

FYE March 2018 Financial Highlights

NAGASE & CO., LTD.
May 7, 2018

Copyright © 2018 NAGASE & CO., LTD.

Agenda

Consolidated Statements of Income	3
Net Sales by Region (Domestic, Overseas)	4
Net Sales: Two-Year Comparison (by Segment)	5
Operating Income: Two-Year Comparison (by Segment)	6
Consolidated Balance Sheets	7
Consolidated Cash Flows	8
FYE March 2019 Earnings Projections	9
Dividends	10

Consolidated Statements of Income

✓ NAGASE recorded record highs for sales and profits

■ 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)

	17/03	18/03	Change	Vs. PY	Orig. Forecast (full year)	Achievement
Net sales	7,223	7,839	+ 615	109%	7,710	102%
Gross profit	915	1,026	+ 111	112%	1,000	103%
<GP ratio>	12.7%	13.1%	+0.4%	—	13.0%	—
SG&A expenses	764	785	+ 20	103%	765	—
Operating income	150	241	+ 90	160%	235	103%
Ordinary income	163	259	+ 96	159%	255	102%
Profit attributable to owners of the parent	103	171	+ 68	166%	160	107%
US\$ Exchange rate (period average)	@ 108.4	@ 110.9	@ 2.5 devaluation		@111.0	—
RMB Exchange rate (period average)	@ 16.1	@ 16.7	@ 0.6 devaluation		@ 16.4	—

【 Foreign exchange rate impact on 18/03 net sales and operating income results 】

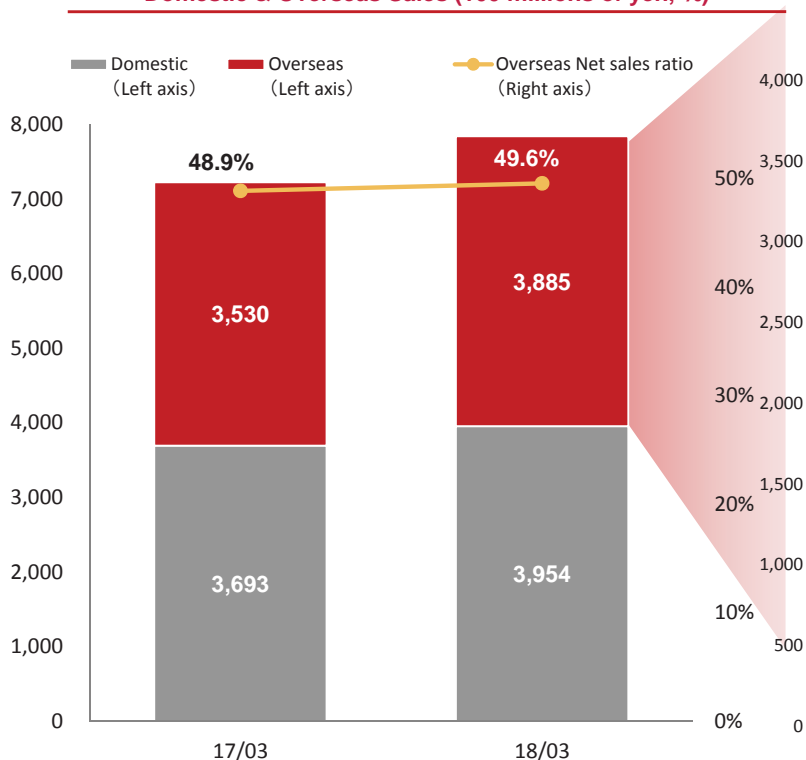
Net sales: +¥15.7 billion (approx.);

Operating income: +¥570million

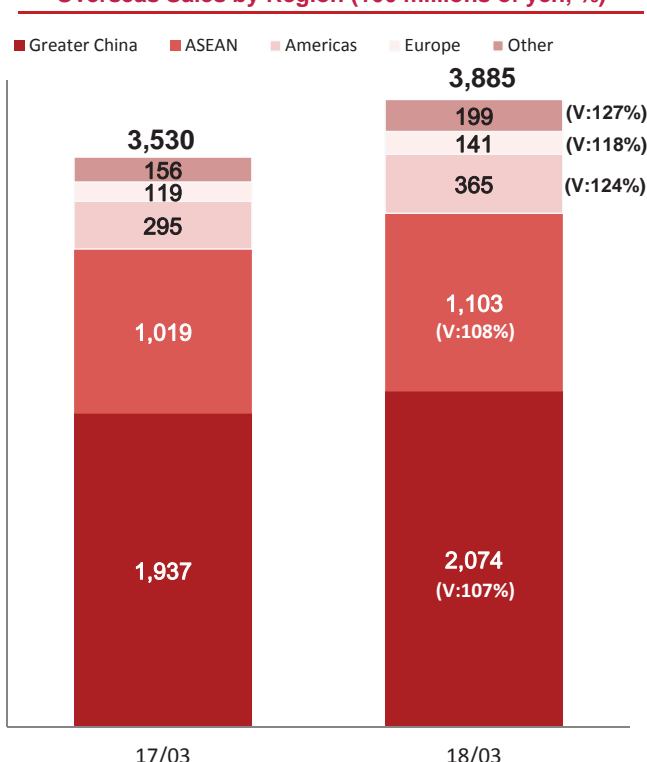
Net Sales by Region (Domestic, Overseas)

■ Higher revenues in Japan and every region overseas (ratio of overseas net sales 49.6%)

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



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

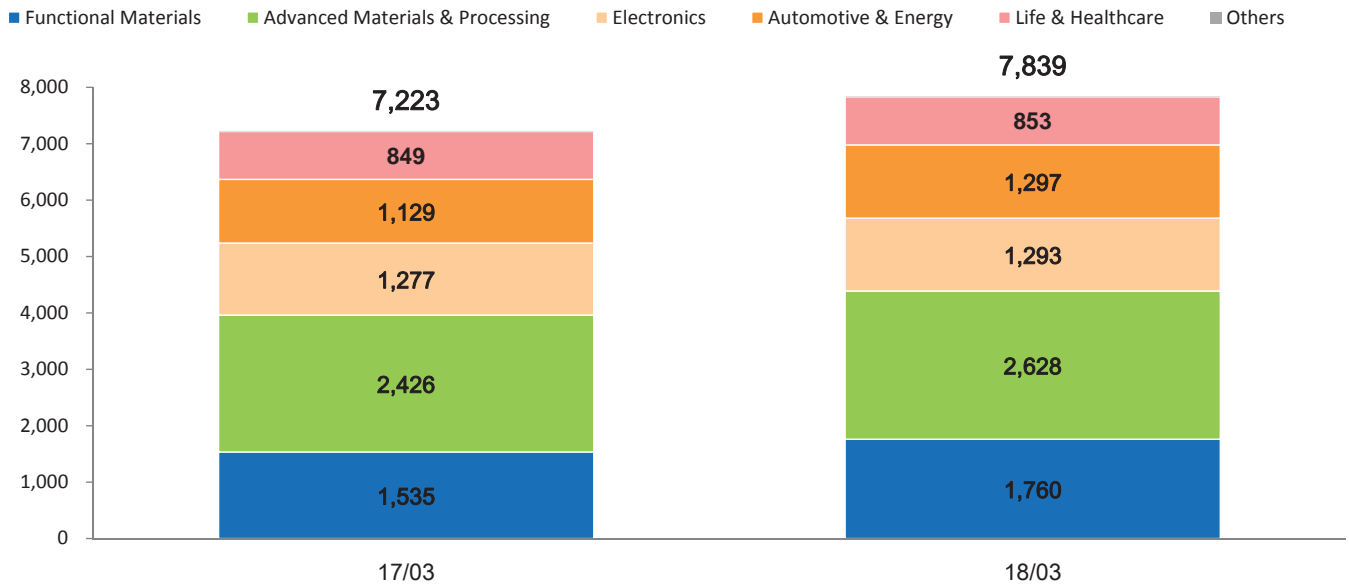


Net Sales: Two-Year Comparison (by Segment)

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

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

Net Sales by Segment (100 millions of yen)

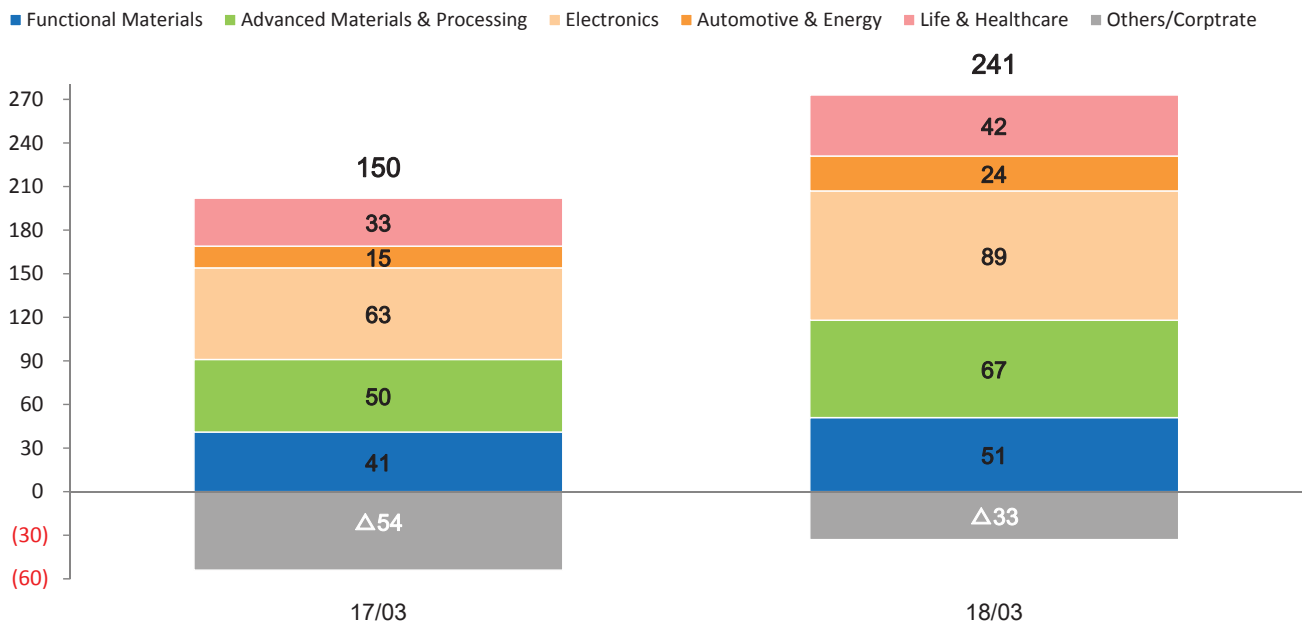


Operating income: Two-Year Comparison (by Segment)

■ In addition to higher sales among all segments, growth in Electronics, Advanced Materials & Processing, and other manufacturing subsidiaries 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 ¥9.0 billion

Net Sales by Segment (100 millions of yen)



Consolidated Balance Sheets

■ **Assets:** Increase of ¥40.6 billion, mainly due to increases in accounts receivable, inventories, and rising investments in securities due to gains in fair market prices

■ **Liabilities:** Increase of ¥27 billion due to increases in accounts payable and short-term loans

■ **Net assets:** Increase of ¥13.6 billion, mainly due to profit attributable to owners of the parent of ¥17.1 billion and increase in net unrealized holding gain on securities

■ **Shareholders' Equity Ratio** down 1.6 points to 53.1%

Assets				Liabilities and Net Assets			
	17/03	18/03	Change		17/03	18/03	Change
Total current assets	3,212	3,561	+ 348	Total current liabilities	1,664	1,930	+ 265
Cash and time deposits	398	433	+ 34	Notes and accounts payable	1,020	1,180	+ 159
Notes and accounts receivable	2,068	2,259	+ 191	Short-term loans and current portion of CP	416	480	+ 63
Inventories	631	736	+ 105	Other	227	270	+ 42
Other	114	131	+ 17	Total long-term liabilities	690	696	+ 5
Total non-current assets	2,095	2,153	+ 57	Long-term loans and Bonds	400	379	△ 21
Property, plant and equipment	676	672	△ 3	Net defined benefit liability	146	145	△ 1
Intangible fixed assets	407	410	+ 3	Other (Deferred tax liabilities, etc.)	143	171	+ 27
Investments, other assets	1,011	1,070	+ 58	Total liabilities	2,355	2,626	+ 270
Investments in securities	945	1,004	+ 58	Total net assets	2,951	3,088	+ 136
Other	66	66	+ 0	Shareholders' equity	2,396	2,502	+ 106
				Accumulated other comprehensive income	505	533	+ 28
				Net unrealized holding gain on securities	476	507	+ 30
				Translation adjustment	31	29	△ 2
				Other	△ 2	△ 3	+ 0
				Non-controlling interests	49	51	+ 1
Total assets	5,307	5,714	+ 406	Total liabilities and net assets	5,307	5,714	+ 406

Consolidated Cash Flows

■ **Cash and cash equivalents** up ¥3.1 billion. Cash flows from operating activities of ¥21.0 billion (¥24 billion in profit before income taxes), cash used in investing activities of ¥14.4 billion (¥7.2 billion used in purchases of tangible and intangible fixed assets, ¥5.9 billion used in purchase of shares of subsidiaries resulting in a change in scope of consolidation), cash used in financing activities of ¥3.1 billion (¥10 billion used in redemption of bonds), and the impact of translation differences

Cash Flows		(100 millions of yen)	
	18/03	主な内訳	17/03
Net cash provided by (used in) operating activities	210	Profit before income taxes +240 Depreciation and amortization of goodwill +110 Working capital ▲119 Income tax paid ▲48	145
Net cash provided by (used in) investing activities	▲ 144	Purchases of property, plant and equipment ▲66 Purchase of shares of subsidiaries resulting in change in scope of consolidation ▲59 Purchases of investment in securities ▲16 Purchases of intangible fixed assets included in other assets ▲5	▲ 65
Net cash provided by (used in) financing activities	▲ 31	Proceeds from and Repayments of long-term loans payable +51 Net increase (decrease) in commercial papers +50 Net increase (decrease) in short-term loans payable +36 Redemption of bonds ▲100 Cash dividends paid ▲42	▲ 105
Effects of exchange rate changes on cash and cash equivalents	▲ 1		▲ 5
Net increase (decrease) in cash and cash equivalents	32		▲ 31
Cash and cash equivalents at beginning of the year	397	Japan 254、Greater China 70、ASEAN 35、Europe 18、Americas 5、Other 13	429
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	▲ 1		—
Cash and cash equivalents, at end of the period	428	Japan 226、Greater China 105、ASEAN 46、Europe 30、Americas 4、Other 12	397

■ Forecast for continued record-high sales and profits next year

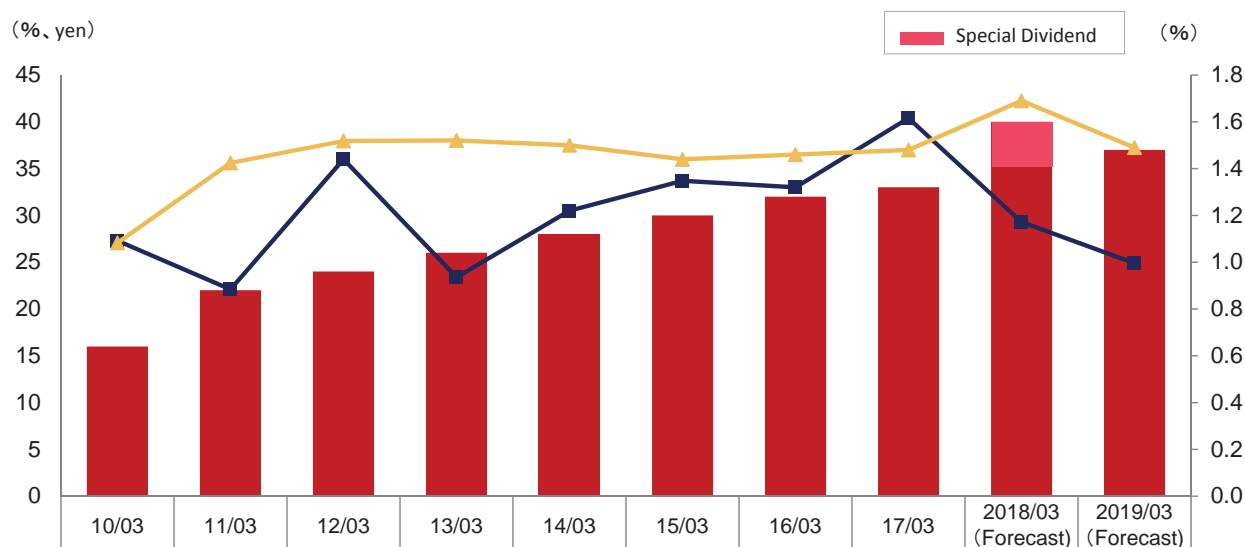
(100 millions of yen)

	18/03	18/03	
	Actual (A)	Full Year Forecas (B)	Vs. PY (B/A)
Net sales	7,839	8,280	106%
Operating income	241	255	106%
Ordinary income	259	275	106%
Profit attributable to owners of the parent	171	186	108%
US\$ Exchange rate (period average)	@110.9	@105	-
RMB Exchange rate (period average)	@16.7	@16.5	-

Dividends

■ Current period: Total annual dividend of ¥40 per common share (¥17 interim dividend, ¥18 year-end dividend, ¥5 special year-end dividend)

■ Next period: Total annual dividend of ¥37, including interim dividend of ¥18 and year-end dividend of ¥19 (¥2 per common share increase)



■ Dividend per Share (left axis)	16	22	24	26	28	30	32	33	40	37
■ Payout Ratio (left axis)	27.3	22.1	36.0	23.4	30.5	33.7	33.0	40.4	29.3	24.9
▲ DOE (right axis)	1.08	1.42	1.52	1.52	1.50	1.44	1.46	1.48	1.69	1.49

*18/03 year-end dividend to be submitted for approval to general meeting of shareholders scheduled for June 2018

 **NAGASE**
Bringing it all together

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

These presentation materials contain forward-looking projections based on assumptions, forecasts, and plans as of May 7 , 2018. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.