

# FYE March 2017 Financial Briefing

May 25, 2017

**NAGASE & CO., LTD.**

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## FYE March 2017 Results

### Consolidated Statements of Income

- Net sales: Lower, mainly due to the impact of the strong yen and a decrease in naphtha prices
- Operating income: Lower, mainly due to ¥3.1 billion in expenses related to retirement benefit accounting actuarial losses (¥4.0 billion negative impact in prior year)

(100 millions of yen)

	16/03	17/03	Change	Vs. PY	Published Forecast	Achievement
Net sales	7,421	7,223	-198	97%	7,350	98%
Gross profit	916	915	-1	100%	923	99%
<GP ratio>	12.4	12.7	+0.3%	—	12.6%	—
SG&A expenses	736	764	+28	104%	778	—
Operating income	180	150	-29	83%	145	104%
Ordinary income	183	163	-20	89%	160	102%
Profit attributable to owners of the parent	123	103	-19	84%	95	109%
US\$ Exchange rate (period average)	@120.1	@108.3	@¥11.7 revaluation		@108	—
RMB Exchange rate (period average)	@18.8	@16.1	@¥2.7 revaluation		@17	

(Foreign exchange rate impact on 17/03 net sales and operating income results)

Net sales : - ¥46.8 billion (approx.)  
Operating income : - ¥1.7 billion (approx.)

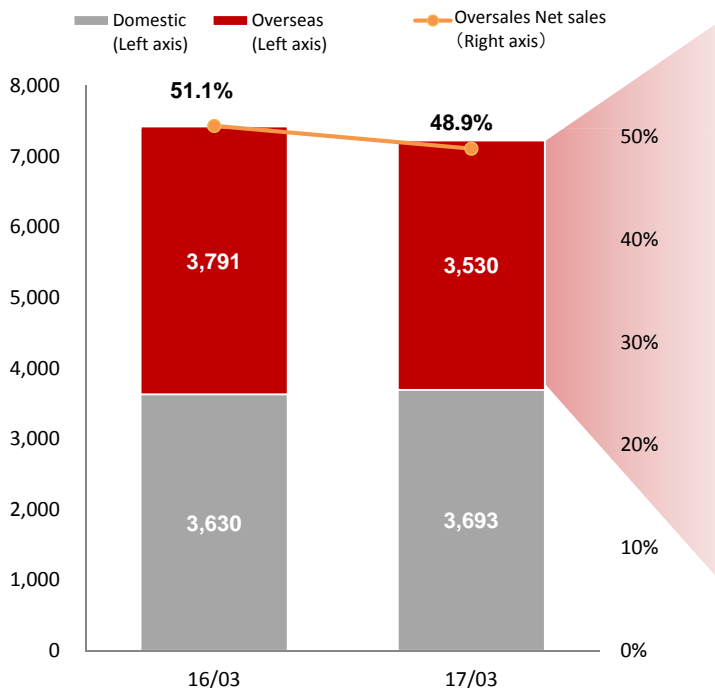
(Per-yen exchange rate impact on net sales and operating income)

	Impact of US\$ /yen	Impact of RMB/yen
Net sales	¥1.6 billion (approx.)	¥6.3 billion (approx.)
Operating income	¥60 million (approx.)	¥170 million (approx.)

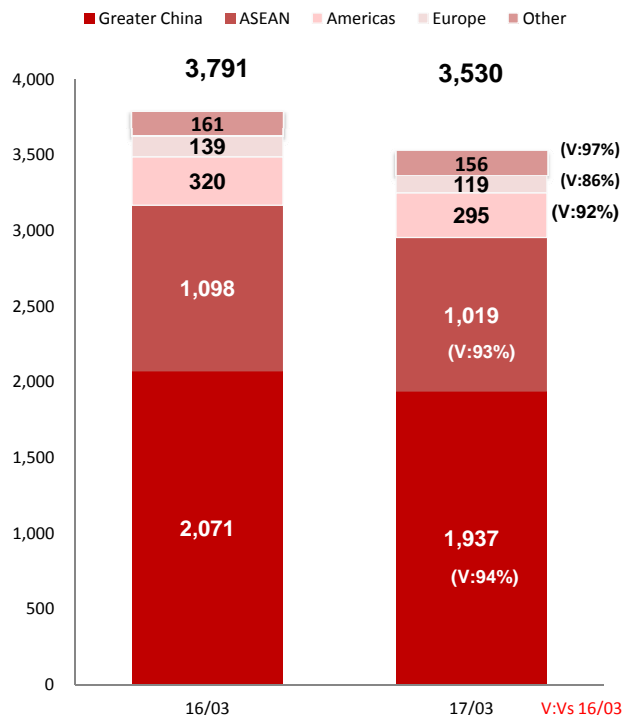
# Net Sales by Region (Domestic, Overseas)

■ Higher sales in Japan; lower sales overseas due to the impact of the strong yen

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



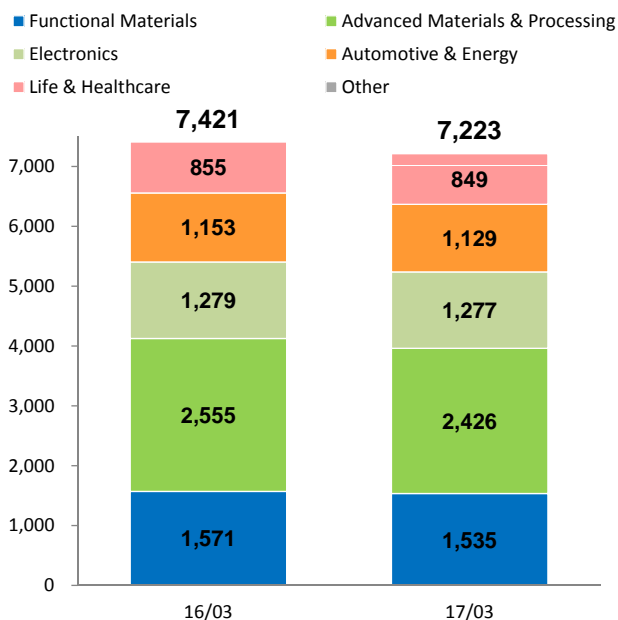
Overseas Sales by Region (100 millions of yen, %)



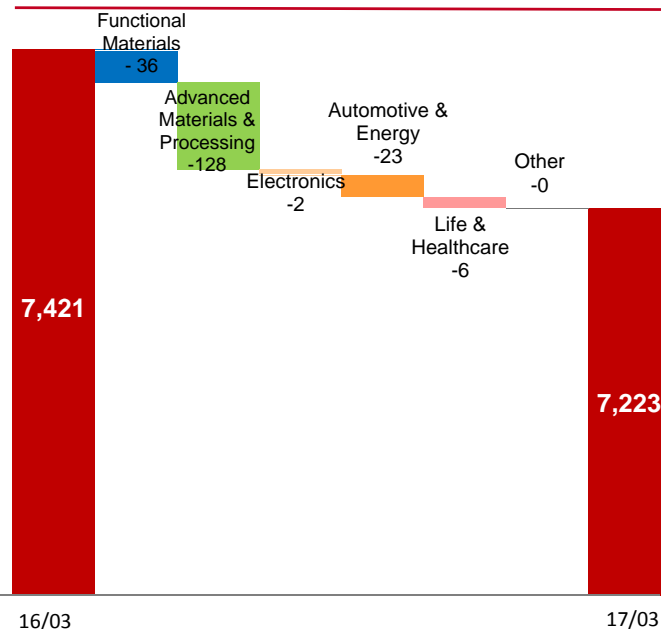
# Net Sales: Two-Year Comparison (by Segment)

- **Functional Materials:** Lower segment sales, mainly due to a decrease in naphtha prices driving sales of coating raw materials and urethane materials lower. At the same time, sales of plastic additives and silicone materials were strong in the Americas.
- **Advanced Materials & Processing:** Lower segment sales. Despite higher performance in conductive materials, sales of plastic materials in Greater China were lower, as were sales of digital print processing materials in Japan and overseas.
- **Automotive & Energy:** Lower segment sales. Despite strong performance in the plastics business in Japan, lower naphtha prices drove sales down overseas.

Net Sales by Segment (100 millions of yen)



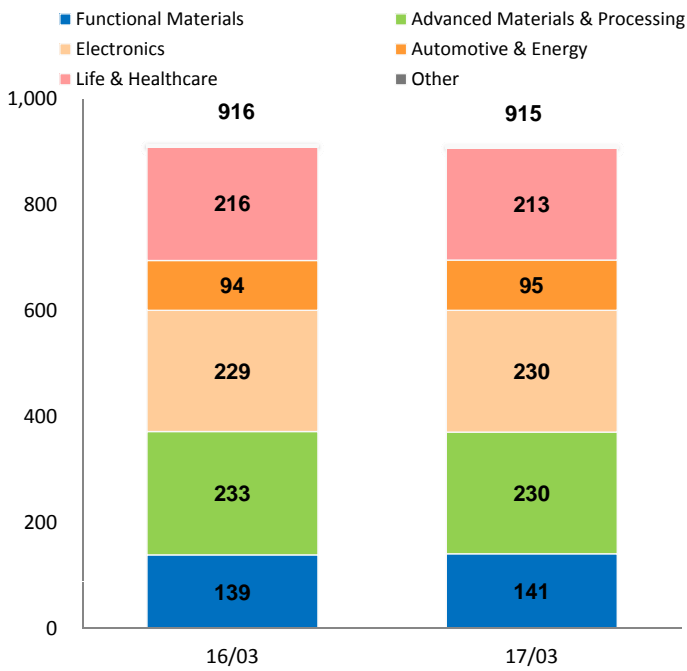
Change in Net Sales by Segment (100 millions of yen)



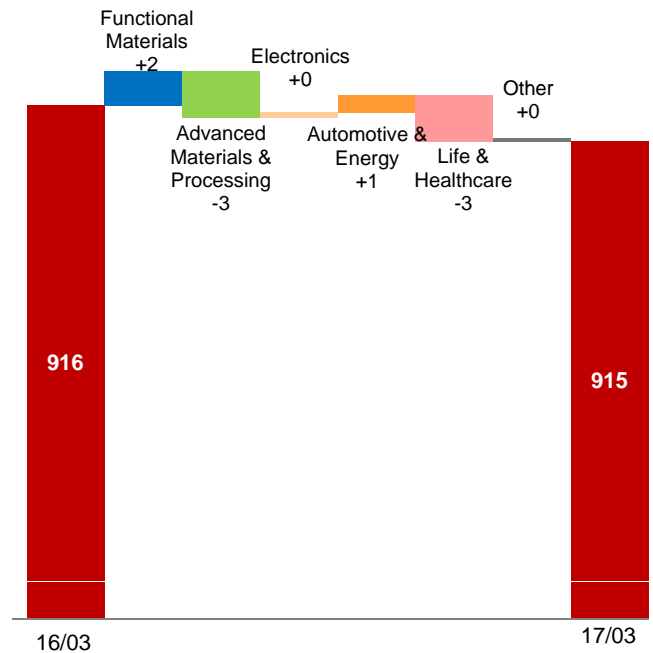
# Gross Profit: Two-Year Comparison (by Segment)

■ Lower profits, mainly due to the impact of lower revenues, despite improved profitability and profit ratios at domestic manufacturing subsidiaries (0.3% profit ratio improvement)

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



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



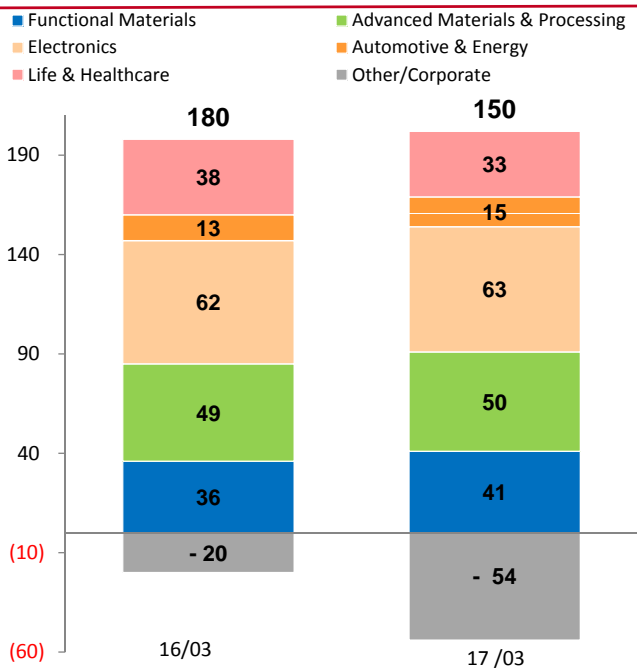
# Operating Income: Two-Year Comparison (by Segment)

■ Life & Healthcare: Higher segment profits, mainly due to profitability improvements and materials cost reduction measures at manufacturing subsidiaries. These profit gains outpaced the negative impact on profits of costs incurred to bolster systems and structures for future growth.

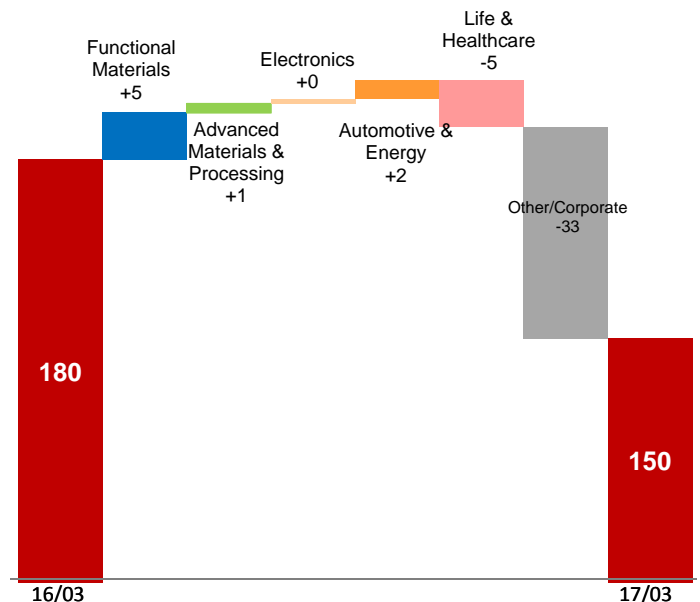
■ Other/Corporate: Recorded ¥3.1 billion in expenses related to retirement benefit accounting actuarial losses (¥4.0 billion negative impact in prior year).

\*Posted retirement benefit actuarial loss of ¥3.1 billion at end of prior period, after revising the discount rate to reflect low market interest rates (fully amortized this year)

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



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



# Earnings at Major Consolidated Subsidiaries

- On a non-consolidated basis, NAGASE & Co. net sales were level with the prior fiscal year. However, the company reported an operating loss of ¥800 million due to the recording of ¥3.1 billion in expenses related to retirement benefit accounting actuarial losses.
- Nagase Plastics Co., Ltd. recorded higher sales and profits for super engineering plastics owing to the acquisition of new business and other factors. This growth offset the negative impact of declining naphtha prices.

(100 millions of yen)

	Company Name	Net Sales	Vs. PY	Operating Income (Note 2)	Vs. PY
Parent Company	NAGASE & CO., LTD.	4,238	100%	-8	-%
Manufacturing Companies	Hayashibara Co., Ltd.	238	99%	46	103%
	Nagase ChemteX Corporation	256	108%	29	162%
	<b>Total for manufacturing (Note 1)</b>	<b>963</b>	<b>100%</b>	<b>90</b>	<b>119%</b>
Domestic Sales Companies	Nagase Plastics Co., Ltd.	319	98%	7	121%
	Nishinihon Nagase Co., Ltd.	79	95%	5	94%
	Nagase Chemical Co., Ltd.	158	99%	2	101%
	<b>Total for domestic sales (Note 1)</b>	<b>829</b>	<b>100%</b>	<b>19</b>	<b>107%</b>
Overseas Sales Companies	Shanghai Hua Chang Trading Co., Ltd.	345	96%	9	104%
	Nagase (Thailand) Co., Ltd.	334	94%	8	110%
	Guangzhou Nagase Trading Ltd.	265	88%	6	77%
	Nagase Korea Corporation	74	105%	5	111%
	<b>Total for overseas sales (Note 1)</b>	<b>3,336</b>	<b>94%</b>	<b>65</b>	<b>89%</b>

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

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

# State of Hayashibara

- Sales of functional saccharides lower, despite strong performance in the Pharma/Medical Business

Overall sales and profits level with the prior fiscal year, as costs were lower due to productivity efficiencies and cost reductions.

## FYE March 2017 Results

(100 millions of yen)

	FYE03/16	FYE03/17	Change	Vs. PY
Net Sales	241	238	- 3	99%
Operating Income	45	46	+1	103%

- While sales of TREHA™ were level in Japan, market competition and the strong yen drove sales overseas (Greater China) lower. As a result, TREHA™ sales were lower overall. We intend to undertake stronger patent-related policies in Japan and overseas to bolster our performance in the future.
- Sales of AA2G™ were lower overall. While sales were strong overseas, sales in Japan were lower due to weakness in inbound tourist sales and other factors.
- Our Pharma/Medical Business recorded higher sales, mainly due sales of product for use in hard capsules for use in medical and health food applications.
- In our dye-related business, sales of functional dyes and LUMIN™-A were higher
- This year, we recorded solid results for our soluble dietary fiber, Fibryxa™, first introduced to the market in 2015.
- Lower costs, mainly due to lower variable unit costs, greater production efficiencies company-wide.

## Topics

### 1. Solid Results for New Product Fibryxa™



Soluble dietary fiber (mainly isomaltodextrin) produced from starch solely through the activity of enzymes

High expectations for various physiological functions due to improved gut flora  
Can be combined with a wide range of foods and beverages

⇒ Core products taking over from TREHA™/AA2G™

### 2. Greater Production of TREHA™



Production capacity of 35,000 tons, increase of nearly 30% compared to pre-expansion of facility

[Sales Volume]  
FY2016 Approximately 36,000 tons

FY2017 Approximately 38,000 tons (plan)

⇒ Considering expansion into staple rice/noodle markets and feed markets

- Recorded higher revenues and profits. Sales of epoxy resins for smartphone electronic components were strong, while company-wide cost reduction efforts resulted in improved profits.

## FYE March 2017 Results

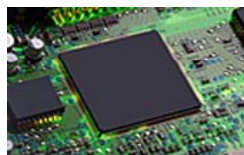
(100 millions of yen)

	FYE03/16	FYE03/17	Change	Vs. PY
<b>Net Sales</b>	237	256	+18	108%
<b>Operating Income</b>	18	29	+11	162%

- Our Epoxy Resin Business recored strong results for light electrical (largely products for electronic components embedded in smartphones) and heavy electrical industries.
- Our Chemicals Business recorded higher revenues, mainly due to improved customer capacity utilization and securing of new contracts.
- Our Performance Chemicals Business reported strong results for conductive materials used in the LCD industry.
- Our Bio Chemicals Business reported sales level with the prior fiscal year. While sales of pharmaceutical-use enzymes were strong, sales of food enzymes fell.
- Lower costs due to company-wide cost reduction activities

## Topics

### 1. Growth in liquid sealants for high-end semiconductors (epoxy resin)



Epoxy Resin for Semiconductors/Electronic Components  
⇒ **Top global share**

Sales rose for the Nagase ChemteX high-value-added liquid semiconductor encapsulation materials for semiconductor packages (epoxy resin), a de facto standard in the industry.

⇒ **Aiming for higher market share by answering future needs**

### 2. Inkron Limited Converted to Subsidiary



Inkron Limited boasts leading-edge siloxane and other technologies. We plan to leverage the synthesis and compounding technologies of Nagase ChemteX to enter markets demanding materials that feature specific optical properties.

⇒ **Stronger presence in markets for displays, touch sensors, wearables**

# Consolidated Balance Sheets

- Current assets increased, mainly due to increases in notes and accounts receivable
- Non-current assets increased, mainly due to increases in investments in securities (price increases for retained shares offset sales of some securities)
- Shareholders' Equity Ratio up 1.2 point to 54.7%

## Assets

	16/03	17/03	Change
<b>Total current assets</b>	<b>3,123</b>	<b>3,212</b>	<b>+88</b>
Cash and time deposits	432	398	-34
Notes and accounts receivable	1,963	2,068	+105
Inventories	629	631	+2
Other	97	114	+16
<b>Total non-current assets</b>	<b>1,997</b>	<b>2,095</b>	<b>+98</b>
Property, plant and equipment	664	676	+11
Intangible fixed assets	445	407	-37
Investments, other assets	887	1,011	+124
Investments in securities	813	945	+132
Other	74	66	-7

## Liabilities and Net Assets (100 millions of yen)

	16/03	17/03	Change
<b>Total current liabilities</b>	<b>1,561</b>	<b>1,664</b>	<b>+103</b>
Notes and accounts payable	978	1,020	+42
Short-term loans (Including current portion of long-term loans)	341	316	-24
Current portion of bonds	—	100	+100
Other	241	327	+85
<b>Total long-term liabilities</b>	<b>768</b>	<b>690</b>	<b>-77</b>
Long-term loans	231	200	-30
Bonds	300	200	-100
Net defined benefit liability	140	146	+5
Other (Deferred tax liabilities, etc.)	96	143	+47
<b>Total liabilities</b>	<b>2,329</b>	<b>2,355</b>	<b>+26</b>
<b>Total net assets</b>	<b>2,791</b>	<b>2,951</b>	<b>+160</b>
Shareholders' equity	2,346	2,396	+50
Accumulated other comprehensive income	393	505	+112
Net unrealized holding gain on securities	370	476	+106
Translation adjustment	44	31	-12
Other	-21	-2	+19
Non-controlling interests	51	49	-2
<b>Total liabilities and net assets</b>	<b>5,120</b>	<b>5,307</b>	<b>+186</b>

# Consolidated Cash Flows

- Cash and cash equivalents lower by ¥3.1 billion. Despite an increase of ¥14.5 billion in cash flows from operating activities (¥16.1 billion in profit before income taxes), the company made ¥6.5 billion in cash outlays for investing activities (¥11.5 billion in purchases of property, plant and equipment) and ¥10.5 billion in cash outlays for financing activities (¥4.9 billion in net cash outlays for short-term loans, ¥4.0 billion in dividend payments). \*By region, cash decreased ¥4.4 billion in connection with increased working capital in Greater China.

## Cash Flows

(100 millions of yen)

	17/03	Main breakdown	16/03
Net cash provided by (used in) operating activities	+145	Profit before income taxes +161 Depreciation and amortization/amortization of goodwill +109 Increase in adjustments for retirement benefits +32 Working capital -77 Income tax paid -77	+293
Net cash provided by (used in) investing activities	-65	Purchases of property, plant and equipment -106 Purchases of intangible fixed assets included in other assets -8 Purchases of investment in securities -18 Proceeds from sales of investments in securities +46	-126
Net cash provided by (used in) financing activities	-105	Short, long-term loans (net payments/proceeds) -49 Cash dividends paid -40 Purchase of treasury stock -11	-128
Effects of exchange rate changes on cash and cash equivalents	-5		-15
Net increase (decrease) in cash and cash equivalents	-31		+23
Cash and cash equivalents at beginning of the year	429	Japan 239 , Greater China 115 , ASEAN42 , Europe 18 , Americas 4 , Other 9	405
Cash and cash equivalents, at end of the period	397	Japan 254 , Greater China 70 , ASEAN 35 , Europe 18 , Americas 5 , Other 13	429

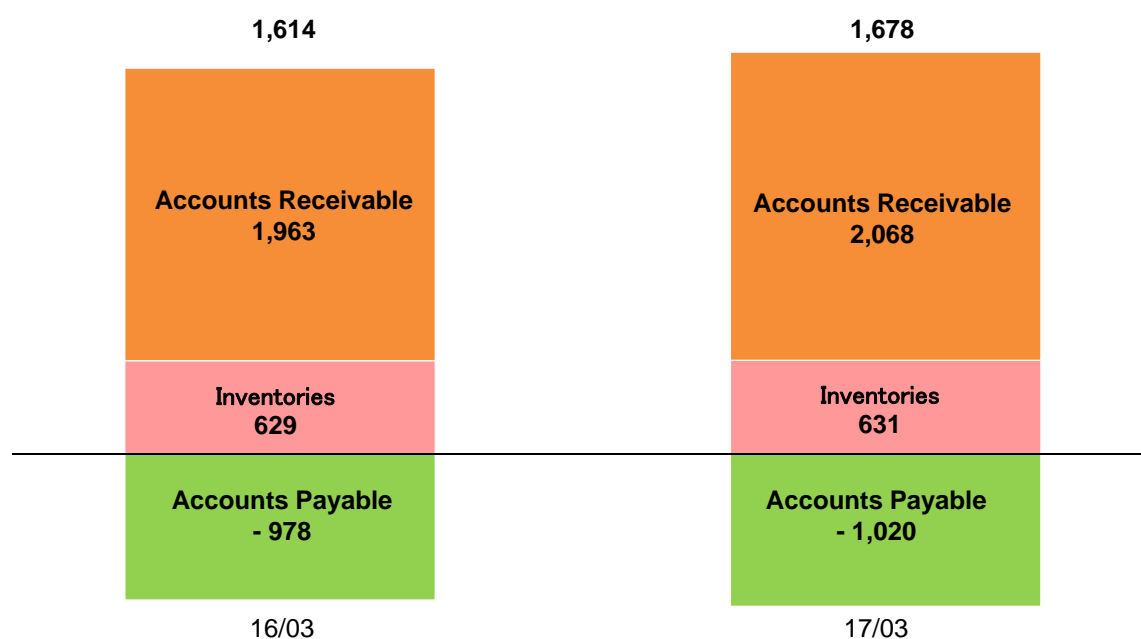
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# Change in Working Capital

- Despite better management resulting in improved prepaid cost recovery, working capital increased by ¥6.4 billion, mainly due to the impact of higher sales for the most recent quarter.

## Working Capital (100 millions of yen)



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## FYE March 2018 Earnings Projections

### FYE March 2018 Earnings Projections



- **Net sales:** Higher sales overall. Sales growth in every segment (excluding Electronics), including higher sales of synthetic plastics in the Advanced Materials & Processing segment.
- **Operating income:** Higher profits. In addition to improved business profitability, we will record a lower amortization of retirement benefit accounting actuarial losses (¥300 million; positive impact of ¥2.8 billion on income compared to prior fiscal year).

(100 millions of yen)

	17/03 Actual	18/03 Forecast	Change	Vs. PY
Net sales	7,223	7,320	+96	101%
Gross profit	915	950	+34	104%
<GP ratio>	12.7%	13.0%	+0.3%	—
SG&A expenses	764	759	-5	99%
Operating income	150	191	+40	127%
Ordinary income	163	209	+45	128%
Profit attributable to owners of the parent	103	125	+21	121%
US\$ Exchange rate (period average)	@108.3	@108	@¥0.3 revelation	—
RMB Exchange rate (period average)	@16.1	@15.6	@¥0.5 revaluation	—

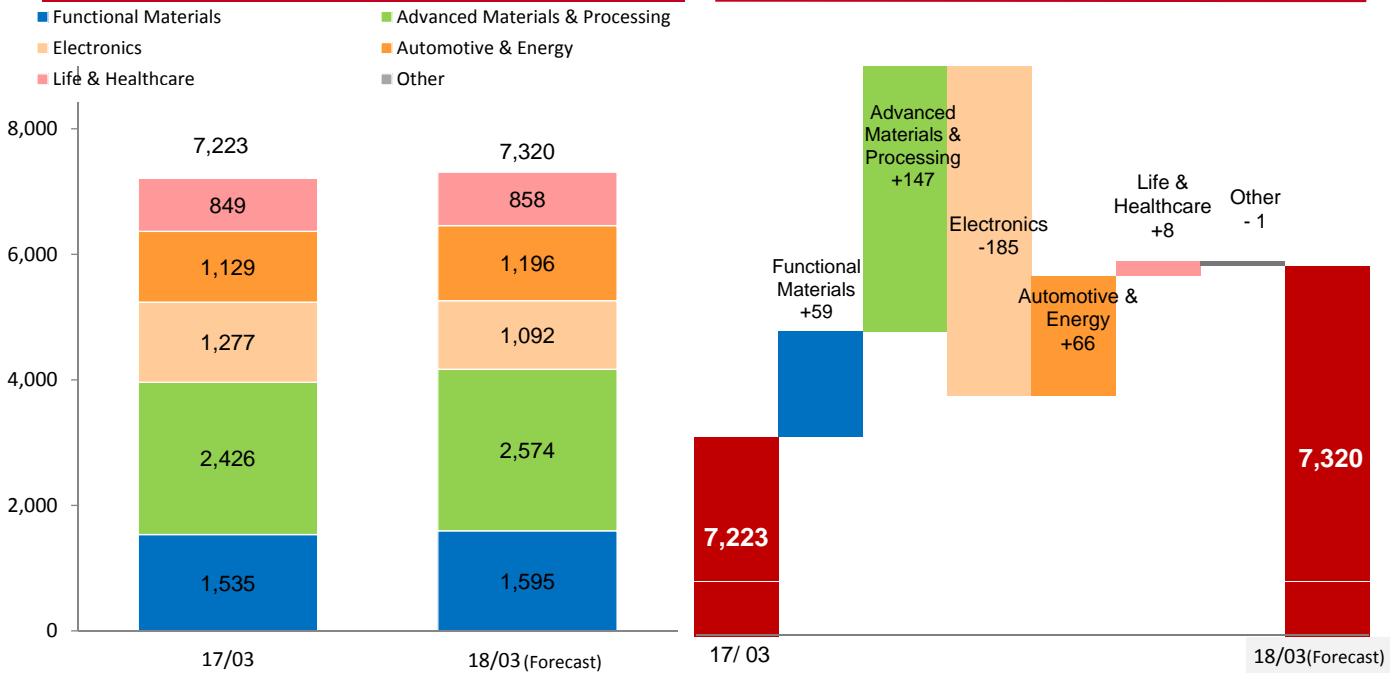


# Net Sales Forecast (by Segment)

- **Advanced Materials & Processing: Higher sales, mainly due to strong performance in synthetic plastics for office equipment, appliance, and game device markets in Japan and overseas.**
- **Electronics: Lower revenues, mainly due to weakness in other liquid crystal-related materials, despite projected strong performance in Nagase ChemteX formulated epoxy resins and chemicals for liquid crystals.**

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

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

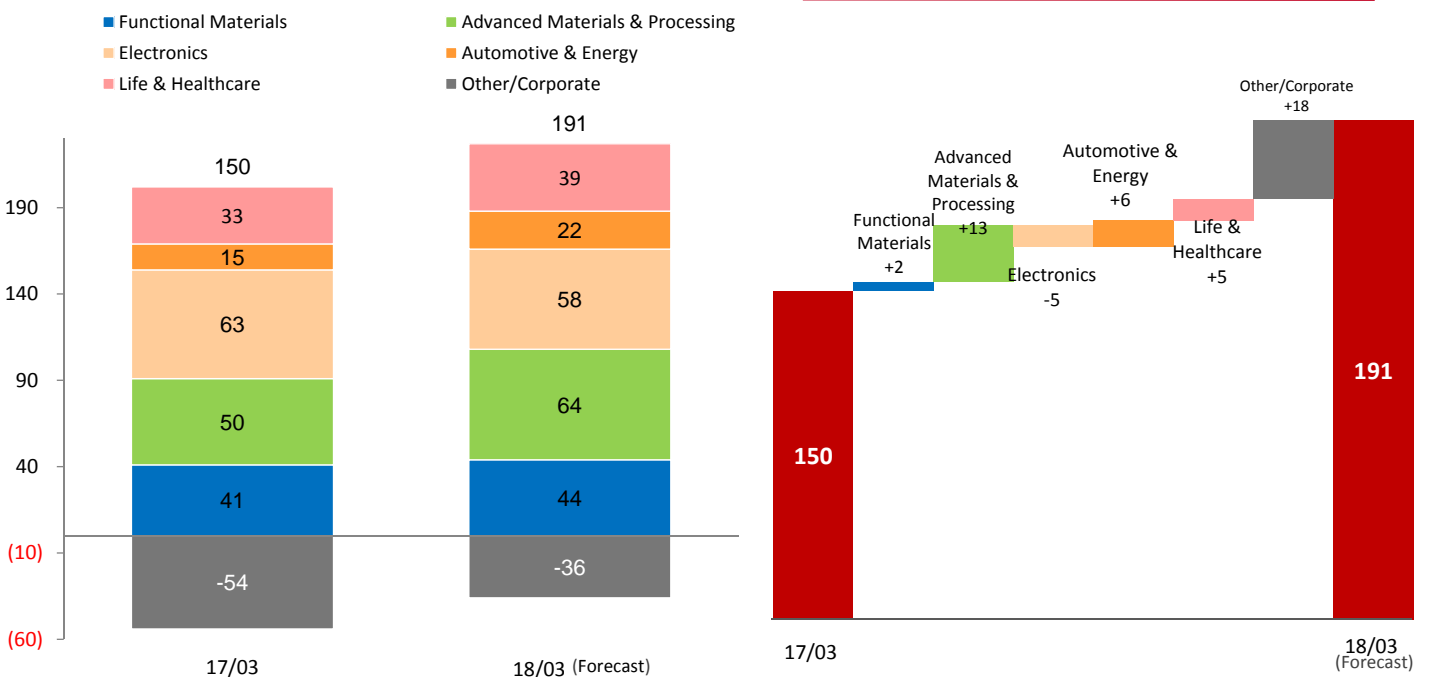


# Operating Income Forecast (by Segment)

- **Higher profits. In addition to improved business profitability, we will record a lower amortization of retirement benefit accounting actuarial losses (¥300 million; positive impact of ¥2.8 billion on income compared to prior fiscal year).**

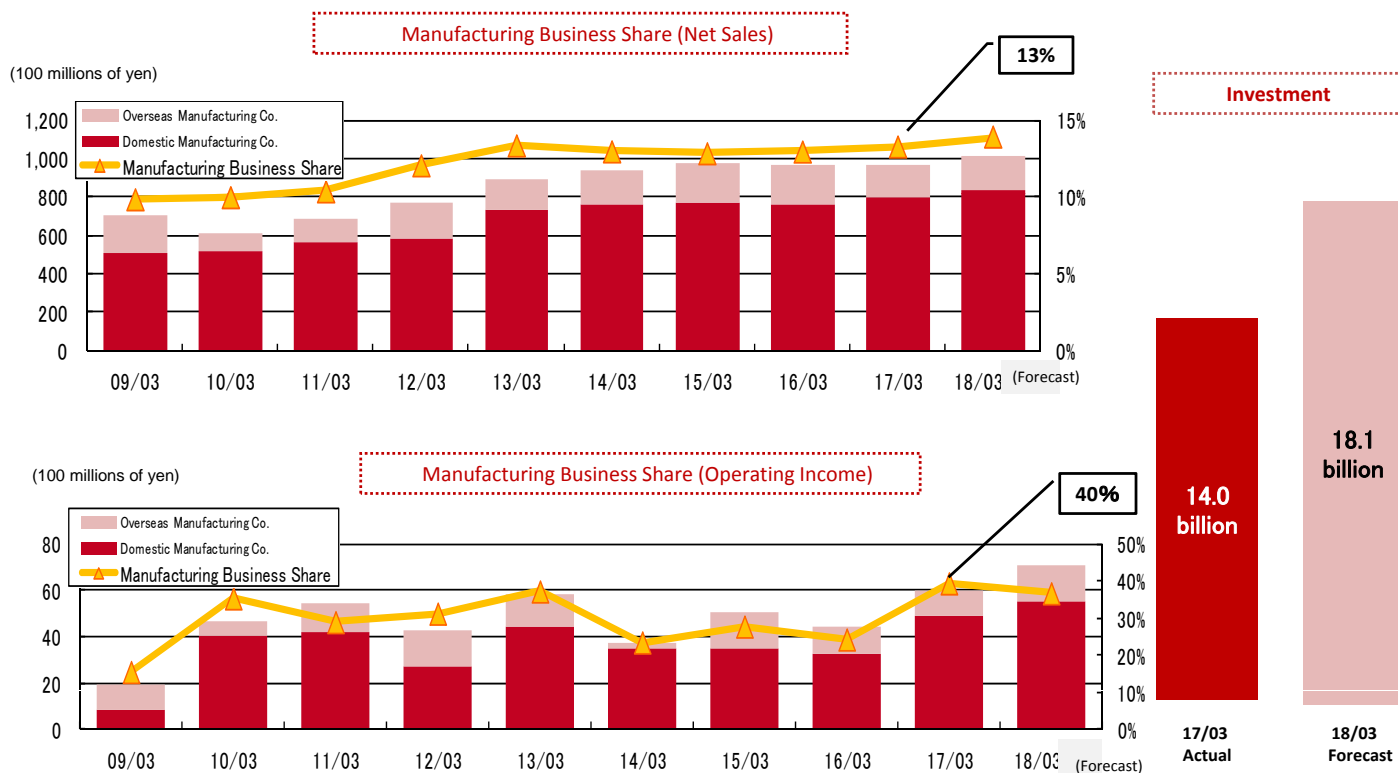
**Net Sales by Segment (100 millions of yen)**

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



# Investment Results and Manufacturing Business Share

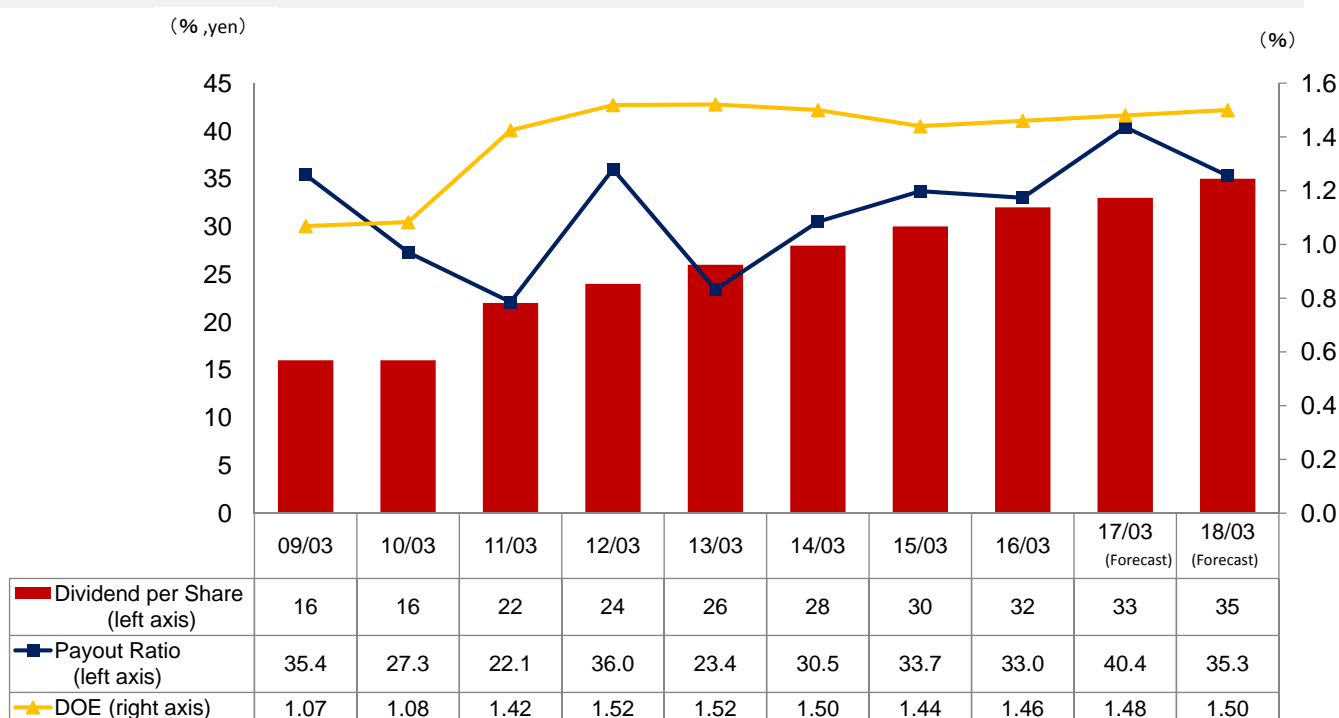
- Investments and financing to bolster manufacturing function, R&D function, technical/information-related capacity, and global networks will create proprietary/competitive advantages; improve business quality and corporate value.



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# Dividends

- Current period: Annual ¥33 per share dividend (¥1 increase YoY), representing a ¥16 interim and ¥17 year-end dividend**
- Next period: Annual ¥35 per share dividend (¥2 increase YoY), representing a ¥17 interim and ¥18 year-end dividend**



\*17/03 year-end dividend to be submitted for approval to general meeting of shareholders scheduled for June 2017

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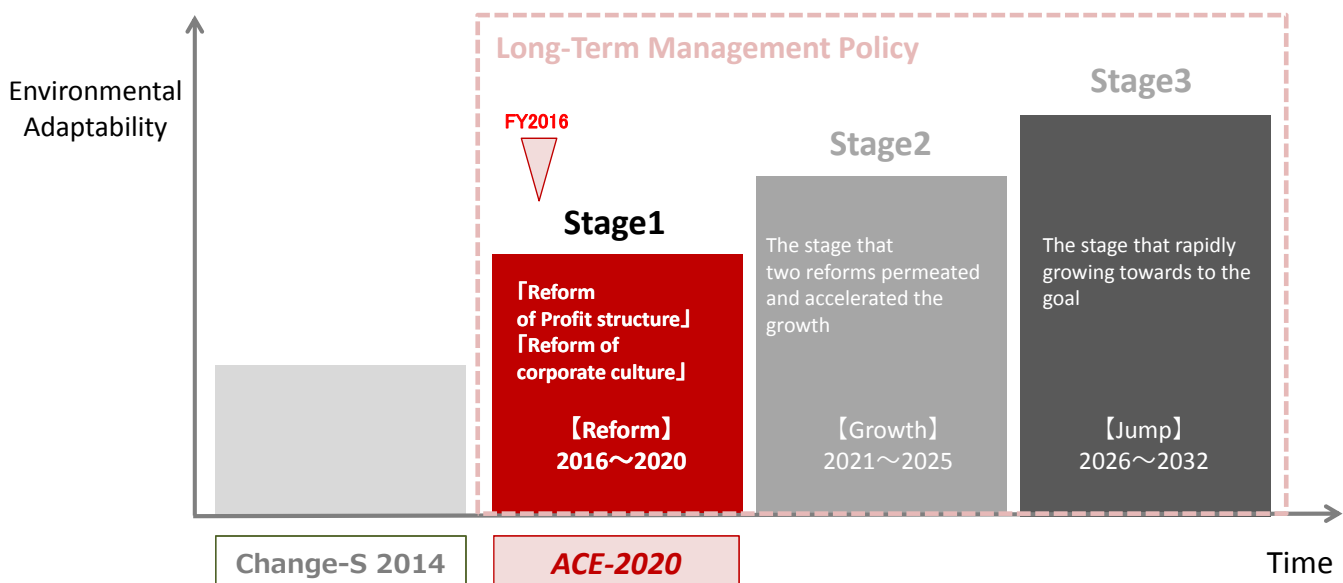
## Progress of Mid-Term Management Plan **ACE-2020**

Accountability / Commitment / Efficiency

### Positioning of ACE-2020

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.



**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.



【6 Functions】

Leverage Group functions to achieve the quantitative and qualitative targets.

**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**

Classify Businesses and Execute Strategies Tailored to Each Field/Replace Assets and Reallocate Resources

**Accelerate to withdraw from unprofitable business, solidify management resource that can be reallocated, conduct aggressive growth investment.**

**Focus** Expected further increase in profit

**Electronics**

- Area development for photolithography business mainly for joint ventures in China (Wuxi Chenghong Electronic Chemicals Co., Ltd.: 39% equity investment)
- Expand epoxy business in Europe structural materials approved by European company
- Strengthen for display, wearables business
- Integrate Inkron into NAGASE as subsidiary

**Life & Healthcare**

- Expand TREHA™ production capacity
- Grow sales of raw materials to major cosmetics manufacturers in Europe
- Extension of manufacturing building for the manufacture of high-potency injections
- Entering and promoting nucleic acid technology to pharmaceutical industry . Execution of sole sales agency agreement with Shikoku Nucleic Acid Chemistry , Inc.

**Growth/Emerging**

Transform to “Focus” in 3 years

- Establish New Value Creation (NVC) Office
- Participate in IBM basic IT research consortium
- VC investment in Silicon Valley, USA
- Solar power generation, lithium-ion batteries
- Joint development of hybrid systems with Murata Manufacturing Co., Ltd.
- Strengthen precision component business for EV (electronics, electrification) applications

**Base** Contributed to stably increase the corporate value

- Expand marketing activities for anti-rust paint PatInaLock™
- Develop product line for next-generation displays
- Strengthen sales promotion for engineering plastics
- Improve logistics efficiencies of our Plastics Business

**Improvement**

Immediately required drastic improvement in profit structure

- Integrate functions of Beauty Care Products Department and subsidiaries
- Divestment/consolidation of subsidiaries, affiliates
- Withdraw from unprofitable businesses

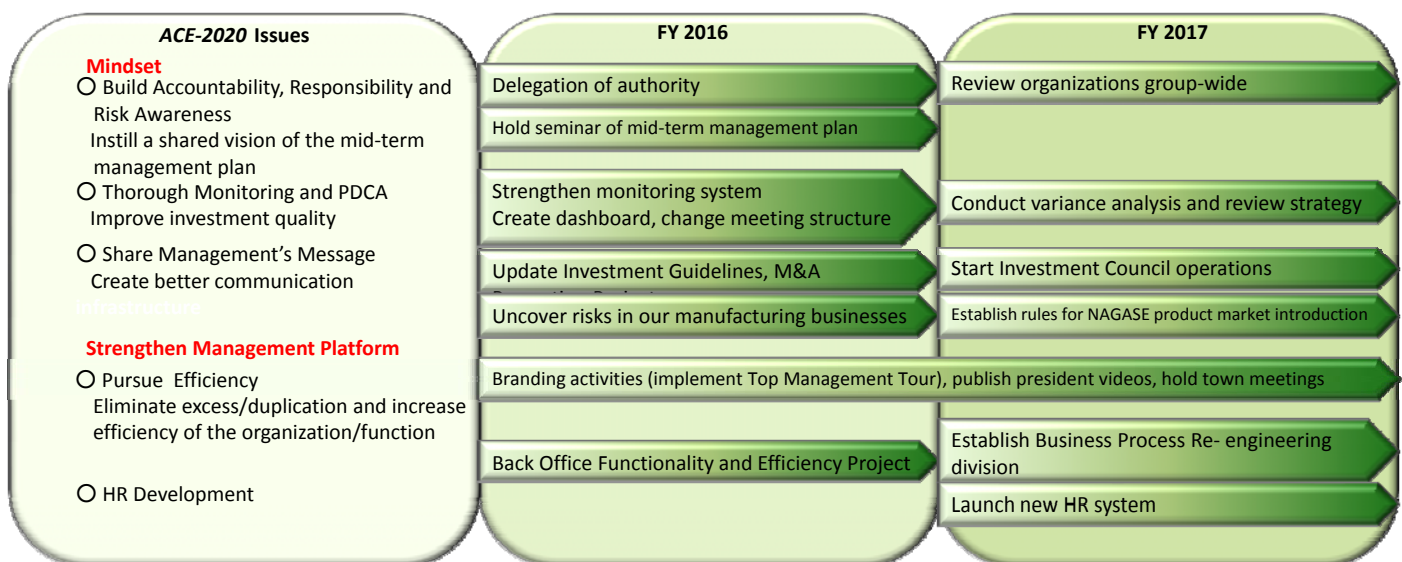
**Replace Non-Operating Assets**

- Sell idle assets
- Sell cross-shareholdings

# Reform Profit Structure: Expand and Strengthen Revenue Base

Accelerate Globalization "G6000"	Improve Manufacturing Profitability
<p>Proactively execute own market strategy in each area. Elevate group presence by increase in sales.</p>	<p>As a long term strategy, group manufacturing companies manage autonomously, and create a new business based on a scenario agreed upon by manufacturing, development and sales.</p>
<p>oAppointed CEOs over five areas overseas to empower authorization. oChina/ASEAN: Centralized functions for more efficient regional operations.</p> <p>oAmericas: Expanded regional management functions oAmericas: Engineered Material Systems (subsidiary) Solid sales of conductive ink for wearables oAmericas: Start selling Cytech (35% equity investment) products</p>  <p style="text-align: center;">U.S.: Cytech Products Inc. plant</p> <p>oChina: Nagase ChemteX (Wuxi) (subsidiary) Enhance of laboratory facilities to expand semiconductor business oChina: Develop local customer base/professional network, mainly through Wuxi Chenghong Electronic Chemicals Co., Ltd.</p>  <p style="text-align: center;">China: Nagase ChemteX (Wuxi)</p>  <p style="text-align: center;">China: Wuxi Chenghong Electronic Chemicals Co., Ltd.</p> <p>oEurope: Research branch office openings to expand cosmetics business</p>	<p>oInkron: Inkron products for LED components approved in Japan market</p> <p>oNagase ChemteX (NCX) Consolidate development/sales functions to grow sales of conductive materials Expand purchasing function to improve marginal profit ratio</p> <p>oHayashibara/NCX: DENABAKE™ EXTRA, enzyme for bread making Joint development, working currently to improve further functions</p> <p>oTotaku Industries, Inc: Strengthen presence in Kanto and Tohoku regions of Japan; Shizuoka Plant transfer</p>  <p style="text-align: center;">Shizuoka Plant</p>  <p style="text-align: center;">Kanto/Oyama Plant concept</p>

# Reform Corporate Culture: Mindset/Strengthen Management Platform



ACE Poster



Top Management Tour



President Video (discussion with department manager)



Town Meeting

KGI (Key Goal Indicator)

KGI	FY2016	FY2017(plan)	FY2020
Consolidated Sales Amount	722.3 Billion Yen	732.0 Billion Yen	1.0 Trillion Yen or more
Consolidated Operating Income	15.0 Billion Yen	19.1 Billion Yen	30.0 Billion Yen or more
ROE	3.7%	4.2%	6.0% or more

KPI (Key Performance Indicator) Factor index to achieve KGI

Reform/Strategy	measures	KPI (Index)	FY2016	FY2017(Plan)	FY2020
Profit Structure Reform Indicator	Increase Focused Business (Portfolio Optimization)	* Operating Profit in Focus Area	11.9B yen	115B yen	16.9B yen
		Growing investment distribution ratio in focus area	46%	40%	35% <
	Accelerate Globalization (Expand and Strengthen Profit Structure)	* Overseas Group Sales	350.2B yen	350.2B yen	600B Yen
		Sales Growth Rate in USA	90%	92%	170%
Increase Manufacturing Profitability (Expand and Strengthen Profit Structure)	* Operating Profit from Manufacturing	9 B yen	10.1B yen	14.4B Yen	
	* Break-Even Point Sales Ratio	76%	78%	73%	
Corporate Culture Reform Indicator	Pursue Efficiency (Strengthen Management Platform)	Consolidated Selling, General and Administrative Ratio	10.6%	10.4%	9.4%
Financial Strategy Indicator	Investment	Growth Investment	8.2B yen	**25.4B yen	* 100B Yen
	Financial Structure	Rating (R&I)	「A」	「A」	[A] or more

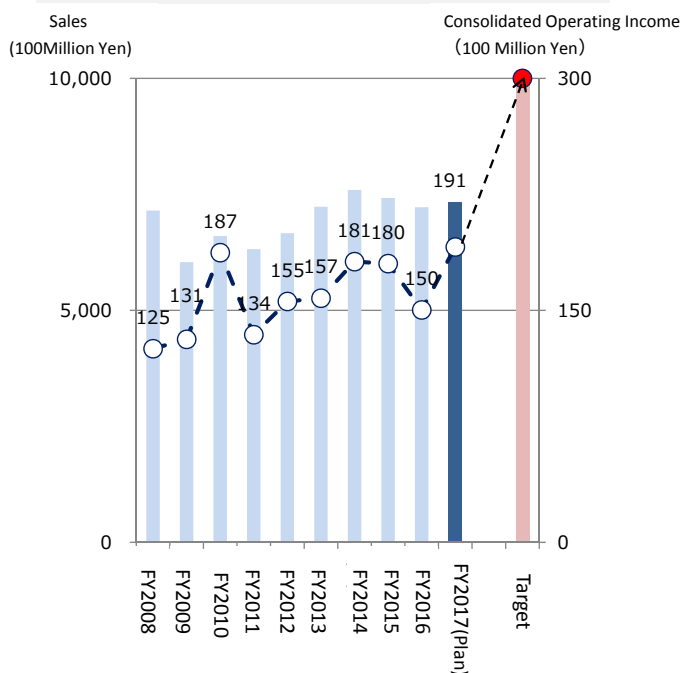
\* Total numbers in 5 years

\* 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

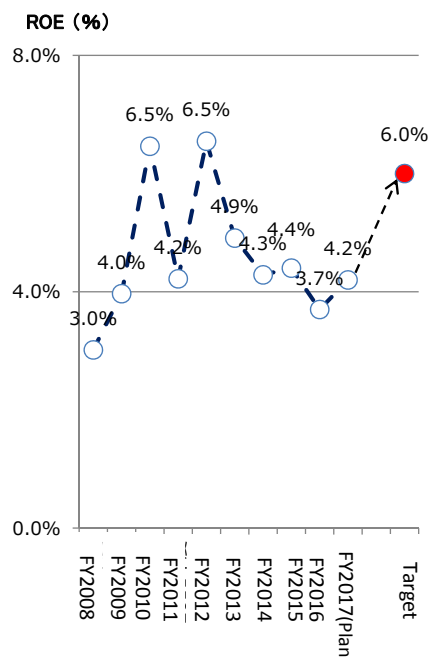
Consolidated Sales/Operating Income

Normalize 1.0 Trillion Yen or more/  
30 Billion or more



ROE

Normalize Over 6% at early stage

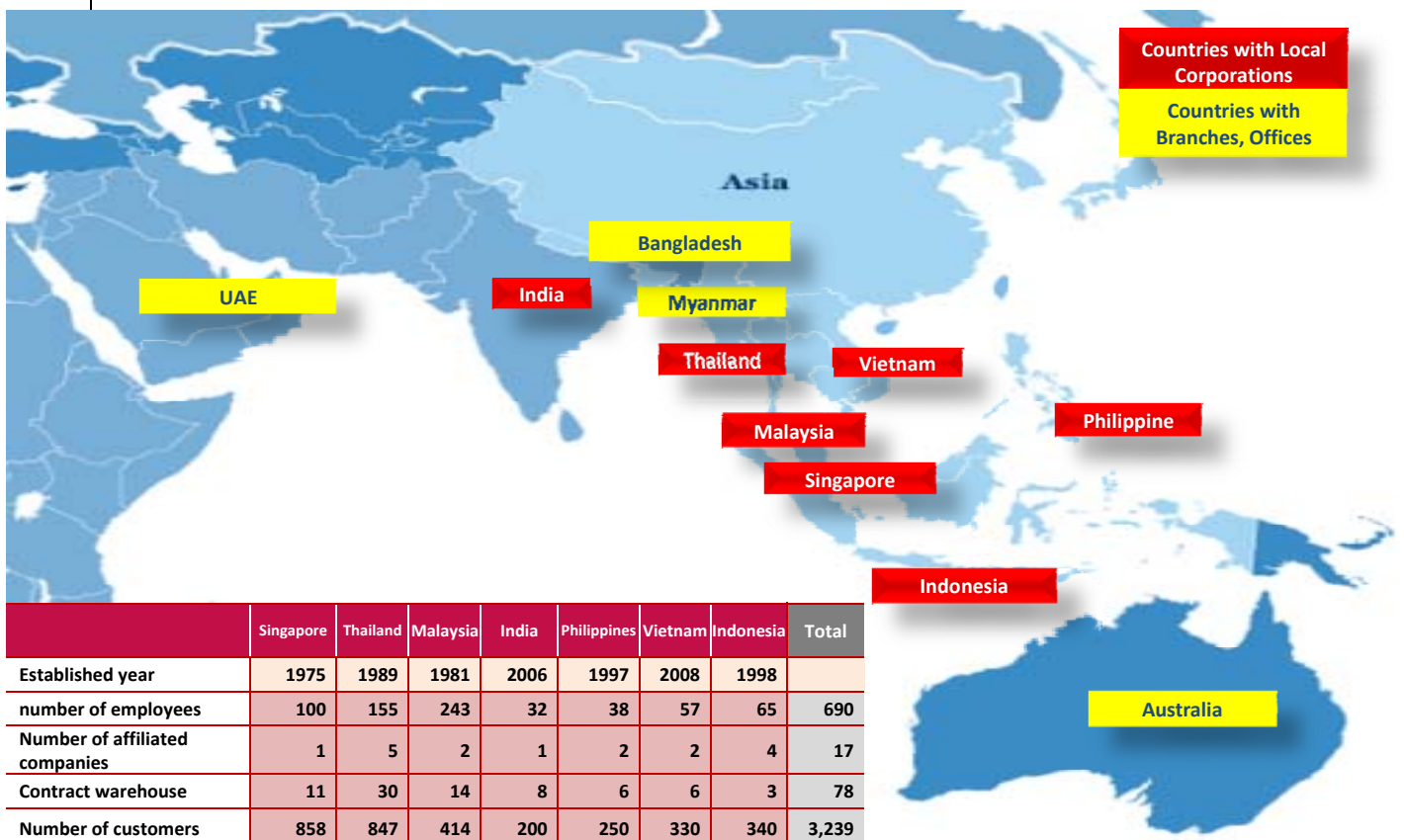




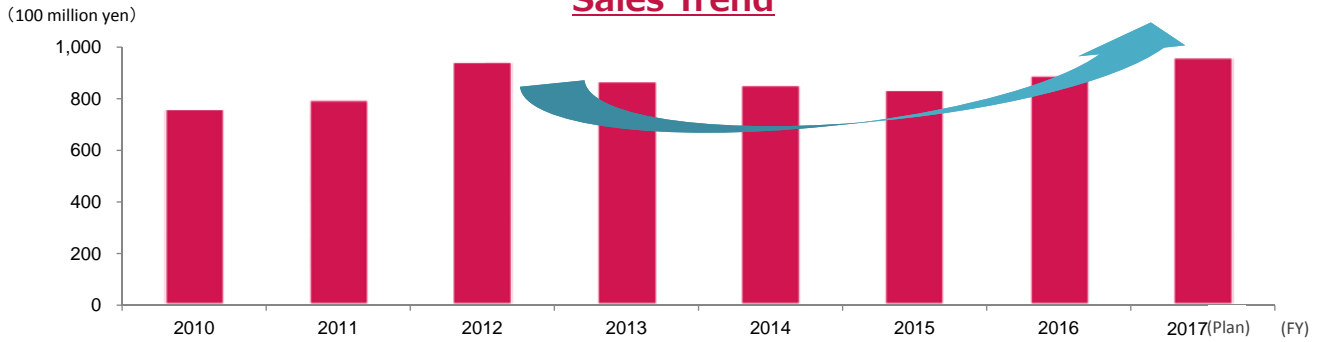
# NAGASE Group Businesses in ASEAN, India, and the Middle East

**Takayuki Masuda**  
CEO  
ASEAN, India

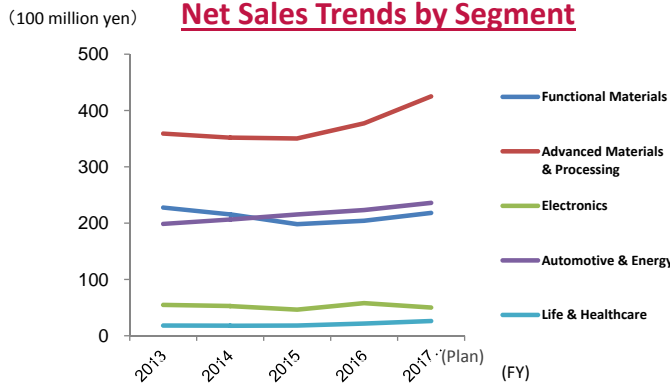
## Operation Network



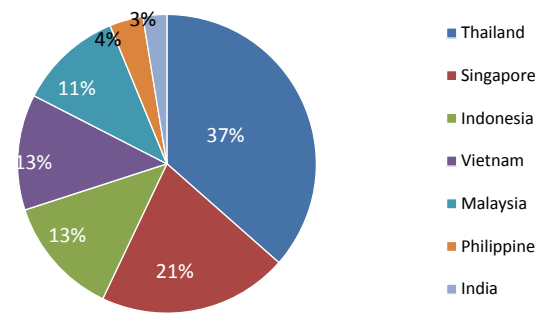
**Sales Trend**



**Net Sales Trends by Segment**



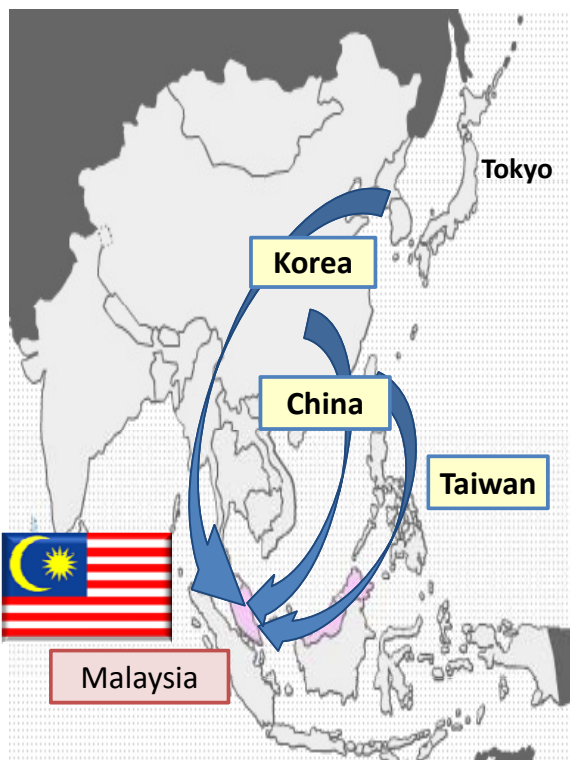
**FY2016 Sales by Country**



\*Sales for ASEAN, India, and Middle East local corporations are simple sums (sales by location). Accordingly, these figures differ from by-region sales figures published in our financial results (sales by destination).  
 \*For ease of comparison, we have used the same foreign exchange rate for all fiscal year figures.

**Example of expanding non-Japanese business via cross-regional network (1)**

- Respond to China +1 trend. Create a new business through collaboration between China and Malaysia and new service function for warehousing hazardous materials

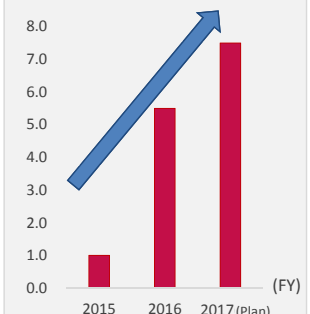


**Network, Sourcing, Customer Needs**



Warehousing and transport of hazardous items  
Regulatory compliance

**Net Sales Trends**



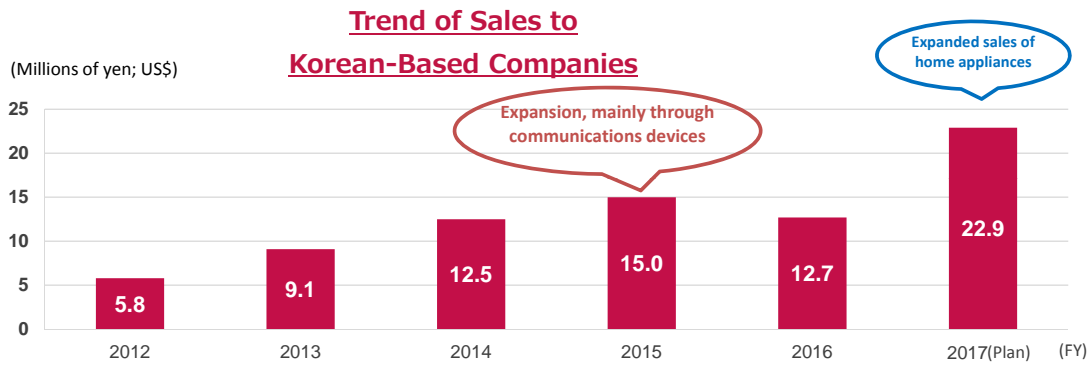
**Products**

- Specialty chemicals for solar batteries
- Specialty chemicals for semiconductors, LEDs

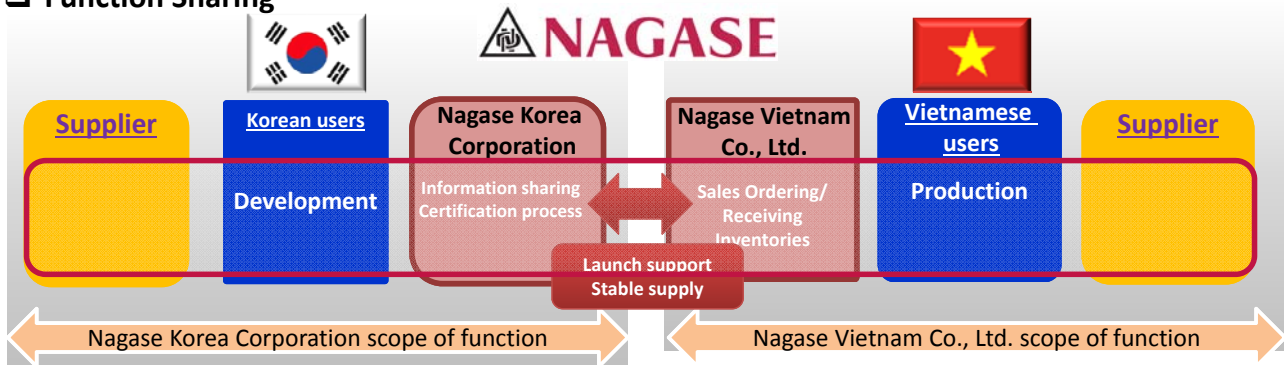


## Example of expanding non-Japanese business via cross-regional network (2)

- Creation of business via coordination among group bases of operations in Vietnam, where Korean companies are expanding quickly

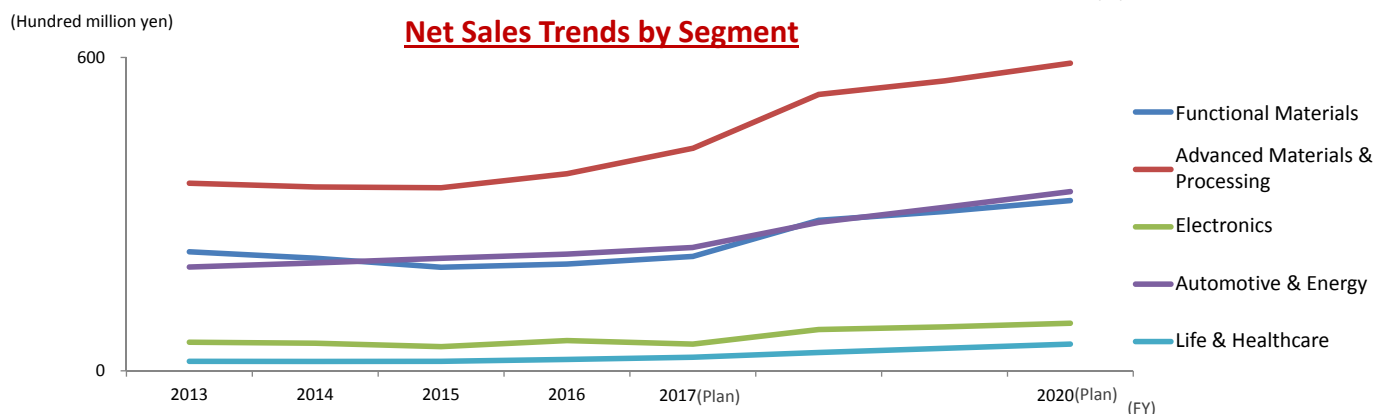
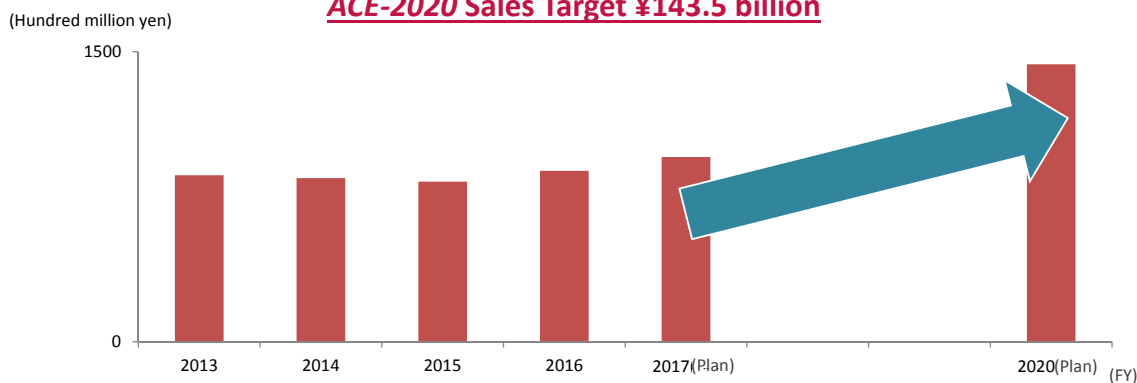


### Function Sharing



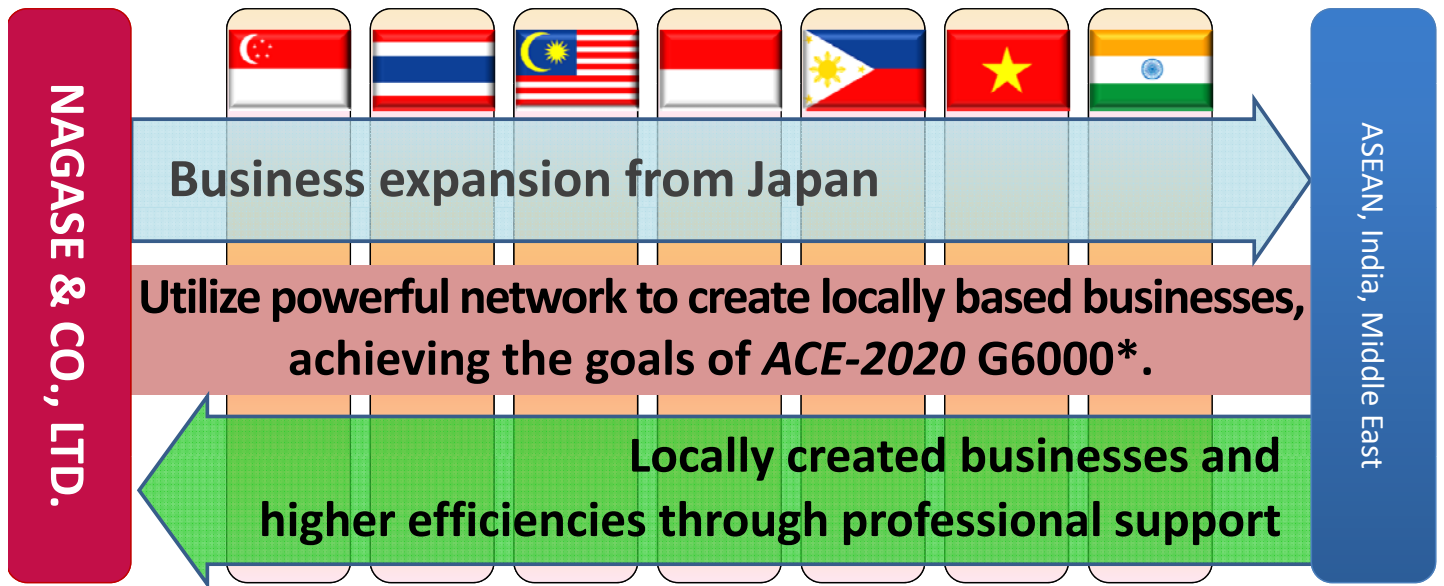
## Mid-term management plan **ACE-2020** Sales Targets

### ACE-2020 Sales Target ¥143.5 billion



\*Sales local corporations are simple sums (sales by location). Accordingly, these figures differ from by-region sales figures published in our financial results (sales by destination). For ease of comparison, we have used the same foreign exchange rate for fiscal years 2013 through 2017.

■ Use existing business infrastructure/network to create, integrate, and foster regionally driven business



**Action Plans**

- (1) Expand business with the automobile industry
- (2) Diversify chemical sourcing to expand business opportunities
- (3) Build functions to expand sales of NAGASE Group products
- (4) Foster personnel capable of generating locally based businesses

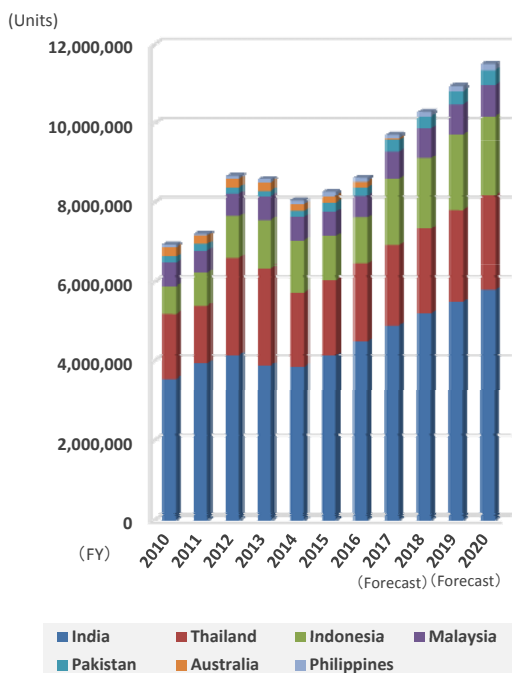
\*G6000: Key Performance Indicator under the ACE-2020 mid-term management plan  
Overseas Group Company Net Sales of ¥600 billion

**Action Plans for Achieving ACE-2020**

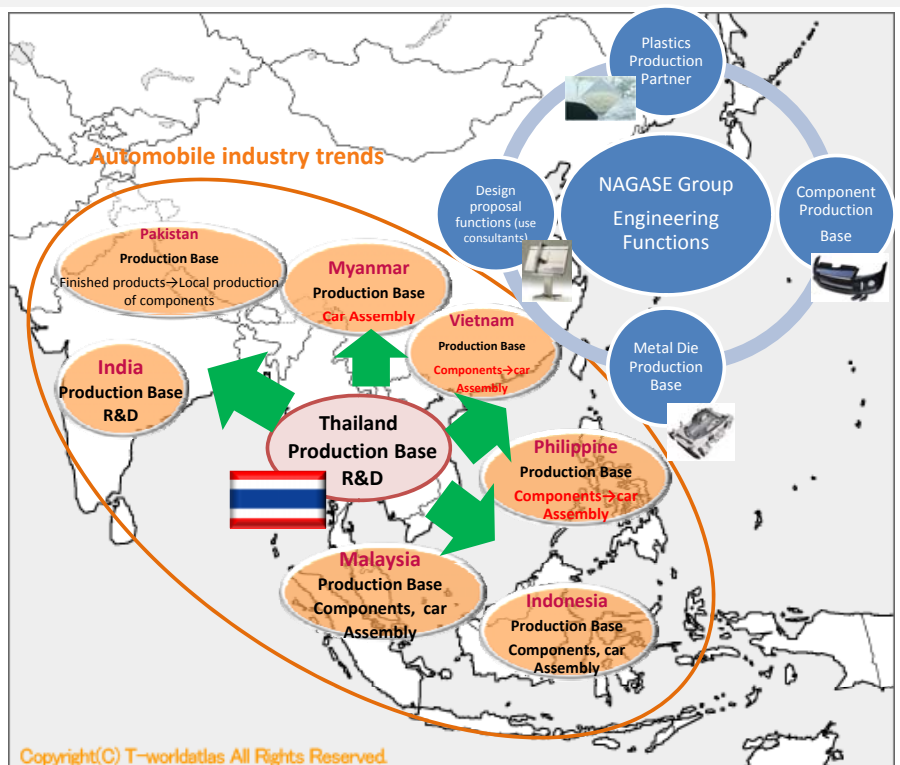
**(1) Expand business with the automobile industry**

■ Focusing on regional Automotive industry as our major customer base for plastics and chemicals. Expanding business by 50% by 2020 utilizing regional hub function of Thailand.

**Intra-Region Automobile Production Trends**



Source: Extracts from FOURIN, Inc. ASEAN Automobile Industry 2015, Thai Marklines, Pakistan (PAMA)



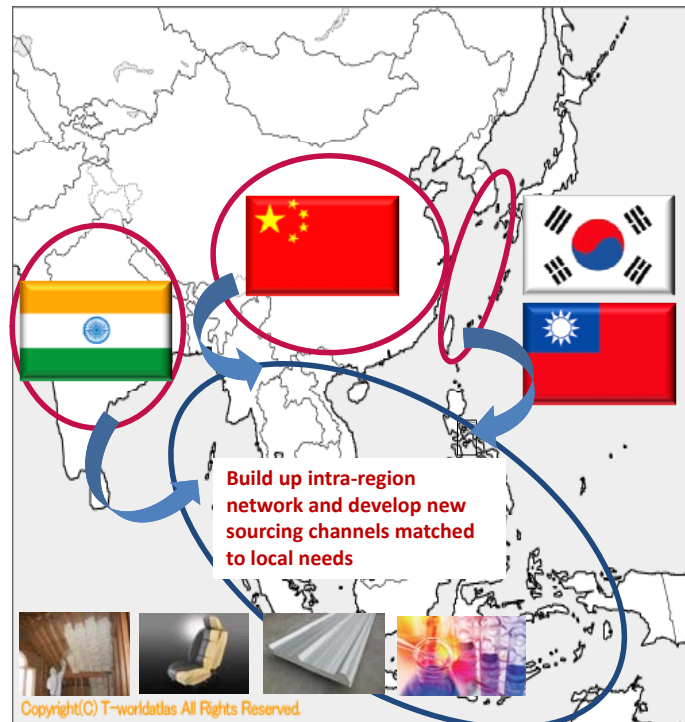
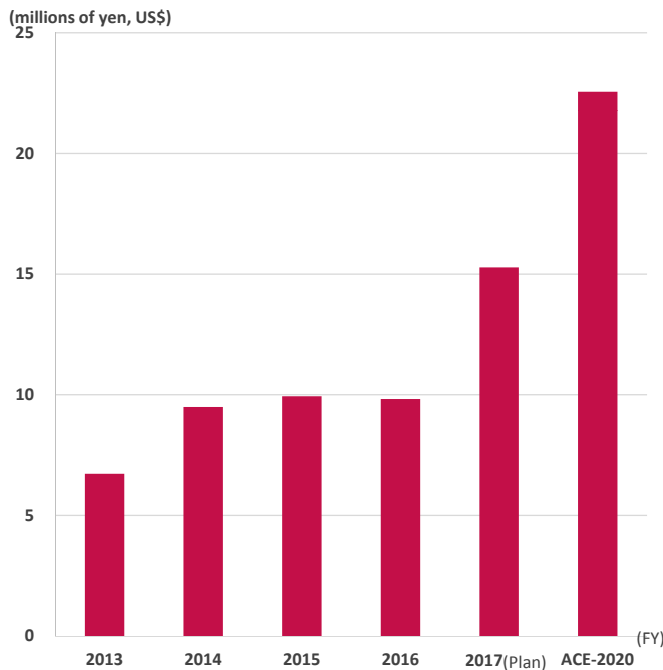
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## Action Plans for Achieving **ACE-2020**

### (2) Diversify chemical sourcing to expand business opportunities

- Providing solutions by diversifying sourcing of chemical products (Japan + China, Taiwan, Korea and India)

#### Chemicals diversification Business Sales Trends and ACE-2020 Plan



## Action Plans for Achieving **ACE-2020**

### (3) Build functions to expand sales of NAGASE Group products

- Enhancing business opportunities to emerging countries looking to improve quality of life.

#### Indonesia



**Installed Kitchen for food ingredients**



Experts create recipes and samples to fit local demand



#### Philippines



Starting supply/collections of Nagase Landauer radiation measurement devices (badges embedded with proprietary technology) to/from hospitals, having professional radiation technologists measure exposure levels



#### India



#### Coatings Laboratory



Utilizing 2,500 sq ft of our own laboratory space to formulate coating materials, offer proposals matched to local needs.

■ Human resources development - HRDC (Human Resources Development Committee)

KEY ISSUES

The development of national staff shall become essential to Nagase's business growth.

Driving Force for Nagase Business

**"Securing talents and their networking capability"**

Business Direction

Strengthen the competitiveness of Nagase and expand locally generated business in MESA region

What Needs To Be Done

**Sustainably build qualified national staff and enhance people development cultural.**

Desired State

- HRD needs are clarified based on Nagase business context.
- Development cycle is systematically established.
- Potential talents are identified and motivated.
- Assigned persons are addressing HRD with clear accountability.



Singapore



Message from CEO -Masuda, Takayuki



The business environment we operates in has been undergoing enormous changes in recent years.

To achieve our growth plan, we need to identify and develop locally generated business coming from MESA region by tapping on our group power. In addition, employee development is one of the key priorities to speed up our progress.

Though we have been working on these activities ever since the establishment of ROC, to accelerate the process, we will roll out a new regional Innovative Project initiative.

For this year, the Innovative Project will first start with Nagase subsidiaries from Thailand, Singapore, Malaysia and Indonesia to identify what are the challenges, required resources or reinforcement to achieve our goals.

**HRDC**

(Human Resource Development Committee)

Regular discussions/review by COO in each base to raise level of organizational human resources development

**CDP**

(Career Development Plan) / IDP(Individual Development Plan)

Coaching and monitoring by trainers

**Regional Innovative Project**

Suggestions for business process improvements by selected mid-level employees



(Reference) Information by Segment

## <Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE03/17		FYE03/18		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
<b>Net sales</b>	Domestic	1,468	98%	1,508	103%
	Overseas	451	97%	469	104%
	Eliminations	-384	-	-382	-
	<b>Total</b>	<b>1,535</b>	<b>98%</b>	<b>1,595</b>	<b>104%</b>
<b>Operating income</b>	Domestic	33	121%	34	105%
	Overseas	9	90%	9	103%
	Eliminations	-0	-	+1	-
	<b>Total</b>	<b>41</b>	<b>114%</b>	<b>44</b>	<b>105%</b>

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

### FYE March 2017 Actual

**Net sales** ¥153.5 billion (98%)

- ◆ The Performance Chemicals business recorded slightly lower sales as a whole, mainly due to lower naphtha prices driving sales of coating raw materials and urethane materials down, mainly in Japan and Greater China.
- ◆ The Speciality Chemicals business recorded slightly lower sales for the year. While sales of plastic additives and silicone materials were strong in the Americas, sales fell in other regions.

**Operating income** ¥4.1 billion (114%)

- ◆ Higher profits, mainly due to cost reduction activities at our domestic manufacturing subsidiaries.

### FYE March 2018 Outlook

- ◇ We project overall higher revenues and profits for the fiscal year. We expect demand to rise in the Americas for 3D printer resin and additives, as well as for coating raw materials imports. We also expect an increase in automobile production in the in ASEAN, resulting in strong sales of urethane-related products.

## <Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE03/17		FYE03/18		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
<b>Net sales</b>	Domestic	1,534	99%	1,618	105%
	Overseas	1,466	91%	1,548	106%
	Eliminations	-574	-	-592	-
	<b>Total</b>	<b>2,426</b>	<b>95%</b>	<b>2,574</b>	<b>106%</b>
<b>Operating income</b>	Domestic	28	118%	36	128%
	Overseas	22	92%	27	125%
	Eliminations	+0	-	+1	-
	<b>Total</b>	<b>50</b>	<b>102%</b>	<b>64</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 2017 Actual

**Net sales** ¥242.6 billion (95%)

- ◆ The Colors & Advanced Processing business recorded lower sales. Despite higher sales of conductive materials from domestic manufacturing subsidiaries, sales digital print processing materials were lower, driving down total sales.
- ◆ Our business selling plastics to office equipment, appliance, and video game device markets recorded lower sales as a whole. While sales of thermoplastic resins were higher at our domestic manufacturing subsidiaries, the impact of foreign currency translation drove sales lower in Greater China and other overseas markets.

**Operating income** ¥5.0 billion (102%)

- ◆ Higher profits, mainly due to improved product mix and the implementation of cost-reduction measures at domestic manufacturing subsidiaries.

### FYE March 2018 Outlook

- ◇ Outlook for higher revenues and profits. Sales of synthetic plastics to the office equipment, appliance, and game device industries are expected to be strong, as are sales of conductive materials to the LCD industry. We also expect to see further profitability improvements at our manufacturing subsidiaries.



## <Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE03/17		FYE03/18	
	Year Actual	Vs. PY	Year Forecast	Vs. PY
	Net sales			
Domestic	1,297	103%	1,167	90%
Overseas	712	97%	602	85%
Eliminations	- 732	-	- 677	-
<b>Total</b>	<b>1,277</b>	<b>100%</b>	<b>1,092</b>	<b>85%</b>
Operating income				
Domestic	39	103%	34	86%
Overseas	23	87%	24	103%
Eliminations	- 0	-	- 0	-
<b>Total</b>	<b>63</b>	<b>101%</b>	<b>58</b>	<b>92%</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 2017 Actual

**Net sales** ¥127.7 billion (100%)

- ◆ The Electronic Chemicals Department recorded increased sales for the period, driven by sales of formulated epoxy resins to the electronic components and semiconductor industries.
- ◆ The Electronic Materials Department recorded lower sales, mainly due to lower sales of materials for touch panels and thin glass processing.

**Operating income** ¥6.3 billion (101%)

- ◆ Higher profits, mainly due to the contribution of higher revenues at domestic manufacturing subsidiaries.

### FYE March 2018 Outlook

- ◇ We project lower revenues and lower profits for the segment. While we should see higher sales of epoxy resin, new business growth in chemicals for liquid crystals, and strong sales of glass thin processing in China, we expect sales in our smartphone-related business to be weak.

## <Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE03/17		FYE03/18	
	Year Actual	Vs. PY	Year Forecast	Vs. PY
	Net sales			
Domestic	584	107%	662	113%
Overseas	756	91%	766	101%
Eliminations	- 211	-	- 232	-
<b>Total</b>	<b>1,129</b>	<b>98%</b>	<b>1,196</b>	<b>106%</b>
Operating income				
Domestic	- 4	-	3	-
Overseas	20	94%	19	95%
Eliminations	- 0	-	- 0	-
<b>Total</b>	<b>15</b>	<b>118%</b>	<b>22</b>	<b>143%</b>

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

### FYE March 2017 Actual

**Net sales** ¥112.9 billion (98%)

- ◆ The segment recorded slightly lower sales overall. While we captured demand and recorded strong sales of plastics for automobile electronics and electrification in our Automotive Solutions business, declining naphtha prices and the impact of the strong yen drove segment sales down.

**Operating income** ¥1.5 billion (118%)

- ◆ Higher profits, mainly due to improved profitability at domestic manufacturing subsidiaries.

### FYE March 2018 Outlook

- ◇ We forecast higher revenues and profits, as we see a recovery in naphtha prices and growth in sales of plastics as a result of capturing demand for engineering plastics related to automobile electronics/electrification. We also expect further improvements in profitability at our manufacturing subsidiaries.

## <Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE03/17		FYE03/18		
	Year Actual	Vs. PY	Year Forecast	Vs. PY	
<b>Net sales</b>	Domestic	1,018	100%	1,030	101%
	Overseas	115	91%	115	100%
	Eliminations	- 284	-	- 287	-
	<b>Total</b>	<b>849</b>	<b>99%</b>	<b>858</b>	<b>101%</b>
<b>Operating income</b>	Domestic	62	94%	68	109%
	Overseas	1	27%	1	143%
	Eliminations	- 30	-	- 30	-
	<b>Total</b>	<b>33</b>	<b>86%</b>	<b>39</b>	<b>117%</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 2017 Actual

#### Net sales

**¥84.9 billion (99%)**

◆ The Life & Healthcare Products business recorded slightly lower sales of TREHA™ and other products to food ingredient makers in Japan, while sales were also lower in overseas markets. In the skin care and toiletries field, we recorded lower sales of AA2G™ domestically. However, sales of raw materials in the same market were higher both in Japan and overseas. In the medical and pharmaceuticals fields, sales of pharmaceutical raw materials and intermediates grew significantly. On the other hand, sales of medical materials were lower. As a result, sales for the Life & Healthcare Products business were lower compared to the prior fiscal year.

◆ Despite higher sales of new products in the beauty care products business, sales of existing products were weak, driving overall sales lower.

#### Operating income

**¥3.3 billion (86%)**

◆ Lower profits, mainly due to lower sales.

### FYE March 2018 Outlook

◇ We forecast overall sales and profit growth for the segment. In the food materials industry, we intend to develop applications and grow sales of Fibryxa™ and other high-function materials, while we also expect strong sales of TREHA™. We expect strong sales of raw materials to the skin care and toiletries field, with likewise robust performance in medical devices to the pharmaceutical and medical fields in ASEAN.



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

**These presentation materials contain forward-looking projections based on assumptions, forecasts, and plans as of May 25, 2017. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.**