

FYE March 2017 Second Quarter Financial Highlights

**NAGASE & CO., LTD.
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Agenda

Consolidated Statements of Income	2
Net Sales by Region (Domestic, Overseas)	3
Net Sales: Two-Year Comparison (by Segment)	4
Operating Income: Two-Year Comparison (by Segment)	5
Consolidated Balance Sheets	6
Consolidated Cash Flows	7

Consolidated Statements of Income

- Net sales: Lower, mainly due to sales declines in the Functional Materials and the Advanced Materials & Processing Segments, despite Life & Healthcare Segment sales being level with the prior year
- Operating income: Lower, mainly due to ¥1.5 billion in expenses related to retirement benefit accounting actuarial losses (¥2 billion higher YoY)

(100 millions of yen)

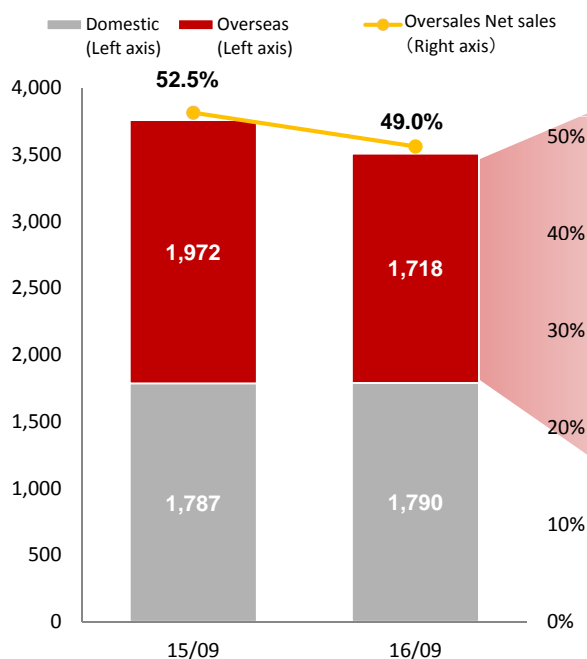
	15/09	16/09	Change	Vs. PY	Published Forecast
Net sales	3,760	3,508	-251	93%	7,350
Gross profit	464	446	-17	96%	923
<GP ratio>	12.3%	12.7%	-	+0.4%	12.6%
SG&A expenses	-363	-374	-10	103%	-778
Operating income	100	72	-27	72%	145
Ordinary income	101	74	-27	73%	160
Profit attributable to owners of the parent	65	46	-18	72%	95
US\$ Exchange rate (period average)	@¥121.8	@¥105.3	@¥16.5 revaluation		@108

(Foreign exchange rate impact on 16/09 net sales and operating income results)
 Net sales: - ¥32.2 billion (approx.)
 Operating income: - ¥1.3 billion (approx.)

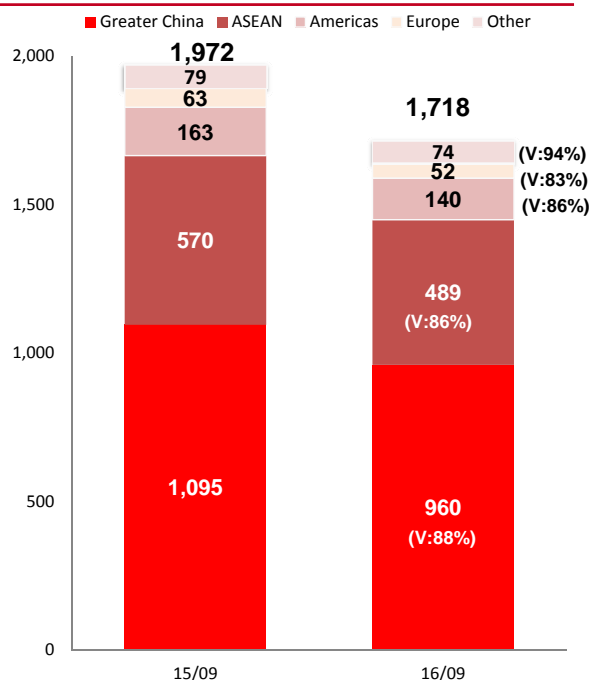
Net Sales by Region (Domestic, Overseas)

- Lower sale in all regions overseas, mainly due to the impact of the strong yen

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



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

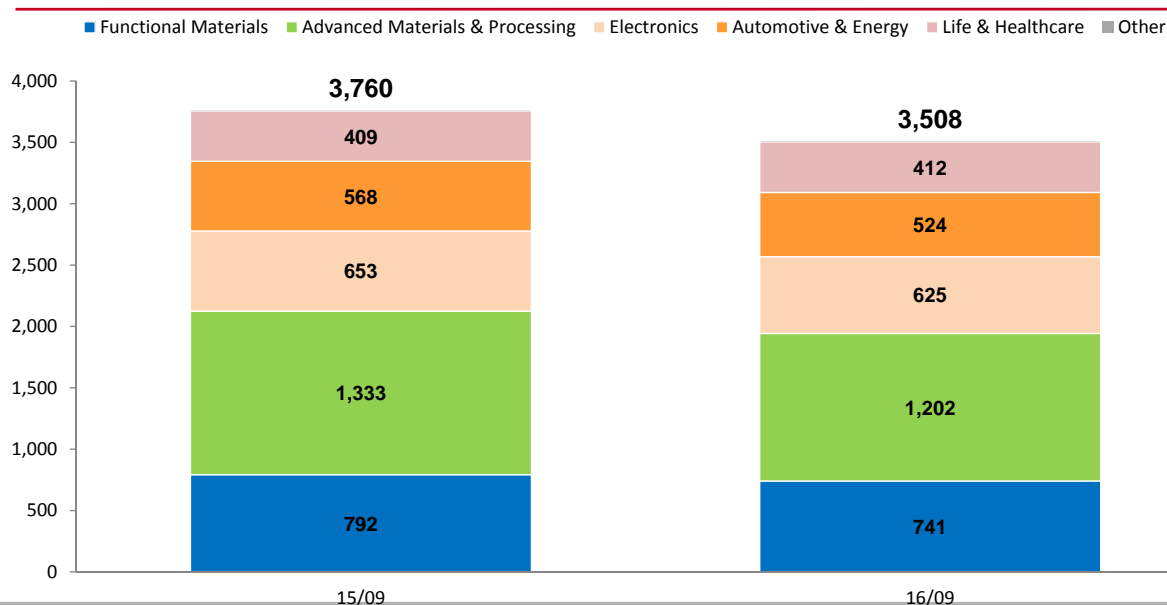


V:Vs 15/09

Net Sales: Two-Year Comparison (by Segment)

- **Functional Materials:** Lower sales, mainly due to declining sales of coating raw materials and urethane materials, which were driven lower by naphtha price decreases and downturn in Japanese auto production
- **Advanced Materials & Processing:** Lower sales, mainly due to declining sales of materials for LCD TV reflectors, conductive materials, and dyes/additives
- **Life & Healthcare:** Sales level year on year. While sales of TREHA™ fell overseas, sales of products in the pharmaceutical and medical fields grew both in Japan and overseas

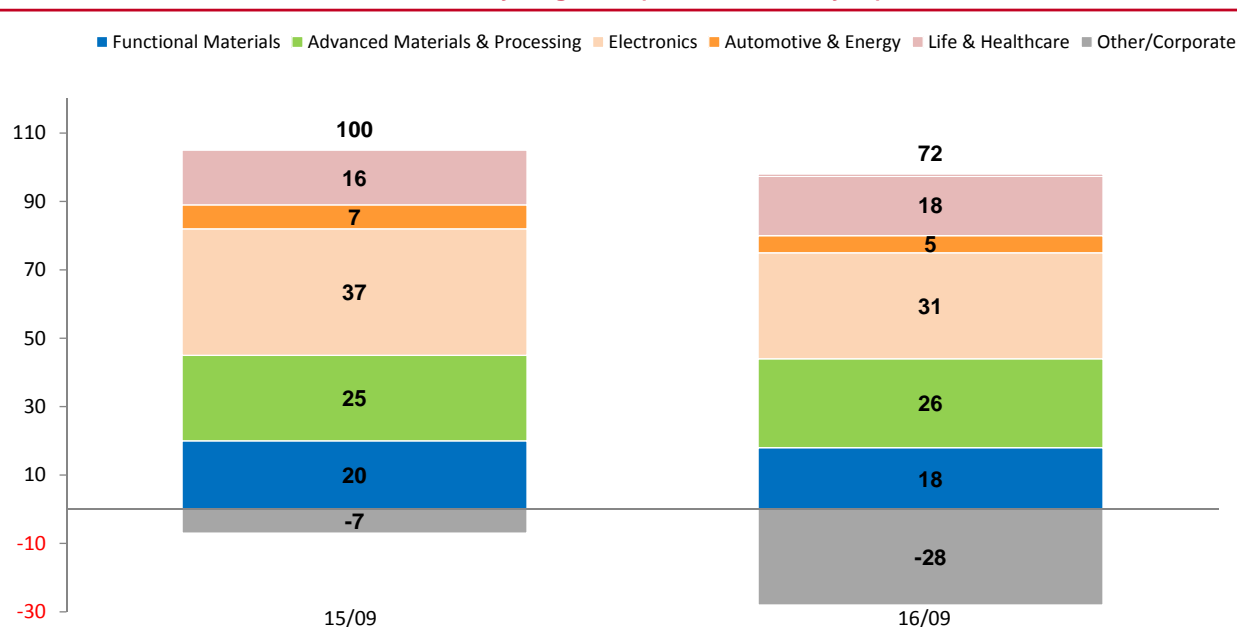
Net Sales by Segment (100 millions of yen)



Operating income: Two-Year Comparison (by Segment)

- **Lower profits due to the negative impact of the strong yen on sales in each segment**
 - **Other/Corporate:** Lower, mainly due to posting ¥1.5 billion in expenses related to retirement benefit accounting actuarial losses (¥2 billion higher YoY)
- Posted retirement benefit actuarial loss of ¥3.1 billion occurred 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)



Consolidated Balance Sheets

■ Decrease in net assets due to lower translation adjustments impacted by the strong yen

■ Shareholders' Equity Ratio up 0.1 points to 53.6%

Assets				Liabilities and Net Assets (100 millions of yen)			
	16/03	16/09	Change		16/03	16/09	Change
Total current assets	3,123	3,079	-44	Total current liabilities	1,561	1,668	+106
Cash and time deposits	432	382	-50	Notes and accounts payable	978	1,003	+24
Notes and accounts receivable	1,963	1,980	+17	Short-term loans (including current portion of long-term loans)	341	349	+8
Inventories	629	596	-32	Current portion of bonds	—	100	+100
Other	97	119	+21	Other	241	215	-26
Total non-current assets	1,997	2,012	+15	Total long-term liabilities	768	650	-117
Property, plant and equipment	664	689	+24	Long-term loans	231	201	-29
Intangible fixed assets	445	427	-18	Bonds	300	200	-100
Investments, other assets	887	896	+8	Net defined benefit liability	140	141	+1
Investments in securities	813	833	+19	Other (Deferred tax liabilities, etc.)	96	106	+10
Other	74	63	-11	Total liabilities	2,329	2,318	-11
				Total net assets	2,791	2,773	-17
				Shareholders' equity	2,346	2,361	+15
				Accumulated other comprehensive income	393	367	-25
				Net unrealized holding gain on securities	370	395	+25
				Translation adjustment	44	-17	-61
				Other	-21	-10	+10
				Non-controlling interests	51	44	-7
Total assets	5,120	5,092	-28	Total liabilities and net assets	5,120	5,092	-28

Consolidated Cash Flows

■ Cash and cash equivalents lower by ¥4.8 billion. Despite an increase in cash flows from operating activities, cash outlays for investments, payments of dividends, and translation differences led to declining cash balances

Cash Flows		(100 millions of yen)	
	16/09	Main breakdown	15/09
Net cash provided by (used in) operating activities	+47	Profit before income taxes +70 Depreciation and amortization/amortization of goodwill +53 Working capital -20 Income tax paid -44	+94
Net cash provided by (used in) investing activities	-52	Purchases of property, plant and equipment -61 Purchases of intangible fixed assets included in other assets -6 Purchases of investment in securities -11 Proceeds from sales of investments in securities +19	-53
Net cash provided by (used in) financing activities	-23	Cash dividends paid -20	-8
Effects of exchange rate changes on cash and cash equivalents	-20		-3
Net increase (decrease) in cash and cash equivalents	-48		+28
Cash and cash equivalents at beginning of the year	429		405
Cash and cash equivalents at end of year	380	Japan251、Greater China59、ASEAN42、Europe14、Americas4、Other8	433

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