

**NAGASE**



**FYE March 2014**  
**Financial Briefing**

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

**NAGASE & CO., LTD.**

**May 27, 2014**

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**FYE March 2014 Results**

- Operating profit was higher due to the impact of the weak yen (net sales: up ¥56.9 billion vs. prior year; operating profit: up ¥ 200 million vs. prior year)
- Net profit of ¥11.6 billion including booking of gain on sale of fixed assets from prior period (¥2.5 billion down vs. prior year)

(100 millions of yen)

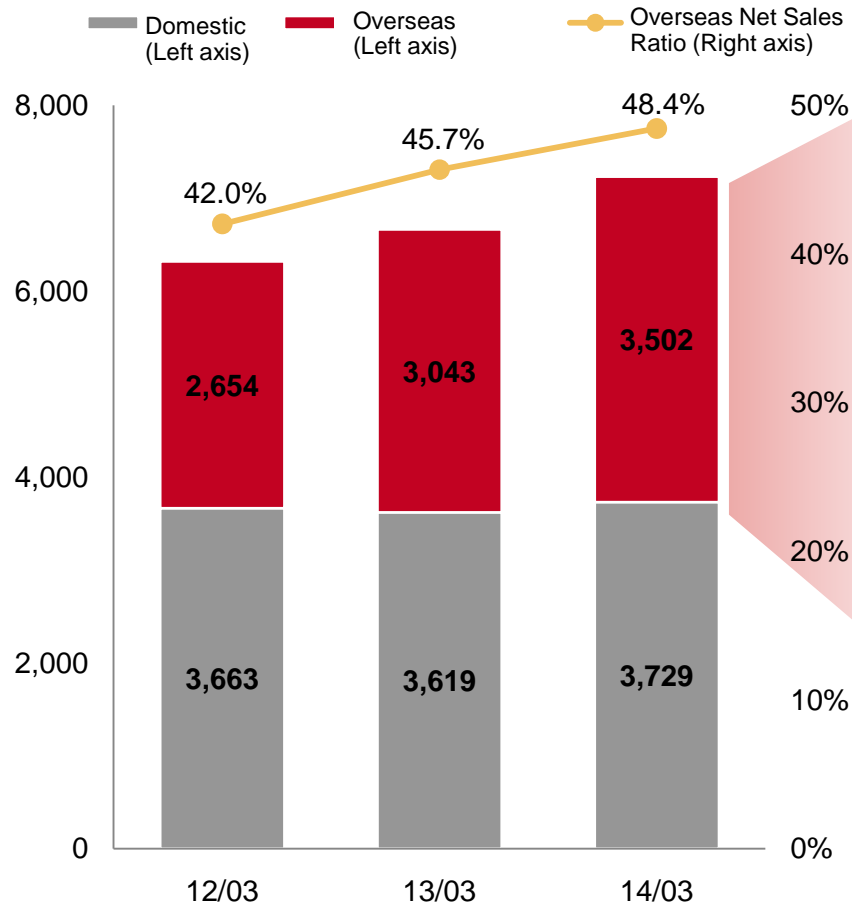
	13/03	14/03	Change	Vs. PY	Published Figures (2Q Revision)	Difference	Growth Rate
Net sales	6,662	7,232	+569	109%	7,250	-17	100%
Gross profit	825	889	+63	108%	904	-14	98%
<GP rate>	12.4%	12.3%	—	-0.1%	12.5%	—	—
SG&A expenses	670	731	-61	109%	747	-15	98%
Operating profit	155	157	+2	101%	157	+0	101%
Ordinary income	179	179	-0	100%	182	-2	98%
Net income	141	116	-25	82%	118	-1	99%
Exchange rate	@¥83.3	@¥100.5	-¥17.2		@¥98.2		

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

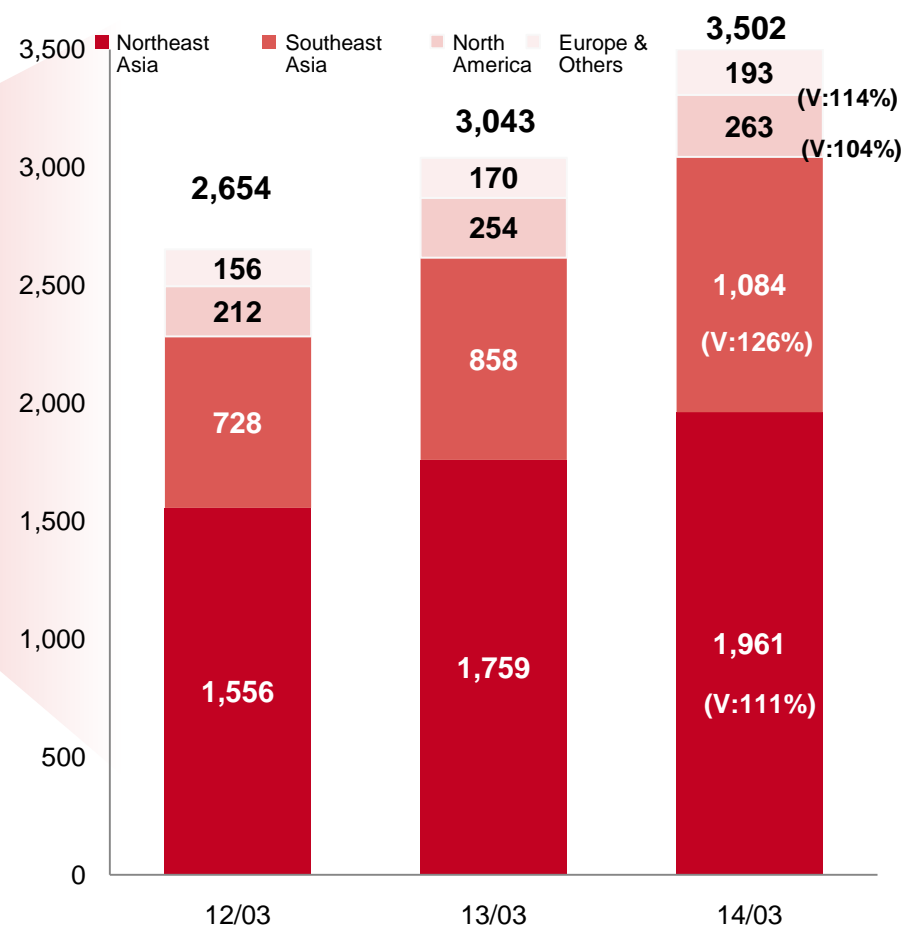
	Impact of dollar/yen rate	Impact on 14/03 Actual
Net sales	¥3.6 billion	+¥62.9 billion
Operating profit	¥0.08 billion	+¥1.5 billion

- Higher net sales in all regions due to the weak yen; higher overseas sales vs. total sales
- Southeast Asia in particular, strong sales of office equipment, appliances, and automobile-related products (126% vs. prior year)

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



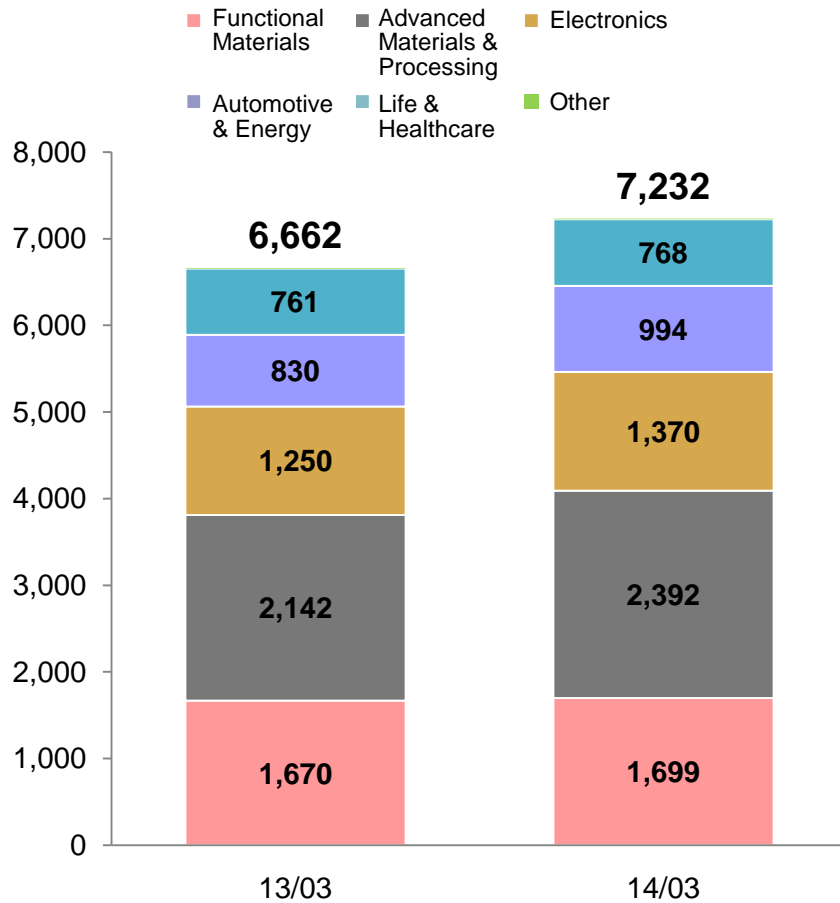
### Overseas Sales by Region (100 millions of yen)



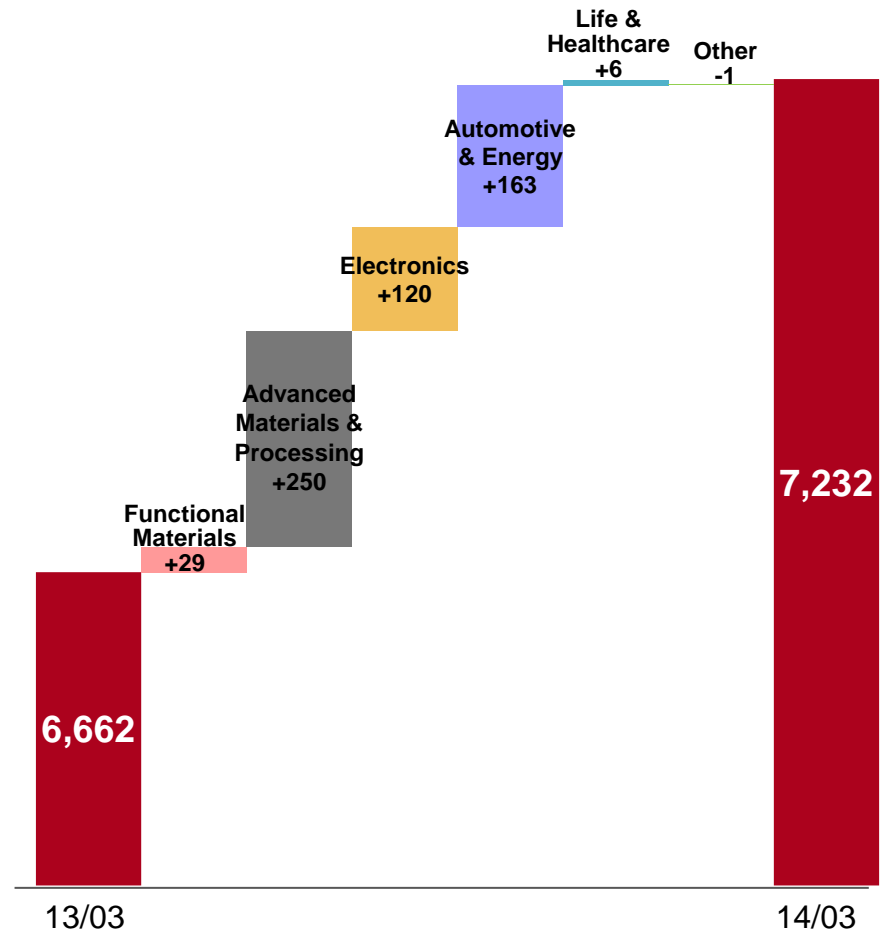
\*V = Vs. Prior year

- Strong sales of plastics in the office equipment and appliances business, both Japan and overseas
- Strong sales of automobile-related components associated with higher automobile production, both Japan and overseas

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

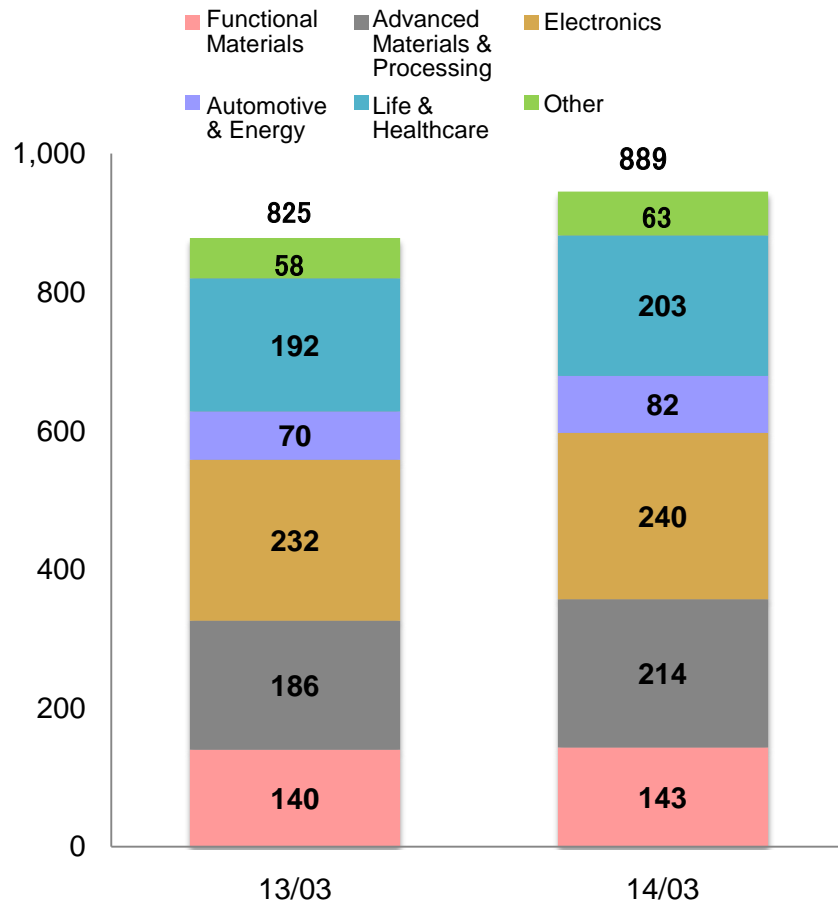


### Change in Net Sales by Segment (100 millions of yen)

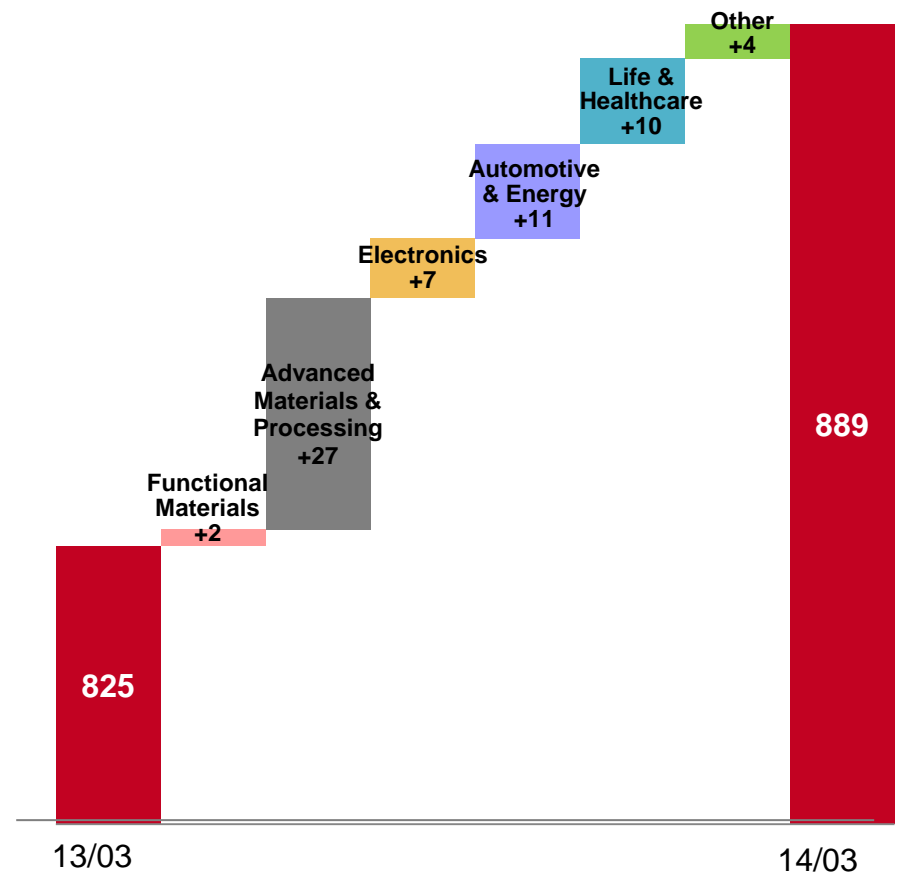


### Higher profits driven by higher revenues

#### Gross Profit by Segment (100 millions of yen)

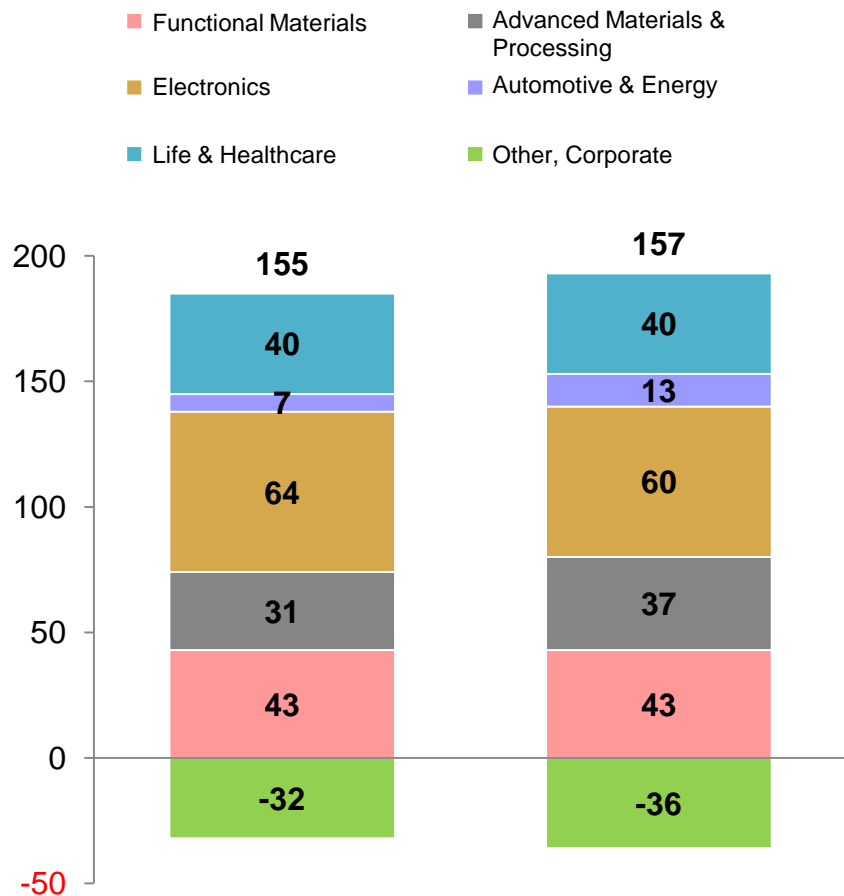


#### Change in Gross Profit by Segment (100 millions of yen)

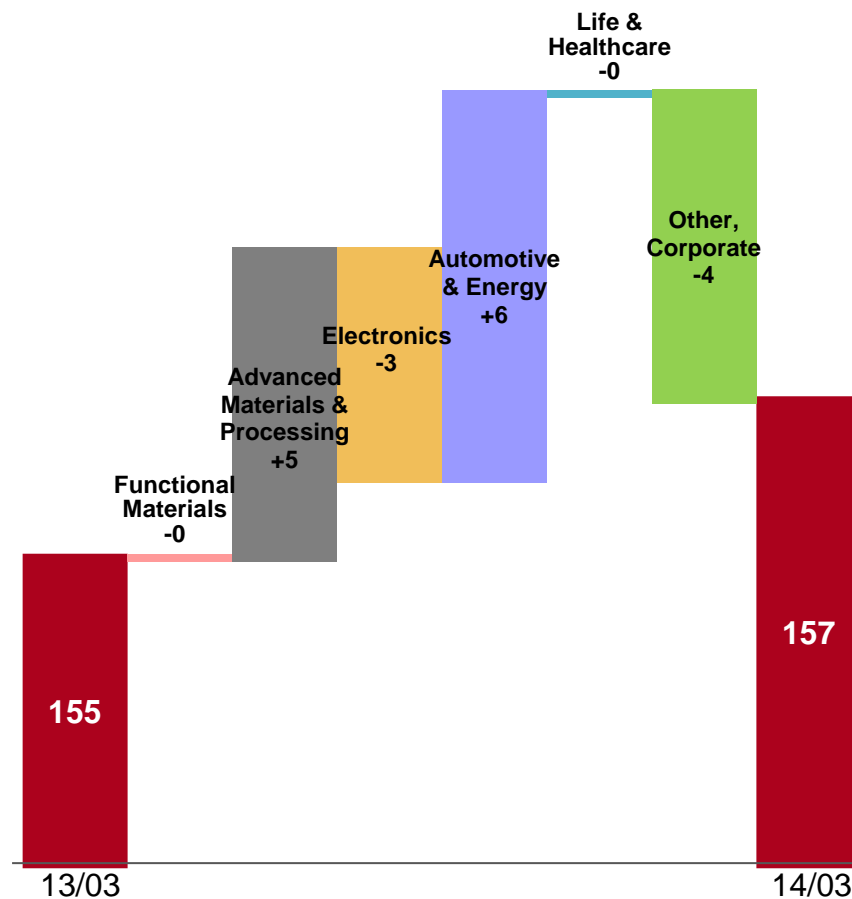


### ■ Increase in retirement benefit costs due to amortizing retirement benefit obligation actuarial differences

#### Operating Profit by Segment (100 millions of yen)



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

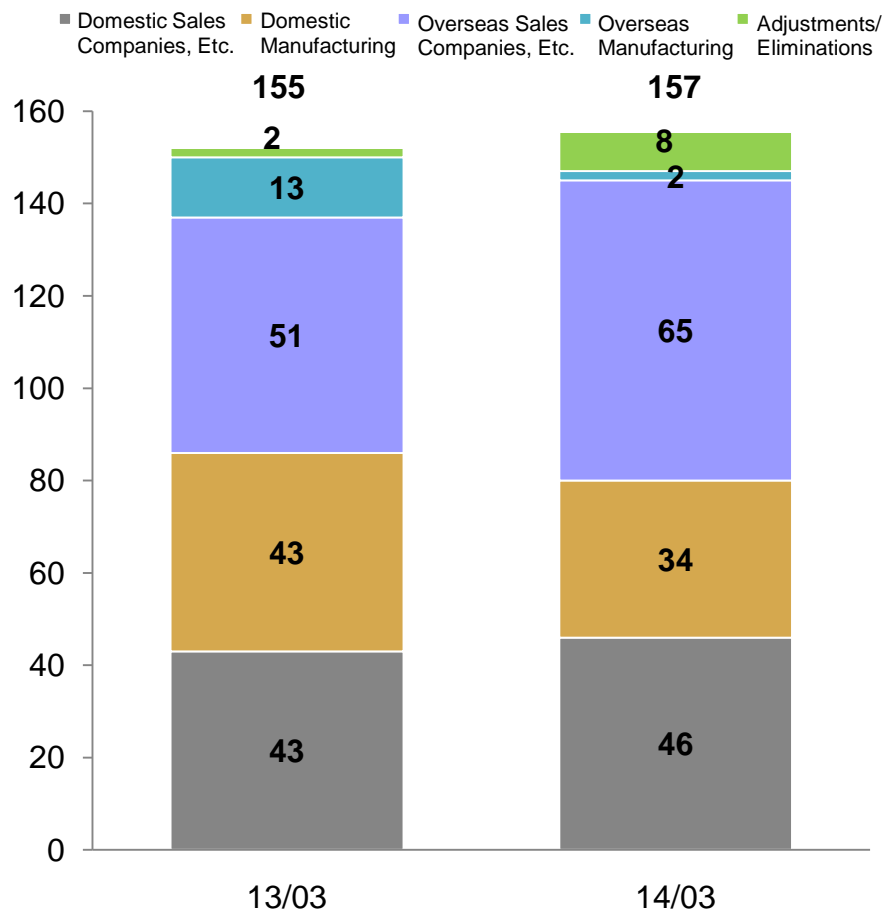




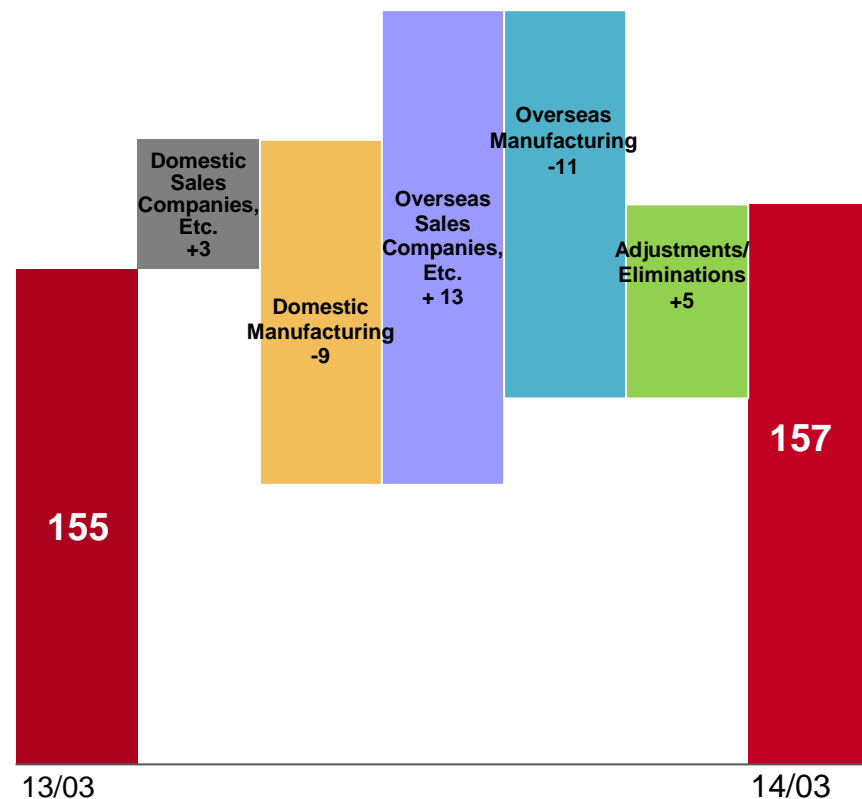
## Operating Profit: Two-Year Comparison (By Company Format)

- Strong performance in plastics for office equipment and appliances and automobile-related components; profit gains among Japanese and overseas sales companies
- Certain unprofitable manufacturing companies improved revenues; however, overall lower profits among manufacturing companies due to weak performance in glass panel processing business

### Operating Profit by Company Format (100 millions of yen)



### Change in Operating Profit by Company Format (100 millions of yen)



- Hayashibara reported lower revenues due to sell-down of unprofitable products and changes in Group product distribution; however, trehalose and other functional saccharides sold well in Japan and overseas. Lower profits due to adoption of new systems and other costs related to improving governance

(millions of yen)

	Company Name	Net Sales	Vs. PY	Operating Profit	Vs. PY	Net Income	Vs. PY
Parent Company	<b>NAGASE &amp; CO., LTD.</b>	<b>441,849</b>	<b>104%</b>	<b>2,864</b>	<b>96%</b>	<b>5,901</b>	<b>89%</b>
Manufacturing Companies	Hayashibara Co., Ltd.	24,304	96%	4,987	88%	4,704	71%
	Nagase ChemteX Corp.	26,130	99%	2,406	88%	1,564	113%
	Pac Tech (Europe)	3,411	141%	418	89%	341	88%
	Total for manufacturing (Note)	94,108	105%	6,975	78%	4,796	73%
Domestic Sales Companies	Nagase Plastics Co., Ltd.	32,790	113%	465	153%	258	161%
	Nagase Beauty Care Co., Ltd.	5,537	104%	257	180%	137	200%
	Nagase Chemical Co., Ltd.	16,452	104%	205	104%	110	99%
	Total for domestic sales (Note)	86,349	108%	1,503	143%	797	129%
Overseas Sales Companies	Nagase (Hong Kong) Ltd.	63,465	110%	1,571	149%	1,362	170%
	Nagase (Thailand) Co., Ltd.	32,699	110%	1,008	104%	803	110%
	Shanghai Hua Chang Trading Co., Ltd.	29,480	132%	794	106%	650	113%
	Total for overseas sales (Note)	320,425	116%	6,530	127%	5,835	128%

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

■ Shareholders' equity ratio improved 2.6 points to 49.5% (vs. 46.9% at prior year end)

Assets				Liabilities and Net Assets (100 millions of yen)			
	13/03	14/03	Change		13/03	14/03	Change
<b>Total current assets</b>	<b>3,057</b>	<b>3,063</b>	<b>+6</b>	<b>Total current liabilities</b>	<b>1,658</b>	<b>1,636</b>	<b>-21</b>
Cash and time deposits	466	349	-117	Notes and accounts payable	1,079	1,050	-29
Notes and accounts receivable	1,960	2,029	+69	Short-term loans	354	354	-0
Inventories	518	574	+55	Other current liabilities	223	232	+8
Other current assets	111	109	-2	<b>Total long-term liabilities</b>	<b>831</b>	<b>826</b>	<b>-5</b>
<b>Total non-current assets</b>	<b>1,809</b>	<b>1,917</b>	<b>+107</b>	Long-term debt	326	271	-54
Property, plant and equipment	609	639	+29	Bonds	300	300	—
Intangible fixed assets	552	530	-22	Accrued retirement benefits for employees (Net defined benefit liability)	102	118	+15
Investments, other assets	647	748	+100	Others (deferred tax liabilities)	102	135	+33
Investments in securities	568	662	+94	<b>Total liabilities</b>	<b>2,489</b>	<b>2,462</b>	<b>-26</b>
Other fixed assets	78	85	+6	<b>Total net assets</b>	<b>2,378</b>	<b>2,518</b>	<b>+140</b>
				Shareholders' equity	2,117	2,193	+75
				Accumulated other comprehensive income	167	273	+106
				Translation adjustment	-12	22	+34
				Net unrealized holding gain on securities	179	247	+67
				Others	-0	3	+3
				Stock acquisition rights	0	—	-0
				Minority interests	92	51	-40
<b>Total assets</b>	<b>4,867</b>	<b>4,981</b>	<b>+113</b>	<b>Total liabilities and net assets</b>	<b>4,867</b>	<b>4,981</b>	<b>+113</b>

- Cash flows from operating activities up ¥12.7 billion due to profit creation; however, outlays for capital investment and repayment of long-term loans led to ¥12.1 billion decrease in cash and cash equivalents

### Cash Flows

(100 millions of yen)

	14/03	Main breakdown	13/03
Net cash provided by (used in) operating activities	+127	Income before income taxes +183 Depreciation and amortization +86 Goodwill amortization+16 Impairment loss +13 Working capital -117 Corporate tax, etc. -63	+185
Net cash provided by (used in) investing activities	-141	Purchases of property plant and equipment -101 Purchases of investments securities -33 Intangible fixed assets -16	-95
Net cash provided by (used in) financing activities	-118	Repayment of long-term debt -104 Payment of dividends -34	+11
Exchange gains related to cash and cash equivalents	+11		24
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-121</b>		<b>+126</b>
Cash and cash equivalents at beginning of the year	+458		+285
Impact of Other Changes (Changes due to accompanying new consolidation or changes in fiscal years)	+1		+46
<b>Cash and cash equivalents at end of the year</b>	<b>+338</b>	Japan +152 Greater China +118 Europe +14	<b>+458</b>

**FYE March 2015 Earnings Projections**

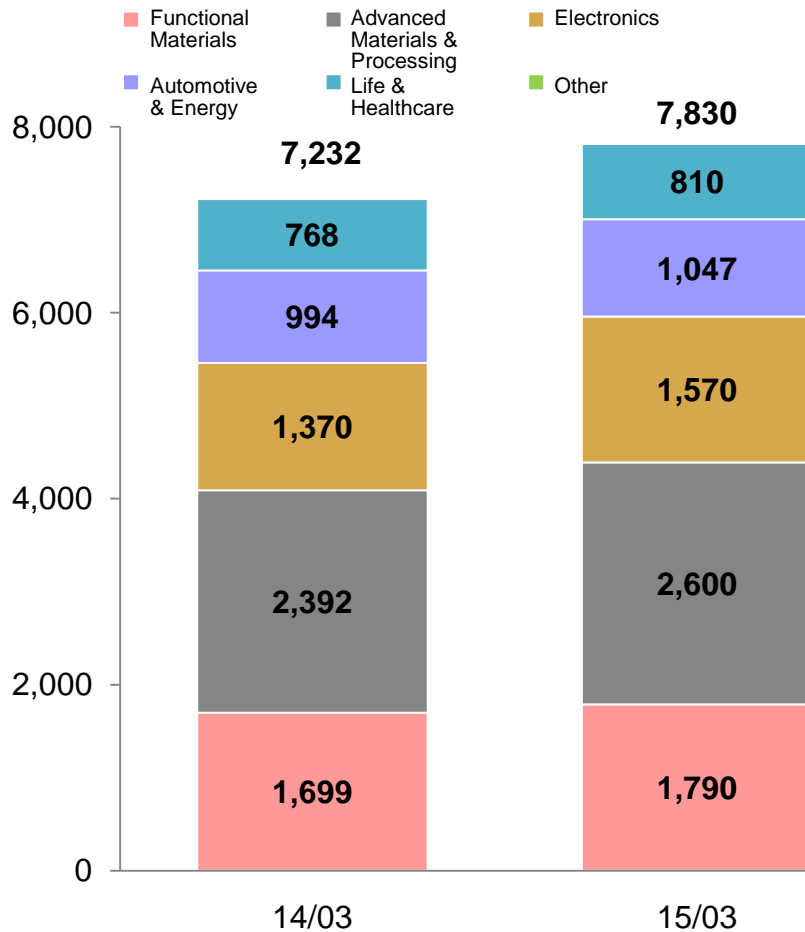
- Higher sales particularly in Advanced Materials & Processing and Electronics segments, mainly in Asia
- Measures to improve performance among unprofitable subsidiaries

(100 millions of yen)

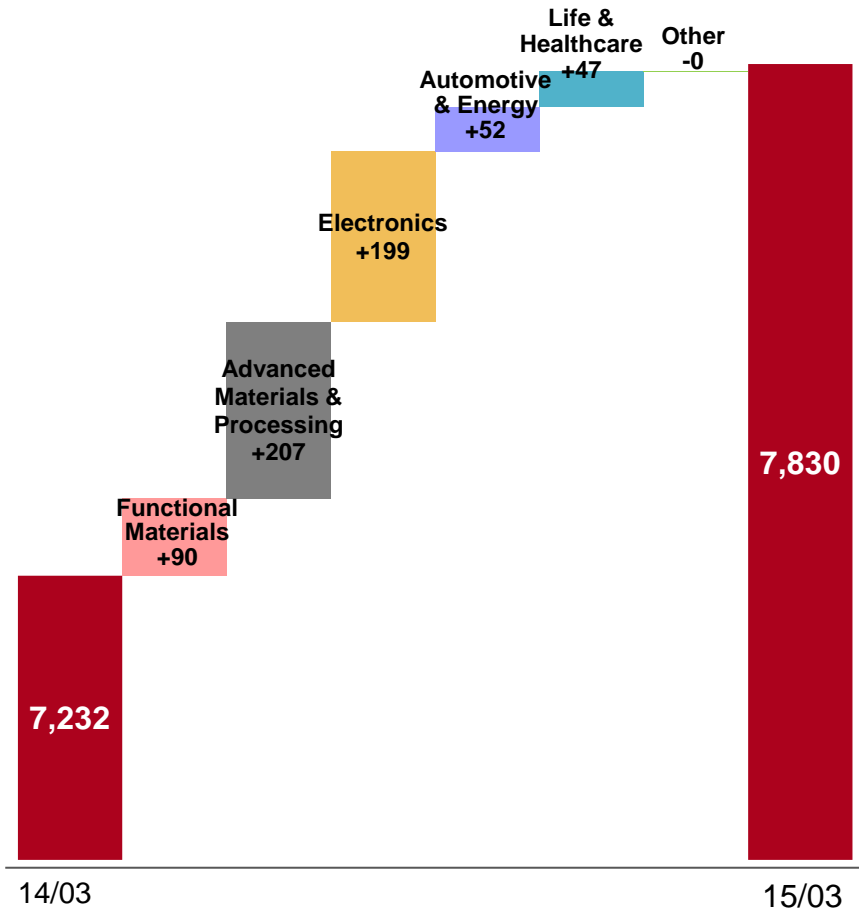
	14/03 Actual	15/03 Forecast	Change	Vs. PY
Net sales	7,232	7,830	+597	108%
Gross profit	889	947	+57	107%
<GP rate>	12.3%	12.1%	—	—
SG&A	731	757	+25	104%
Operating profit	157	190	+32	120%
Ordinary income	179	215	+35	120%
Net income	116	142	+25	122%
Exchange rate	@¥100.5	@¥103.0	-¥2.5	—

- Strong sales of plastics for office equipment and appliances
- Strong sales of smartphone- and tablet-related business

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



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

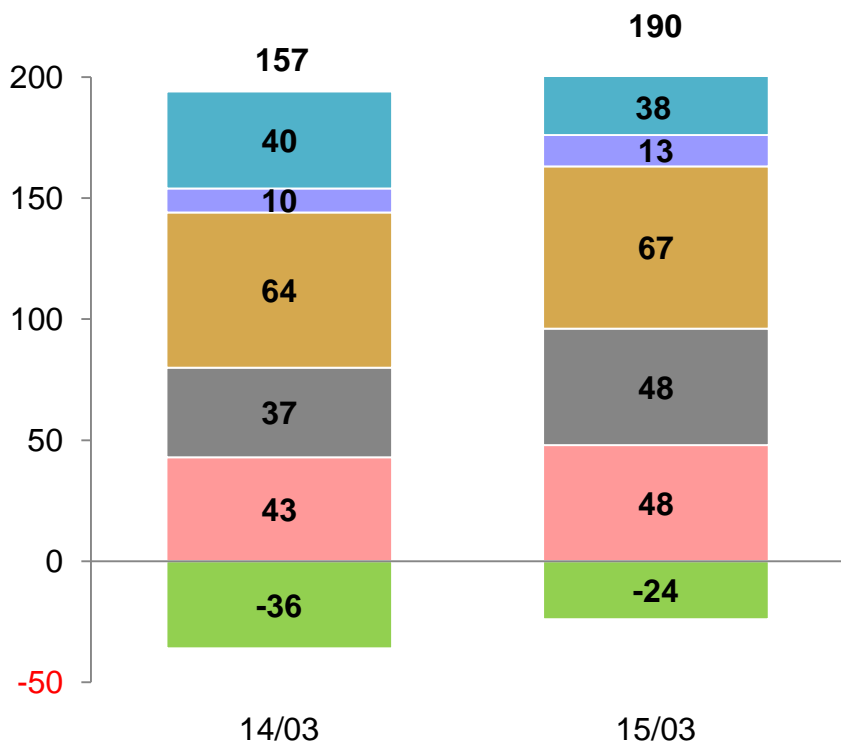


\*14/03 Actual figures recategorized to reflect 15/03 reorganization for comparison.  
(Transferred the network technologies development team from the Electronics segment to the Automotive & Energy segment)

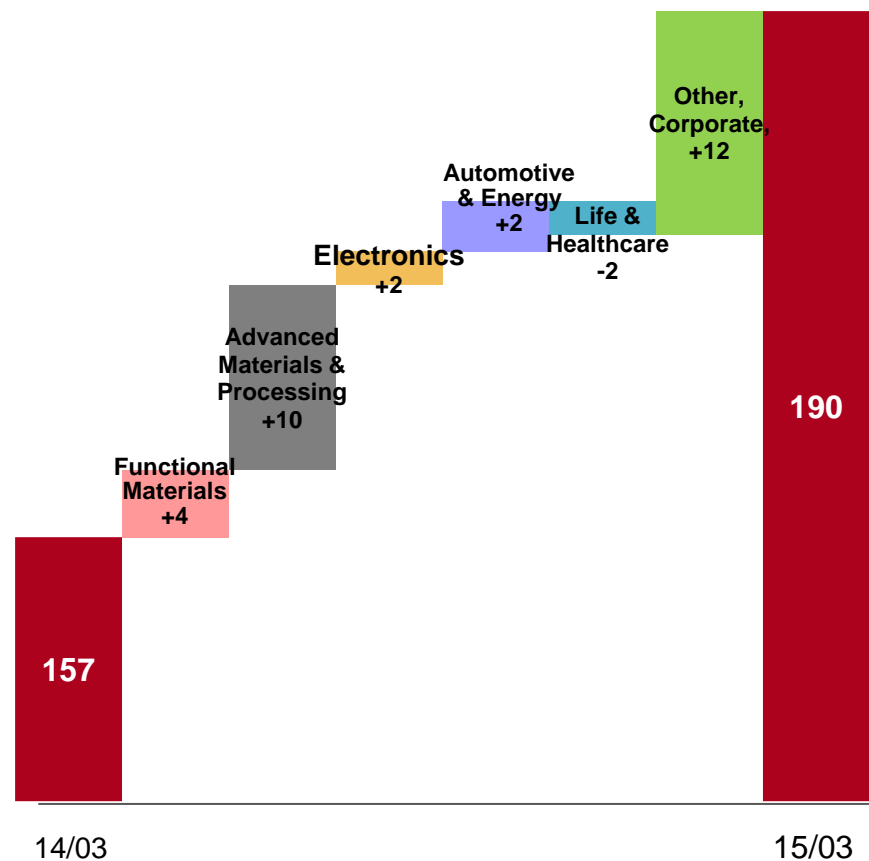
- Improved performance among unprofitable subsidiaries
- Improved retirement benefit costs due to amortizing retirement benefit obligation actuarial differences

### Operating Profit by Segment (100 millions of yen)

- Functional Materials
- Advanced Materials & Processing
- Electronics
- Automotive & Energy
- Life & Healthcare
- Other, Corporate



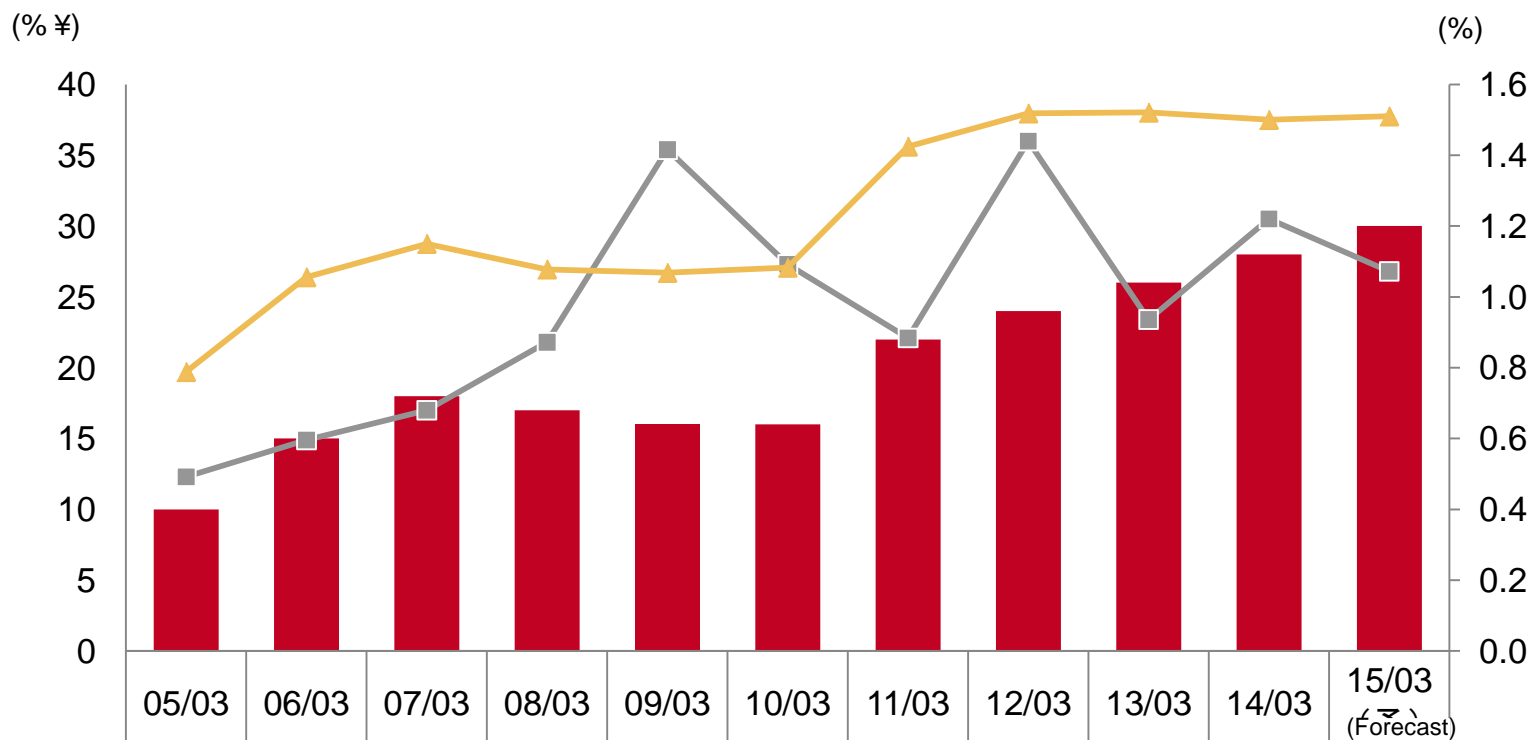
### Change in Operating Profit by Segment (100 millions of yen)



\*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)



- Improve revenue-generating capacity and to build greater corporate strength
- Continue to offer consistent dividends to our shareholders



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	26.8
DOE (Right Axis)	0.79	1.06	1.15	1.08	1.07	1.08	1.42	1.52	1.52	1.50	1.51

**Progress of Medium-term Management Plan**

## ■ Significant gap vs. final-year operating profit target

[Actual & Forecast]

	FY2012 Actual	FY2013 Actual	FY2014 Forecast	FY2014 Targets	Difference
Net sales	¥666.2 billion	¥723.2 billion	¥783.0 billion	¥800.0 billion	¥17.0 billion
Operating profit	¥15.5 billion	¥15.7 billion	¥19.0 billion	¥30.0 billion	¥11.0 billion
ROE	6.5%	4.9%	5.6%	8.0%	-2.4%

## Main factors

Improved profitability among Group manufacturing companies

Disparities between global expansion fields, inter-regional expansion

Delay in launch of new businesses

## [Stronger Business in Important Fields]

### 1. Fields utilizing bio-related technologies

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

- 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

### 2. Fields utilizing environment/energy-related technologies

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→ Stage for finding core businesses

- Growth in sales of solar power systems due to increase in market size
- Accelerate customized development of CAPTEX lithium ion secondary battery module market/applications

### 3. Fields utilizing electronics-related technologies

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→ Stage for finding the core business after next

- 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

## [Stronger Operational Foundation]

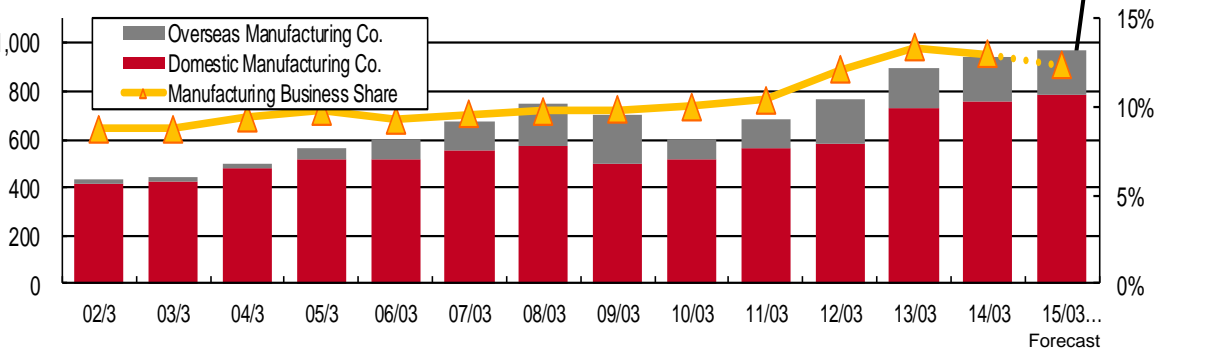
- Improve investment quality by following Investment Guidelines; withdraw from unprofitable businesses
- Adopt new core systems at overseas entities; improve consolidated management structure
- Foster global-minded employees

Improve and enhance training systems; establish Nagase Global HR Development Center (also BCP compatible) in Sendagaya to incorporate diversified worldwide Group businesses

Investments in manufacturing functions, research and development functions, technology/information gathering, and global network improvements have led to proprietary and market advantages, strengthening our health and corporate value.

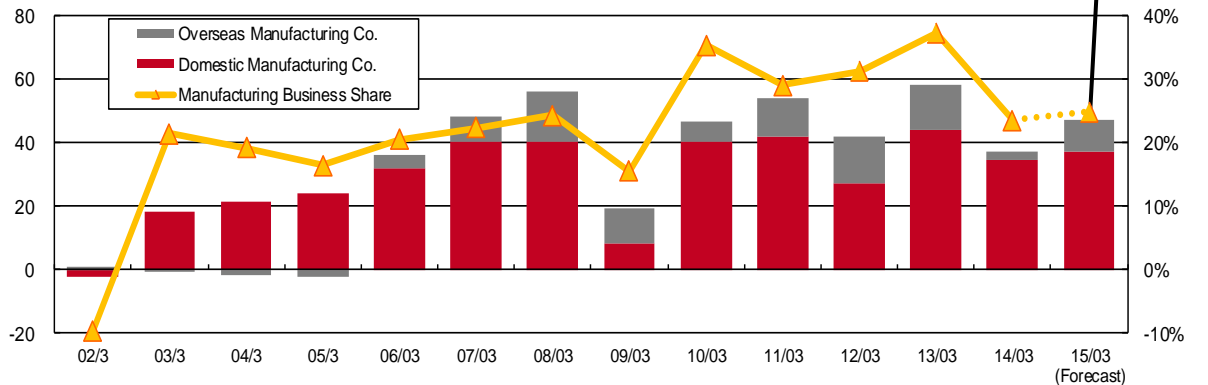
Manufacturing Business Share (Net Sales)

(100 millions of yen)

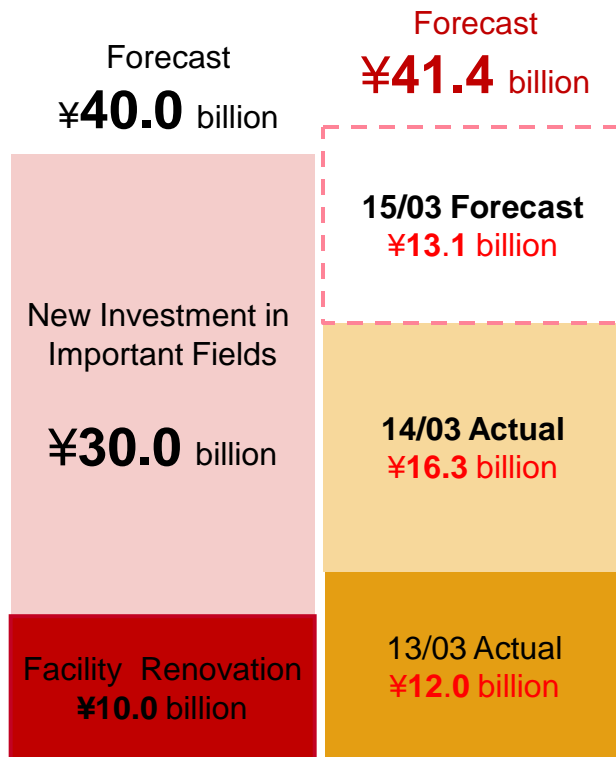


Manufacturing Business Share (Operating Profit)

(100 millions of yen)



Investment (3-Years)



### Change-S2014

Medium-term  
Management Plan



Investment



(100 millions of yen) **8,000**

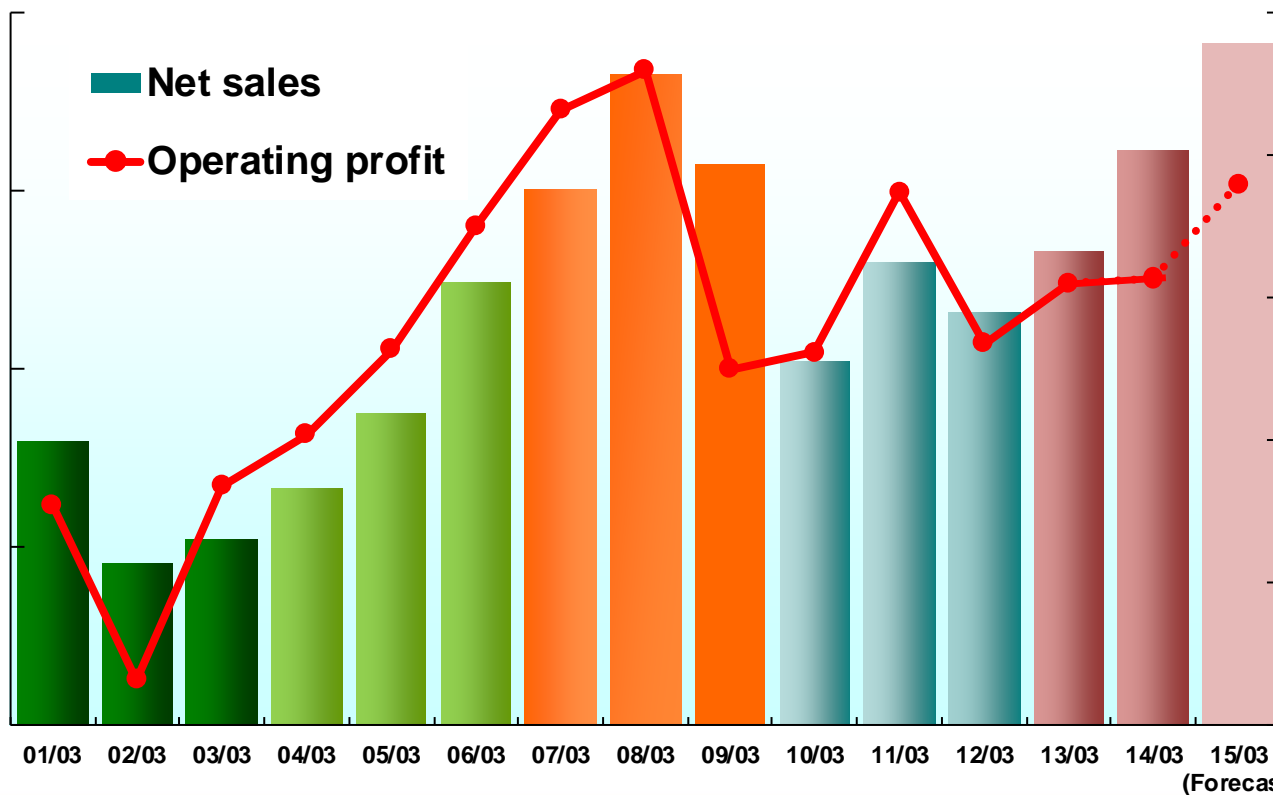
**8,000**

**7,000**

**6,000**

**5,000**

**4,000**



**250**

**200**

**150**

**100**

**50**

**0**

(100 millions of yen)

(Forecast)

**(Reference) Information by Segment**

## <Net Sales/Operating Profit by Location >

(100 millions of yen)

	FYE03/14		FYE03/15		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
<b>Net sales</b>	<b>Domestic</b>	1,668	106%	1,766	106%
	<b>Overseas</b>	438	92%	463	106%
	<b>Eliminations</b>	-407	-	-438	-
	<b>Total</b>	1,699	102%	1,790	105%
<b>Operating profit</b>	<b>Domestic</b>	36	95%	39	106%
	<b>Overseas</b>	7	198%	9	138%
	<b>Eliminations</b>	-0	-	-0	-
	<b>Total</b>	43	99%	48	111%

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

## FYE March 2014 Actual

### Net sales

**¥169.9 billion (V102%)**

- ◆ Performance chemicals business reported higher revenues driven by higher urethane materials and coating raw materials performance in response to automobile production recovery among Japanese auto manufacturers in China and demand for housing-related products/services in Japan
- ◆ Specialty chemicals business showed strong special epoxy resin exports; however, fluorochemical materials and electronic materials sales were weak, driving overall revenues down

### Operating profit

**¥4.3 billion (V99%)**

- ◆ On par with prior year due to lower profits among manufacturing subsidiaries

## FYE March 2015 Outlook

- ◇ Strong automobile-related and coatings market performance in Japan, despite expected dip in wake of front-loaded sales prior to consumption tax increase
  - ◇ Overseas, growth in sales to Chinese-related customers
- Outlook reflects higher overall revenues and profits



## <Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/14		FYE03/15		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	1,584	102%	1,651	104%
	Overseas	1,429	122%	1,624	114%
	Eliminations	-621	-	-675	-
	<b>Total</b>	<b>2,392</b>	<b>112%</b>	<b>2,600</b>	<b>109%</b>
Operating profit	Domestic	18	117%	20	114%
	Overseas	18	103%	27	152%
	Eliminations	+0	-	-0	-
	<b>Total</b>	<b>37</b>	<b>117%</b>	<b>48</b>	<b>130%</b>

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

## FYE March 2014 Actual

### Net sales

**¥239.2 billion (V112%)**

- ◆ Colors and imaging business higher overall due to higher sales of dyes/additives and information printing materials
- ◆ Higher revenues in office equipment and appliances business due to plastic sales growth in Japan, Northeast and Southeast Asia
- ◆ Functional films and sheets business and plastic molding products business down overall due to lower sales of materials for LCD TV reflectors and anti-reflective sheets for game consoles

### Operating profit

**¥3.7 billion (V117%)**

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

## FYE March 2015 Outlook

- ◇ Higher plastics sales in Japan, improved profitability among manufacturing subsidiaries
  - ◇ Strong sales of plastics for office equipment and appliances overseas
- Outlook reflects higher overall revenues and profits (Northeast/Southeast Asia particularly strong)

## <Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/14		FYE03/15		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	1,340	105%	1,614	120%
	Overseas	760	108%	849	112%
	Eliminations	-730	-	-894	-
	<b>Total</b>	<b>1,370</b>	<b>110%</b>	<b>1,570</b>	<b>115%</b>
Operating profit	Domestic	43	128%	42	99%
	Overseas	22	68%	27	121%
	Eliminations	-1	-	-2	-
	<b>Total</b>	<b>64</b>	<b>100%</b>	<b>67</b>	<b>104%</b>

\* 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 2014 Actual

### Net sales

**¥137.0 billion (V110%)**

- ◆ Electronic chemicals business revenues higher overall, driven by higher sales of chemicals used in the manufacture of LCD panels, offsetting lower sales of formulated epoxy resins for semiconductors
- ◆ Electronic materials business on par with prior year, as higher sales of touch-panel materials were offset by lower performance in LED-related materials sales

### Operating profit

**¥6.0 billion (V94%)**

- ◆ Lower profits due to weak glass panel processing business performance in Northeast Asia

## FYE March 2015 Outlook

- ◇ Despite lower chemical management system sales in Japan, growth seen in polarizer business
  - ◇ Recovery in overseas glass panel processing business
- Outlook reflects higher overall revenues and profits

## <Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/14		FYE03/15		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	519	109%	511	98%
	Overseas	645	128%	716	111%
	Eliminations	-170	-	-180	-
	<b>Total</b>	<b>994</b>	<b>120%</b>	<b>1,047</b>	<b>105%</b>
Operating profit	Domestic	-6	-	-5	-
	Overseas	17	135%	18	122%
	Eliminations	-0	-	-0	-
	<b>Total</b>	<b>10</b>	<b>135%</b>	<b>13</b>	<b>126%</b>

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

\* FYE March 2014 figures reflect reorganization beginning FYE March 2015. (Transferred the network technologies development team from the Electronics segment to the Automotive & Energy segment)

## FYE March 2014 Actual

### Net sales

**¥99.4 billion (V120%)**

- ◆ Automobile-related business experienced higher revenues due to increased sales of small/light auto-related products in Japan and growth in China, North America, and other overseas regions
- ◆ Energy business reported higher revenues, driven by solar power-related product and lithium ion battery product sales

### Operating profit

**¥1.3 billion (V181%)**

- ◆ Higher profits driven by higher revenues

## FYE March 2015 Outlook

- ◇ Improve performance among manufacturing subsidiaries in Japan
  - ◇ Automobile-related sales experience continuing growth in Northeast Asia  
Indonesia shows growth, Southeast Asia level with prior year
- Outlook reflects higher overall revenues and profits

## <Net Sales/Operating Profit by Location>

(100 millions of yen)

	FYE03/14		FYE03/15		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
<b>Net sales</b>	<b>Domestic</b>	953	107%	985	103%
	<b>Overseas</b>	109	135%	140	128%
	<b>Eliminations</b>	-294	-	-310	-
	<b>Total</b>	768	101%	816	106%
<b>Operating profit</b>	<b>Domestic</b>	67	92%	67	101%
	<b>Overseas</b>	3	-	1	35%
	<b>Eliminations</b>	-30	-	-30	-
	<b>Total</b>	40	98%	38	95%

\* 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 and technology-based assets)

## FYE March 2014 Actual

### Net sales

**¥76.8 billion (V101%)**

- ◆ 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 products business reported higher revenues based on growth in health foods and whitening cosmetics

### Operating profit

**¥4.0 billion (V98%)**

- ◆ Lead investment in Hayashibara business resulted in higher SG&A, lower profits

## FYE March 2015 Outlook

- ◇ Strong performance in domestic and overseas Hayashibara products (functional saccharides)
  - ◇ Higher expenses for overseas marketing of Hayashibara products and costs related to building sales systems
  - ◇ Weak sales of pharmaceutical intermediates
- Outlook reflects higher overall revenues and profits

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Company that Turns Wisdom into Business

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