



Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2020
<Under Japanese GAAP>

August 2, 2019

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

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Filing of quarterly report (scheduled): August 7, 2019

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 Ending March 31, 2020

(April 1, 2019 to June 30, 2019)

(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, 2019	192,986	(2.8)	5,257	(24.2)	5,848	(23.5)	4,156	(24.4)
June 30, 2018	198,618	6.1	6,939	23.8	7,647	20.1	5,495	57.8

(Notes) Comprehensive income First quarter ended June 30, 2019: (¥52) million (—%)

First quarter ended June 30, 2018: ¥7,439 million (4.1% decrease)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
For the first quarter ended June 30, 2019	33.51		—	
June 30, 2018	43.89		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2019	558,135	309,642	54.6	2,458.43
March 31, 2019	567,346	312,609	54.2	2,481.01

(Reference) Equity capital As of June 30, 2019: ¥ 304,874 million

As of March 31, 2019: ¥ 307,674 million

2. Dividends

	Annual Dividends per Share				
	1Q	2Q	3Q	Fiscal year end	Annual
For the year ended (or ending)	Yen				
March 2019	—	18.00	—	24.00	42.00
March 2020	—	—	—	—	—
March 2020 (estimate)	—	22.00	—	22.00	44.00

(Note) Revisions to the latest projected dividends: No

**3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2020
(April 1, 2019 to March 31, 2020)**

(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	850,000	5.2	26,000	3.1	27,000	1.3	20,500	1.8	165.31

(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: Yes

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

(Note) Please refer to 2. *Quarterly Consolidated Financial Statements and Notes* (3) *Notes related to Quarterly Consolidated Financial Statements, (Change in Accounting Policy)* on P.8 of this document.

(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, 2019	127,408,285 shares	March 31, 2019	127,408,285 shares
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ii. Number of treasury stock as of the fiscal period end

June 30, 2019	3,396,439 shares	March 31, 2019	3,396,352 shares
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iii. Average number of shares during the period

June 30, 2019	124,011,911 shares	June 30, 2018	125,212,159 shares
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* **Quarterly financial statements are not subject to quarterly review.**

* **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 Consolidated Earnings Forecasts* on P.3 of this document.

Attachments

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1. Qualitative Information

(1) Business Performance

a. General Summary of Results

Although employment continues to improve, the Japanese economy experienced increased uncertainty in corporate earnings and capital investment during the consolidated first quarter. The future direction of the global economy exhibited uncertainties as well. Despite a push from strong corporate earnings in the United States, risk factors emerged, including protectionism stemming from trade frictions between the U.S. and China, exchange rate fluctuations, and a slowdown in the Chinese economy.

In this environment, the Company recorded domestic sales of ¥101.7 billion (-0.3% year on year) for the consolidated first quarter. Overseas sales amounted to ¥91.28 billion (-5.5%). In total, the Company recorded ¥192.98 billion (-2.8%) in net sales.

The Company recorded gross profit of ¥25.39 billion (-4.2%) in conjunction with lower revenues. Lower profits together with higher general and administrative expenses led to operating income of ¥5.25 billion (-24.2%). Ordinary income amounted to ¥5.84 billion (-23.5%), while profit attributable to owners of the parent amounted to ¥4.15 billion (-24.4%).

b. Segment Summary

Functional Materials

The Functional Materials segment recorded slightly lower sales in both domestic and overseas markets.

The Performance Chemicals business recorded slightly lower sales due to lower sales in coating raw materials and urethane materials as a result of lower automotive production in Japan and overseas.

The Speciality Chemicals business recorded slightly lower sales overall due to decreased sales of electronics chemicals for the semiconductor and other related electronics industries in Japan and overseas, as well as lower sales of industrial oil solutions.

As a result, sales for the segment amounted to ¥43.6 billion for the consolidated first quarter, representing a ¥460 million (-1.0%) decrease year on year. Operating income for the segment was ¥1.49 billion, representing a ¥140 million (+11.0%) increase compared to the consolidated first quarter of the prior fiscal year due to improved sales mix.

Advanced Materials & Processing

The Advanced Materials & Processing segment recorded slightly lower sales in both domestic and overseas markets.

The Colors & Advanced Processing business recorded higher sales as a whole due to growth in digital print processing materials in both Japan and overseas, as well as slight growth in sales of dyes and additives in Japan.

The Polymer Global Account business mainly sells plastics to the office equipment, appliance, and video game device markets. The sales of those business decreased due to lower sales in Japan and Greater China.

As a result, sales for the segment amounted to ¥67.39 billion, representing a ¥1.32 billion (-1.9%) decrease compared to the same period in the prior fiscal year. Operating income fell ¥260 million (-11.7%) to ¥2.03 billion for the quarter.

Electronics

Despite increased sales of formulated epoxy resins and photolithography materials to the semiconductor industries, the Electronics segment recorded lower net sales overall due to lower sales of precision processing-related, equipment-related, and display-related materials used in connection with intermediate processing in semiconductors.

As a result, sales for the segment amounted to ¥26.61 billion, which was a ¥2.66 billion (-9.1%) decrease year on year. Operating income fell ¥590 million (-31.7%) to ¥1.27 billion for the quarter.

Mobility & Energy

The Mobility Solution business recorded lower overall sales, mainly due to lower sales in the resins business in Japan and

overseas, despite higher sales of car electronics-related products.

As a result, sales for the segment amounted to ¥32.54 billion, which was a ¥1.63 billion (-4.8%) decrease compared to the consolidated first quarter of the prior fiscal year. Segment operating income fell ¥260 million (-33.8%) to ¥520 million.

(Note) As of the current consolidated first quarter, the name of the former *Automotive & Energy Segment* has been changed to the *Mobility & Energy Segment*.

Life & Healthcare

The Life & Healthcare segment recorded higher sales due to slightly higher domestic sales and higher sales overseas.

Sales of TREHA™ and other products in the food ingredients field in the Life & Healthcare Products business were higher overseas and slightly higher in Japan. Sales of AA2G™ to customers in the skin care and toiletries sectors were lower in Japan, however sales overseas were higher, driven by favorable sales primarily in Europe. In the medical and pharmaceutical field, sales of pharmaceutical raw materials and intermediates, as well as sales of medical materials increased. However, sales of pharmaceutical business products were slightly lower. As a result, the business recorded higher sales compared to the consolidated first quarter of the prior fiscal year.

The Beauty Care Products business, which includes sales of cosmetics and health foods, recorded slightly lower sales due to weak performance across all product categories.

As a result, sales for the segment amounted to ¥22.69 billion, which was a ¥460 million (+2.1%) increase compared to the consolidated first quarter of the prior fiscal year. Operating income grew ¥40 million (+3.5%), reaching ¥1.39 billion.

Other

No special matters to disclose.

(2) Financial Position

As of the end of the consolidated first quarter, current assets amounted to ¥356.81 billion. This represents a decrease of ¥9.01 billion compared to the end of the prior consolidated fiscal year, mainly due to decreases in accounts receivable and inventories. Non-current assets amounted to ¥201.32 billion, down ¥190 million. This was mainly due to a decrease in fair value of investments in securities, despite increases in business-use property, plant and equipment. As a result, total assets decreased by ¥9.21 billion compared to the end of the prior consolidated fiscal year, down to ¥558.13 billion.

Liabilities amounted to ¥248.49 billion, which was a decrease of ¥6.24 billion compared to the end of the prior consolidated fiscal year. This decrease was mainly due to redemption of bonds and decreased accounts payable, despite an increase in commercial paper.

Net assets amounted to ¥309.64 billion, down ¥2.96 billion. This decrease was mainly due to decreases in translation adjustments and in net unrealized holding gain on securities, despite the Company recording profit attributable to owners of the parent in the amount of ¥4.15 billion.

As a result, the Company recorded a shareholders' equity ratio of 54.6%, 0.4 points higher than the end of the prior consolidated fiscal year.

(3) Qualitative Information related to Consolidated Earnings Forecasts

The Company has made no changes to the full-year consolidated earnings forecasts announced on May 7, 2019.

Furthermore, at the Board of Directors meeting held on June 3, 2019, the Company resolved to acquire a majority of shares of Prinova Group, LLC through the Company's wholly owned subsidiary Nagase Holdings America Corporation (established on April 1, 2019), making Prinova Group, LLC and its subsidiaries consolidated subsidiaries, and entered into a share transfer agreement. The impact that this matter may have on the Company's consolidated earnings forecasts is currently under study. Any issues that require disclosure in the future will be disclosed promptly.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2019)	First Quarter, Current Consolidated Fiscal Year (June 30, 2019)
ASSETS		
Current assets		
Cash and time deposits	44,068	41,220
Notes and accounts receivable	230,459	227,079
Merchandise and finished goods	74,471	71,518
Work in process	1,847	1,537
Raw materials and supplies	4,683	4,804
Other	10,651	10,959
Less allowance for doubtful accounts	(355)	(308)
Total current assets	365,827	356,812
Non-current assets		
Property, plant and equipment	66,467	68,301
Intangible fixed assets		
Goodwill	23,866	23,294
Technology-based assets	10,639	10,245
Other	2,772	2,583
Total intangible fixed assets	37,279	36,123
Investments and other assets		
Investments in securities	90,263	88,341
Long-term loans receivable	243	403
Net defined benefit assets	109	1,170
Deferred tax assets	2,290	2,239
Other	4,959	4,838
Less allowance for doubtful accounts	(92)	(95)
Total investments and other assets	97,771	96,898
Total non-current assets	201,518	201,323
Total assets	567,346	558,135

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2019)	First Quarter, Current Consolidated Fiscal Year (June 30, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable	117,256	114,100
Short-term loans	34,964	33,227
Current portion of long-term loans	949	811
Commercial paper	12,000	20,000
Current portion of bonds	10,000	-
Accrued income taxes	3,594	1,414
Accrued bonuses for employees	5,355	2,779
Accrued bonuses for directors	287	70
Other	17,457	20,835
Total current liabilities	201,866	193,239
Long-term liabilities		
Bonds	10,000	10,000
Long-term loans	17,577	17,456
Deferred tax liabilities	12,075	11,950
Net defined benefit liability	12,461	13,516
Other	757	2,330
Total long-term liabilities	52,870	55,253
Total liabilities	254,737	248,493
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,647	10,647
Retained earnings	247,617	248,865
Less treasury stock, at cost	(5,070)	(5,071)
Total shareholders' equity	262,892	264,141
Accumulated other comprehensive income		
Net unrealized holding gain on securities	41,857	40,107
Deferred loss on hedges	(7)	(331)
Translation adjustments	3,224	1,194
Remeasurements of defined benefit plans	(292)	(238)
Total accumulated other comprehensive income	44,781	40,732
Non-controlling interests	4,934	4,768
Total net assets	312,609	309,642
Total liabilities and net assets	567,346	558,135

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

(Quarterly Consolidated Statements of Income)

Three-month periods ended June 30, 2019 and 2018

(Millions of yen)

	Three-month period ended June 30, 2018 (April 1, 2018 - June 30, 2018)	Three-month period ended June 30, 2019 (April 1, 2019 - June 30, 2019)
Net sales	198,618	192,986
Cost of sales	172,111	167,587
Gross profit	26,506	25,399
Selling, general and administrative expenses	19,567	20,142
Operating income	6,939	5,257
Non-operating income		
Interest income	58	26
Dividend income	819	904
Rent income	67	66
Equity in earnings of affiliates	247	18
Other	129	156
Total non-operating income	1,323	1,173
Non-operating expenses		
Interest expenses	360	358
Foreign exchange losses	157	122
Other	96	100
Total non-operating expenses	614	582
Ordinary income	7,647	5,848
Extraordinary gains		
Gain on sale of non-current assets	20	9
Gain on sale of investment securities	1	17
Gain on sales of shares of subsidiaries and affiliates	6	-
Subsidy income	-	25
Total extraordinary gains	28	52
Extraordinary losses		
Loss on sale of non-current assets	7	1
Loss on disposal of non-current assets	16	18
Total extraordinary losses	23	20
Income before income taxes and non-controlling interests	7,652	5,879
Income taxes - current	1,044	912
Income taxes - deferred	1,053	764
Total income taxes	2,097	1,676
Profit for the period	5,554	4,203
Profit attributable to non-controlling interests	58	47
Profit attributable to owners of the parent	5,495	4,156

(Quarterly Consolidated Statements of Comprehensive Income)

Three-month periods ended June 30, 2019 and 2018

(Millions of yen)

	Three-month period ended June 30, 2018 (April 1, 2018 - June 30, 2018)	Three-month period ended June 30, 2019 (April 1, 2019 - June 30, 2019)
Profit for the period	5,554	4,203
Other comprehensive income		
Net unrealized holding gain (loss) on securities	1,591	(1,737)
Deferred gain (loss) on hedges	36	(332)
Translation adjustments	240	(2,075)
Remeasurements of defined benefit plans	59	53
Share of other comprehensive income of affiliates accounted for by the equity method	(43)	(163)
Total other comprehensive income	1,884	(4,255)
Comprehensive income	7,439	(52)
Comprehensive income attributable to:		
Shareholders of the parent	7,449	113
Non-controlling interests	(10)	(165)

(3) Notes related to Quarterly Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Significant Fluctuations in Shareholders' Equity)

No matters to report.

(Change in Accounting Policy)

Beginning with the current consolidated first quarter, the Company has applied IFRS 16 *Leases* for overseas consolidated subsidiaries that have adopted International Financial Reporting Standards. The impact of this accounting standard on quarterly consolidated financial statements is minor.

(Segment Information, etc.)

Segment Information

I Three-month period ended June 30, 2018 (consolidated)

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

(Millions of yen)

	Reportable Segments						Other (Note) 2	Total	Corporate (Note) 3	Adjustments (Note) 4	To quarterly consolidated financial statements (Note) 5
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy (Note) 1	Life & Healthcare	Total					
Net sales											
Sales to customers	44,068	68,723	29,282	34,178	22,223	198,476	141	198,618	-	-	198,618
Intersegment sales/transfers	746	610	487	680	105	2,631	1,363	3,995	-	(3,995)	-
Total	44,814	69,334	29,769	34,859	22,329	201,108	1,505	202,613	-	(3,995)	198,618
Segment income (loss)	1,347	2,298	1,867	799	1,349	7,661	75	7,736	(902)	104	6,939

(Note) 1. As of the current consolidated first quarter, the name of the former *Automotive & Energy Segment* has been changed to the *Mobility & Energy Segment*.

2. Other is a business segment consisting of businesses not included in reportable segments, and includes logistics services, information processing services, and professional services.
3. Corporate segment income (loss) represents expenses not allocated to reportable segments or Other.
4. Adjustments are eliminations of intersegment transactions.
5. The sum of Segment income (loss), Corporate, and Adjustments is equivalent to operating profit as presented in the consolidated statements of income.

II Three-month period ended June 30, 2019 (consolidated)

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

(Millions of yen)

	Reportable Segments						Other (Note) 2	Total	Corporate (Note) 3	Adjustments (Note) 4	To quarterly consolidated financial statements (Note) 5
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy (Note) 1	Life & Healthcare	Total					
Net sales											
Sales to customers	43,606	67,394	26,612	32,546	22,692	192,852	134	192,986	-	-	192,986
Intersegment sales/transfers	456	541	431	727	128	2,285	1,484	3,770	-	(3,770)	-
Total	44,063	67,936	27,044	33,273	22,820	195,138	1,618	196,756	-	(3,770)	192,986
Segment income (loss)	1,495	2,030	1,274	529	1,396	6,726	50	6,777	(1,651)	131	5,257

(Note) 1. As of the current consolidated first quarter, the name of the former *Automotive & Energy Segment* has been changed to the *Mobility & Energy Segment*.

2. Other is a business segment consisting of businesses not included in reportable segments, and includes logistics services, information processing services, and professional services.
3. Corporate segment income (loss) represents expenses not allocated to reportable segments or Other.
4. Adjustments are eliminations of intersegment transactions.
5. The sum of Segment income (loss), Corporate, and Adjustments is equivalent to operating profit as presented in the consolidated statements of income.

(Significant Subsequent Events)

Significant Loans

To secure capital to acquire a majority of shares of Prinova Group, LLC through a wholly owned subsidiary Nagase Holdings America Corporation (established on April 1, 2019), the Company executed the following loan agreements.

(1) Use of short-term loans

Loan to increase equity in Nagase Holdings America Corporation

(2) Lender

Sumitomo Mitsui Banking Corporation

(3) Loan amount

¥65,000 million

(4) Loan interest rate

0.33%

(5) Date of loan

Aug 1, 2019

(6) Borrowing period

One month initially, subsequently renewable to a maximum period of approximately fifteen months.

The Company plans to transition this loan to a long-term capital procurement during the borrowing period.

(7) Assets provided as collateral or guarantee

Not applicable.

3. Supplementary Information

(1) Overseas Sales

I Three-month period ended June 30, 2018 (consolidated)

	Greater China	ASEAN	Americas	Europe	Other	Total
I Overseas sales (Millions of yen)	51,169	28,438	9,602	3,452	3,932	96,596
II Consolidated sales (Millions of yen)						198,618
III Ratio of overseas sales to consolidated sales (%)	25.8	14.3	4.8	1.7	2.0	48.6

II Three-month period ended June 30, 2019 (consolidated)

	Greater China	ASEAN	Americas	Europe	Other	Total
I Overseas sales (Millions of yen)	46,678	27,789	9,172	3,766	3,874	91,280
II Consolidated sales (Millions of yen)						192,986
III Ratio of overseas sales to consolidated sales (%)	24.1	14.4	4.8	2.0	2.0	47.3

(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) Greater China.....China, Hong Kong, Taiwan

(2) ASEAN.....Thailand, Singapore

(3) Americas.....U.S., Mexico

(4) Europe.....Germany

(5) Other.....Korea