



Consolidated Financial Statements for the First Quarter of the Fiscal Year Ended March 31, 2016 <Under Japanese GAAP>

August 4, 2015

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

NAGASE & CO., LTD.

Stock exchange listing: Tokyo (First Section)

Code number: 8012 URL (<http://www.nagase.co.jp/english/>)

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Filing of quarterly report (scheduled): August 7, 2015

Start of distribution of dividends (scheduled): —

Supplementary documents of quarterly financial results: Yes

Quarterly investors' meeting: No

(Note: Amounts have been rounded down to the nearest million yen.)

1. Consolidated Results for the First Quarter of the Fiscal Year Ended March 31, 2016

(April 1, 2015 to June 30, 2015)

(1) Consolidated Operating Results

(Percentages represent changes compared with same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the first quarter ended June 30, 2015	185,147	2.1	4,958	11.9	5,324	4.6	3,400	(3.2)
June 30, 2014	181,337	5.8	4,431	6.3	5,089	(0.3)	3,512	(0.4)

(Notes) Comprehensive income

First quarter ended June 30, 2015: ¥5,123 million (24.0% decrease)

First quarter ended June 30, 2014: ¥6,738 million (23.6% decrease)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
For the first quarter ended June 30, 2015	26.77	—
June 30, 2014	27.65	—

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2015	544,409	290,409	52.2	2,237.93
March 31, 2015	546,525	287,500	51.5	2,215.18

(Reference) Equity capital

As of June 30, 2015: ¥284,288 million

As of March 31, 2015: ¥281,398 million

2. Dividends

	Annual Dividends per Share				
	1Q	2Q	3Q	Fiscal year end	Annual
For the year ended (or ending)	Yen	Yen	Yen	Yen	Yen
March 2015	—	15.00	—	15.00	30.00
March 2016	—	—	—	—	—
March 2016 (estimate)	—	16.00	—	16.00	32.00

(Note) Revisions to the latest projected dividends: No

**3. Projected Consolidated Results for the Fiscal Year Ended March 31, 2016
(April 1, 2015 to March 31, 2016)**

(Percentages represent changes compared with the corresponding periods of the previous fiscal year.)

	Net sales		Operating profit		Ordinary income		Profit attributable to owners of the parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	823,000	8.3	19,500	7.4	20,600	1.1	12,100	6.9	95.25

(Note) Revisions to the latest projected consolidated results: No

* Notes

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): No

New: — (Company name:) Excluded: — (Company name:)

(2) Application of special accounting methods to the preparation of quarterly financial statements: No

(3) Changes of accounting principles, changes in accounting estimates, and restatement of prior period financial statements after error corrections

i. Changes in accordance with revisions to accounting and other standards: No

ii. Changes in items other than (i) above: No

iii. Changes in accounting estimates: No

iv. Restatement of prior period financial statements after error corrections: No

(4) Number of shares issued and outstanding (common stock)

i. Number of shares issued and outstanding as of the fiscal period end (including treasury stock)

June 30, 2015	127,408,285 shares	March 31, 2015	127,408,285 shares
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ii. Number of treasury stock as of the fiscal period end

June 30, 2015	376,612 shares	March 31, 2015	376,363 shares
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iii. Average number of shares during the period

June 30, 2015	127,031,790 shares	June 30, 2014	127,032,637 shares
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*** Quarterly Review Implementation Disclosure**

This quarterly report is exempt from the quarterly review procedure based upon the Financial Instruments and Exchange Act. Furthermore, quarterly consolidated financial statements were undergoing the review procedure process at the time of release.

*** Cautionary Statement with Respect to Forecasts of Consolidated Business Results**

The earnings forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts.

Please refer to “1. Qualitative Information (3) Qualitative Information related to Earnings Forecasts” on page 4 of this document.

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1 Qualitative Information

(1) Business Performance

a. General Summary of Results

The Japanese economy continued to experience signs of a moderate recovery during the first quarter of the consolidated fiscal year, including favorable corporate earnings and a higher personal consumption. The future direction of the global economy, however, remains unclear. Despite continued recovery in the United States, the economy of China is slowing amid fears of a market downturn.

In this environment, the Company recorded domestic sales of ¥90.03 billion for the cumulative consolidated first quarter, which represented a 3.3% decrease year on year. Overseas sales amounted to ¥95.1 billion (7.8% increase). In total, the Company recorded net sales of ¥185.14 billion for the cumulative consolidated first quarter of the current year, representing a 2.1% increase year on year.

Net sales growth overseas helped spur profit growth, with the Company recording a gross profit of ¥23.52 billion (5.9% year-on-year increase). Operating income amounted to ¥4.95 billion (11.9% year-on-year increase). The Company recorded ordinary income in the amount of ¥5.32 billion (4.6% year-on-year increase), a decline mainly due to a drop in equity in earnings of affiliates. Profit attributable to owners of the parent for the cumulative consolidated first quarter amounted to ¥3.4 billion (3.2% year-on-year decrease). This decline was mainly due to higher year-on-year tax expenses.

b. Segment Summary

Functional Materials

Our Functional Materials segment reported lower overall net sales compared to the same period in the prior fiscal year. Growth overseas as a whole, particularly in the Americas and China, could not outpace the decline in domestic revenues for the period.

The performance chemicals business recorded lower overall net sales compared to the same period in the prior fiscal year. While sales grew in China and the Americas, domestic weakness in automotive production volume and new housing starts resulted in lower sales of coating raw materials and urethane materials.

The speciality chemicals business reported net sales level with the same period in the prior fiscal year. While industrial oil solutions, semiconductor-related products, and other electronics industry-related chemicals sales were strong, sales of paints for construction materials and other products were comparatively sluggish.

As a result, net sales for the Functional Materials segment for the cumulative consolidated first quarter amounted to ¥40.43 billion, which was a year-on-year decrease of ¥1.34 billion (3.2%). Operating income for the segment was ¥1.11 billion, representing a ¥110 million (11.8%) increase year on year. This improvement was mainly due to higher revenues and profit ratios in our overseas businesses.

Advanced Materials & Processing

The Advanced Materials & Processing segment reported higher overall net sales for the period, driven by higher performance in Northeastern Asia, Southeastern Asia, Europe, and the United States. Sales for Japan were level with the same period in the prior fiscal year.

The colors and imaging business recorded higher revenues as a whole year on year. Despite lower sales of materials for LCD TV reflectors and conductive materials, the Company experienced revenue gains for dyes and additives, information printing materials, anti-reflective optical sheets, and plastic materials.

The segment's business selling plastics and other products to the office equipment and appliance markets reported higher net sales year on year as a whole. This result stems mainly from gains in Northeast Asia and Southeast Asia, despite slightly lower performance domestically.

As a result, segment net sales for the Advanced Materials & Processing segment for the cumulative consolidated first quarter

amounted to ¥64.97 billion, which was a ¥5.06 billion (8.5%) increase compared to the same period in the prior fiscal year. Operating profit increased ¥330 million (33.1%), reaching ¥1.33 billion for the period.

Electronics

The Electronics segment reported lower overall revenues compared to the same period in the prior fiscal year. While revenues grew in Europe and the United States, these gains could not compensate for lower revenues in Japan and Northeastern Asia.

The electronic chemicals business delivered gains as a whole, despite lower revenues for chemicals used in LCD panel manufacturing. Sales of formulated epoxy resin for the heavy and light electrical machinery markets rose year on year.

The electronic materials business reported lower sales overall, mainly due to decreased revenues for touch panel materials and LED-related products.

As a result, the segment recorded cumulative consolidated first quarter net sales of ¥29.89 billion, representing a ¥4.96 billion (14.2%) decrease year on year. Operating income amounted to ¥1.52 billion for the period, ¥80 million (6.2%) higher year on year. This result was mainly due to profit ratio improvements among our overseas manufacturing businesses.

Automotive & Energy

The Automotive & Energy segment recorded overall net sales gains compared to the same period in the prior fiscal year. While sales in Japan were weak due to lower automobile production, the markets for our products were strong overall in the Americas, China, and Southeast Asia.

As a result, segment net sales for the cumulative consolidated first quarter amounted to ¥28.68 billion, representing a ¥3.01 billion (11.7%) year-on-year increase. Operating income increased ¥10 million (3.6%) to ¥550 million for the period. While the segment recorded higher profits as a result of higher revenues, higher general and administrative expenses at sales companies partially offset these gains.

Life & Healthcare

The Life & Healthcare segment reported higher overall net sales compared with the same period in the prior fiscal year. Revenues were strong in Japan, and grew in our overseas markets as well.

The life & healthcare products business recorded sales gains in Japan and overseas for sales of our proprietary TREHA™ and other products for the food materials industry. The segment also saw higher sales of enzyme products. In the skin care and toiletries field, the segment recorded higher sales of our proprietary AA2G™ to our main customers, while sales of raw materials to the same market also performed well. In the pharmaceuticals and medical fields, sales of pharmaceutical raw materials and intermediates were level with the same period in the prior fiscal year. At the same time, sales of medical materials were sluggish for the period. As a result, the business as a whole reported higher overall net sales year on year.

The beauty care products business includes sales of cosmetics and health foods. While the business recorded strong sales for new products, weakness in existing product sales led to results for the period only level with the same period in the prior fiscal year.

As a result, segment net sales for the cumulative consolidated first quarter amounted to ¥20.97 billion, which was a ¥2.05 billion (10.9%) increase year on year. Despite higher revenues, operating income fell ¥60 million (5.8%) year on year to ¥970 million. This decrease was mainly due to increased costs at manufacturing subsidiaries for new plant operations.

Other

No special matters to disclose.

(2) Financial Position

As of the end of the consolidated first quarter, current assets amounted to ¥327.97 billion. This represented a decrease of ¥1.86 billion compared to the end of the prior consolidated fiscal year, mainly due to decreases in cash and time deposits. Non-

current assets decreased ¥240 million compared to the end of the prior fiscal year, down to ¥216.43 billion. As a result, total assets decreased by ¥2.11 billion compared to the end of the prior consolidated fiscal year, down to ¥544.4 billion.

Liabilities as of the end of the consolidated first quarter amounted to ¥253.99 billion, which was a decrease of ¥5.02 billion compared to the end of the prior consolidated fiscal year. This decrease was mainly due to decreased accounts payable.

Net assets amounted to ¥290.4 billion at the end of the consolidated first quarter, representing an increase of ¥2.9 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to higher retained earnings stemming from quarterly profit attributable to owners of the parent of ¥3.4 billion.

As a result, the Company reported a shareholders' equity ratio of 52.2%, up 0.7 points compared to the end of the prior consolidated fiscal year.

(3) Qualitative Information related to Earnings Forecasts

The Company has made no changes to its full-year consolidated earnings forecasts as originally published on May 8, 2015.

2 Summary Information (Notes)

(1) Changes of Classification of Specified Subsidiaries Accompanied by Changes in the Consolidation Scope

No matters to report.

(2) Application of Special Accounting Methods to the Preparation of Quarterly Financial Statements

No matters to report.

(3) Changes of Accounting Policies or Presentation Methods in the Consolidated Financial Statements

No matters to report.

(4) Additional Information

Beginning with the first quarter of the current consolidated fiscal year, the Company has adopted the provisions of Paragraph 39 of the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013). Accordingly, the Company has changed its presentation with respect to quarterly net income, as well as changing its presentation from "minority interests" to "non-controlling interests." To reflect these changes in presentation, the Company has reclassified its financial statements for the first quarter of the prior consolidated fiscal year and its financial statements for the prior consolidated fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2015)	First Quarter, Current Consolidated Fiscal Year (June 30, 2015)
ASSETS		
Current assets		
Cash and time deposits	40,575	39,362
Notes and accounts receivable	208,209	208,534
Merchandise and finished goods	63,719	63,196
Work in process	1,668	1,829
Raw materials and supplies	3,625	3,794
Deferred tax assets	4,058	3,704
Other	8,797	8,509
Less allowance for doubtful accounts	(806)	(952)
Total current assets	329,848	327,978
Non-current assets		
Property, plant and equipment	66,774	66,820
Intangible fixed assets		
Goodwill	27,626	27,259
Technology-based assets	16,942	16,548
Other	4,276	4,302
Total intangible fixed assets	48,844	48,109
Investments and other assets		
Investments in securities	92,638	93,387
Long-term loans receivable	1,139	1,141
Deferred tax assets	2,381	2,080
Other	6,277	6,312
Less allowance for doubtful accounts	(1,378)	(1,422)
Total investments and other assets	101,058	101,499
Total non-current assets	216,677	216,430
Total assets	546,525	544,409

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2015)	First Quarter, Current Consolidated Fiscal Year (June 30, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable	105,737	100,438
Short-term loans	31,388	33,596
Current portion of long-term loans	6,377	7,179
Current portion of bonds	10,000	-
Accrued income taxes	2,268	1,400
Deferred tax liabilities	19	33
Accrued bonuses for employees	4,314	2,297
Accrued bonuses for directors	213	66
Other	16,105	16,043
Total current liabilities	176,424	161,055
Long-term liabilities		
Bonds	20,000	30,000
Long-term loans	30,322	30,445
Deferred tax liabilities	20,272	20,485
Net defined benefit liability	10,803	10,882
Other	1,201	1,130
Total long-term liabilities	82,600	92,943
Total liabilities	259,025	253,999
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	11,654	11,654
Retained earnings	205,203	206,689
Less treasury stock, at cost	(228)	(229)
Total shareholders' equity	226,328	227,814
Accumulated other comprehensive income (loss)		
Net unrealized holding gain on securities	44,920	45,604
Deferred (loss) gain on hedges	3	(9)
Translation adjustments	9,478	10,371
Remeasurements of defined benefit plans	666	506
Total accumulated other comprehensive income	55,069	56,473
Non-controlling interests	6,102	6,121
Total net assets	287,500	290,409
Total liabilities and net assets	546,525	544,409

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Income)

Cumulative First Quarter

(Millions of yen)

	Cumulative First Quarter, Prior Consolidated Fiscal Year (April 1, 2014 - June 30, 2014)	Cumulative First Quarter, Current Consolidated Fiscal Year (April 1, 2015 - June 30, 2015)
Net sales	181,337	185,147
Cost of sales	159,112	161,619
Gross profit	22,224	23,527
Selling, general and administrative expenses	17,793	18,568
Operating income	4,431	4,958
Non-operating income		
Interest income	49	62
Dividend income	590	623
Rent income	65	74
Equity in earnings of affiliates	172	-
Foreign exchange gain	14	-
Other	113	115
Total non-operating income	1,006	876
Non-operating expenses		
Interest expenses	264	255
Equity in losses of affiliates	-	8
Foreign exchange losses	-	61
Other	83	185
Total non-operating expenses	347	510
Ordinary income	5,089	5,324
Extraordinary gains		
Gain on sale of non-current assets	14	1
Gain on sale of investment securities	-	36
Total extraordinary gains	14	38
Extraordinary losses		
Loss on sale of non-current assets	1	0
Loss on disposal of non-current assets	16	31
Impairment loss	37	9
Loss on sale of investments securities	0	9
Loss on sales of investments in capital	20	-
Total extraordinary losses	76	50
Income before income taxes	5,027	5,312
Income taxes - current	871	1,046
Income taxes - deferred	532	692
Total income taxes	1,404	1,739
Profit for the period	3,623	3,573
Profit attributable to non-controlling interests	110	172
Profit attributable to owners of the parent	3,512	3,400

(Quarterly Consolidated Statements of Comprehensive Income)
Cumulative First Quarter

(Millions of yen)

	Cumulative First Quarter, Prior Consolidated Fiscal Year (April 1, 2014 - June 30, 2014)	Cumulative First Quarter, Current Consolidated Fiscal Year (April 1, 2015 - June 30, 2015)
Profit for the period	3,623	3,573
Other comprehensive income		
Net unrealized holding gain on securities	3,867	680
Deferred (loss) gain on hedges	3	(13)
Translation adjustments	(573)	1,031
Remeasurements of defined benefit plans	(72)	(159)
Share of other comprehensive income of affiliates accounted for by the equity method	(110)	11
Total other comprehensive income	3,114	1,550
Comprehensive income	6,738	5,123
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	6,677	4,805
Comprehensive income attributable to non-controlling interests	60	318

(3) Notes related to Quarterly Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Segment Information, etc.)

I Three months ended June 30, 2014 (consolidated)

1. Information related to net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments						Other (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	To Quarterly Consolidated Statements of Income (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	41,786	59,905	34,860	25,669	18,921	181,143	193	181,337	-	-	181,337
Intersegment sales/transfers	797	557	191	671	68	2,286	1,308	3,594	-	(3,594)	-
Total	42,583	60,462	35,052	26,340	18,990	183,429	1,502	184,931	-	(3,594)	181,337
Segment income (loss)	993	1,000	1,437	538	1,039	5,009	63	5,073	(786)	144	4,431

(Note) 1 Other is a business segment consisting of businesses not included in reportable segments, and includes distribution services, information processing services, and professional services.

2. Corporate segment income (loss) represents expenses not allocated to reportable segments or Other.

3. Adjustments are eliminations of intersegment transactions.

4. The sum of Segment Income (loss) Total, Corporate, and Adjustments is equivalent to operating profit as presented in the consolidated statements of income.

II Three months ended June 30, 2015 (consolidated)

1. Information related to net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments						Other (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	To Quarterly Consolidated Statements of Income (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	40,439	64,974	29,899	28,680	20,977	184,971	176	185,147	-	-	185,147
Intersegment sales/transfers	510	573	188	625	106	2,003	1,371	3,374	-	(3,374)	-
Total	40,949	65,547	30,088	29,305	21,083	186,974	1,547	188,522	-	(3,374)	185,147
Segment income (loss)	1,110	1,331	1,526	558	978	5,506	40	5,547	(715)	126	4,958

(Note) 1 Other is a business segment consisting of businesses not included in reportable segments, and includes distribution services, information processing services, and professional services.

2. Corporate segment income (loss) represents expenses not allocated to reportable segments or Other.

3. Adjustments are eliminations of intersegment transactions.

4. The sum of Segment Income (loss) Total, Corporate, and Adjustments is equivalent to operating profit as presented in the consolidated statements of income.

(Significant Fluctuations in Shareholders' Equity)

No matters to report.

(Significant Subsequent Events)

No matters to report.

4. Supplementary Information

(1) Overseas Sales

Three months ended June 30, 2014 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas Sales (Millions of yen)	49,453	27,506	7,663	3,607	88,229
II Consolidated sales (Millions of yen)					181,337
III Ratio of overseas sales to consolidated sales (%)	27.3	15.2	4.2	2.0	48.7

Three months ended June 30, 2015 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas Sales (Millions of yen)	55,679	26,940	7,922	4,565	95,108
II Consolidated sales (Millions of yen)					185,147
III Ratio of overseas sales to consolidated sales (%)	30.1	14.6	4.3	2.4	51.4

(Notes)

1. Sales in overseas markets consist of net sales of the Company and consolidated subsidiaries in other countries or regions.
2. Countries/regions are determined by geographical proximity.
3. Major countries in each region
 - (1) Northeast Asia.....Taiwan, China
 - (2) Southeast Asia.....Singapore, Thailand
 - (3) North America.....U.S.
 - (4) Europe & Others.....Germany