

FYE March 2021 Second Quarter Financial Highlights

NAGASE & CO., LTD.

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Consolidated Statements of Income

- **Net sales:** Sales declined because of the impact of the growth of the COVID-19 pandemic.
- **Operating income:** Income declined mainly due to increased costs incurred to promote DX as an investment for sustained growth, though gross profit increased due to the high profitability of Prinova Group.
- **Profit attributable to owners of the parent:** Profit increased, mainly due to the recording of profits stemming from the sale of certain shares owned by the Company.

(100 millions of yen)

	19/09	20/09	Change	Vs. PY	Orig. Forecast (full year)
Net sales	3,919	3,811	(107)	97%	7,540
Gross profit	508	537	+ 29	106%	1,070
<GP ratio>	13.0%	14.1%	+1.1%	—	14.2%
SG&A expenses	402	448	+ 46	111%	920
Operating income	106	89	(16)	84%	150
Ordinary income	105	96	(8)	92%	155
Profit attributable to owners of the parent	74	101	+ 27	137%	125
US\$ Exchange rate (period average)	@ 108.6	@ 106.9	@ 1.7	strong yen	@106.0
RMB Exchange rate (period average)	@ 15.7	@ 15.3	@ 0.4	strong yen	@ 14.7

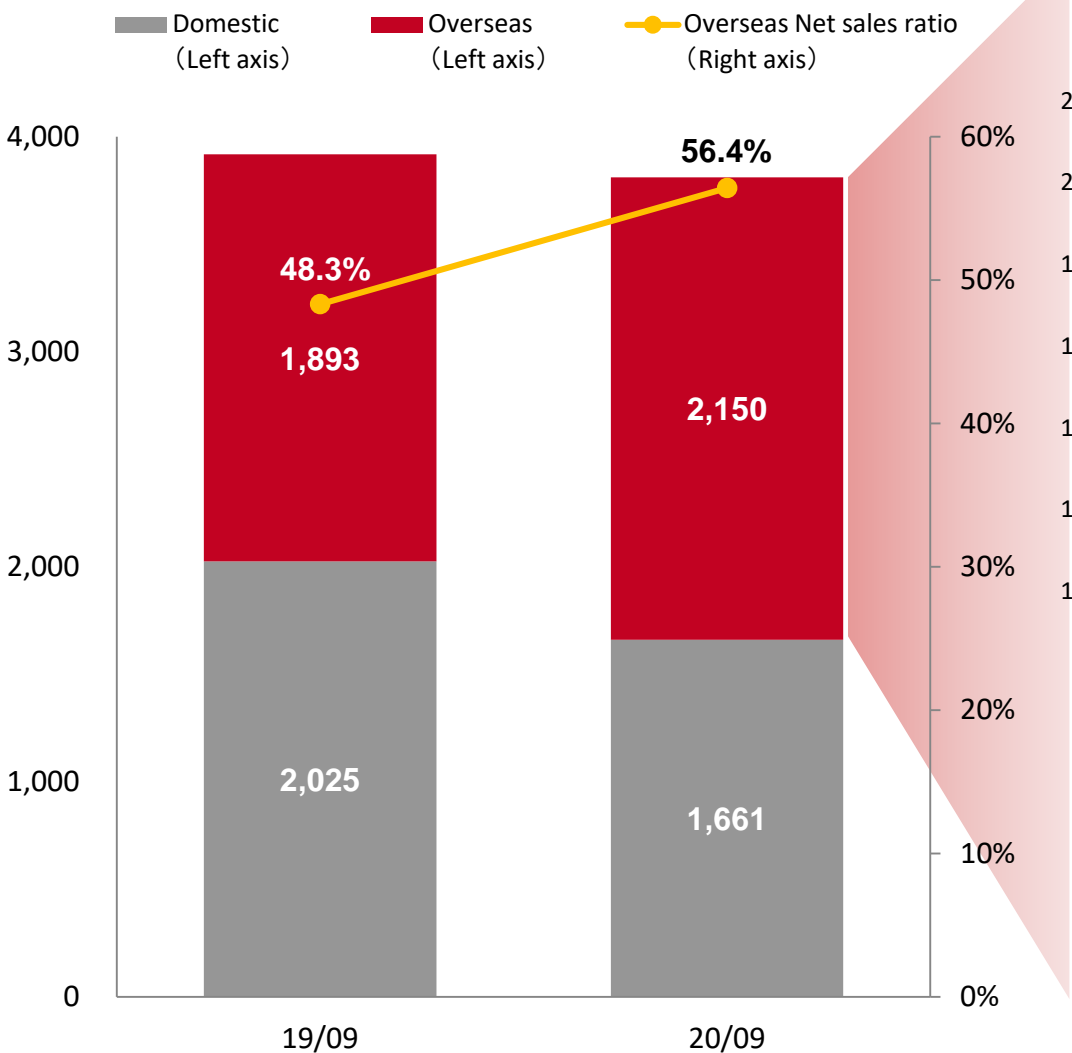
【 Foreign exchange rate impact on 20/09 net sales and operating income results 】

Net sales: ¥(3.5)billion (approx.) Operating income: ¥(100)million(approx.)

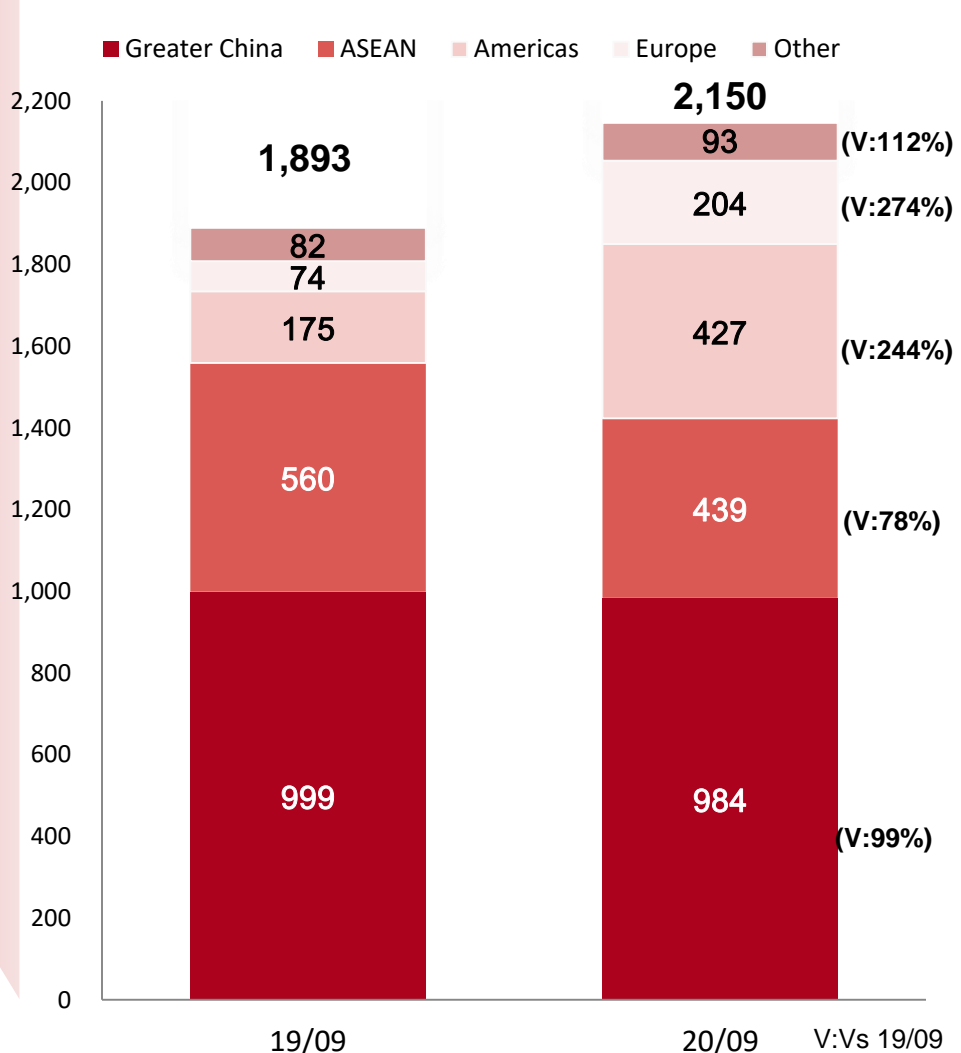
Net Sales by Region (Domestic, Overseas)

■ Sales in particular in Japan and ASEAN decreased due to the impact of the growing COVID-19 pandemic, though sales in Europe and America increased sharply due to the addition of sales from the Prinova Group (overseas ratio of total sales: 56.4%).

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



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

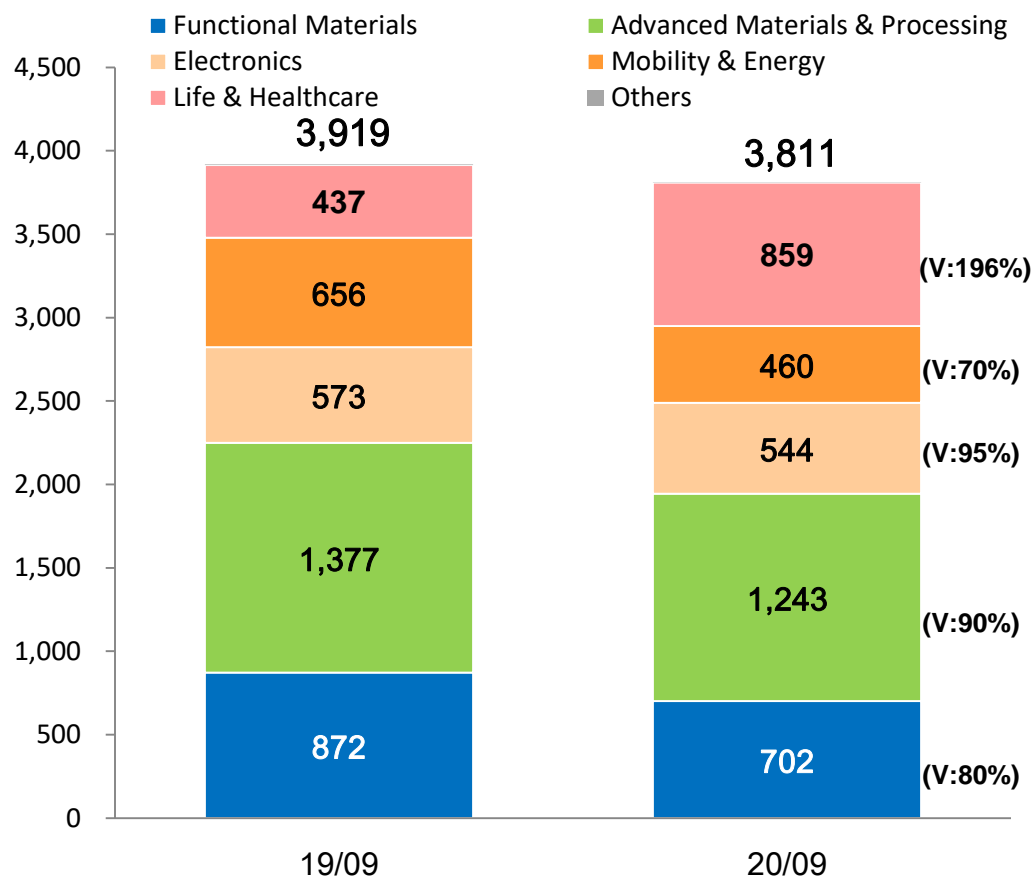


Net Sales: Two-Year Comparison (by Segment)

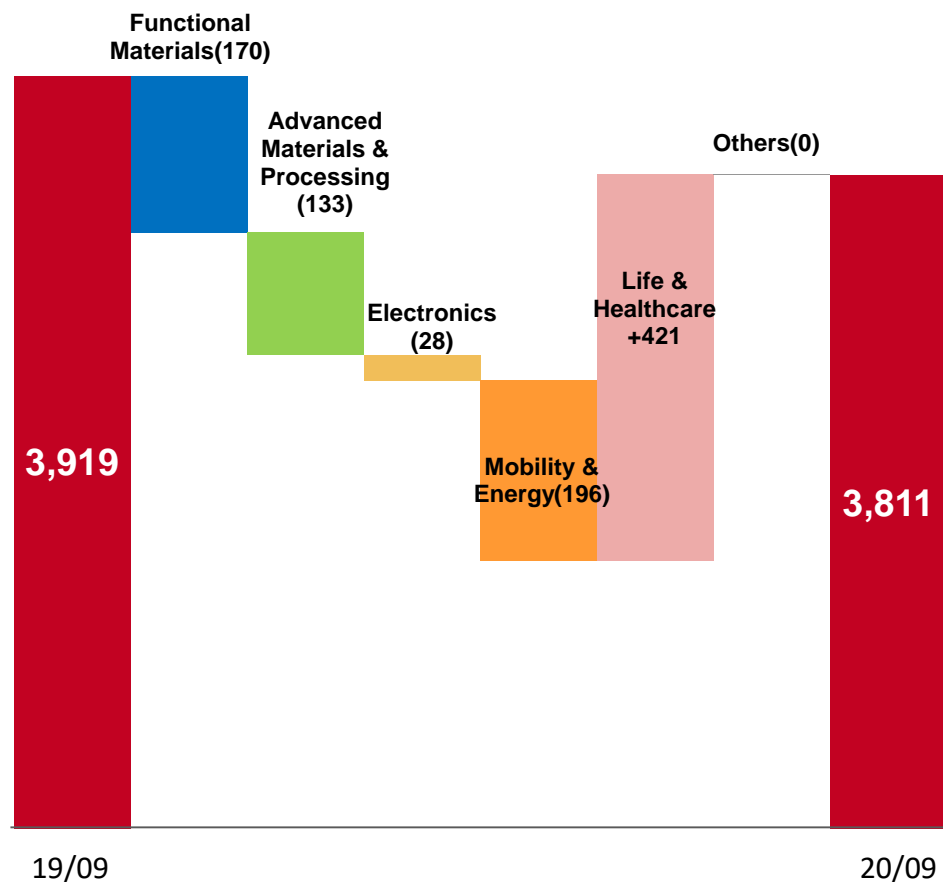
■ **Mobility & Energy:** Sales declined due to a decrease in the sales of car electronics-related products in Japan and in the resins business in all regions except Greater China, mainly caused by lower automotive production in all regions except Greater China.

■ **Life & Healthcare:** Sales increased mainly due to increased sales of pharmaceutical raw materials/intermediates and medical materials and of hygiene products-related materials, and due to the addition of sales from the Prinova Group, factors that compensated for the decline in the sales of TREHA™ and other food materials (other than Prinova Group) and AA2G™ and other cosmetics-related materials. The decline was mainly due to a lower demand caused by the impact of the COVID-19 pandemic.

Net Sales by Segment (100 millions of yen)



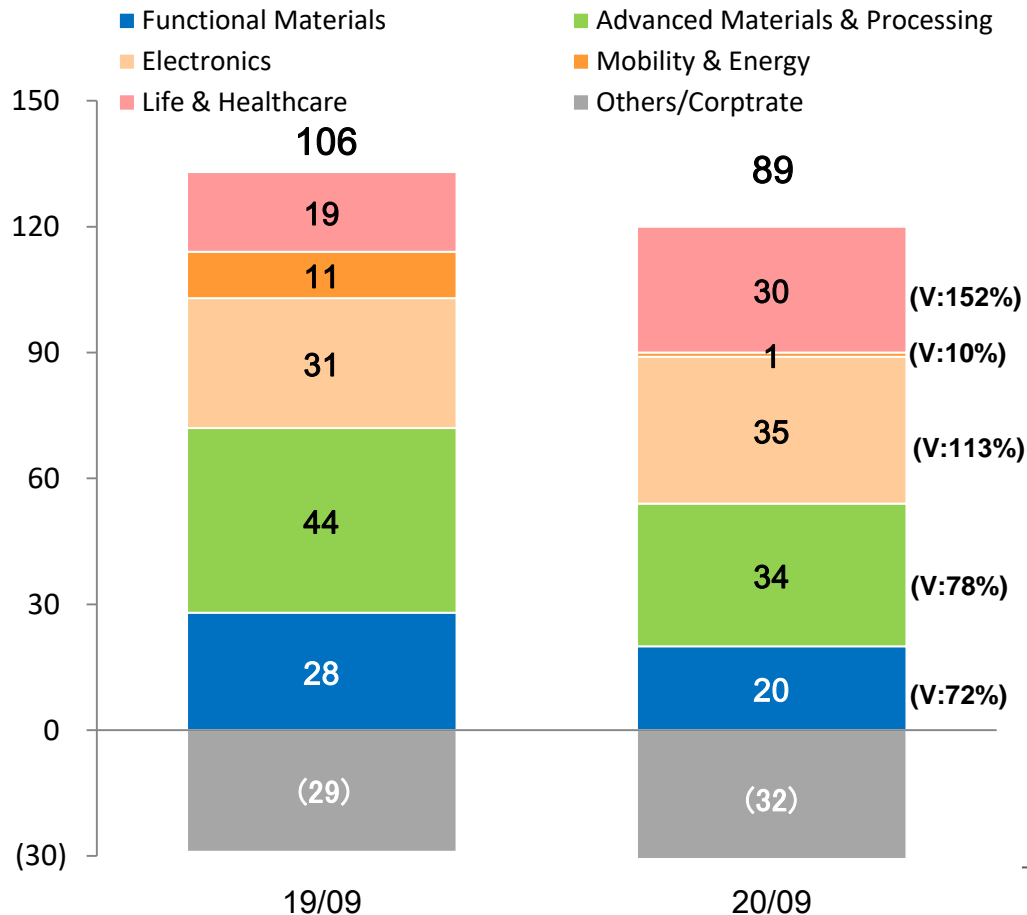
Change in Net Sales by Segment (100 millions of yen)



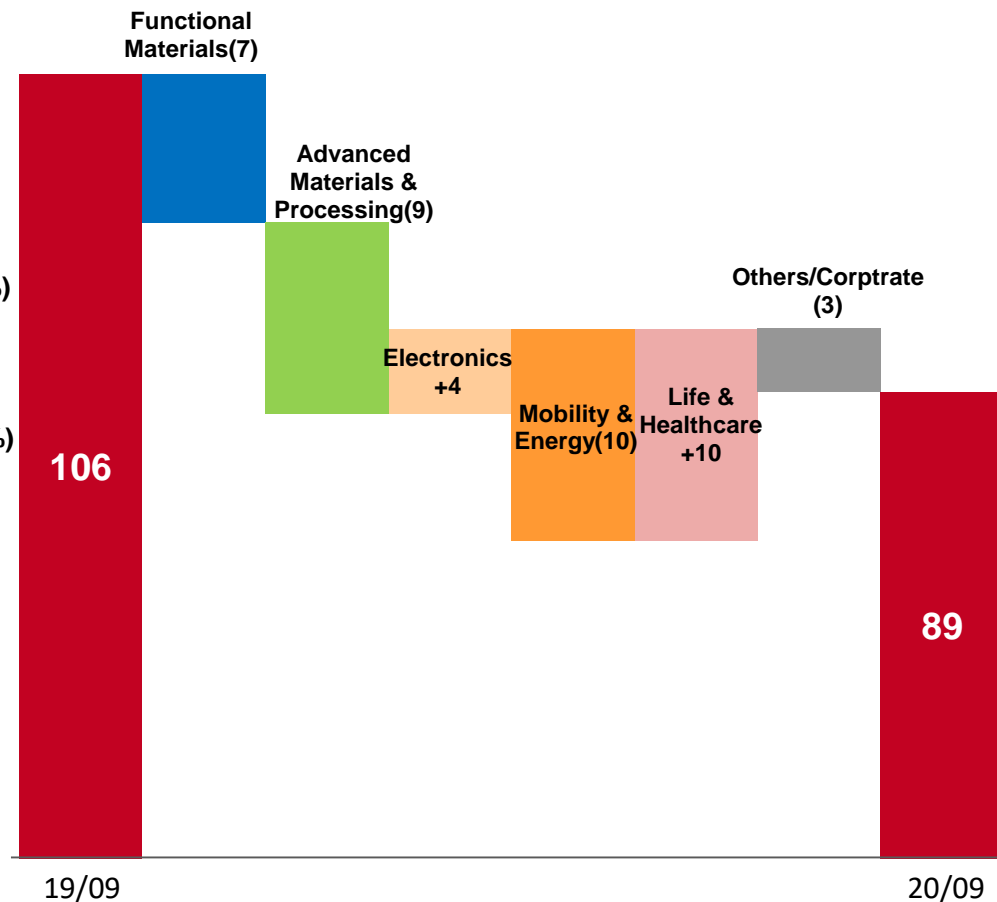
Operating income: Two-Year Comparison (by Segment)

- **Advanced Materials & Processing:** Lower profits due to declining sales and degraded market conditions in the digital print processing materials business.
- **Electronics:** Despite reduced sales, increased profitability in certain manufacturing subsidiaries led to higher profit.

Operating income by Segment (100 millions of yen)



Change in Operating income by Segment (100 millions of yen)



Consolidated Balance Sheets

■ Assets decreased ¥9.3 billion due to decreases in cash and deposits, accounts receivable, etc., though investments in securities increased due to a rise in the fair value of stock owned by the Company.

■ Liabilities decreased ¥26.5 billion due to decreased commercial paper and accounts payable.

■ Shareholders' equity ratio rose 3.7 points to 53.6%.

Assets

	20/03	20/09	Change
Total current assets	3,793	3,540	(252)
Cash and time deposits	514	378	(135)
Notes and accounts receivable	2,211	2,094	(116)
Inventories	956	949	(7)
Other	111	117	+ 6
Total non-current assets	2,321	2,480	+ 159
Property, plant and equipment	743	756	+ 13
Intangible fixed assets	725	690	(35)
Investments, other assets	852	1,034	+ 181
Investments in securities	761	941	+ 180
Other	91	92	+ 1
Total assets	6,114	6,021	(93)

Liabilities and Net Assets

(100 millions of yen)

	20/03	20/09	Change
Total current liabilities	2,004	1,715	(289)
Notes and accounts payable	1,082	984	(98)
Short-term loans and current portion of CP	618	444	(174)
Other	302	286	(16)
Total long-term liabilities	978	1,002	+ 24
Long-term loans and Bonds	726	694	(32)
Net defined benefit liability	136	139	+ 2
Other (Deferred tax liabilities, etc.)	115	168	+ 53
Total liabilities	2,982	2,717	(265)
Total net assets	3,132	3,304	+ 171
Shareholders' equity	2,723	2,798	+ 74
Accumulated other comprehensive income	329	426	+ 96
Net unrealized holding gain on securities	326	435	+ 109
Translation adjustment	10	(4)	(15)
Other	(6)	(4)	+ 2
Non-controlling interests	79	79	+ 0
Total liabilities and net assets	6,114	6,021	(93)

Cash Flows

(100 millions of yen)

	20/09	Main factors	19/09
Net cash provided by (used in) operating activities	132	Profit before income taxes +151 Depreciation and amortization/amortization of goodwill +66 Change in working capital +22 Income taxes paid (53)	124
Net cash provided by (used in) investing activities	(25)	Purchases of tangible and intangible fixed assets included in other assets (55) Purchases of investments in securities (30) Proceeds from sales of investments in securities +57	(478)
Net cash provided by (used in) financing activities	(236)	Decrease in commercial paper (200) Decrease in short-term loans (38) Cash dividends paid (27)	394
Effects of exchange rate changes on cash and cash equivalents	(4)		(23)
Net increase (decrease) in cash and cash equivalents	(134)		17
Cash and cash equivalents at beginning of the year	504		440
Cash and cash equivalents, at end of the period	370		457

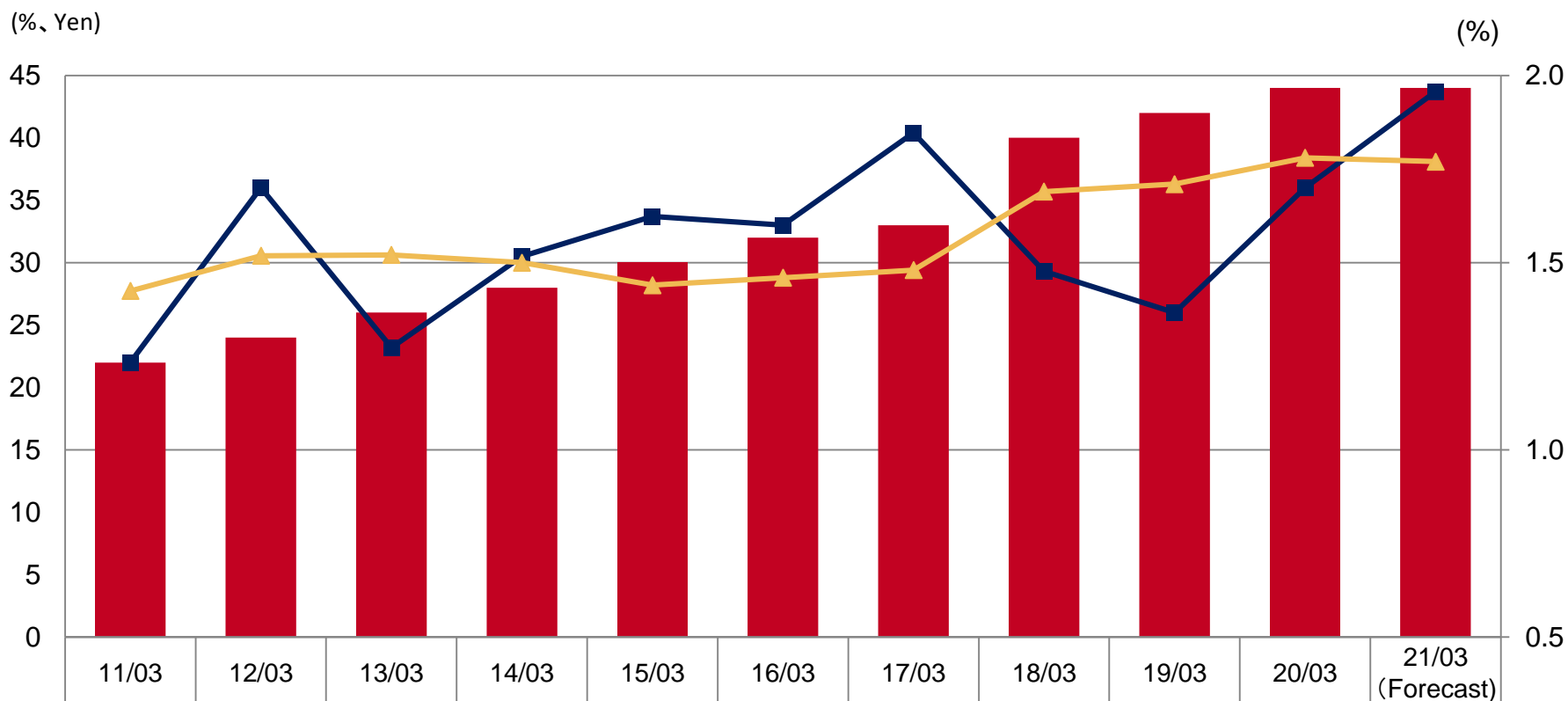
FYE March 2021 Earnings Projections

- In the first half, earnings were better than our previously announced forecasts, in part because economic activity resumed faster than expected in Greater China and there was a temporary increase in demand caused by supply uncertainty attributable to the spread of the COVID-19 pandemic.
- On the other hand, we see the COVID-19 pandemic continuing to grow worldwide, so we anticipate that the shift to full-fledged recovery will be in the fiscal year ending March 2022 or thereafter.
- In the second half, we anticipate that costs for sustainable growth, including investment to promote DX, will be greater than in the first half.
- Furthermore, we foresee a possibility of temporary costs occurring as a result of actively reviewing our portfolio.
- Based on the above, we forecast lower sales and profits overall (there are no changes to the earnings forecasts released in May 2020)

(100 millions of yen)

	20/03 Actual	21/03 Full Year Forecast	Change	Vs.PY
Net sales	7,995	7,540	(455)	94%
Gross profit	1,049	1,070	+21	102%
<GP ratio>	13.1%	14.2%	+1.1%	—
SG&A expenses	857	920	+63	107%
Operating income	191	150	(41)	78%
Ordinary income	190	155	(35)	81%
Profit attributable to owners of the parent	151	125	(26)	83%
US\$ Exchange rate (period average)	@108.7	@106.0	@2.7 Strong yen	
RMB Exchange rate (period average)	@15.6	@14.7	@0.9 Strong yen	

■ Expecting to pay dividends of ¥44 per share for the full year, consisting of a ¥22 per share interim dividend and a ¥22 per share year-end dividend



*1 FYE March 2018 dividends include a special dividend of ¥5 per share.

*2 21/03 year end dividend to be submitted for approval to the 106th general meeting of shareholders scheduled for June 2021.



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

These presentation materials contain forwardlooking projections based on assumptions, forecasts, and plans as of November 4 , 2020. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.