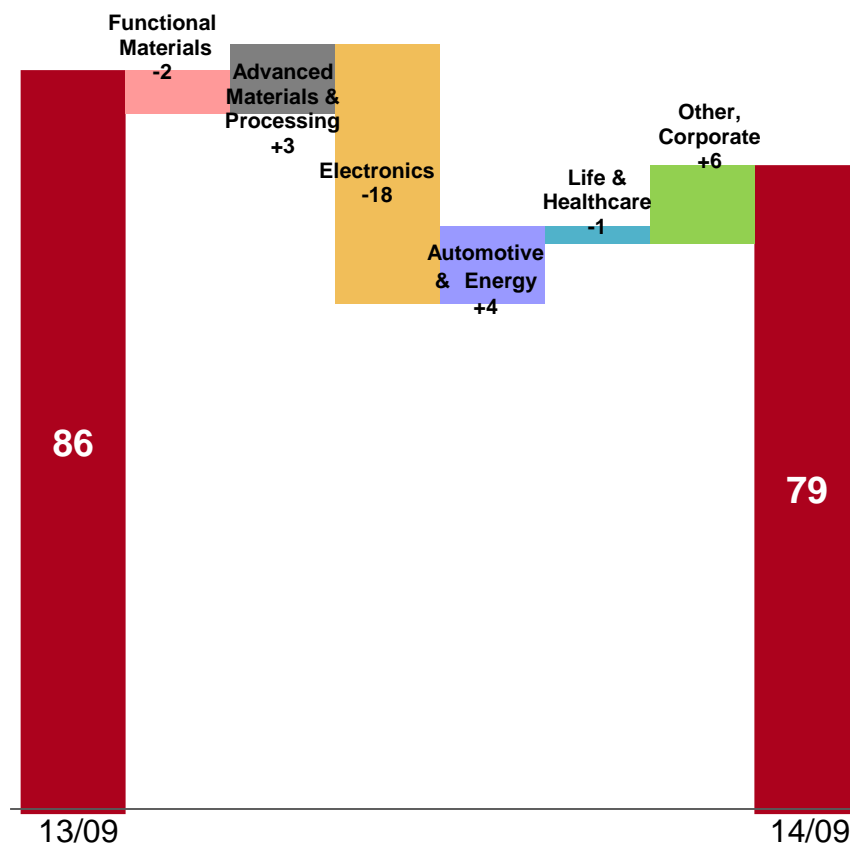
*13/09 Actual figures recategorized to reflect 15/03 reorganization for comparison.
(Transferred the network technologies development team from the Electronics segment to the Automotive & Energy segment)

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

Operating Profit by Segment (100 millions of yen)



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



*13/09 Actual figures recategorized to reflect 15/03 reorganization for comparison.
(Transferred the network technologies development team from the Electronics segment to the Automotive & Energy segment)

- Hayashibara reported slow sales of AA2G™ due to unseasonable summer weather; however, strong sales of TREHA™ and other functional saccharides in Japan and overseas led to higher revenues and profits (TREHA™ distribution agreement signed with Cargill of the U.S. Plan to expand sales in U.S. and Europe)

(millions of yen)

	Company Name	Net Sales	Vs. PY	Operating Profit	Vs. PY	Net Income	Vs. PY
Parent Company	NAGASE & CO., LTD.	224,736	102%	1,987	117%	7,434	116%
Manufacturing Companies	Hayashibara Co., Ltd.	11,755	100%	2,536	111%	2,327	96%
	Nagase ChemteX Corp.	12,912	98%	1,075	82%	843	106%
	Total for manufacturing (Note)	46,645	101%	3,706	108%	3,110	121%
Domestic Sales Companies	Nagase Plastics Co., Ltd.	16,750	109%	258	114%	168	123%
	Nagase Chemical Co., Ltd.	7,701	96%	95	94%	58	102%
	Nishinihon Nagase Co., Ltd.	3,168	100%	88	126%	53	127%
	Total for domestic sales (Note)	41,085	99%	488	74%	379	87%
Overseas Sales Companies	Nagase (Hong Kong) Ltd.	33,783	103%	680	75%	601	76%
	Nagase (Thailand) Co., Ltd.	13,602	117%	485	137%	316	136%
	Shanghai Hua Chang Trading Co., Ltd.	16,163	107%	466	95%	341	83%
	Total for overseas sales (Note)	170,045	105%	2,759	71%	2,317	64%

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

■ Shareholders' equity ratio 0.2 points lower than prior fiscal year end 49.5%→49.3%

Assets

	14/03	14/09	Change
Total current assets	3,063	3,279	+216
Cash and time deposits	349	331	-18
Notes and accounts receivable	2,029	2,179	+149
Inventories	574	652	+78
Other current assets	109	115	+6
Total non-current assets	1,917	2,015	+98
Property, plant and equipment	639	640	+1
Intangible fixed assets	530	504	-25
Investments, other assets	748	870	+121
Investments in securities	662	782	+119
Other fixed assets	85	87	+2
Total assets	4,981	5,295	+314

Liabilities and Net Assets (100 millions of yen)

	14/03	14/09	Change
Total current liabilities	1,636	1,865	+229
Notes and accounts payable	1,050	1,160	+110
Short-term loans	354	385	+31
Current portion of bonds	—	100	+100
Other current liabilities	232	219	-12
Total long-term liabilities	826	764	-61
Long-term loans	271	271	+0
Bonds	300	200	-100
Deferred tax liabilities	125	162	+37
Other	129	129	+0
Total liabilities	2,462	2,630	+167
Total net assets	2,518	2,665	+146
Shareholders' equity	2,193	2,235	+42
Accumulated other comprehensive income	273	376	+102
Translation adjustment	22	52	+30
Net unrealized holding gain on securities	247	321	+73
Others	3	2	-1
Minority interests	51	53	+1
Total liabilities and net assets	4,981	5,295	+314

- Profit generation results in +900 million yen in cash provided by operating activities. However, 1.2 billion yen decrease in cash and cash equivalents as a whole due to investment outlays for capital investment at (mainly) manufacturing subsidiaries and financing outlays due to dividend payments.

Cash Flows

(100 millions of yen)

	14/09	Main breakdown	13/09
Net cash provided by (used in) operating activities	+9	Income before income taxes +93 Depreciation and amortization +45 Working capital -81 Corporate tax, etc. -43	+43
Net cash provided by (used in) investing activities	-27	Purchases of property, plant and equipment -32 Purchases of intangible fixed assets -5 Purchases of investments securities -2 Sale of property, plant and equipment +5	-45
Net cash provided by (used in) financing activities	-3	Proceeds from short-term loans +21 Payment of dividends -17	-34
Exchange gains related to cash and cash equivalents	+8		-2
Net increase (decrease) in cash and cash equivalents	-12		-38
Cash and cash equivalents at beginning of the year	338		458
Impact of Other Changes (Changes due to accompanying new consolidation or changes in fiscal years)	+0		+1
Cash and cash equivalents at end of the year	325	Japan 168 Greater China 100 ASEAN 35 Europe 15 North America 7	420

FYE March 2015 Earnings Projections

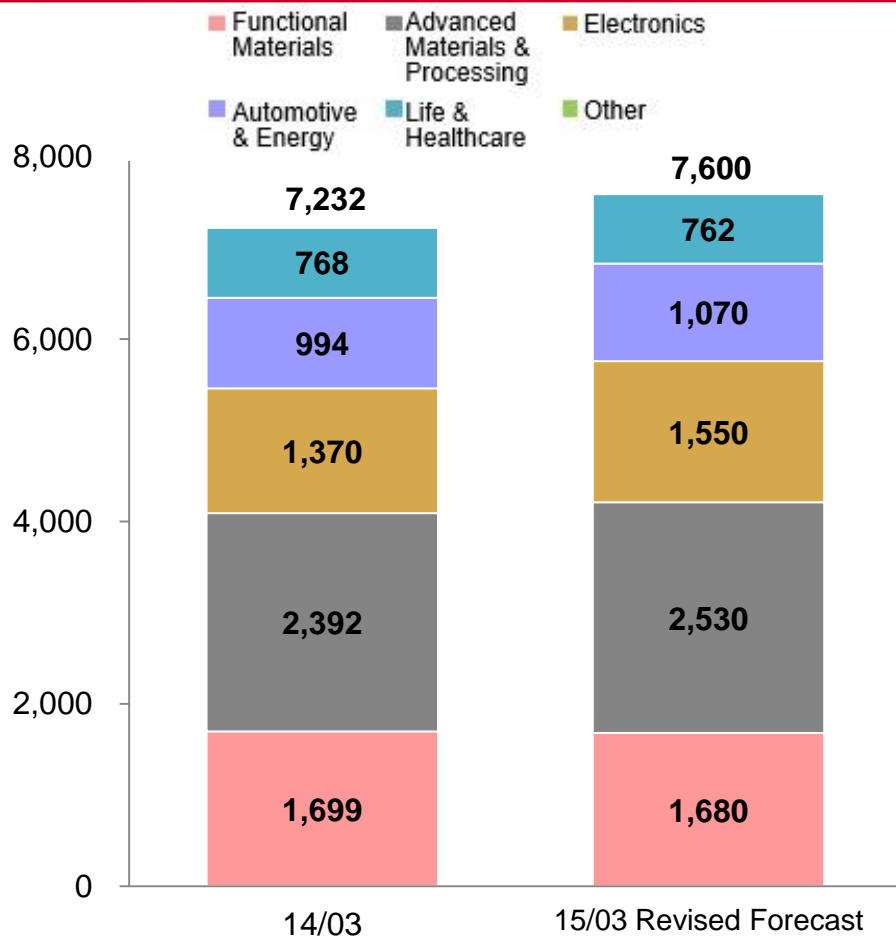
- In Japan and Asia, we forecast a slowdown in automobile-related business and challenging conditions for LCD film-related materials. However, we expect strong performance in North America for automobile-related business and plastics for office equipment and appliances. We likewise forecast strong sales of Hayashibara products overseas.

(100 millions of yen)

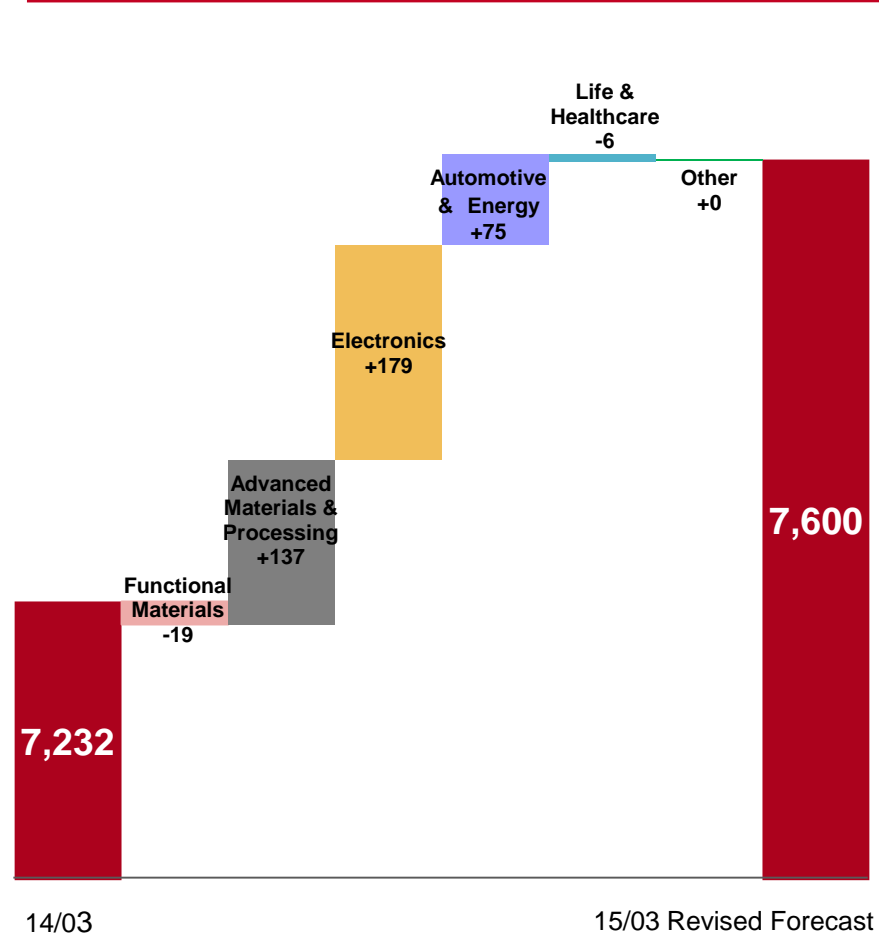
	14/03	15/03 Forecast		
	Actual	Initial Forecast	Full-Year Forecast (Revised)	Vs. PY
Net sales	7,232	7,830	7,600	105%
Gross profit	889	947	911	102%
<GP ratio>	12.3%	12.1%	12.0%	—
SG&A	731	757	743	102%
Operating profit	157	190	168	106%
Ordinary income	179	215	187	104%
Net income	116	142	128	110%
Exchange rate	@¥100.5	@¥103	@¥103	—

■ Forecast higher revenues year on year due to recovery in plastics sales and thin-glass processing business in Japan and overseas.

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



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

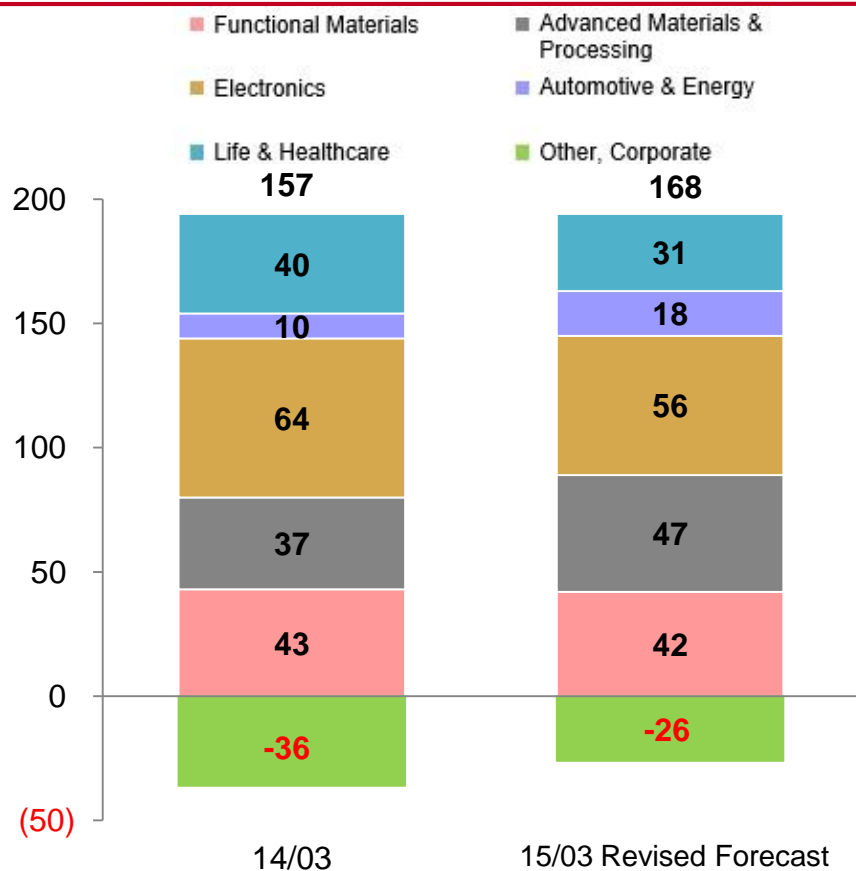


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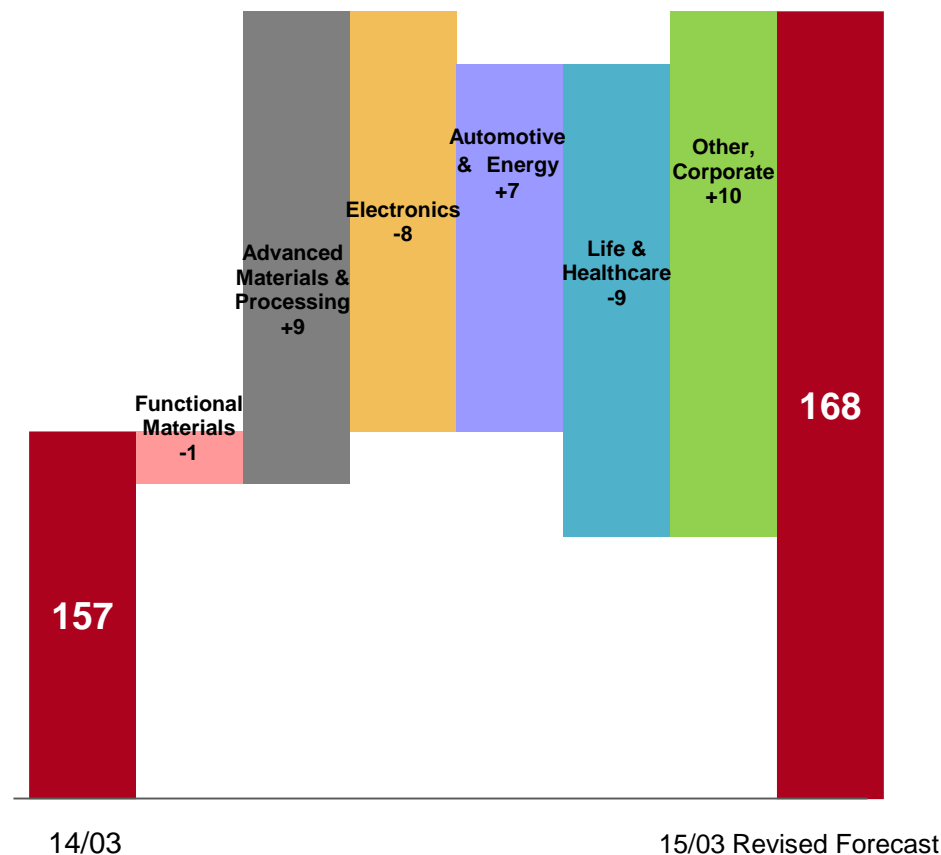
(Transferred the network technologies development team from the Electronics segment to the Automotive & Energy segment)

- In the Life & Healthcare segment, we forecast lower profits due to costs for overseas marketing development activities for Hayashibara products and slow sales in our pharmaceuticals and medical business and beauty care products business. These cost and performance factors outweigh expected strong sales for Hayashibara products.
- Lower retirement benefit costs related to amortization of actuarial differences in retirement benefit obligations expected to lead to profit improvement

Operating Profit by Segment (100 millions of yen)



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



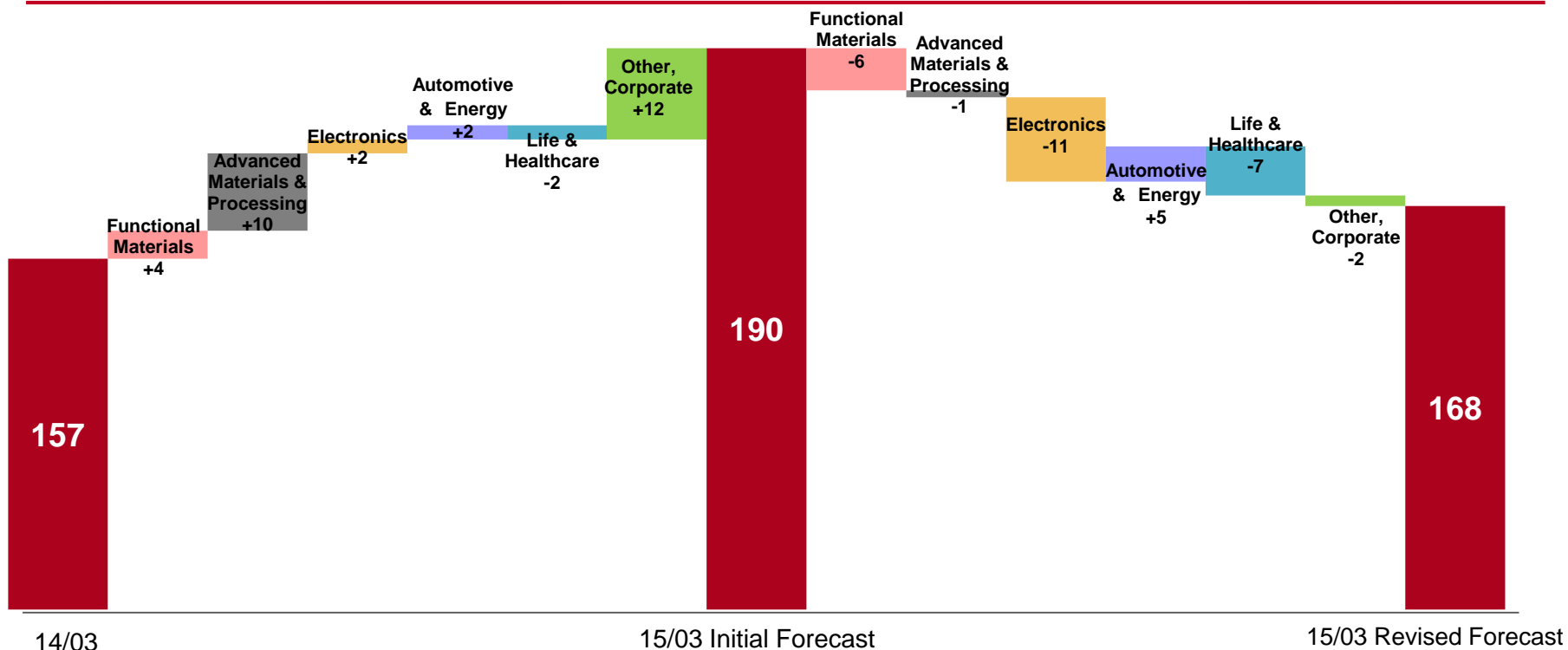
*14/03 Actual figures recategorized to reflect 15/03 reorganization for comparison.

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

[Factors leading to Revised Forecast]

- **Functional Materials:** Slower sales in Japanese coating raw materials for construction and building materials due to greater-than-anticipated effects of consumption tax rate increases
- **Electronics:** Recorded allowance for doubtful account related to collectability of specific accounts receivable; slow sales of LCD film-related materials
- **Automotive & Energy:** Strong sales of automobile-related products in Japan and overseas
- **Life & Healthcare:** Unseasonable summer weather leads to lower demand for whitening cosmetics, resulting in slow sales of AA2G™

Change in Operating Profit by Segment (100 Millions of Yen)

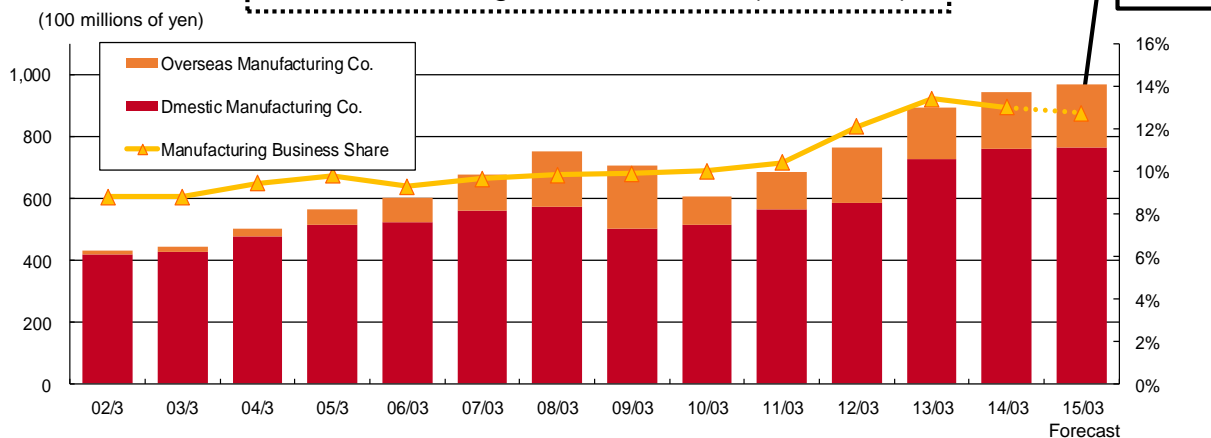


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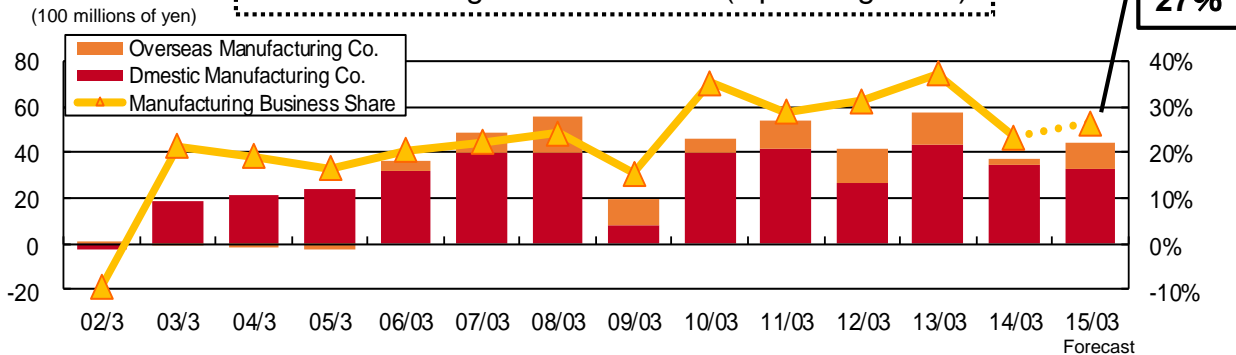
(Transferred the network technologies development team from the Electronics segment to the Automotive & Energy segment)

Investments in manufacturing functions, research and development functions, technology/information functions, and global network create identity and competitive advantage, leading to higher-quality business and corporate value improvement.

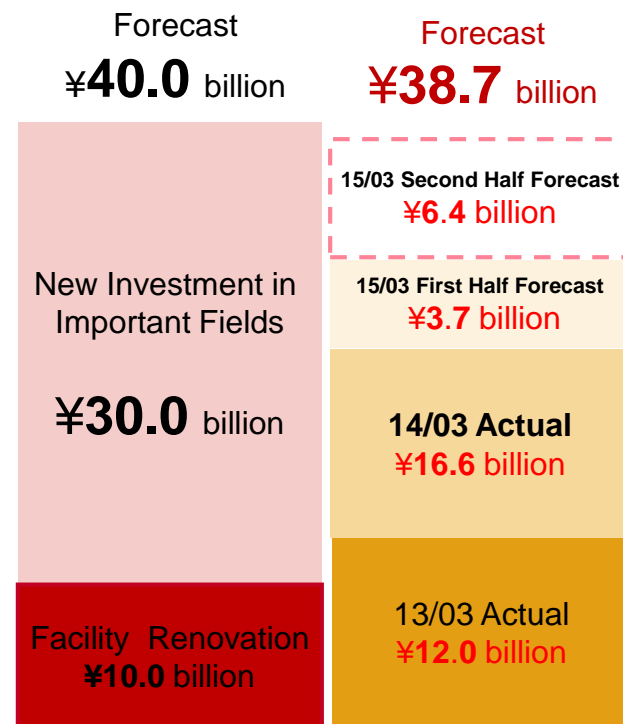
Manufacturing Business Share (Net Sales)



Manufacturing Business Share (Operating Profit)



Investment (3-Years)



Progress of Mid-term Management Plan

Positioning**Accelerate CHANGE****Basic Strategy**

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

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

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

Focus Fields

Technologies in Bio, Environment & Energy, and Electronics

Important Strategies

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

[Stronger Business in Important Fields]

1. Fields utilizing bio-related technologies

- Build a sales structure for Hayashibara products overseas; develop new clients by reassessing our sales agent policies
- Product and service development, using the Nagase R&D Center as the base for foundational biotechnology development and application

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

2. Fields utilizing environment-/energy-related technologies

- CAPTEX in midst of customized development for markets/applications for lithium ion secondary battery modules after trial and error process

→ Stage for finding core businesses ----- Launch delays cause monetization timing differences

3. Fields utilizing electronics-related technologies

- Component sales strong due to global consulting/procurement activities for smartphones and tablets
- Nagase ChemteX (Wuxi) started operations in research and development facility in China

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

[Stronger Operational Foundation]

- Improve investment quality by following Investment Guidelines; withdraw from unprofitable businesses
- Adopt new core systems at overseas entities; improve consolidated management structure

- Underperforming numerical targets; however, engaged in measures toward achievement of plan targets, concentrating on focus fields.

[Results and Forecasts]

	FYE March 2013 Results	FYE March 2014 Results	FYE March 2015 Forecast (Published Nov. 2014)	FYE March 2015 Initial Targets (Published May 2011)	Difference
Net Sales	¥666.2 billion	¥723.2 billion	¥760.0 billion	¥800.0 billion	-¥40.0 billion
Operating Profit	¥15.5 billion	¥15.7 billion	¥16.8 billion	¥30.0 billion	-¥13.2 billion
ROE	6.5%	4.9%	5.0%	8.0%	-3.0%

Major Factors

Group Manufacturing Company Profitability

Delay in manufacturing subsidiary recovery → Time axis delay; but, moving toward improved profitability
 Profit pressures due to changes in external environment (market) → Responding to movement of demand to China; diversifying products/customers

Differences in Launch Timing among Global Fields/Regions

Automotive: Generally in line with plan for China, North America
 Life & Healthcare: Continuing to build sales structure for Hayashibara and others overseas.
 Expand new-client base moving forward.

Delay in New Business Launches

Slow progress in development stages for environment and energy fields

■ Mid-Term Management Plan Issues

Long-Term View

Variances among Divisions/Group Companies

Current Growth Curve will Only Lead to Low-Order Growth

*Need Drastic Change
in Approach*

Clarify Future Goals,
Set and Share Long-Term Management Vision,
Including Basic Philosophy and Actions, within the Group

Management-Led
Long-Term Vision Project

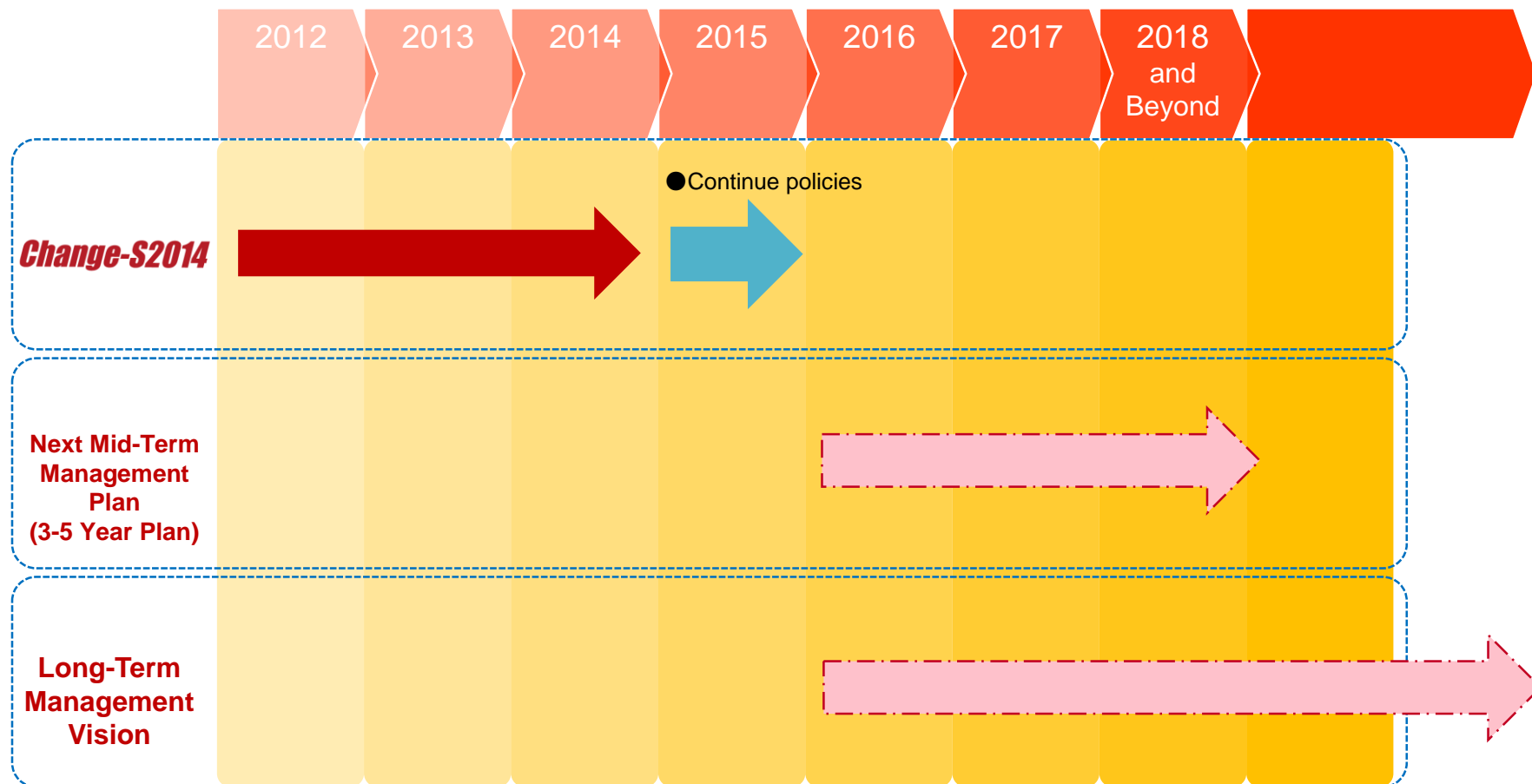
Global Branding Project
reporting Directly to President

■ Continue *Change-S2014* Policies for FYE March 2015

NAGASE Group is accelerating overseas expansion, diversifying even more → Need even greater unifying force/commitment tying the Group together

Need to share long-term future vision toward greater corporate value, guided by our management philosophy ("maintain good and fair business practices")

Plans to create long-term management vision toward 200 Years of NAGASE and Beyond



Escaping Low-Order Growth through Higher Corporate Value

Mid-term
Management Plan

Innovate	Promote	Expand/ Strengthen	Improve Business, Management Quality	Accelerate "CHANGE"
<i>WIT2000</i>	<i>WIT21</i>	<i>WIT2008</i>	<i>"CHANGE" 11</i>	<i>Change-S2014</i>
¥20.2 billion	¥23.7 billion	¥27.7 billion	¥107.4 billion	¥38.7 billion

Investment

(100 millions
of yen)

(100 millions
of yen)

8,000

300

7,000

250

6,000

200

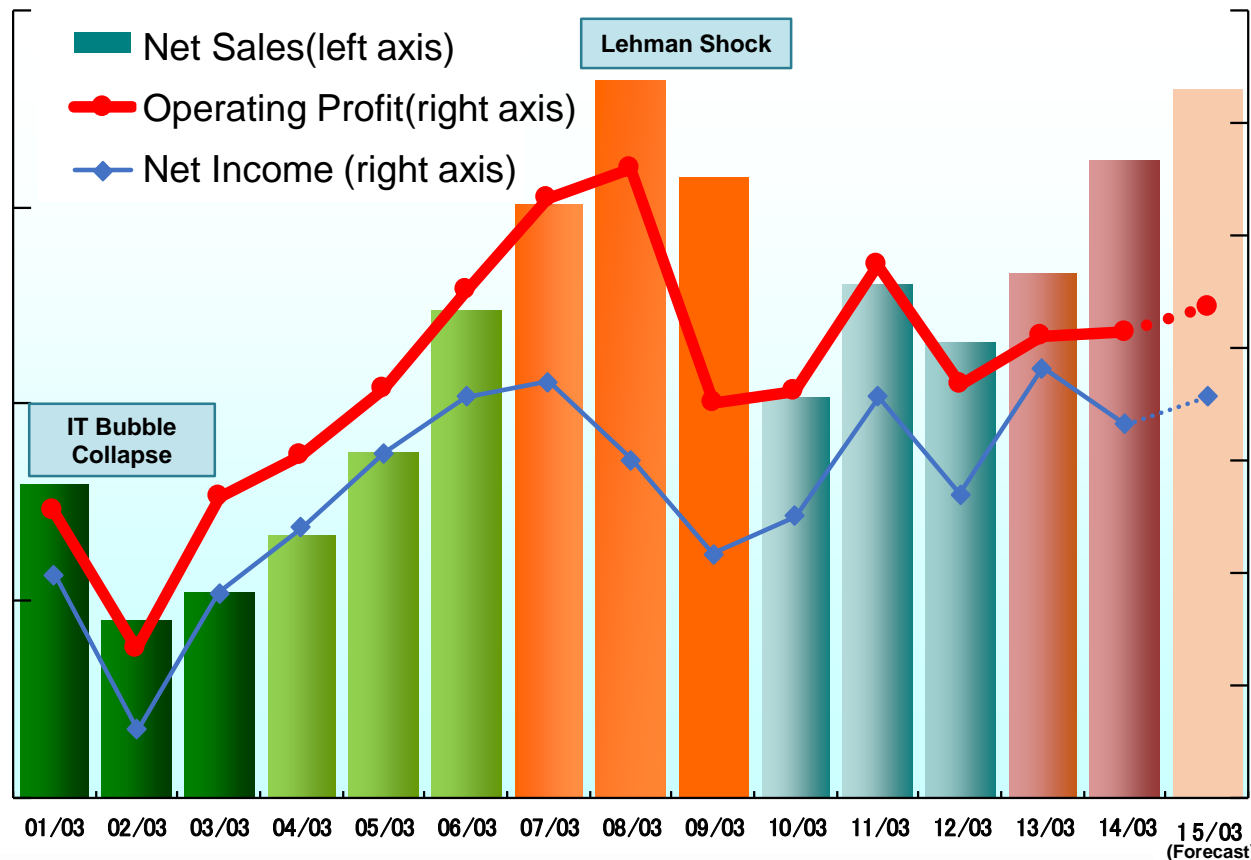
5,000

150

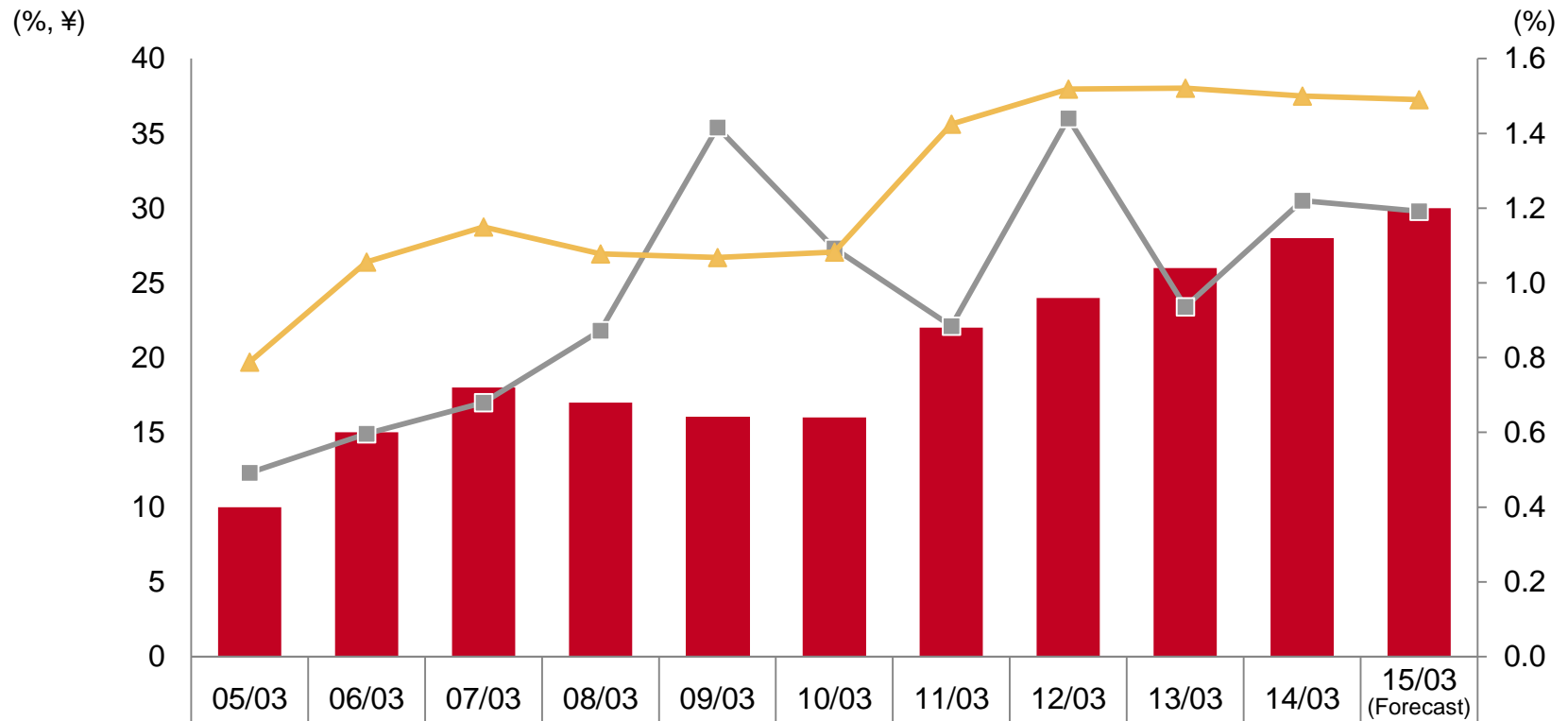
4,000

0

-50



■ Work from a base of stable dividend payments to improve per-share dividends (forecast increased payments for five consecutive years)



■ Dividend per Share (left axis)	10	15	18	17	16	16	22	24	26	28	30
■ Payout Ratio (left axis)	12.3	14.9	17.0	21.8	35.4	27.3	22.1	36.0	23.4	30.5	29.8
▲ DOE (right axis)	0.79	1.06	1.15	1.08	1.07	1.08	1.42	1.52	1.52	1.50	1.49

(Reference) Information by Segment

<Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/14		FYE03/15				
	Interim	Year Actual	Interim	Vs. PY	Full-Year Forecast (Revised)	Vs. PY	
Net sales	Domestic	816	1,668	812	100%	1,642	98%
	Overseas	219	438	221	101%	430	98%
	Eliminations	-202	-407	-195	—	-392	—
	Total	834	1,699	838	100%	1,680	99%
Operating profit	Domestic	18	36	15	84%	33	92%
	Overseas	3	7	5	135%	9	132%
	Eliminations	-0	-0	-0	—	-1	—
	Total	22	43	20	90%	42	97%

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

FYE March 2015 Second Quarter Actual

Net Sales

¥83.8 billion (100%)

- ◆ Performance chemicals business reported higher revenues driven by sales of urethane materials for automotive and home electronics, despite slow sales for raw paint materials for construction and building materials
- ◆ Specialty chemicals business flat overall. Sales to fluorine and metal working oil manufacturers in Japan were strong, as were exports of sealants.

Operating Profit

¥2.0 billion (90%)

- ◆ Lower profits due to slow performance among Japanese manufacturing businesses

FYE March 2015 Outlook

- ◇ Japan: Second-half recovery in paint raw materials for construction and building materials
- ◇ Overseas: Second-half recovery in Europe for sales of paint manufacturing process consumables
- Forecast overall lower revenues, profits due to impact of first-half performance

<Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/14		FYE03/15				
	Interim	Year Actual	Interim	Vs. PY	Full-Year Forecast (Revised)	Vs. PY	
Net sales	Domestic	777	1,584	791	102%	1,609	102%
	Overseas	714	1,429	757	106%	1,549	108%
	Eliminations	-306	- 621	-308	—	-628	—
	Total	1,184	2,392	1,240	105%	2,530	106%
Operating profit	Domestic	7	18	10	139%	21	120%
	Overseas	10	18	11	111%	24	137%
	Eliminations	+0	+0	-0	—	+0	—
	Total	18	37	22	119%	47	126%

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

FYE March 2015 Second Quarter Actual

Net Sales

¥124.0 billion (105%)

- ◆ Colors and imaging business reported lower revenues. Strong sales in dyes and additives; however, toner materials and others experienced slow sales.
- ◆ Office equipment and appliance business reported higher net sales due to gains in Northeast Asia and slightly higher performance in Japan, Southeastern Asia.
- ◆ Functional films and sheet and plastic molding products reported revenue gains. Plastic materials, materials for LCD TV reflectors, conductive polymer materials sales drive performance.

Operating Profit

¥2.2 billion (119%)

- ◆ Profit gains due to higher sales, improved profitability among certain manufacturing subsidiaries.

FYE March 2015 Outlook

- ◇ Strong sales of plastics in Japan, overseas
 - ◇ Improved profits at subsidiaries manufacturing heat-sensitive materials and plastic compounds
- Outlook reflects higher overall revenues and profits (Particularly strong performance in Northeast Asia)

<Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/14		FYE03/15				
	Interim	Year Actual	Interim	Vs. PY	Full-Year Forecast (Revised)	Vs. PY	
Net sales	Domestic	704	1,340	717	102%	1,442	108%
	Overseas	410	760	408	100%	853	112%
	Eliminations	-395	-730	-369	—	-745	—
	Total	719	1,370	756	105%	1,550	113%
Operating profit	Domestic	25	43	19	76%	36	84%
	Overseas	15	22	3	25%	21	87%
	Eliminations	+0	-3	-0	—	-1	—
	Total	41	64	23	56%	56	87%

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

* FYE March 14 figures reflect reorganization beginning FYE March 2015. (Transferred the network technologies development team from the Electronics segment to the Automotive & Energy segment)

FYE March 2015 Second Quarter Actual

Net Sales

¥75.6 billion (105%)

- ◆ Electronic Chemicals reported lower overall revenues, due to slightly weaker sales of formulated epoxy resin for the heavy and light electrical machinery markets and chemicals used in semiconductor and LCD panel manufacturing
- ◆ Electronic Materials business recorded gains driven by higher sales of LED-related products, thin-glass processing, and touch-panel materials

Operating Profit

¥2.3 billion (56%)

- ◆ Operating profit lower year on year, due to lower profit ratios for Japanese sales and manufacturing businesses, as well as allowance for doubtful accounts related to a customer of NAGASE's subsidiary in Taiwan

FYE March 2015 Outlook

- ◇ Strong second-half performance for formulated epoxy resins
- ◇ Recovery for thin-glass processing business
- Overall forecast of higher revenues and lower profits, due to the recording of allowance for doubtful accounts

<Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/14		FYE03/15				
	Interim	Year Actual	Interim	Vs. PY	Full-Year Forecast (Revised)	Vs. PY	
Net sales	Domestic	247	519	270	109%	554	107%
	Overseas	306	645	348	114%	729	113%
	Eliminations	-79	-170	-99	—	-214	—
	Total	474	994	519	109%	1,070	108%
Operating profit	Domestic	-3	-6	-0	—	-2	—
	Overseas	9	17	11	114%	20	116%
	Eliminations	-0	-0	+0	—	+0	—
	Total	6	10	10	164%	18	175%

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

* FYE March 14 figures reflect reorganization beginning FYE March 2015. (Transferred the network technologies development team from the Electronics segment to the Automotive & Energy segment)

FYE March 2015 Second Quarter Actual

Net Sales

¥51.9 billion (109%)

- ◆ Automobile-related business showed growth, mainly due to strong sales of certain vehicle models in Japan and stronger sales in Northeastern Asia and North America
- ◆ Overall growth in the energy business, driven by gains in industrial solar power systems and products for lithium ion batteries

Operating Profit

¥1.0 billion (164%)

- ◆ Operating profit higher, mainly due to sales gains and improved profits among domestic manufacturing businesses

FYE March 2015 Outlook

- ◇ Continued strength in North America during second half, despite uncertainties in Japanese and Asian markets related to our automobile-related business
 - ◇ Narrower losses among energy business-related manufacturing subsidiaries
- Forecast overall higher revenues and profits

<Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/14		FYE03/15				
	Interim	Year Actual	Interim	Vs. PY	Full-Year Forecast (Revised)	Vs. PY	
Net sales	Domestic	457	953	459	101%	947	99%
	Overseas	52	109	57	110%	123	112%
	Eliminations	-144	-294	-148	—	-309	—
	Total	365	768	369	101%	762	99%
Operating profit	Domestic	29	67	28	98%	60	90%
	Overseas	1	3	0	56%	2	68%
	Eliminations	-16	-30	-16	—	-31	—
	Total	14	40	13	92%	31	78%

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

FYE March 2015 Second Quarter Actual

Net Sales

¥ 36.9 billion (101%)

- ◆ Life & healthcare products business showed higher revenues, with strong performance in trehalose and other food materials (Japan, overseas); increased sales of raw materials for toiletries
- ◆ Beauty Care business reported lower sales due to front-loaded demand before consumption tax increases and fewer new products

Operating Profit

¥1.3 billion (92%)

- ◆ Lower profit due mainly to slow sales of beauty care products

FYE March 2015 Outlook

- ◇ Hayashibara Products: Continued strong sales of trehalose and recovery for AA2G™ sales throughout second half
 - ◇ Lower profits among manufacturing subsidiaries due to weak performance in pharmaceutical intermediates
- Forecast overall lower revenues and profits

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These presentation materials contain forward-looking projections based on assumptions, forecasts, and plans as of November 28, 2014. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.