



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

February 2, 2016

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): February 5, 2016

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 Third Quarter of the Fiscal Year Ending March 31, 2016

(April 1, 2015 to December 31, 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 third quarter ended December 31, 2015	566,524	(1.0)	14,825	4.2	15,377	(5.8)	9,569	(13.7)
December 31, 2014	572,199	5.4	14,229	12.8	16,324	12.2	11,088	(0.6)

(Notes) Comprehensive income

Third quarter ended December 31, 2015: ¥8,386million (74.8% decrease)

Third quarter ended December 31, 2014: ¥33,300million (21.2% increase)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
For the third quarter ended December 31, 2015	75.33	-
December 31, 2014	87.29	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2015	557,464	291,520	51.3	2,250.88
March 31, 2015	546,525	287,500	51.5	2,215.18

(Reference) Equity capital

As of December 31, 2015: ¥285,931million

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	-	16.00	-	-	-
March 2016 (estimate)	-	-	-	16.00	32.00

(Note) Revisions to the latest projected dividends: No

**3. Projected Consolidated Results for the Fiscal Year Ending 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 income		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)

December 31, 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

December 31, 2015	377,160shares	March 31, 2015	376,363 shares
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iii. Average number of shares during the period

December 31, 2015	127,031,533shares	December 31, 2014	127,032,455shares
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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

While corporate earnings continued to improve, weakness in exports and personal consumption growth kept the Japanese economy at a standstill throughout the third quarter of the consolidated fiscal year. Despite an ongoing recovery in the U.S. economy, an even greater degree of deceleration in the Chinese economy clouds the overall future direction of global economic trends.

In this environment, the Company recorded domestic sales of ¥272.26 billion for the cumulative consolidated third quarter, which represented a 3.0% decrease year on year. Overseas sales amounted to ¥294.26 billion (0.9% increase). In total, the Company recorded ¥566.52 billion, a 1.0% decrease.

The Company recorded gross profit of ¥69.8 billion (1.4% increase). Operating income amounted to ¥14.82 billion (4.2% increase). The Company recorded ordinary income in the amount of ¥15.37 billion (5.8% decrease), a decline mainly due to a loss in equity of affiliates and a downturn in foreign exchange gains. Profit attributable to owners of the parent amounted to ¥9.56 billion (13.7% decrease). This decline was mainly due to higher tax expenses.

b. Segment Summary

Functional Materials

The Functional Materials segment reported lower net sales compared to the same period in the prior fiscal year. Growth overseas, particularly in the Americas and China, could not outpace the decline in domestic sales.

The performance chemicals business recorded lower net sales. While overseas sales grew in China and the Americas, domestic weakness in automotive production volume and slow demand for house paints resulted in lower sales of coating raw materials and urethane materials.

The speciality chemicals business also reported lower net sales. While sales of chemicals for semiconductor-related products to the electronics industry were strong, sales of plastic additives and processing oils were comparatively sluggish.

As a result, the segment recorded net sales of ¥119.02 billion, representing a ¥7.82 billion (6.2%) decrease year on year. Operating income for the segment was ¥2.98 billion, representing a ¥170 million (5.4%) decrease.

Advanced Materials & Processing

The Advanced Materials & Processing segment reported higher net sales driven by higher performance in Northeast Asia, Southeast Asia, Europe, and the United States, while domestic sales decreased.

The colors and imaging business recorded higher net sales. Despite lower sales of materials for LCD TV reflectors and conductive materials, the business experienced increase in sales of 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, appliance and video game device markets reported higher net sales. This result stems mainly from gains in Northeast Asia and Southeast Asia, in contrast to lower sales in Japan.

As a result, net sales for the segment amounted to ¥197.58 billion, a ¥6.42 billion (3.4%) increase. Operating income increased ¥240 million (6.6%), reaching ¥3.91 billion for the period.

Electronics

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

The electronic chemicals business recorded gains. Despite lower sales for chemicals used in LCD panel manufacturing, sales of epoxy resin rose year on year.

The electronic materials business reported lower sales overall, mainly due to a decline in revenues for liquid crystal-related products caused by slowing growth in China's smartphone market.

As a result, the segment recorded net sales of ¥99.29 billion, representing a ¥17.34 billion (14.9%) decrease. Operating income amounted to ¥5.31 billion, ¥880 million (19.9%) higher. This result was mainly due to the impact of the Company's Taiwanese subsidiary recording an allowance for doubtful accounts during the prior fiscal year.

Automotive & Energy

Net sales for the Company's automobile-related business were level with the same period in the prior fiscal year. While domestic sales were affected by lower automotive production, sales of products for certain car models rose over the period. Overseas, the business saw strong sales in the Americas, China, and Southeast Asia, driving sales higher.

As a result, segment net sales amounted to ¥87.24 billion, a ¥6.46 billion (8.0%) increase. Operating income was ¥1.02 billion, representing a ¥750 million (42.4%) decrease. This decrease was mainly due to expenses incurred in connection with the launch of a new business in Japan.

Life & Healthcare

The Life & Healthcare segment reported higher sales with strong performance in both domestic and overseas markets.

The life & healthcare products business recorded increase in domestic and overseas sales of TREHA™ and other products to the food materials industry. In the skin care and toiletries field, the business recorded higher sales of AA2G™, particularly to major customers in Japan. The segment also showed strong performance in sales of raw materials to the same skin care and toiletries markets. In the pharmaceuticals and medical fields, sales of raw pharmaceuticals, intermediates, and medical materials rose slightly. As a result, the business reported higher overall net sales.

The beauty care products business, which includes sales of cosmetics and health foods, reported a decrease in net sales. Net sales growth for new products launched during the second half of the year could not outpace the decrease in existing product sales.

As a result, segment net sales amounted to ¥62.86 billion, which was a ¥6.59 billion (11.7%) increase. Operating income increased ¥270 million (11.4%), reaching ¥2.64 billion.

Other

No special matters to disclose.

(2) Financial Position

As of the end of the consolidated third quarter, current assets amounted to ¥339.9 billion. This represented an increase of ¥10.05 billion compared to the end of the prior consolidated fiscal year, mainly due to increases in notes and accounts receivable that outpaced declines in inventories. Non-current assets amounted to ¥217.56 billion, up ¥880 million. This was mainly due to fair value increases in investments in securities. As a result, total assets increased by ¥10.93 billion compared to the end of the prior consolidated fiscal year, up to ¥557.46 billion.

Liabilities amounted to ¥265.94 billion, up ¥6.91 billion. This was mainly due to increases in notes and accounts payable.

Net assets amounted to ¥291.52 billion, up ¥4.02 billion. This was mainly due to profit attributable to owners of the parent of ¥9.56 billion, partly offset by a decrease in translation adjustments.

As a result, the Company reported a shareholders' equity ratio of 51.3%, down 0.2 points.

(3) Qualitative Information related to Earnings Forecasts

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

2. Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

No matters to report.

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

No matters to report.

(3) Changes in accounting policies, estimates and restatements

No matters to report.

(4) Additional Information

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 third 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)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2015)
ASSETS		
Current assets		
Cash and time deposits	40,575	44,916
Notes and accounts receivable	208,209	218,621
Merchandise and finished goods	63,719	58,672
Work in process	1,668	1,541
Raw materials and supplies	3,625	3,865
Deferred tax assets	4,058	4,238
Other	8,797	8,871
Less allowance for doubtful accounts	(806)	(823)
Total current assets	329,848	339,903
Non-current assets		
Property, plant and equipment	66,774	66,433
Intangible fixed assets		
Goodwill	27,626	26,408
Technology-based assets	16,942	15,760
Other	4,276	4,570
Total intangible fixed assets	48,844	46,739
Investments and other assets		
Investments in securities	92,638	96,544
Long-term loans receivable	1,139	1,079
Deferred tax assets	2,381	1,710
Other	6,277	5,196
Less allowance for doubtful accounts	(1,378)	(143)
Total investments and other assets	101,058	104,387
Total non-current assets	216,677	217,560
Total assets	546,525	557,464

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2015)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable	105,737	111,971
Short-term loans	31,388	32,191
Current portion of long-term loans	6,377	6,993
Current portion of bonds	10,000	-
Accrued income taxes	2,268	2,093
Deferred tax liabilities	19	25
Accrued bonuses for employees	4,314	2,483
Accrued bonuses for directors	213	161
Other	16,105	15,883
Total current liabilities	176,424	171,804
Long-term liabilities		
Bonds	20,000	30,000
Long-term loans	30,322	30,972
Deferred tax liabilities	20,272	20,855
Net defined benefit liability	10,803	10,977
Other	1,201	1,332
Total long-term liabilities	82,600	94,138
Total liabilities	259,025	265,943
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	11,654	11,654
Retained earnings	205,203	210,825
Less treasury stock, at cost	(228)	(230)
Total shareholders' equity	226,328	231,949
Accumulated other comprehensive income (loss)		
Net unrealized holding gain on securities	44,920	46,488
Deferred (loss) gain on hedges	3	0
Translation adjustments	9,478	7,304
Remeasurements of defined benefit plans	666	188
Total accumulated other comprehensive income	55,069	53,981
Non-controlling interests	6,102	5,589
Total net assets	287,500	291,520
Total liabilities and net assets	546,525	557,464

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

(Quarterly Consolidated Statements of Income)

Cumulative Third Quarter

(Millions of yen)

	Cumulative Third Quarter, Prior Consolidated Fiscal Year (April 1, 2014 - December 31, 2014)	Cumulative Third Quarter, Current Consolidated Fiscal Year (April 1, 2015 - December 31, 2015)
Net sales	572,199	566,524
Cost of sales	503,330	496,720
Gross profit	68,868	69,803
Selling, general and administrative expenses	54,638	54,978
Operating income	14,229	14,825
Non-operating income		
Interest income	152	154
Dividend income	1,173	1,264
Rent income	192	220
Equity in earnings of affiliates	540	-
Foreign exchange gain	708	-
Other	449	463
Total non-operating income	3,215	2,103
Non-operating expenses		
Interest expenses	776	804
Equity in losses of affiliates	-	109
Foreign exchange losses	-	259
Other	344	376
Total non-operating expenses	1,120	1,550
Ordinary income	16,324	15,377
Extraordinary gains		
Gain on sale of non-current assets	385	38
Gain on sale of investment securities	3	70
Total extraordinary gains	389	109
Extraordinary losses		
Loss on sale of non-current assets	69	19
Loss on disposal of non-current assets	52	117
Impairment loss	73	764
Loss on sale of investments securities	0	9
Loss on valuation of investments securities	72	-
Loss on sales of investments in capital	20	-
Loss on sales of investments in capital of subsidiaries and affiliates	171	-
Loss on withdrawal from employees' pension funds	166	-
Other	-	6
Total extraordinary losses	627	917
Income before income taxes	16,086	14,569
Income taxes - current	5,018	4,284
Income taxes - deferred	(491)	533
Total income taxes	4,527	4,818
Profit for the period	11,559	9,751
Profit attributable to non-controlling interests	470	181
Profit attributable to owners of the parent	11,088	9,569

(Quarterly Consolidated Statements of Comprehensive Income)

Cumulative Third Quarter

(Millions of yen)

	Cumulative Third Quarter, Prior Consolidated Fiscal Year (April 1, 2014 - December 31, 2014)	Cumulative Third Quarter, Current Consolidated Fiscal Year (April 1, 2015 - December 31, 2015)
Profit for the period	11,559	9,751
Other comprehensive income		
Net unrealized holding gain on securities	13,377	1,560
Deferred (loss) gain on hedges	(10)	(3)
Translation adjustments	7,870	(2,129)
Remeasurements of defined benefit plans	(211)	(478)
Share of other comprehensive income of affiliates accounted for by the equity method	715	(313)
Total other comprehensive income	21,741	(1,364)
Comprehensive income	33,300	8,386
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	32,073	8,481
Comprehensive income attributable to non-controlling interests	1,227	(95)

(3) Notes related to Quarterly Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Segment Information, etc.)

I Nine months ended December 31, 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	126,850	191,166	116,642	80,777	56,268	571,706	493	572,199	—	—	572,199
Intersegment sales/transfers	1,851	1,697	580	2,114	225	6,469	3,987	10,457	—	(10,457)	—
Total	128,701	192,864	117,223	82,891	56,494	578,176	4,480	582,656	—	(10,457)	572,199
Segment income (loss)	3,151	3,676	4,432	1,776	2,372	15,409	220	15,629	(1,716)	316	14,229

(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 Nine months ended December 31, 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	119,024	197,587	99,299	87,242	62,861	566,016	508	566,524	—	—	566,524
Intersegment sales/transfers	1,462	1,707	782	1,953	369	6,275	4,578	10,853	—	(10,853)	—
Total	120,487	199,294	100,081	89,196	63,231	572,292	5,086	577,378	—	(10,853)	566,524
Segment income (loss)	2,980	3,919	5,315	1,023	2,643	15,882	191	16,073	(1,586)	338	14,825

(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

Nine months ended December 31, 2014 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas Sales (Millions of yen)	167,562	90,945	21,092	11,969	291,570
II Consolidated sales (Millions of yen)					572,199
III Ratio of overseas sales to consolidated sales (%)	29.3	15.9	3.7	2.1	51.0

Nine months ended December 31, 2015 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas Sales (Millions of yen)	174,604	84,116	23,116	12,425	294,263
II Consolidated sales (Millions of yen)					566,524
III Ratio of overseas sales to consolidated sales (%)	30.8	14.9	4.1	2.1	51.9

(Note)

1. Overseas sales 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