

FYE March 2018 Second Quarter Financial Highlights

**NAGASE & CO., LTD.
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NAGASE achieved record highs for sales and all profit for the cumulative consolidated second quarter

■ **Net sales:** Higher, mainly due to strong sales in all segments and the lower valuation of the yen

■ **Operating income:** Higher, mainly due to operating profit growth and lower amortization of retirement benefit accounting actuarial differences

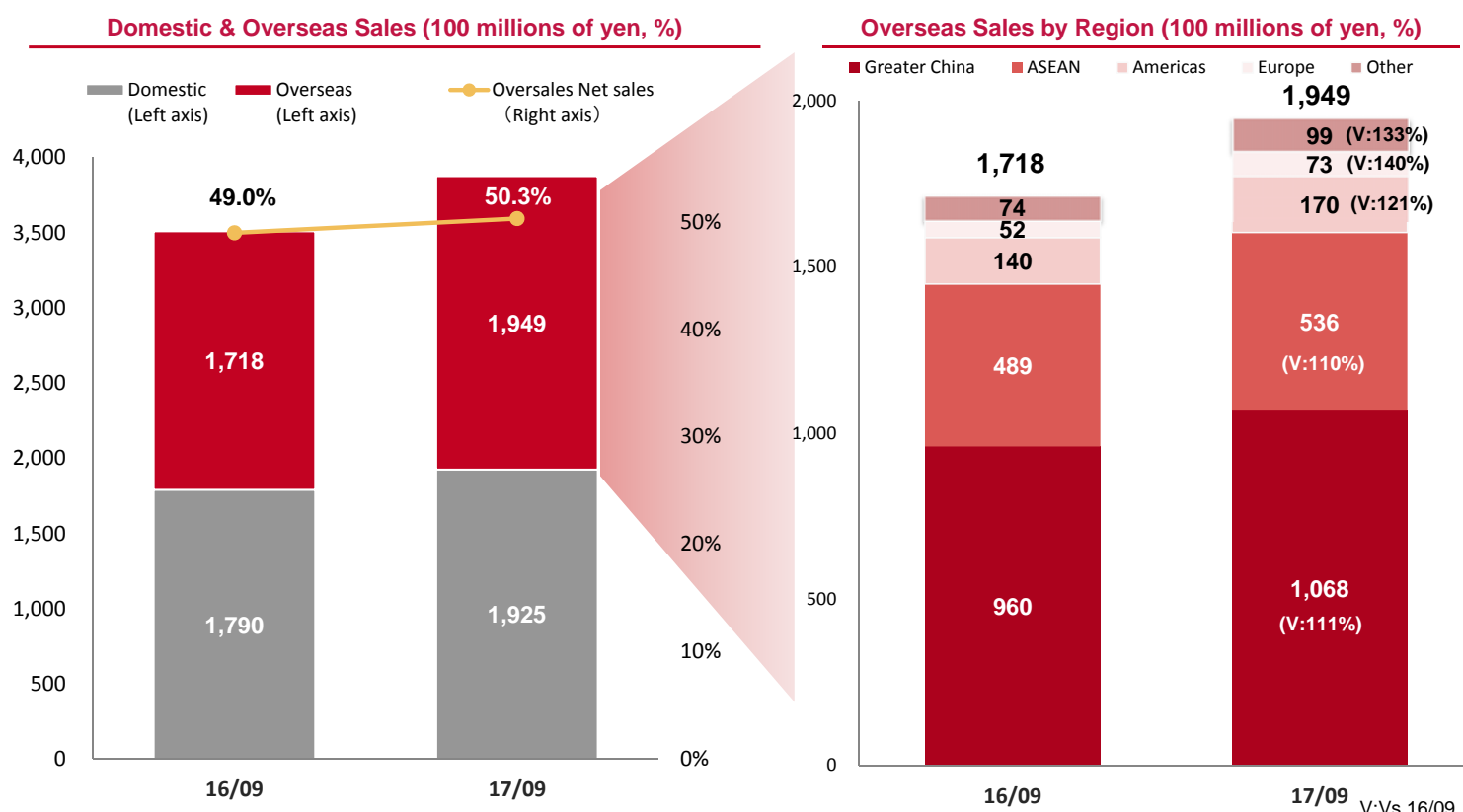
(100 millions of yen)

	16/09	17/09	Change	Vs. PY	Orig. Forecast (full year)
Net sales	3,508	3,875	+366	110%	7,320
Gross profit	446	502	+55	112%	950
<GP ratio>	12.7%	13.0%	+0.2%	—	13.0%
SG&A expenses	374	376	+1	100%	759
Operating income	72	126	+53	174%	191
Ordinary income	74	138	+63	184%	209
Profit attributable to owners of the parent	46	87	+40	187%	125
US\$ Exchange rate (period average)	@105.3	@111.0	@5.8devaluation		@108
RMB Exchange rate (period average)	@15.9	@16.4	@0.5devaluation		@15.6

【 Foreign exchange rate impact on 17/09 net sales and operating income results 】
 Net sales: +¥10 billion (approx.) Operating income: +¥280 million (approx.)

Net Sales by Region (Domestic, Overseas)

■ **Higher sales in Japan and every region overseas (overseas ratio of total sales 50.3%)**

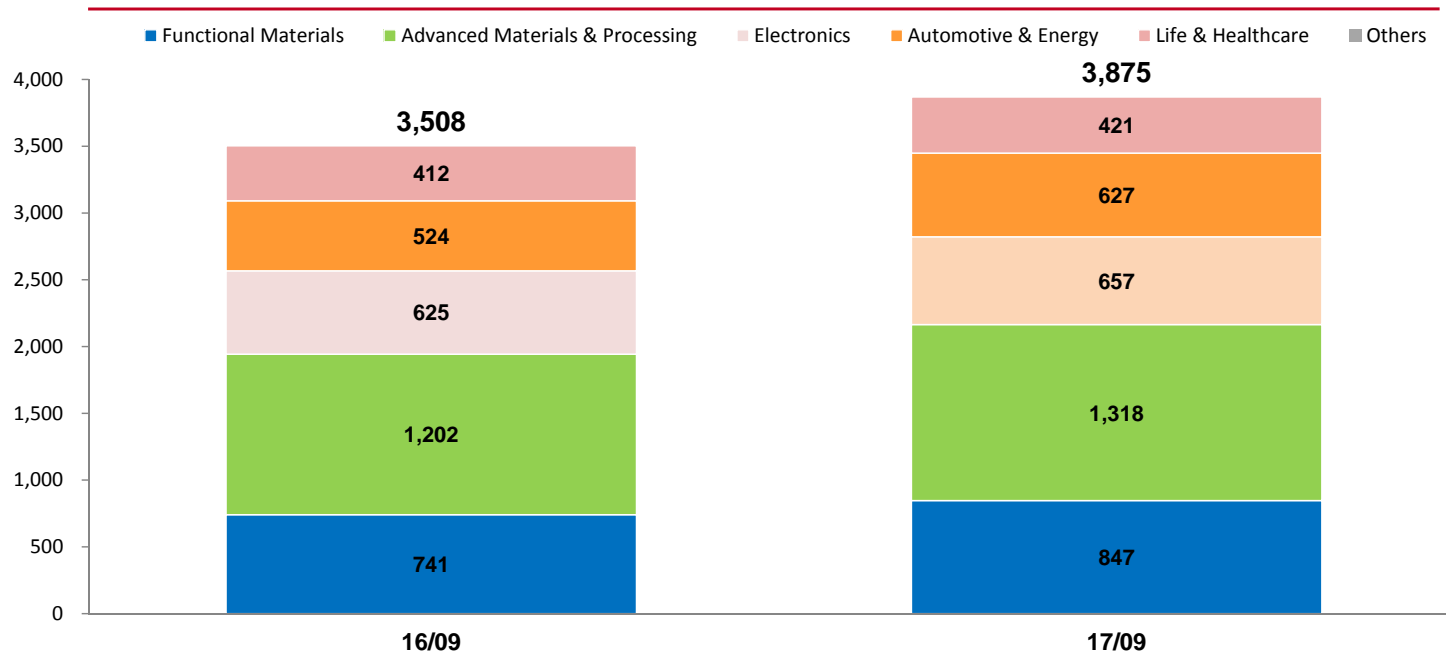


Net Sales: Two-Year Comparison (by Segment)

■ **Functional Materials:** Higher sales, mainly due to improved sales of coating raw materials and urethane materials associated with higher production of automobiles in Japan and overseas, improved sales of raw materials for industrial oil solutions, and the impact of acquisition of Fitz Chem Corporation (U.S. specialty chemicals distributor)

■ **Advanced Materials & Processing:** Higher sales mainly due to increase in sales of plastics in Japan and overseas

Net Sales by Segment (100 millions of yen)

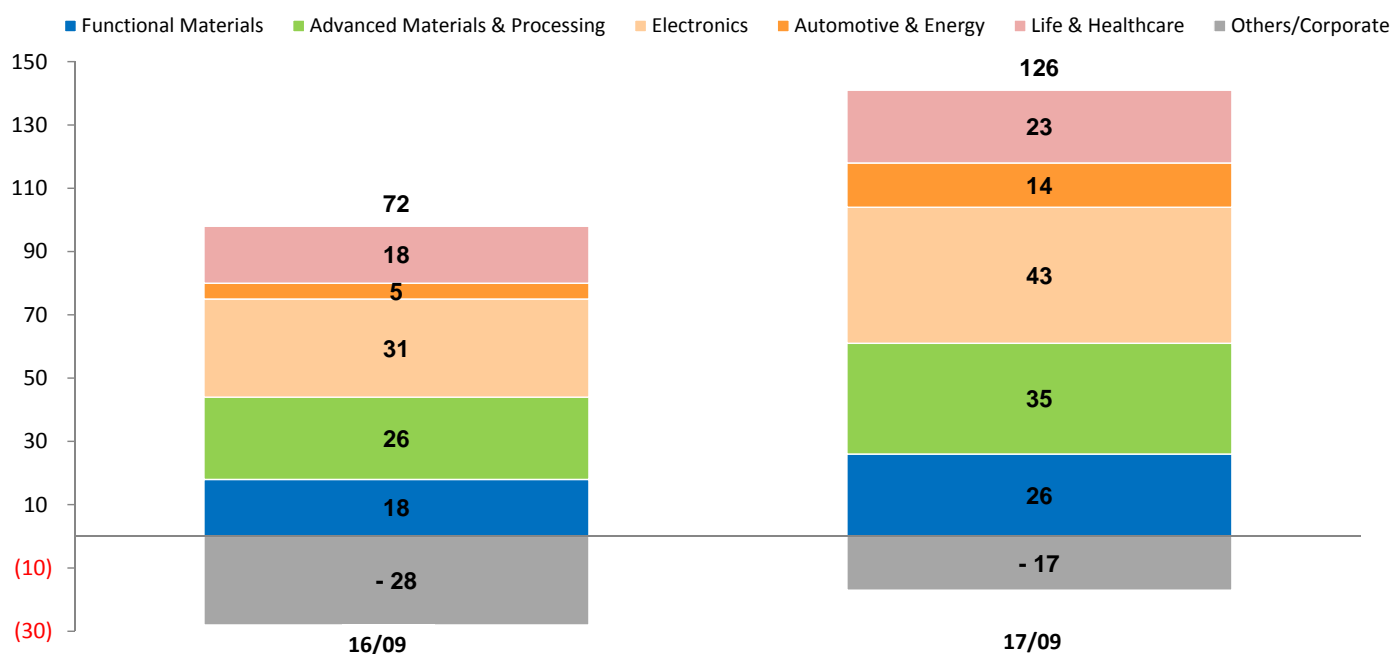


Operating income: Two-Year Comparison (by Segment)

■ In addition to higher sales among all segments, growth of manufacturing subsidiaries in Electronics, Advanced Materials & Processing, and other segments also had a positive impact.

■ In addition to the preceding, lower amortization of retirement benefit accounting actuarial differences for the Others/Corporate segment resulted in overall increase in operating income of ¥5.3 billion.

Net Sales by Segment (100 millions of yen)



Consolidated Balance Sheets

- **Assets:** Increase of ¥48.6 billion, mainly due to increases in accounts receivable and inventories, as well as rising investments in securities due to gains in fair market prices
- **Net assets:** Increase of ¥13.9 billion, mainly due to profit attributable to owners of the parent of ¥8.7 billion and increase in net unrealized holding gain on securities
- **Shareholders' Equity Ratio** down 2.2 points to 52.5%

Assets

	17/03	17/09	Change
Total current assets	3,212	3,577	+365
Cash and time deposits	398	442	+43
Notes and accounts receivable	2,068	2,315	+247
Inventories	631	708	+77
Other	114	110	-3
Total non-current assets	2,095	2,217	+121
Property, plant and equipment	676	684	+8
Intangible fixed assets	407	434	+27
Investments, other assets	1,011	1,098	+86
Investments in securities	945	1,034	+89
Other	66	63	-3
Total assets	5,307	5,794	+486

Liabilities and Net Assets (100 millions of yen)

	17/03	17/09	Change
Total current liabilities	1,664	1,912	+247
Notes and accounts payable	1,020	1,195	+174
Short-term loans and Current portion of bonds	416	473	+56
Other	227	244	+16
Total long-term liabilities	690	790	+99
Long-term loans and Bonds	400	464	+63
Net defined benefit liability	146	145	-1
Other (Deferred tax liabilities, etc.)	143	180	+36
Total liabilities	2,355	2,702	+347
Total net assets	2,951	3,091	+139
Shareholders' equity	2,396	2,458	+61
Accumulated other comprehensive income	505	582	+76
Net unrealized holding gain on securities	476	538	+61
Translation adjustment	31	45	+14
Other	-2	-1	+1
Non-controlling interests	49	51	+1
Total liabilities and net assets	5,307	5,794	+486

Consolidated Cash Flows

- **Cash and cash equivalents** up ¥4.0 billion, cash flows from operating activities of ¥6.5 billion (¥13.0 billion in profit before income taxes), from investing activities of ¥10.2 billion (¥6.0 billion in purchase of shares of subsidiaries resulting in a change in scope of consolidation), from financing activities of ¥7.3 billion (increase of ¥13.2 billion in net borrowings, decrease of ¥10.0 billion in redemption of bonds), and the impact of translation differences

Cash Flows

(100 millions of yen)

	17/09	Main breakdown	16/09
Net cash provided by (used in) operating activities	65	Profit before income taxes +130 Depreciation and amortization/amortization of goodwill +54 Working capital - 117 Income tax paid - 25	47
Net cash provided by (used in) investing activities	-102	Purchases of property, plant and equipment - 34 Purchases of intangible fixed assets - 1 Purchases of investment in securities - 3 Purchase of shares of subsidiaries resulting in change in scope of consolidation - 60	-52
Net cash provided by (used in) financing activities	73	Net increase in short-term loans payable +90 Net increase in commercial papers +70 Long-term loans(net payment/proceeds) +41 Redemption of bonds - 100 Cash dividends paid - 21	-23
Effects of exchange rate changes on cash and cash equivalents	4		-20
Net increase (decrease) in cash and cash equivalents	40		-48
Cash and cash equivalents at beginning of the year	397	Japan 254 ,Greater China 70 , ASEAN 35, Europe18 , Americas 5 , Other 13	429
Cash and cash equivalents, at end of the period	438	Japan 262 ,Greater China 77, ASEAN 44 , Europe23 , Americas 11, Other 13	380

Forecast calls for record high sales and profits

- **Net sales:** Higher, mainly due to overall continued strength, despite slowing expected in some businesses
- **Operating income:** Higher, mainly due to higher sales and an expectation of ¥300 million in amortization of retirement benefit accounting actuarial differences (vs. income statement impact of +2.8 billion in the prior year).

(100 millions of yen)

	17/03	18/03			
	Actual (A)	Previous Full Year Forecast (B)	Revised Full Year Forecast (C)	Change (C-A)	Vs. PY (C/A)
Net sales	7,223	7,320	7,710	+486	107%
Operating income	150	191	235	+84	156%
Ordinary income	163	209	255	+91	156%
Profit attributable to owners of the parent	103	125	160	+56	155%
US\$ Exchange rate (period average)	@108.4	@108.0	@111.0	@2.7 devaluation	—
RMB Exchange rate (period average)	@16.1	@15.6	@16.4	@0.3 devaluation	—



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These presentation materials contain forward-looking projections based on assumptions, forecasts, and plans as of November 2, 2017. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.