

FYE March 2020 Second Quarter Financial Highlights

NAGASE & CO., LTD.
November 1, 2019

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Consolidated Statements of Income

- Despite firm performance in certain businesses, overall industry weakness led to lower sales and profits.

(100 millions of yen)

	18/09	19/09	Change	Vs. PY	Orig. Forecast (full year)
Net sales	4,044	3,919	△ 125	97%	8,500
Gross profit	529	508	△ 20	96%	1,108
<GP ratio>	13.1%	13.0%	△ 0.1%	—	13.0%
SG&A expenses	394	402	+ 7	102%	848
Operating income	134	106	△ 28	79%	260
Ordinary income	139	105	△ 33	76%	270
Profit attributable to owners of the parent	103	74	△ 28	72%	205
US\$ Exchange rate (period average)	@ 110.3	@ 108.6	@ 1.7	strong yen	@110.0
RMB Exchange rate (period average)	@ 16.7	@ 15.7	@ 1.1	strong yen	@ 16.0

【 Foreign exchange rate impact on 19/09 net sales and operating income results 】

Net sales: △¥6.6 billion (approx.);

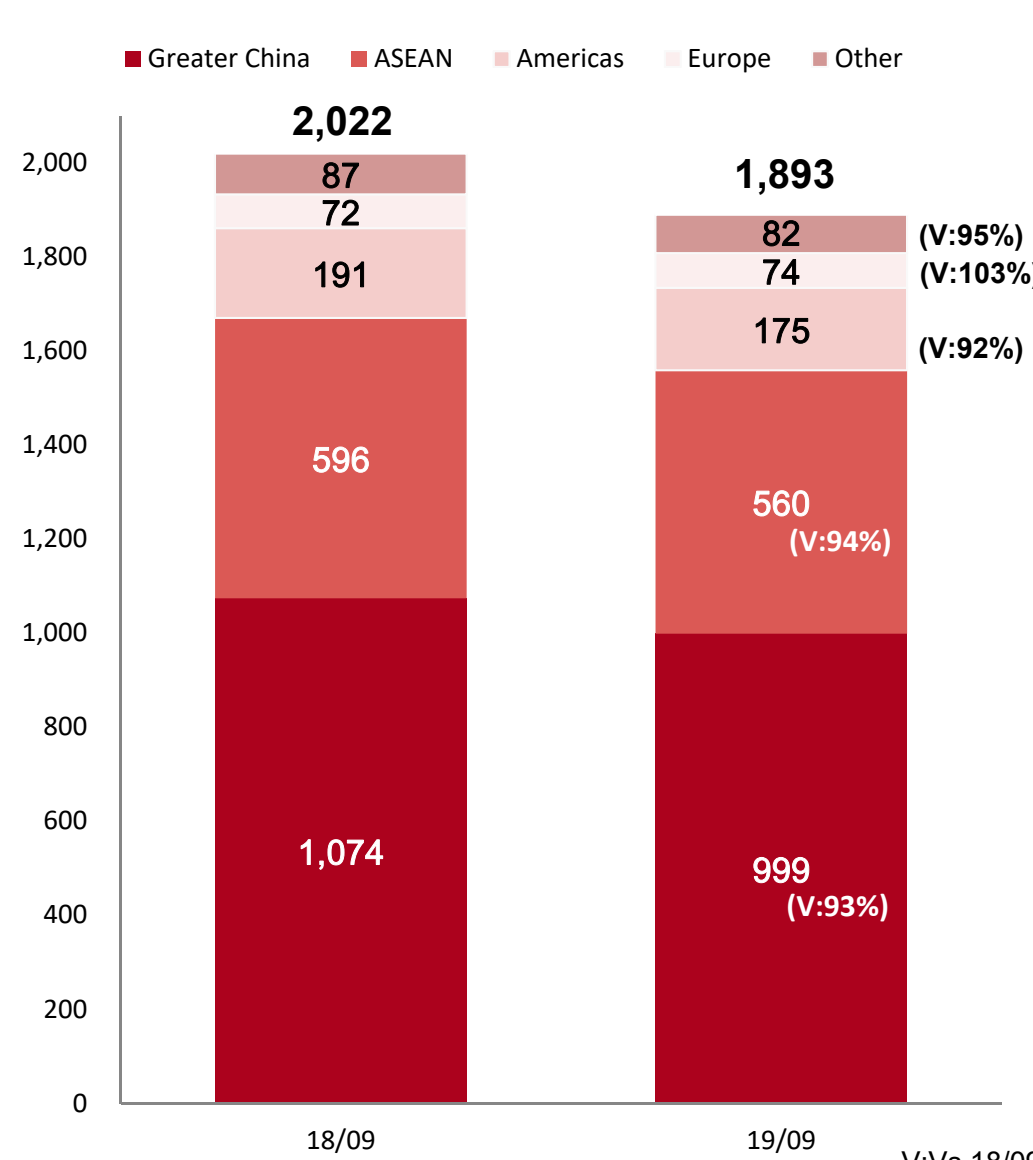
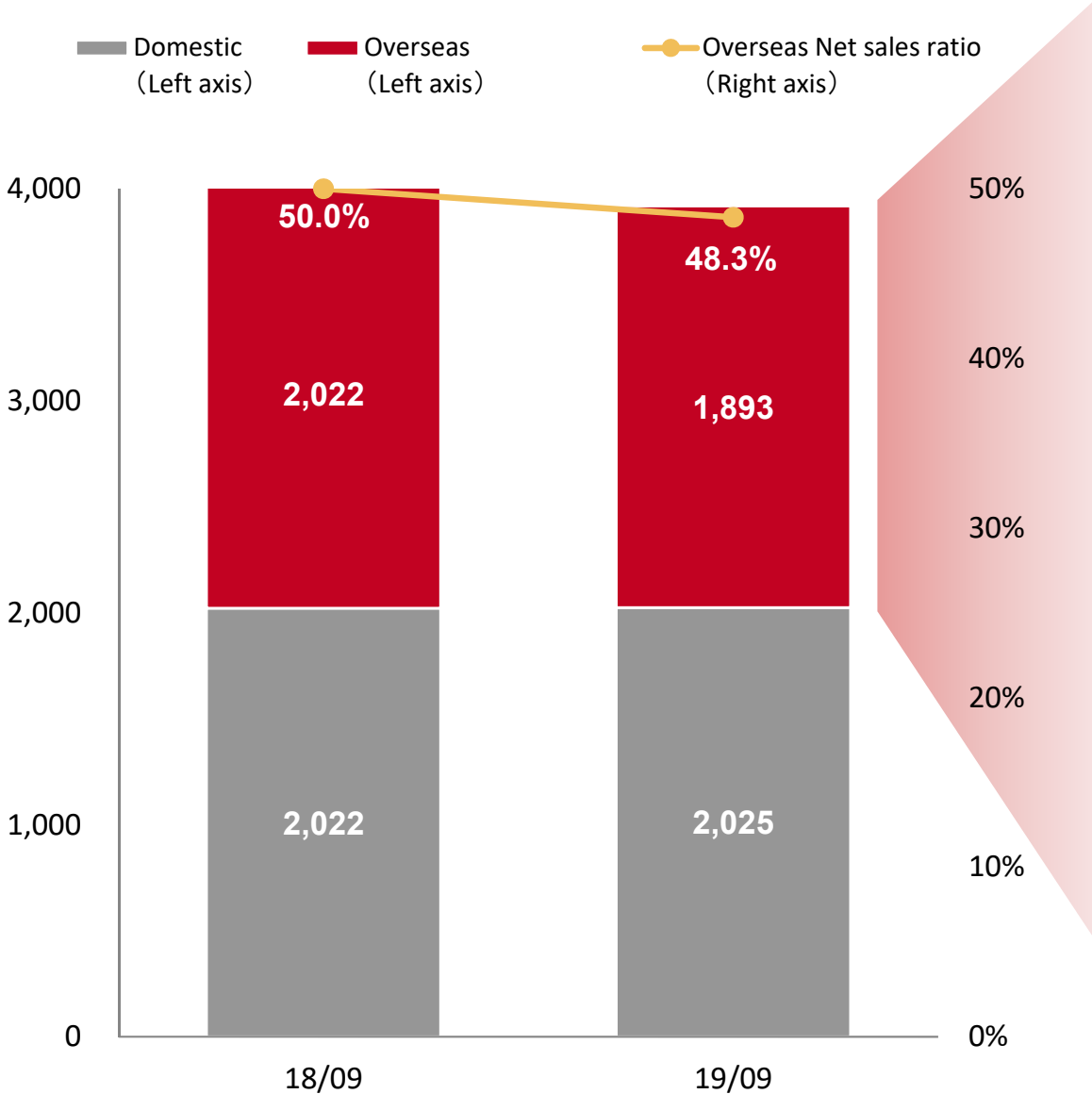
Operating income: △¥100million

Net Sales by Region (Domestic, Overseas)

■ Despite firm performance in Japan and Europe, other regions reported lower sales. (overseas ratio of total sales 48.3%)

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

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

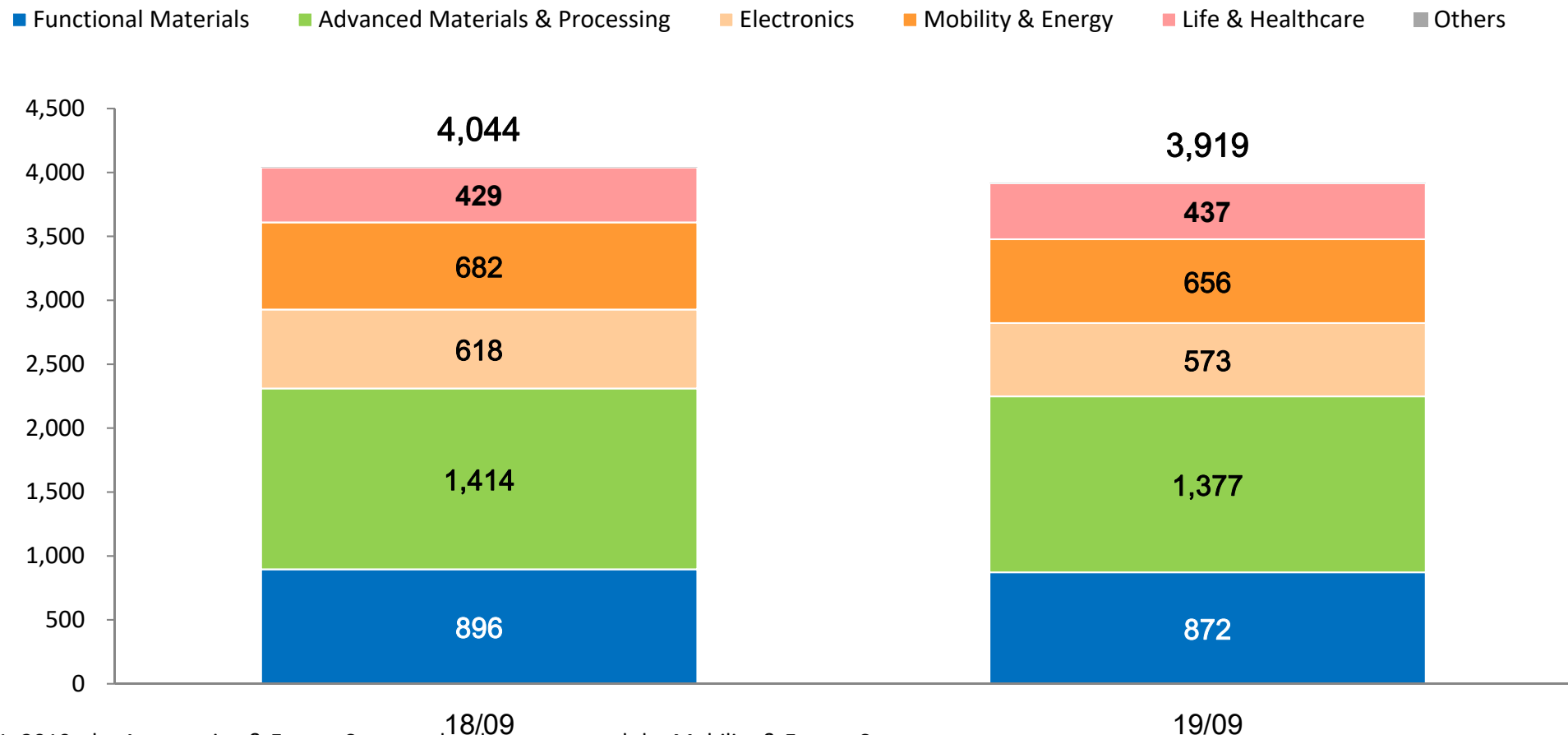


V:Vs 18/09

Net Sales: Two-Year Comparison (by Segment)

- **Advanced Materials & Processing** : Despite sales growth in digital print processing materials, sales of plastics were weak and overall segment sales decreased.
- **Electronics** : Despite increased sales of formulated epoxy resins and photolithography material, sales of precision processing-related, equipment-related, and display-related materials used in connection with intermediate processing in semiconductors were lower, driving overall sales down.

Net Sales by Segment (100 millions of yen)



18/09

19/09

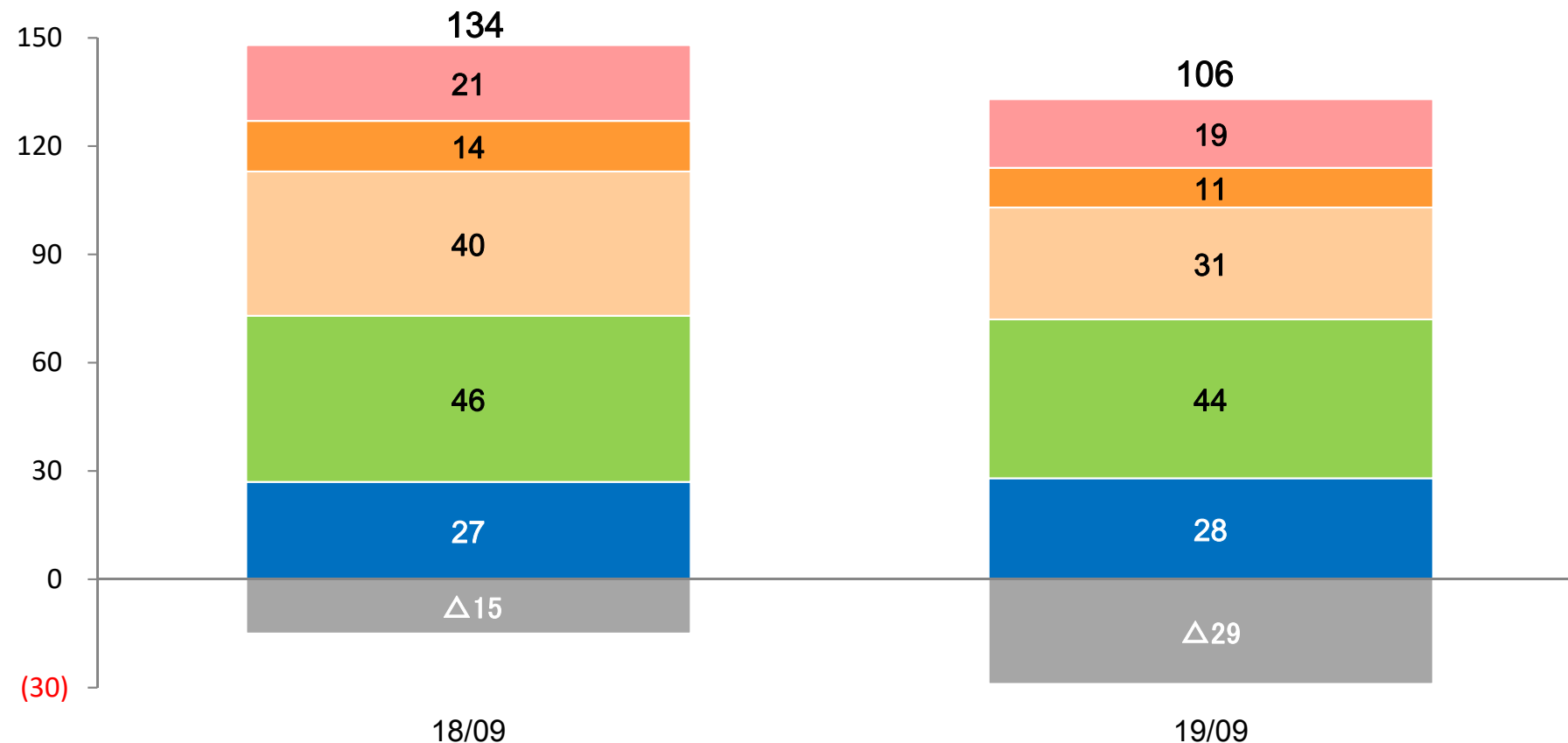
* As of April 1, 2019, the Automotive & Energy Segment has been renamed the Mobility & Energy Segment

Operating income: Two-Year Comparison (by Segment)

- Profit lower in all segments other than the Functional Materials segment.
- Functional Materials : Despite lower sales, profits were higher due to improved sales mix.
- Corporate/Other : Expenses increased due to recording of costs related to the Prinova acquisition.

Operating income by Segment (100 millions of yen)

■ Functional Materials ■ Advanced Materials & Processing ■ Electronics ■ Mobility & Energy ■ Life & Healthcare ■ Others/Corporate



* As of April 1, 2019, the Automotive & Energy Segment has been renamed the Mobility & Energy Segment

Consolidated Balance Sheets

- **Assets:** Increase of ¥62.7 billion due to intake of assets in connection with new consolidation of a subsidiary, an increase in goodwill, and an increase in investments in securities due to price increases of shares owned.
- **Liabilities:** Increase of ¥60.1 billion due to increases in short-term loans and commercial paper, which were higher than redemptions of bonds and a decrease in accounts payable.
- **Net Assets:** Increase of ¥2.5 billion due to recording of profit attributable to owners of the parent, which was greater than the decrease in translation adjustments.
- **Shareholders' Equity Ratio** down 5.0 points to 49.2%.

Assets

	19/03	19/09	Change
Total current assets	3,658	3,859	+ 200
Cash and time deposits	440	458	+ 17
Notes and accounts receivable	2,304	2,330	+ 25
Inventories	810	950	+ 140
Other	102	119	+ 16
Total non-current assets	2,015	2,441	+ 426
Property, plant and equipment	664	704	+ 39
Intangible fixed assets	372	709	+ 336
Investments, other assets	977	1,027	+ 50
Investments in securities	902	933	+ 31
Other	75	94	+ 19
Total assets	5,673	6,300	+ 627

Liabilities and Net Assets

(100 millions of yen)

	19/03	19/09	Change
Total current liabilities	2,018	2,580	+ 561
Notes and accounts payable	1,172	1,140	△ 31
Short-term loans and current portion of CP	579	1,173	+ 593
Other	266	266	△ 0
Total long-term liabilities	528	569	+ 40
Long-term loans and Bonds	275	275	+ 0
Net defined benefit liability	124	135	+ 10
Other (Deferred tax liabilities, etc.)	128	157	+ 29
Total liabilities	2,547	3,149	+ 601
Total net assets	3,126	3,151	+ 25
Shareholders' equity	2,628	2,674	+ 45
Accumulated other comprehensive income	447	424	△ 23
Net unrealized holding gain on securities	418	437	+ 18
Translation adjustment	32	△ 11	△ 43
Other	△ 2	△ 0	+ 2
Non-controlling interests	49	52	+ 3
Total liabilities and net assets	5,673	6,300	+ 627

Cash Flows

(100 millions of yen)

	19/09	Main factors	18/09
Net cash provided by (used in) operating activities	124	Profit before income taxes +105 Depreciation and amortization other than amortization of goodwill, amortization of goodwill +54 Working capital +17 Income tax paid ▲42	▲ 39
Net cash provided by (used in) investing activities	▲ 478	Payments for acquisition of shares of subsidiaries accompanying change in scope of consolidation ▲428 Purchases of tangible and intangible fixed assets ▲43 Purchases of investment in securities ▲5	▲ 84
Net cash provided by (used in) financing activities	394	Repayments of short-term loans +451 Net increase (decrease) in commercial papers +80 Payments for redemption of bonds ▲100 Cash dividends paid ▲29	89
Effects of exchange rate changes on cash and cash equivalents	▲ 23		5
Net increase (decrease) in cash and cash equivalents	17		▲ 28
Cash and cash equivalents at beginning of the year	440		428
Cash and cash equivalents, at end of the period	457		400

FYE March 2020 Earnings Projections

- China experienced an economic deceleration, while the impact of the U.S.-China trade frictions has slowed growth in the global economy, leading to a continued challenging business environment
- The impact of this transaction on consolidated earnings should be limited in the current fiscal year, as only five months of Prinova Group results will be incorporated into the Company's full-year earnings and the Company will incur significant temporary costs associated with the acquisition in question

(100 millions of yen)

	19/03	20/03			
	Actual (A)	Previous Full Year Forecast (B)	Revised Full Year Forecast (C)	Change (C-A)	Vs. PY (C/A)
Net sales	8,077	8,500	8,200	+123	102%
Gross profit	1,054	1,108	1,080	+26	102%
<GP ratio>	13.1%	13.0%	13.2%	—	—
SG&A expenses	802	848	865	+63	108%
Operating income	252	260	215	△37	85%
Ordinary income	266	270	220	△46	83%
Profit attributable to owners of the parent	201	205	173	△28	86%
US\$ Exchange rate (period average)	@110.9	@110.0	@108.0	@2.9 Strong yen	—
RMB Exchange rate (period average)	@16.5	@16.0	@15.4	@1.1 Strong yen	—



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These presentation materials contain forward-looking projections based on assumptions, forecasts, and plans as of November 1 , 2019. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.