

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2020

<Under Japanese GAAP>

May 14, 2020

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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Annual general meeting of stockholders (scheduled): June 22, 2020

Start of distribution of dividends (scheduled): June 23, 2020

Securities report filing (scheduled): June 23, 2020

Supplementary documents: Yes

Investors' meeting: Yes

(Note: Amounts have been rounded down to the nearest million yen.)

1. Consolidated Results for the Fiscal Year Ended March 31, 2020

(April 1, 2019 to March 31, 2020)

(1) Consolidated Operating Results

(% = year-on-year change)

	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	%
FYE March 2020	799,559	(1.0)	19,167	(24.0)	19,083	(28.4)	15,144	(24.8)
FYE March 2019	807,755	3.0	25,226	4.6	26,643	2.5	20,136	17.2

(Notes) Comprehensive income

FYE March 2020: ¥3,579 million (69.7% decrease)

FYE March 2019: ¥11,803 million (42.8% decrease)

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
FYE March 2020	122.12	—	4.9	3.2	2.4
FYE March 2019	161.30	—	6.6	4.7	3.1

(Reference) Equity in earnings of affiliates

FYE March 2020: (¥538) million

FYE March 2019: ¥538 million

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FYE March 2020	611,477	313,243	49.9	2,462.04
FYE March 2019	567,346	312,609	54.2	2,481.01

(Reference) Equity capital

FYE March 2020: ¥305,322 million

FYE March 2019: ¥307,674 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FYE March 2020	33,074	(49,208)	24,334	50,471
FYE March 2019	17,375	(7,325)	(8,909)	44,017

2. Dividends

	Annual Dividends per Share					Total dividends paid (full fiscal year)	Payout ratio (consolidated)	Dividends/ net assets (consolidated)
	1Q	2Q	3Q	Fiscal year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FYE March 2019	—	18.00	—	24.00	42.00	5,230	26.0	1.7
FYE March 2020	—	22.00	—	22.00	44.00	5,456	36.0	1.8
FYE March 2021 (estimate)	—	22.00	—	22.00	44.00		43.7	

3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% = year-on-year change)

	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	754,000	(5.7)	15,000	(21.7)	15,500	(18.8)	12,500	(17.5)	100.80

(Note) Our consolidated earnings forecasts for the fiscal year ending March 2021 are based on the assumption that the economic impact of the COVID-19 epidemic will largely abate in the second half.

* Notes

- (1) Changes in major subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): Yes
 New: 1 (Company name: Nagase Holdings America Corporation) Excluded: — (Company name:)
 (Note) Please refer to 3. *Consolidated Financial Statements and Notes (5) Notes Related to Consolidated Financial Statements, (Changes in Significant Subsidiaries During the Period)* on P.15 of this document.

- (2) 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 3. *Consolidated Financial Statements and Notes (5) Notes Related to Consolidated Financial Statements, (Change in Accounting Policy)* on P.15 of this document.

- (3) Number of shares issued and outstanding (common stock)

- i. Number of shares issued and outstanding as of the fiscal period end (including treasury stock)

March 31, 2020	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

March 31, 2020	3,396,695 shares	March 31, 2019	3,396,352 shares
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- iii. Average number of shares during the period

March 31, 2020	124,011,793 shares	March 31, 2019	124,842,824 shares
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*** These consolidated financial statements are not subject to audit by an independent audit corporation**

* 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. *Business Performance (Forecast for the Fiscal Year Ending March 2021)* on P.4 of this document.

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1. Business Performance

(1) Review of Business Performance

(Performance for the Fiscal Year Ended March 2020)

a. General Summary of Results

Although employment continued to improve, the Japanese economy experienced a slowdown in manufacturing and capital investment during the current consolidated fiscal year as global economy decelerated. Despite a push from strong corporate earnings in the United States, the slowdown in the Chinese economy due to an extended period of U.S.-China trade frictions, as well as the global spread of COVID-19 in the fourth quarter, has caused the global economy to deteriorate quickly.

In this environment, the Company recorded domestic sales of ¥402.39 billion (-2.5% year on year) for the current consolidated fiscal year. Overseas sales amounted to ¥397.16 billion (+0.5%). In total, the Company recorded ¥799.55 billion (-1.0%) in net sales.

The Company recorded gross profit of ¥104.9 billion (-0.5%) and operating income of ¥19.16 billion (-24.0%) in conjunction with lower sales. Ordinary income amounted to ¥19.08 billion (-28.4%) while profit attributable to owners of the parent amounted to ¥15.14 billion (-24.8%).

b. Segment Summary

Functional Materials

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

The Performance Chemicals business recorded 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 lower sales overall, from decreased sales of both electronics chemicals for the semiconductor and other related electronics industries in Japan and overseas, and of industrial oil solutions.

As a result, sales for the segment amounted to ¥169.31 billion, which was a ¥10.3 billion (-5.7%) decrease from the prior consolidated fiscal year. Operating income fell ¥130 million (-2.4%) to ¥5.36 billion for the year.

Advanced Materials & Processing

The Advanced Materials & Processing segment recorded slightly lower domestic sales as well as lower sales in overseas markets.

The Colors & Advanced Processing business recorded higher sales as a whole, driven by growth in sales of digital print processing materials both in Japan and overseas, despite reduced sales in Japan of plastic resins for industrial and packaging applications and conductive materials.

The Polymer Global Account business mainly sells plastics to the office equipment, appliance, and video game device markets. Sales in these businesses were lower overall, caused by decreases in Japan, Greater China, and ASEAN.

As a result, sales for the segment amounted to ¥267.07 billion, which was a ¥8.12 billion (-3.0%) decrease. Operating income was ¥8.52 billion, an increase of ¥430 million (+5.3%) year on year, mainly due to improved profitability among the Company's manufacturing subsidiaries in Japan.

Electronics

Despite increased sales of photolithography materials and of formulated epoxy resins for mobile device electronic components and for semiconductor industries, the Electronics segment recorded lower net sales overall driven by lower sales of precision processing-related, equipment-related, and display-related materials used in connection with intermediate processing in semiconductors and other applications.

As a result, sales for the segment amounted to ¥115.12 billion, which was a ¥7.19 billion (-5.9%) decrease. Operating income decreased ¥2.0 billion (-27.1%) to ¥5.39 billion, mainly due to weaker profitability at some of the Company's manufacturing subsidiaries overseas.

Mobility & Energy

The Mobility Solutions business recorded lower sales both in Japan and overseas, due to slightly lower sales in car electronics-related products in Japan as well as lower sales in the resins business in Japan and overseas.

As a result, sales for the segment amounted to ¥126.0 billion, which was a ¥13.23 billion (-9.5%) decrease. Operating income fell ¥1.16 billion (-38.1%) to ¥1.89 billion for the year.

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

Life & Healthcare

Despite slightly lower domestic sales, the Life & Healthcare segment recorded significantly higher sales overall due to materially higher overseas sales.

Sales of TREHA™ and other products in the food ingredients field in the Life & Healthcare Products business were down slightly in Japan but higher overseas. Further, due to the addition of sales from the Prinova Group, newly-acquired by the Company in the consolidated second quarter of the fiscal year, overseas sales materially increased. Sales of AA2G™ to customers in the skin care and toiletries sectors were lower in Japan. However, overseas sales were higher due to favorable sales primarily in Europe. In the medical and pharmaceutical field, though sales in the pharmaceutical business decreased, sales of pharmaceutical raw materials and intermediates as well as medical materials increased, driving increased sales for the business as a whole.

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

As a result, sales for the segment amounted to ¥121.54 billion, which was a ¥30.75 billion (+33.9%) increase compared to the prior consolidated fiscal year. On the other hand, the Prinova Group's contribution to profitability during the fiscal year was limited because of the temporary costs associated with business combination. In addition, profitability at some of the Company's manufacturing subsidiaries in Japan has deteriorated. As a result, operating income fell ¥670 million (-14.5%) to ¥3.97 billion for the year.

Others

No special matters to disclose.

(Forecast for the Fiscal Year Ending March 2021)

a. Performance Forecast for the Fiscal Year Ending March 2021

The NAGASE Group expects the global economy to worsen significantly in the fiscal year ending March 2021 due to the impact of the COVID-19 epidemic spreading globally.

With that backdrop, the next fiscal year will be the final year of Mid-term Management Plan *ACE-2020*. Our basic approach will be to execute the policies set out in *ACE-2020*, but we will modify our management strategies as appropriate to respond to the COVID-19 outbreak and to the external factors we foresee for our customers, markets, and society after the outbreak is contained.

Our earnings forecasts for the fiscal year ending March 2021, shown below, are based on the assumption that the economic impact of the COVID-19 epidemic will largely abate in the second half.

In the Life & Healthcare Segment, we foresee a significant increase in sales. This will be driven by the Prinova Group, acquired by the Company in the consolidated second quarter of the fiscal year, now able to contribute for an entire fiscal year, and by favorable trends especially in North America and Europe, of sales of vitamins, amino acids, and other products of the Prinova Group. In other segments, however, we forecast sales to decrease considerably because of the impact of COVID-19 spreading globally.

These forecasts have been developed based on foreign exchange rates of ¥106 to the U.S. dollar and ¥14.7 to the RMB.

Further, these forecasts were calculated based on information available at the time and on certain assumptions deemed rational. Actual results may vary significantly due to a variety of factors, including the time for containing the COVID-19 outbreak, business conditions overseas and in Japan, exchange rate trends, etc. Any issues that require disclosure in the future will be disclosed with all haste if important developments relating to our forecasts for the fiscal year ending March 2021 occur.

	(Millions of yen)			
	Net sales	Operating income	Ordinary income	Profit attributable to owners of the parent
FYE March 2021 Forecast	754,000	15,000	15,500	12,500
FYE March 2020 Actual	799,559	19,167	19,083	15,144
Change	(5.7%)	(21.7%)	(18.8%)	(17.5%)

b. Net Sales Forecast by Business Segment

	(Millions of yen)		
	FYE March 2020 Actual	FYE March 2021 Forecast	Change
Functional Materials	169,318	148,000	(12.6%)
Advanced Materials & Processing	267,078	243,000	(9.0%)
Electronics	115,123	84,500	(26.6%)
Mobility & Energy	126,000	103,000	(18.3%)
Life & Healthcare	121,545	175,000	+44.0%
Other	492	500	+1.5%
Total Sales	799,559	754,000	(5.7%)

(2) Review of Financial Position

a. Summary of Consolidated Balance Sheets

As of the end of the current consolidated fiscal year, current assets amounted to ¥379.33 billion. This represents an increase of ¥13.51 billion compared to the end of the prior consolidated fiscal year, mainly due to an increase in assets related to the new consolidation of subsidiaries, despite decreases in notes and accounts receivable, inventories, etc. among existing Group companies. Non-current assets amounted to ¥232.13 billion, up ¥30.62 billion from the end of the prior consolidated fiscal year. This increase was mainly due to an increase of assets and the recording of goodwill and other intangible assets related to the new consolidation of subsidiaries, despite a decrease in investments in securities stemming from the sale of certain shares owned by the Company and lower fair values of shares owned. As a result, total assets increased ¥44.13 billion compared to the end of the prior consolidated fiscal year to ¥611.47 billion.

Liabilities amounted to ¥298.23 billion, an increase of ¥43.49 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to increases in commercial paper, long-term loans, and bonds.

Net assets amounted to ¥313.24 billion, up ¥630 million. While the Company recorded a decrease in net unrealized holding gain on securities, profit attributable to owners of the parent amounted to ¥15.14 billion, which more than offset this decrease.

As a result, the Company recorded a shareholders' equity ratio of 49.9%, down 4.3 points compared to the end of the prior consolidated fiscal year.

b. Summary of Consolidated Cash Flows

Cash and cash equivalents ("Cash") at the end of the current consolidated fiscal year increased ¥6.45 billion (+14.7%) compared to the end of the prior consolidated fiscal year, amounting to ¥50.47 billion. Cash from operating activities amounted to ¥33.07 billion, while Cash used in investing activities amounted to ¥49.2 billion, cash from financing activities amounted to ¥24.33 billion, and exchange rate changes increased Cash as well.

(Cash Flows from Operating Activities)

Cash from operating activities for the current consolidated fiscal year amounted to ¥33.07 billion. While the Company recorded ¥7.03 billion in income taxes paid, income before income taxes amounted to ¥24.2 billion and Cash from a decrease in working capital amounted to ¥8.94 billion.

(Cash Flows from Investing Activities)

Cash used in investing activities for the current consolidated fiscal year amounted to ¥49.2 billion. This result was mainly due to ¥44.69 billion from acquisition of subsidiary shares owing to changes in scope of consolidation and ¥12.37 billion in purchases of tangible and intangible fixed assets, as opposed to ¥10.27 billion in proceeds from sales of investments in securities.

(Cash Flows from Financing Activities)

Cash from financing activities for the current consolidated fiscal year amounted to ¥24.33 billion. This result was mainly due to ¥25.45 billion in proceeds from long-term loans, ¥20.0 billion in proceeds from issuance of bonds, and a net increase of ¥18.0 billion in commercial paper. These increases exceeded a ¥21.33 billion decrease in short-term loans and outlays of ¥10.0 billion in redemption of bonds.

	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020
Shareholders' equity ratio	53.5%	54.7%	53.3%	54.2%	49.9%
Shareholders' equity ratio based on market value	30.7%	36.9%	39.7%	34.7%	25.9%
Interest-bearing debt to cash flow ratio (years)	3.0	5.6	4.1	4.2	3.2
Interest coverage ratio (times)	29.0	13.9	16.3	10.4	23.9

Shareholders' equity ratio: Equity capital/total assets

Shareholders' equity ratio based on market value: Market capitalization/total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/operating cash flow

Interest coverage ratio: Operating cash flow/interest payments

(Note 1) Indicators are calculated based on consolidated figures.

(Note 2) Market capitalization is calculated using the closing price at the end of the year multiplied by the number of outstanding shares at the end of the year (less treasury stock at cost).

(Note 3) Operating cash flow is net cash provided by operating activities as shown in the consolidated statements of cash flows. Interest-bearing debt is all liabilities in the consolidated balance sheets for which interest is payable.

Interest payments are the amount of interest paid as presented in the consolidated statements of cash flows.

(3) Dividend Policy and Dividends for the Fiscal Years Ending March 2020 and 2021

Our basic policy is to continue paying a stable dividend to our shareholders in line with our consolidated results as we improve our earnings power and management structure. We look to improve per-share dividends based on considerations of the consolidated payout ratio and consolidated dividend to equity ratio. We also plan to use funds from internal reserves effectively in our business growth and to build a stronger management function.

The NAGASE Group declared a year-end dividend of ¥22 per share based on this policy. As a result, the scheduled full-year cash dividend including the interim dividend will amount to ¥44 per share, an increase of ¥2 per share from the prior year.

After a comprehensive consideration of our forecast earnings capacity (our present consolidated earnings forecasts adjusted for special circumstances) and of the stability and continuity of dividend payments, we forecast a full-year dividend of ¥44 per share for the next fiscal year, the same as the current fiscal year. This dividend will consist of a ¥22 per share interim dividend and a ¥22 per share year-end dividend.

2. Basic Policy on the Selection of Accounting Standards

The NAGASE Group intends to adopt Japanese accounting standards for the time being to allow for inter-company comparability.

We have been studying the adoption of International Financial Reporting Standards (IFRS) for some time, and we plan to make the appropriate policy choice in the future, considering external trends and other factors.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2019)	Current Consolidated Fiscal Year (March 31, 2020)
ASSETS		
Current assets		
Cash and time deposits	44,068	51,408
Notes and accounts receivable	230,459	221,116
Merchandise and finished goods	74,471	86,166
Work in process	1,847	1,789
Raw materials and supplies	4,683	7,730
Other	10,651	11,859
Less allowance for doubtful accounts	(355)	(732)
Total current assets	365,827	379,337
Non-current assets		
Property, plant and equipment		
Buildings and structures	57,846	61,970
Accumulated depreciation	(33,991)	(37,033)
Buildings and structures (net)	23,855	24,937
Machinery, equipment and vehicles	62,488	63,667
Accumulated depreciation	(48,250)	(50,063)
Machinery, equipment and vehicles (net)	14,238	13,604
Land	20,456	21,092
Other	23,940	33,303
Accumulated depreciation	(16,022)	(18,628)
Other (net)	7,917	14,674
Total property, plant and equipment	66,467	74,309
Intangible fixed assets		
Goodwill	23,866	35,246
Technology-based assets	10,639	9,064
Other	2,772	28,286
Total intangible fixed assets	37,279	72,597
Investments and other assets		
Investments in securities	90,263	76,124
Long-term loans receivable	243	391
Retirement benefit asset	109	1,754
Deferred tax assets	2,290	2,085
Other	4,959	4,967
Less allowance for doubtful accounts	(92)	(91)
Total investments and other assets	97,771	85,232
Total non-current assets	201,518	232,139
Total assets	567,346	611,477

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2019)	Current Consolidated Fiscal Year (March 31, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable	117,256	108,285
Short-term loans	34,964	30,590
Current portion of long-term loans	949	1,277
Commercial paper	12,000	30,000
Current portion of bonds	10,000	-
Accrued income taxes	3,594	4,625
Accrued bonuses for employees	5,355	5,123
Accrued bonuses for directors	287	170
Other	17,457	20,360
Total current liabilities	201,866	200,434
Long-term liabilities		
Bonds	10,000	30,000
Long-term loans	17,577	42,621
Deferred tax liabilities	12,075	9,280
Retirement benefit liability	12,461	13,677
Other	757	2,221
Total long-term liabilities	52,870	97,800
Total liabilities	254,737	298,234
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,647	10,646
Retained earnings	247,617	257,067
Less treasury stock, at cost	(5,070)	(5,071)
Total shareholders' equity	262,892	272,342
Accumulated other comprehensive income		
Net unrealized holding gain on securities	41,857	32,618
Deferred (loss) gain on hedges	(7)	3
Translation adjustments	3,224	1,051
Remeasurements of defined benefit plans	(292)	(694)
Total accumulated other comprehensive income	44,781	32,979
Non-controlling interests	4,934	7,921
Total net assets	312,609	313,243
Total liabilities and net assets	567,346	611,477

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

(Consolidated Statements of Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2018 - March 31, 2019)	Current Consolidated Fiscal Year (April 1, 2019 - March 31, 2020)
Net sales	807,755	799,559
Cost of sales	702,313	694,657
Gross profit	105,441	104,901
Selling, general and administrative expenses		
Selling expenses	12,696	12,787
Employee salaries and allowances	23,644	26,491
Provision for accrued bonuses for employees	3,289	2,967
Provision for accrued bonuses for directors	275	147
Depreciation and amortization other than amortization of goodwill	4,088	4,975
Retirement benefit expenses	1,698	1,545
Provision for retirement benefits for directors	24	22
Allowance for doubtful accounts	(243)	281
Amortization of goodwill	1,815	2,037
Other	32,924	34,477
Total selling, general and administrative expenses	80,215	85,734
Operating income	25,226	19,167
Non-operating income		
Interest income	184	148
Dividend income	1,809	2,173
Rent income	261	266
Equity in earnings of affiliates	538	-
Other	985	666
Total non-operating income	3,779	3,254
Non-operating expenses		
Interest expenses	1,702	1,355
Equity in losses of affiliates	-	538
Foreign exchange losses	228	747
Other	430	697
Total non-operating expenses	2,361	3,339
Ordinary income	26,643	19,083
Extraordinary gains		
Gain on sales of non-current assets	282	21
Gain on sales of investment securities	4,355	9,723
Gain on sales of shares of subsidiaries and affiliates	6	-
Subsidy income	205	52
Other	-	4
Total extraordinary gains	4,849	9,801
Extraordinary losses		
Loss on sales of non-current assets	78	46
Loss on disposal of non-current assets	275	204
Loss on reduction of non-current assets	205	-
Impairment losses	2,294	3,116
Loss on sales of investment securities	2	-
Loss on valuation of investment securities	208	1,028
Loss on business withdrawal	194	-
Other	28	288
Total extraordinary losses	3,289	4,684
Income before income taxes	28,204	24,200
Income taxes - current	6,400	7,395
Income taxes - deferred	1,395	1,288
Total income taxes	7,796	8,684
Net income	20,408	15,515
Profit attributable to non-controlling interests	271	371
Profit attributable to owners of the parent	20,136	15,144

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2018 - March 31, 2019)	Current Consolidated Fiscal Year (April 1, 2019 - March 31, 2020)
Net income	20,408	15,515
Other comprehensive income		
Net unrealized holding loss on securities	(8,907)	(9,231)
Deferred gain on hedges	7	11
Translation adjustments	298	(1,973)
Remeasurements of defined benefit plans	25	(402)
Share of other comprehensive loss of affiliates accounted for by the equity method	(29)	(339)
Total other comprehensive income	(8,604)	(11,935)
Comprehensive income	11,803	3,579
Comprehensive income attributable to:		
Shareholders of the parent	11,640	3,380
Non-controlling interests	163	199

(3) Consolidated Statements of Changes in Shareholders' Equity

Prior Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance, beginning of period	9,699	11,158	232,534	(3,114)	250,278
Changes					
Cash dividends			(5,133)		(5,133)
Profit attributable to owners of the parent			20,136		20,136
Purchases of treasury stock				(1,956)	(1,956)
Equity transactions with non-controlling interests		(500)			(500)
Changes in scope of consolidation		(11)	79		68
Changes other than shareholders' equity accounts (net)					
Total changes	-	(511)	15,082	(1,956)	12,614
Balance, end of period	9,699	10,647	247,617	(5,070)	262,892

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred loss on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, beginning of period	50,773	(15)	2,917	(317)	53,358	5,168	308,804
Changes							
Cash dividends							(5,133)
Profit attributable to owners of the parent							20,136
Purchases of treasury stock							(1,956)
Equity transactions with non-controlling interests							(500)
Changes in scope of consolidation							68
Changes other than shareholders' equity accounts (net)	(8,916)	7	307	25	(8,576)	(233)	(8,810)
Total changes	(8,916)	7	307	25	(8,576)	(233)	3,804
Balance, end of period	41,857	(7)	3,224	(292)	44,781	4,934	312,609

Current Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance, beginning of period	9,699	10,647	247,617	(5,070)	262,892
Changes					
Cash dividends			(5,704)		(5,704)
Profit attributable to owners of the parent			15,144		15,144
Purchases of treasury stock				(0)	(0)
Equity transactions with non-controlling interests		(0)			(0)
Changes in scope of consolidation			(93)		(93)
Changes in scope of equity affiliates			103		103
Changes other than shareholders' equity accounts (net)					
Total changes	-	(0)	9,450	(0)	9,449
Balance, end of period	9,699	10,646	257,067	(5,071)	272,342

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, beginning of period	41,857	(7)	3,224	(292)	44,781	4,934	312,609
Changes							
Cash dividends							(5,704)
Profit attributable to owners of the parent							15,144
Purchases of treasury stock							(0)
Equity transactions with non-controlling interests							(0)
Changes in scope of consolidation							(93)
Changes in scope of equity affiliates							103
Changes other than shareholders' equity accounts (net)	(9,238)	11	(2,172)	(402)	(11,802)	2,986	(8,815)
Total changes	(9,238)	11	(2,172)	(402)	(11,802)	2,986	634
Balance, end of period	32,618	3	1,051	(694)	32,979	7,921	313,243

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Prior Consolidated Fiscal Year (April 1, 2018 - March 31, 2019)	Current Consolidated Fiscal Year (April 1, 2019 - March 31, 2020)
Operating Activities		
Income before income taxes	28,204	24,200
Depreciation and amortization other than amortization of goodwill	9,329	10,089
Loss on impairment of fixed assets	2,294	3,116
Amortization of goodwill	1,815	2,037
Subsidy income	(205)	(52)
Loss on reduction of non-current assets	205	-
Loss on business withdrawal	194	-
(Decrease) increase in retirement benefit liability	(2,023)	645
Increase in retirement benefit asset	(109)	(1,645)
Interest and dividend income	(1,994)	(2,322)
Interest expenses	1,702	1,355
Exchange loss (gain), net	295	(121)
Gain on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(4,359)	(9,723)
(Increase) decrease in notes and accounts receivable	(4,477)	19,452
(Increase) decrease in inventories	(7,157)	3,187
Decrease in notes and accounts payable	(894)	(13,689)
Other	(1,421)	2,244
Subtotal	21,399	38,773
Interest and dividends received	2,520	2,714
Interest paid	(1,670)	(1,382)
Income taxes paid	(4,874)	(7,031)
Net cash provided by operating activities	17,375	33,074
Investing activities		
Purchases of property, plant and equipment	(10,253)	(11,909)
Proceeds from sales of property, plant and equipment	917	87
Purchases of intangible fixed assets included in other assets	(505)	(464)
Purchases of investments in securities	(2,555)	(1,635)
Proceeds from sales of investments in securities	5,479	10,278
Purchases of investments in capital	(96)	(54)
Purchases of shares of subsidiaries resulting in change in scope of consolidation	-	(44,691)
(Increase) decrease on short-term loans receivable included in other current assets, net	(807)	404
Decrease (increase) in time deposits, net	392	(887)
Proceeds from subsidy income	205	52
Other	(102)	(388)
Net cash used in investing activities	(7,325)	(49,208)

	(Millions of yen)	
	Prior Consolidated Fiscal Year (April 1, 2018 - March 31, 2019)	Current Consolidated Fiscal Year (April 1, 2019 - March 31, 2020)
Financing activities		
Increase (decrease) in short-term loans, net	2,771	(21,332)
Increase in commercial paper, net	7,000	18,000
Proceeds from long-term loans	582	25,454
Repayments of long-term loans	(11,175)	(1,131)
Proceeds from issuance of bonds	-	20,000
Redemption of bonds	-	(10,000)
Purchase of treasury stock	(1,956)	0
Cash dividends paid	(5,133)	(5,704)
Cash dividends paid to non-controlling interests	(398)	(219)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(498)	-
Other	(99)	(730)
Net cash (used in) provided by financing activities	(8,909)	24,334
Effects of exchange rate changes on cash and cash equivalents	100	(1,882)
Net increase in cash and cash equivalents	1,240	6,317
Cash and cash equivalents at beginning of the year	42,857	44,017
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(80)	-
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	136
Cash and cash equivalents, at end of the period	44,017	50,471

(5) Notes Related to Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Changes in Significant Subsidiaries During the Period)

The Company established Nagase Holdings America Corporation in the U.S. on April 1, 2019, including Nagase Holdings America Corporation within the scope of consolidation from the current consolidated fiscal year. Subsequently, the Company made a capital increase in Nagase Holdings America Corporation on August 2, 2019, making it a specified subsidiary.

(Changes in Accounting Policies)

Beginning in the current consolidated fiscal year, 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 consolidated financial statements is minor.

(Segment Information, etc.)

a. Segment Information

1. Reportable Segments

The Company's reportable segments are those units comprising the NAGASE Group for which separate financial information is available and for which the board of directors makes regular decisions regarding resource allocation and operating performance.

The Company classifies reportable segments according to the location of the business in the value chain and the market(s) targeted. Accordingly, the Company has defined five segment categories: Functional Materials (located at the top of the value chain), Advanced Materials & Processing (located in the next stage of the value chain), Electronics, Mobility & Energy, and Life & Healthcare (these last three segments functioning across all industries).

As of the current consolidated fiscal year, the name of the former *Automotive & Energy Segment* has been changed to the *Mobility & Energy Segment*.

The following describes the major products and services handled by each reportable segment.

The Functional Materials segment is engaged in the sales of materials for paints/inks, urethane materials and auxiliary materials, plastic materials, plastic additives, industrial oil solutions, water processing raw materials, surfactant raw materials, fluorochemicals, encapsulant materials, 5G materials, silicone materials, environmental products, and more for the paints/inks, resins, urethane foam, organic synthesis, surfactants, semiconductor, communications equipment, water processing, metalworking, and other industries.

The Advanced Materials & Processing segment is engaged in the sales of dyestuffs, pigments, functional pigments, digital print processing products, 3D printing products, thermoplastic resins, thermosetting resins, automobile refinish paints, conductive coatings, synthetic rubber, inorganic materials, plastics products, resin molding tools/dies, and more for the pigment/additive, digital print processing material, fiber processing, raw resin material, resin molding, 3D printing, functional film and sheet, construction, and other industries.

The Electronics segment is engaged in the sales of high-function epoxy resins, semiconductor assembly materials and devices, electronic precision abrasives, pre-processing materials and devices for semiconductors and LCDs, low-temperature/vacuum equipment, display panel components, LEDs, and more for the heavy electrical, semiconductor, hard disk drive, electronic components, on-board equipment, display, touch panel, and other industries.

The Mobility & Energy segment is engaged in the sales of plastic products in general, silicone materials, functional coatings, structural materials, resin molding tools and dies, interior and exterior materials and components, decorative films and components, on-board display components, EV/HEV components, sensor components, solar cells, secondary battery

components, and more for the mobility, mobility-related, storage battery, and energy industries.

The Life & Healthcare segment is engaged in the sales of pharmaceutical/agricultural chemicals and materials, research products, in vitro diagnostics, enzymes, food additives, food ingredients, sports nutrition products, nutrient premixes, additives for cosmetics, feeds, and surfactants for the pharmaceutical, food and beverage, cosmetics, agricultural, toiletries, and health care industries. The segment offers radiation measurement as one of its main services. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

2. Net Sales, Profit (Loss), Assets, Liabilities, and Other by Segment

Accounting treatment in each reportable segment follows the principles and procedures of the accounting treatments used to prepare the Company's consolidated financial statements.

Profit in reportable segments is defined as operating income. Inter-segment profits and transfers are based on actual market prices.

3. Information related to Net Sales, Profit (Loss), Assets, Liabilities, and Other by Segment

Prior Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable Segments						Others (Note 1)	Total	Corporate (Note 2)	Adjustments (Note 3)	Consolidated (Note 4)
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	179,627	275,203	122,319	139,235	90,794	807,181	574	807,755	-	-	807,755
Intersegment sales/transfers	2,992	2,357	1,749	2,773	399	10,272	5,459	15,731	-	(15,731)	-
Total	182,620	277,561	124,069	142,009	91,194	817,454	6,033	823,487	-	(15,731)	807,755
Segment income (loss)	5,494	8,093	7,400	3,051	4,648	28,689	284	28,973	(4,253)	505	25,226
Segment assets	87,158	135,403	65,022	56,747	97,627	441,960	4,833	446,794	141,205	(20,653)	567,346
Other items											
Depreciation and amortization	444	692	2,511	211	3,801	7,660	211	7,872	1,457	-	9,329
Amortization of goodwill	110	-	136	-	1,569	1,815	-	1,815	-	-	1,815
Unamortized balance of goodwill	2,012	-	1,218	-	20,636	23,866	-	23,866	-	-	23,866
Investments in equity affiliates	2,398	1,545	3,765	1,253	2,769	11,733	-	11,733	-	(52)	11,680
Increase in property, plant, and equipment and intangible fixed assets	314	1,542	3,201	329	3,206	8,594	130	8,725	1,887	-	10,612

(Note) 1. “Others” is a business segment consisting of businesses not included in Reportable Segments, and includes logistics services, information processing services, and professional services.

2. Corporate segment income (loss) represents expenses not allocated to Reportable Segments or Others. Segment assets under Corporate are assets not allocable to Reportable Segments or Others.

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 “Consolidated”.

Current Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable Segments						Others (Note 1)	Total	Corporate (Note 2)	Adjustments (Note 3)	Consolidated (Note 4)
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	169,318	267,078	115,123	126,000	121,545	799,066	492	799,559	-	-	799,559
Intersegment sales/transfers	1,867	2,180	1,816	2,849	480	9,194	5,374	14,568	-	(14,568)	-
Total	171,186	269,259	116,940	128,849	122,025	808,260	5,867	814,128	-	(14,568)	799,559
Segment income (loss)	5,364	8,526	5,396	1,890	3,973	25,151	180	25,331	(6,603)	439	19,167
Segment assets	76,936	135,541	58,879	48,687	171,461	491,506	4,699	496,205	152,181	(36,909)	611,477
Other items											
Depreciation and amortization	413	754	2,372	204	4,571	8,316	208	8,525	1,563	-	10,089
Amortization of goodwill	107	-	132	-	1,796	2,037	-	2,037	-	-	2,037
Unamortized balance of goodwill	1,864	2,962	484	-	29,935	35,246	-	35,246	-	-	35,246
Investments in equity affiliates	1,895	1,722	3,906	1,242	3,064	11,831	-	11,831	-	(2)	11,829
Increase in property, plant, and equipment and intangible fixed assets	436	1,845	3,235	241	6,035	11,794	24	11,818	1,010	-	12,829

(Note) 1. "Others" is a business segment consisting of businesses not included in Reportable Segments, and includes logistics services, information processing services, and professional services.

2. Corporate segment income (loss) represents expenses not allocated to Reportable Segments or Others. Segment assets under Corporate are assets not allocable to Reportable Segments or Others.

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 "Consolidated".

b. Other Information

Prior Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)

1. Products and Services

Omitted, as the same information has been disclosed under Segment Information.

2. Geographical Information

(1) Net sales

(Millions of yen)

Japan	Greater China	ASEAN	Americas	Europe	Other	Total
412,617	205,408	118,113	39,451	15,272	16,892	807,755

(Note) 1. Net sales are categorized by country or region, according to the location of the customer.

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

(2) Property, plant and equipment

(Millions of yen)

Japan	Other	Total
60,344	6,123	66,467

3. Major Customers

Information not presented here, since no single customer accounts for 10% or more of consolidated net sales.

Current Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)

1. Products and Services

Omitted, as the same information has been disclosed under Segment Information.

2. Geographical Information

(1) Net sales

(Millions of yen)

Japan	Greater China	ASEAN	Americas	Europe	Other	Total
402,390	187,554	110,642	55,420	24,610	18,939	799,559

(Note) 1. Net sales are categorized by country or region, according to the location of the customer.

2. Countries/regions are determined by geographical proximity.

3. Major countries in each region

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

(2) ASEAN.....Thailand, Vietnam

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

(4) Europe.....Germany

(5) Other.....Korea

(2) Property, plant and equipment

(Millions of yen)

Japan	Other	Total
64,301	10,008	74,309

3. Major Customers

Information not presented here, since no single customer accounts for 10% or more of consolidated net sales.

c. Impairment Losses of Non-Current Assets for Each Reportable Segment

Prior Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable Segments						Others	Corporate/ Elimination	Total
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total			
Impairment loss	-	221	-	58	1,999	2,279	-	15	2,294

(Note) The Life & Healthcare segment recorded impairment loss of ¥1,999 million for business assets related to a pharmaceutical manufacturing business due to decreasing profitability. The Company wrote down the book value of these assets to their recoverable amounts.

Current Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable Segments						Others	Corporate/ Elimination	Total
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total			
Impairment loss	-	-	2,209	2	903	3,114	-	2	3,116

(Note) In the Electronics segment, as a result of worsening profitability of the thin processing business for glass substrate, the book values of related business assets were written down to their recoverable amounts. Thus, the Company recorded a ¥1,639 million loss on impairment of fixed assets. Also in this segment, with respect to goodwill related to our siloxane materials production and development business, the Company has made progress strengthening the foundation of development of optical component materials for the wearables market, but the financial results have not been as good as projected in the initial business plan. The Company wrote down the book value of these assets to their recoverable amounts, recording a ¥570 million loss on impairment of goodwill.

The Life & Healthcare segment recorded impairment loss of ¥903 million for business assets related to a pharmaceutical manufacturing business due to decreasing profitability. The Company wrote down the book value of these assets to their recoverable amounts.

d. Amortization and Unamortized Balance of Goodwill for Each Reportable Segment

Prior Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)

Omitted, as the same information has been disclosed under Segment Information.

Current Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)

Omitted, as the same information has been disclosed under Segment Information.

e. Information About Gain on Negative Goodwill for Each Reportable Segment

Prior Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)

No matters to report.

Current Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)

No matters to report.

(Per-Share Data)

	Prior Consolidated Fiscal Year (April 1, 2018 - March 31, 2019)	Current Consolidated Fiscal Year (April 1, 2019 - March 31, 2020)
Net assets per share	¥2,481.01	¥2,462.04
Earnings per share	¥161.30	¥122.12

(Note) 1. Information for diluted earnings per share is not presented, as the Company does not issue any stock with dilutive effects.

2. Basic earnings per share calculations are as shown below.

	Prior Consolidated Fiscal Year (April 1, 2018 - March 31, 2019)	Current Consolidated Fiscal Year (April 1, 2019 - March 31, 2020)
Profit attributable to owners of the parent (millions of yen)	20,136	15,144
Profit attributable to common stock owners of the parent (millions of yen)	20,136	15,144
Average number of outstanding shares of common stock (shares)	124,842,824	124,011,793

(Significant Subsequent Events)

No matters to report.