FYE March 2020
Financial Briefing

NAGASE & CO., LTD
June 10, 2020
Summary

■ FYE March 2020 Results
- Factors including trade friction between the United States and China caused a slowdown in growth in China and other parts of the world economy. Meanwhile, the COVID-19 pandemic caused the world economy to deteriorate quickly in the fourth quarter. In addition, the declining market for resins and other products led to weak performance for the year as a whole.
- The Prinova Group’s contribution to operating income was limited in part because of the temporary costs associated with merging our businesses.
- As a result, profits were lower, despite net sales level with the prior year.

■ FYE March 2021 Earnings Outlook
- Projections are based on the assumption that the economic impact of the COVID-19 pandemic will largely abate in the second half for NAGASE Group business domains.
- The automotive industry will be especially impacted. Sales are forecast to be down sharply in the first half and recover gradually in the second half.
- Prinova Group performance will contribute for the year as a whole.
- We project lower sales and profits overall.

■ Toward a New Paradigm for the Post-Corona Era
- We recognize and will respond to the changes that the COVID-19 pandemic is making in the environment

■ Progress of Mid-Term Management Plan ACE-2020
- We are building a strategic foundation to expand food ingredients business in Europe/Americas in the focus area of Life & Healthcare
Contents

FYE March 2020 Results P. 4
FYE March 2021 Earnings Projections P. 17
Toward a New Paradigm for the Post-Corona Era P. 24
Progress of Mid-Term Management Plan ACE-2020 P. 26
NAGASE Food Ingredients Business P. 35
(Reference) Information by Segment P. 48
FYE March 2020 Results
**Consolidated Statements of Income**

**Net sales**: Net sales were largely flat. The Group added sales from the Prinova Group, acquired by the Company in the consolidated second quarter of the fiscal year, but sales also suffered from trade friction between the US and China and the growing COVID-19 pandemic.

**Operating income**: The Prinova Group’s contribution to profitability during the fiscal year was limited because of the temporary costs associated with merging our businesses.

Factors such as increasing investment in DX and leading-edge technologies caused general and administrative expenses to rise and led to lower profits.

<table>
<thead>
<tr>
<th></th>
<th>19/03</th>
<th>20/03</th>
<th>Change</th>
<th>Vs. PY</th>
<th>Orig. Forecast (full year)</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>8,077</td>
<td>7,995</td>
<td>△ 81</td>
<td>99%</td>
<td>8,200</td>
<td>98%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1,054</td>
<td>1,049</td>
<td>△ 5</td>
<td>99%</td>
<td>1,080</td>
<td>97%</td>
</tr>
<tr>
<td>&lt;GP ratio&gt;</td>
<td>13.1%</td>
<td>13.1%</td>
<td>+0.1%</td>
<td>—</td>
<td>13.2%</td>
<td>—</td>
</tr>
<tr>
<td>SG&amp;A expenses</td>
<td>802</td>
<td>857</td>
<td>+ 55</td>
<td>107%</td>
<td>865</td>
<td>—</td>
</tr>
<tr>
<td>Operating income</td>
<td>252</td>
<td>191</td>
<td>△ 60</td>
<td>76%</td>
<td>215</td>
<td>89%</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>266</td>
<td>190</td>
<td>△ 75</td>
<td>72%</td>
<td>220</td>
<td>87%</td>
</tr>
<tr>
<td>Profit attributable to owners of the parent</td>
<td>201</td>
<td>151</td>
<td>△ 49</td>
<td>75%</td>
<td>173</td>
<td>88%</td>
</tr>
<tr>
<td>US$ Exchange rate (period average)</td>
<td>@ 110.9</td>
<td>@ 108.7</td>
<td>@ 2.2 strong yen</td>
<td>@108.0</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>RMB Exchange rate (period average)</td>
<td>@ 16.5</td>
<td>@ 15.6</td>
<td>@ 0.9 strong yen</td>
<td>@ 15.4</td>
<td>—</td>
<td></td>
</tr>
</tbody>
</table>

**Foreign exchange rate impact on 20/03 net sales and operating income results**
- Net sales: △¥12.6 billion (approx.)
- Operating income: △¥500 million

**Per-yen exchange rate impact on net sales and operating income**
- Impact of US$ /yen: ¥1.5 billion (approx.)
- Impact of RMB/yen: ¥7.8 billion (approx.)

*RX: digital transformation (transforming products, services, business models, business processes, organizations, and corporate cultures and establishing competitive advantage by using digital technologies and data to better meet customers’ and society’s needs)*
In Asia including Japan, sales were down, but with the acquisition of the Prinova Group, net sales in Europe/Americas rose (overseas ratio of total sales: 49.7%).

Net Sales by Region (Domestic, Overseas)

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

<table>
<thead>
<tr>
<th></th>
<th>Domestic (Left axis)</th>
<th>Overseas (Left axis)</th>
<th>Overseas Net sales ratio (Right axis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19/03</td>
<td>4,126</td>
<td>3,951</td>
<td>48.9%</td>
</tr>
<tr>
<td>20/03</td>
<td>4,023</td>
<td>3,891</td>
<td>49.7%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Region</th>
<th>19/03</th>
<th>20/03</th>
<th>Change (V:%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater China</td>
<td>168</td>
<td>189</td>
<td>112%</td>
</tr>
<tr>
<td>ASEAN</td>
<td>152</td>
<td>246</td>
<td>161%</td>
</tr>
<tr>
<td>Americas</td>
<td>394</td>
<td>554</td>
<td>140%</td>
</tr>
<tr>
<td>Europe</td>
<td>1,181</td>
<td>1,106</td>
<td>94%</td>
</tr>
<tr>
<td>Other</td>
<td>2,054</td>
<td>1,875</td>
<td>91%</td>
</tr>
</tbody>
</table>
Advanced Materials & Processing: Lower sales. Though sales of plastic materials were up by volume, prices declined. In addition, sales of conductive materials fell, leading to lower sales overall.

Mobility & Energy: Lower sales because of factors like lower sales of plastic materials in Japan and overseas as the number of automobiles produced declined.

Life & Healthcare: Sales were up. Although sales of AA2G™ declined, sales of TREHA™, pharmaceutical raw materials and intermediates, and medical materials increased, and we added sales from the Prinova Group, newly-acquired by the Company in the consolidated second quarter of the fiscal year.

* As of April 1, 2019, the Automotive & Energy Segment has been renamed the Mobility & Energy Segment.
Despite increased profits in the Life & Healthcare segment due to the new consolidation of the Prinova Group, profits decreased in other segments, so that profits ended up level with the prior fiscal year.

* As of April 1, 2019, the Automotive & Energy Segment has been renamed the Mobility & Energy Segment.
Advanced Materials & Processing: Despite reduced sales, increased profitability in the Company's manufacturing subsidiaries in Japan led to higher profit.

Electronics: Lower profits due to declining sales and worsening profitability of the thin processing business for glass substrate in China.

Life & Healthcare: Despite increased sales, profitability declined because of temporary costs associated with merging businesses and the worsening of profitability at some of the Company's Japanese manufacturing subsidiaries.

Other/Corporate: Factors such as increasing investment in DX and leading-edge technologies caused general and administrative expenses to rise and led to lower profits.

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*As of April 1, 2019, the Automotive & Energy Segment has been renamed the Mobility & Energy Segment.*
Nagase Plastics Co., Ltd. sales and profits remained level despite a declining market for resins, mainly due to an increase of sales of super engineering plastics to the electronics industry.

Nagase (Thailand) Co., Ltd. recorded lower sales and profits mainly due to lower sales of engineering plastics for the automotive and OA industries.

### Earnings at Major Consolidated Subsidiaries

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Net sales</th>
<th>Vs. PY</th>
<th>Operating Income (Note 2)</th>
<th>Vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hayashibara Co., Ltd.</td>
<td>250</td>
<td>98%</td>
<td>49</td>
<td>95%</td>
</tr>
<tr>
<td>Nagase ChemteX Corporation</td>
<td>263</td>
<td>101%</td>
<td>27</td>
<td>95%</td>
</tr>
<tr>
<td><strong>Total for manufacturing (Note 1)</strong></td>
<td>1,054</td>
<td>97%</td>
<td>110</td>
<td>95%</td>
</tr>
<tr>
<td><strong>Domestic Sales Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nagase Plastics Co., Ltd.</td>
<td>368</td>
<td>99%</td>
<td>9</td>
<td>97%</td>
</tr>
<tr>
<td>Nagase Chemical Co., Ltd.</td>
<td>188</td>
<td>100%</td>
<td>3</td>
<td>111%</td>
</tr>
<tr>
<td>Nishinihon Nagase Co., Ltd.</td>
<td>82</td>
<td>89%</td>
<td>3</td>
<td>71%</td>
</tr>
<tr>
<td><strong>Total for domestic sales (Note 1)</strong></td>
<td>924</td>
<td>98%</td>
<td>26</td>
<td>93%</td>
</tr>
<tr>
<td><strong>Overseas Sales Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nagase (Thailand) Co., Ltd.</td>
<td>374</td>
<td>93%</td>
<td>11</td>
<td>89%</td>
</tr>
<tr>
<td>Shanghai Hua Chang Trading Co., Ltd.</td>
<td>366</td>
<td>102%</td>
<td>8</td>
<td>88%</td>
</tr>
<tr>
<td>Shanghai Nagase Trading Co., Ltd.</td>
<td>428</td>
<td>96%</td>
<td>6</td>
<td>67%</td>
</tr>
<tr>
<td><strong>Total for overseas sales (Note 1)</strong></td>
<td>3,835</td>
<td>101%</td>
<td>78</td>
<td>87%</td>
</tr>
</tbody>
</table>

Note 1: Totals for each category are the simple sums of each company in the category. These sums do not equal consolidated figures.

Note 2: Operating income does not reflect amortization of goodwill and depreciation of technology-based assets.
State of Two Major Manufacturing Subsidiaries

**Hayashibara Co., Ltd.:** Recorded lower sales and profits. Though sales of TREHA™ and pullulan rose overseas, sales of AA2G™ in Japan dropped, impacted by the decrease in inbound demand in Japan.

**Nagase ChemteX:** Sales remained level. Sales in the Performance Chemicals Business were slow, but firm in the Epoxy Resin Business and Bio Chemicals Business, and favorable for the Photolithography Materials Business. Profits down due to worsening product mix.

### Hayashibara Co., Ltd.

<table>
<thead>
<tr>
<th></th>
<th>19/03</th>
<th>20/03</th>
<th>Change</th>
<th>Vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>254</td>
<td>250</td>
<td>△4</td>
<td>98%</td>
</tr>
<tr>
<td>Operating income</td>
<td>51</td>
<td>49</td>
<td>△2</td>
<td>95%</td>
</tr>
</tbody>
</table>

- Sales of TREHA™ were higher due to strong sales overseas (particularly in Europe)
- Sales of AA2G™ were lower, despite strong sales to major customers in overseas markets, as inbound demand in Japan decreased
- Higher sales with new adoptions of Fibryxa™ in the food industry
- Higher sales of pullulan for use in hard capsules for medical and health food products
- Strong sales of other and LUMIN™-A

### Nagase ChemteX Corporation

<table>
<thead>
<tr>
<th></th>
<th>19/03</th>
<th>20/03</th>
<th>Change</th>
<th>Vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>260</td>
<td>263</td>
<td>+2</td>
<td>101%</td>
</tr>
<tr>
<td>Operating income</td>
<td>28</td>
<td>27</td>
<td>△1</td>
<td>95%</td>
</tr>
</tbody>
</table>

- The Epoxy Resin Business recorded higher sales, mainly due to sales increase in mobile device electronic components and for semiconductor industries
- The Photolithography Materials Business recorded higher sales due to a recovery in customer capacity utilization
- The Performance Chemicals Business recorded lower sales despite strong performance in epichlorohydrin conductors for 3D printers and household goods as sales of conductive materials for the LCD industry were down
The Prinova Group’s contribution to operating income was limited because it was consolidated for five months of the fiscal year, we amortized goodwill and other intangible assets, and we recorded temporary costs resulting from fair market valuation of inventory.

<table>
<thead>
<tr>
<th>Impact on NAGASE Group Consolidated Earnings (August–December performance)</th>
<th>*Reference FYE December 2019 (full year) (excluding special M&amp;A-related expenses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prinova Group net sales</td>
<td>¥31.8 billion</td>
</tr>
<tr>
<td>Prinova Group operating income</td>
<td>¥1.4 billion</td>
</tr>
<tr>
<td>Amortization of goodwill and other intangible assets</td>
<td>¥0.8 billion</td>
</tr>
<tr>
<td>Inventory cost processing (temporary costs)*</td>
<td>¥0.6 billion</td>
</tr>
</tbody>
</table>

*All costs for inventory that underwent fair market valuation were recorded in the fiscal year (temporary costs for the fiscal year only)

<table>
<thead>
<tr>
<th>Amount of goodwill and other intangible assets recorded (amount originally recorded)</th>
<th>Goodwill</th>
<th>Customer-related assets</th>
<th>Trademark rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥10.7 billion (20-year amortization)</td>
<td>¥18.2 billion (19-year amortization)</td>
<td>¥6.5 billion (20-year amortization)</td>
<td></td>
</tr>
</tbody>
</table>
Prinova Group PMI Status

- The work of integrating Prinova Group into the NAGASE Group following acquisition is largely finished
- In addition to building a governance system, synergy with Hayashibara is starting to produce results

### Business
- Prinova began selling Hayashibara and Nagase ChemteX products in Europe/Americas
- Hayashibara Hesperidin S has newly produced results for sports nutrition applications
- Lowered costs by making concentrated purchases of raw materials
- Began business collaboration in various regions to prepare for Prinova business expansion into Asia
- Began DX initiatives, etc.

### Governance
- Revised management system, decision-making authority, etc., and began operation
- Revised HR related regulations and started operation
- Introduced monthly management accounting and global CMS
- Implemented internal control and confirmed effectiveness, etc.

*PMI: Post Merger Integration*
Assets increased ¥44.1 billion due to an increase of assets and the recording of goodwill and other intangible assets related to the new consolidation of subsidiaries, though this was offset somewhat by a decrease in investments in securities stemming from the sale of certain shares owned by the Company and lower fair values of shares owned.

Liabilities increased ¥43.4 billion due to increase in long-term loans and bonds as a result of procuring funds for the Prinova Group acquisition.

Shareholders’ Equity Ratio down 4.3 points to 49.9%.

### Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>Assets</th>
<th>19/03</th>
<th>20/03</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total current assets</td>
<td>3,658</td>
<td>3,793</td>
<td>+135</td>
</tr>
<tr>
<td>Cash and time deposits</td>
<td>440</td>
<td>514</td>
<td>+73</td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>2,304</td>
<td>2,211</td>
<td>△93</td>
</tr>
<tr>
<td>Inventories</td>
<td>810</td>
<td>956</td>
<td>+146</td>
</tr>
<tr>
<td>Other</td>
<td>102</td>
<td>111</td>
<td>+8</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>2,015</td>
<td>2,321</td>
<td>+306</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>684</td>
<td>743</td>
<td>+78</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>372</td>
<td>725</td>
<td>+353</td>
</tr>
<tr>
<td>Investments, other assets</td>
<td>977</td>
<td>852</td>
<td>△125</td>
</tr>
<tr>
<td>Investments in securities</td>
<td>902</td>
<td>761</td>
<td>△141</td>
</tr>
<tr>
<td>Other</td>
<td>75</td>
<td>91</td>
<td>+15</td>
</tr>
<tr>
<td>Total assets</td>
<td>5,673</td>
<td>6,114</td>
<td>+441</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>19/03</th>
<th>20/03</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total current liabilities</td>
<td>2,018</td>
<td>2,004</td>
<td>△14</td>
</tr>
<tr>
<td>Notes and accounts payable</td>
<td>1,172</td>
<td>1,082</td>
<td>△89</td>
</tr>
<tr>
<td>Short-term loans and current portion of CP</td>
<td>579</td>
<td>618</td>
<td>+39</td>
</tr>
<tr>
<td>Other</td>
<td>266</td>
<td>302</td>
<td>+35</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>528</td>
<td>978</td>
<td>+449</td>
</tr>
<tr>
<td>Long-term loans and Bonds</td>
<td>275</td>
<td>726</td>
<td>+450</td>
</tr>
<tr>
<td>Net defined benefit liability</td>
<td>124</td>
<td>136</td>
<td>+12</td>
</tr>
<tr>
<td>Other (Deferred tax liabilities, etc.)</td>
<td>128</td>
<td>115</td>
<td>△13</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,547</td>
<td>2,982</td>
<td>+434</td>
</tr>
<tr>
<td>Total net assets</td>
<td>3,126</td>
<td>3,132</td>
<td>+6</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>2,628</td>
<td>2,723</td>
<td>+94</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>447</td>
<td>329</td>
<td>△118</td>
</tr>
<tr>
<td>Net unrealized holding gain on securities</td>
<td>418</td>
<td>326</td>
<td>△92</td>
</tr>
<tr>
<td>Translation adjustment</td>
<td>32</td>
<td>10</td>
<td>△21</td>
</tr>
<tr>
<td>Other</td>
<td>△2</td>
<td>△6</td>
<td>△3</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>49</td>
<td>79</td>
<td>+29</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>5,673</td>
<td>6,114</td>
<td>+441</td>
</tr>
</tbody>
</table>
## Consolidated Cash Flows

### Cash Flows

(100 millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>20/03</th>
<th>Main factors</th>
<th>19/03</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td></td>
<td>Profit before income taxes +242</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Depreciation and amortization other than amortization of goodwill, amortization of goodwill +121</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Working capital ▲89</td>
<td>173</td>
</tr>
<tr>
<td></td>
<td>330</td>
<td>Income tax paid ▲70</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>▲492</td>
<td>Proceeds from sales of investments in securities ▲446</td>
<td>▲73</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Purchases of tangible and intangible fixed assets ▲123</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Income from sale of investments securities +102</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>243</td>
<td>Increase (decrease) in long-term loans +243</td>
<td>▲89</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase (decrease) in corporate bond +100</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cash dividends paid ▲57</td>
<td></td>
</tr>
<tr>
<td>Effects of exchange rate changes on cash and cash equivalents</td>
<td>▲18</td>
<td>▲1</td>
<td></td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>63</td>
<td>▲12</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the year</td>
<td>440</td>
<td>428</td>
<td></td>
</tr>
<tr>
<td>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</td>
<td>▲8</td>
<td>▲8</td>
<td></td>
</tr>
<tr>
<td>Increase in cash and cash equivalents accompanying consolidation</td>
<td>1</td>
<td>▲8</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents, at end of the period</td>
<td>504</td>
<td>▲8</td>
<td>440</td>
</tr>
</tbody>
</table>
■ Working Capital: New consolidation of Prinova Group, etc., led to increased working capital
   We practiced thoroughgoing management to adjust inventory; reduced existing inventory (which excludes
   newly consolidated inventory)
■ Investments: Stepped up investment in focus area of Life & Healthcare (for example, acquiring Prinova
   shares) and in acquiring new technology

### Working Capital (100 millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>19/03</th>
<th>20/03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable</td>
<td>2,304</td>
<td>2,211</td>
</tr>
<tr>
<td>Inventories</td>
<td>810</td>
<td>956</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>1,172</td>
<td>1,082</td>
</tr>
</tbody>
</table>

### Investment (100 millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>20/03 Actual</th>
<th>21/03 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prinova 631</td>
<td>820</td>
<td></td>
</tr>
<tr>
<td>189</td>
<td></td>
<td>210</td>
</tr>
</tbody>
</table>

*The investment noted above does not include cost in DX and leading-edge technologies
FYE March 2021 Earnings Projections
We forecast sales and profits to decline because of the impact of the growth of the COVID-19 pandemic.

In the Life & Healthcare Segment, on the other hand, we foresee a material increase in sales. This will be driven by the Prinova Group, now able to contribute for an entire year, and by favorable trends in Europe/Americas, especially sales of vitamins, amino acids, and other products.

[Assumptions]
- The economic impact of the COVID-19 pandemic will largely abate in the second half.
- Foreign exchange rates: ¥106 to the U.S. dollar and ¥14.7 to the RMB.

<table>
<thead>
<tr>
<th></th>
<th>20/03 Actual</th>
<th>21/03 Full Year Forecast</th>
<th>Change</th>
<th>Vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>7,995</td>
<td>7,540</td>
<td>△ 455</td>
<td>94%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>1,049</td>
<td>1,070</td>
<td>+ 21</td>
<td>102%</td>
</tr>
<tr>
<td><strong>&lt;GP ratio&gt;</strong></td>
<td>13.1%</td>
<td>14.2%</td>
<td>+1.1%</td>
<td>—</td>
</tr>
<tr>
<td><strong>SG&amp;A expenses</strong></td>
<td>857</td>
<td>920</td>
<td>+ 63</td>
<td>107%</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>191</td>
<td>150</td>
<td>△ 41</td>
<td>78%</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>190</td>
<td>155</td>
<td>△ 35</td>
<td>81%</td>
</tr>
<tr>
<td>Profit attributable to owners of the parent</td>
<td>151</td>
<td>125</td>
<td>△ 26</td>
<td>83%</td>
</tr>
<tr>
<td><strong>US$ Exchange rate (period average)</strong></td>
<td>@ 108.7</td>
<td>@ 106.0</td>
<td>@ 2.7</td>
<td>strong yen</td>
</tr>
<tr>
<td><strong>RMB Exchange rate (period average)</strong></td>
<td>@ 15.6</td>
<td>@ 14.7</td>
<td>@ 0.9</td>
<td>strong yen</td>
</tr>
</tbody>
</table>
Advanced Materials & Processing: Although we expect factory operation to gradually pick up, we anticipate global demand will be down in the OA, home appliance, electrical equipment, and electronics markets and forecast falling sales as sales decline for resins, dyes, inks, and digital print processing materials.

Electronics: Forecasting lower sales. Although sales of formulated epoxy resins will be comparable to those of last year for mobile devices and heavy electrical equipment, it is hard to foresee the market’s direction.

Life & Healthcare: Though sales in the fragrances and cosmetics field (such as AA2G™) will be down, those in the pharmaceutical intermediates field will be robust. In the food ingredients field, sales of TREHA™ will be in line with the prior year, and having Prinova Group as part of the consolidated Group for the entire year will also boost sales, leading to higher sales overall.

### Net Sales Forecast (by Segment)

#### Net Sales by Segment (100 millions of yen)

<table>
<thead>
<tr>
<th>Segment</th>
<th>20/03 (Actual)</th>
<th>21/03 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional Materials</td>
<td>1,693</td>
<td>1,480</td>
</tr>
<tr>
<td>Advanced Materials &amp; Processing</td>
<td>2,670</td>
<td>2,430</td>
</tr>
<tr>
<td>Electronics</td>
<td>1,215</td>
<td>1,750</td>
</tr>
<tr>
<td>Life &amp; Healthcare</td>
<td>1,260</td>
<td>1,030</td>
</tr>
<tr>
<td>Life &amp; Healthcare</td>
<td>1,151</td>
<td>845</td>
</tr>
<tr>
<td>Others</td>
<td>1,193</td>
<td>1,480</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Segment</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional Materials</td>
<td>△213</td>
</tr>
<tr>
<td>Advanced Materials &amp; Processing</td>
<td>△240</td>
</tr>
<tr>
<td>Electronics</td>
<td>△306</td>
</tr>
<tr>
<td>Life &amp; Healthcare</td>
<td>△230</td>
</tr>
<tr>
<td>Mobility &amp; Energy</td>
<td>+534</td>
</tr>
<tr>
<td>Others</td>
<td>+0</td>
</tr>
</tbody>
</table>

20/03 (Actual) 7,995
21/03 (Forecast) 7,540

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The first half will see big declines especially in the Functional Materials and Mobility & Energy segments, because of the impact of the COVID-19 pandemic. The automobile industry accounts for a high percentage of business in these segments.

Net sales forecast by segment, comparison of first and second halves (100 millions of yen)

**Functional Materials:**
- Markets: Automotive, building materials, etc.
- Market conditions: Price of naphtha

**Advanced Materials & Processing:**
- Markets: OA, electronics, electrical equipment, paper manufacturing, etc.
- Market conditions: Prices of polycarbonate and other resins, color formers

**Electronics:**
- Markets: Displays, semiconductors, mobile devices, etc.

**Mobility & Energy:**
- Markets: Automotive
- Market conditions: Price of naphtha

**Life & Healthcare:**
- Markets: Food products, fragrances and cosmetics, sports nutrition, etc.
- Market conditions: Price of starch, vitamins
Advanced Materials & Processing: Forecasting lower sales, as well as lower profits due to poorer income because of worsening market conditions in the digital print processing materials business.

Life & Healthcare: Higher sales and higher profits owing to factors such as Prinova Group contributing for the year as a whole.

Other/Corporate: Increase in costs due to promoting DX for medium- to long-term growth and stepped up investment in leading-edge technology.

Operating Income by Segment (100 millions of yen)

Change in Operating Income by Segment (100 millions of yen)
Increasing investment for creating new value to offer, such as DX and materials informatics

Costs, by attribute (100 millions of yen)

Global Marketing Office
- Newly established, its purpose is to promote DX for the NAGASE Group as a whole, including development of MI Project and digital marketing
- Promotion of digital marketing

NVC Office (New Value Creation Office)
- Creation of new business models with leading-edge technologies
  ⇒ Materials informatics (MI)
  ⇒ Blockchain
  ⇒ Axonerve™ algorithm search engine IP core, etc.

Next-Generation Information & Communication Project Team
- Creation of new business in the 5G market using NAGASE’s elemental technology and networks

*Materials informatics (MI): Information science techniques that use data and artificial intelligence (AI) to efficiently search for new and alternative materials
Dividends

- Current fiscal year: 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
- Next fiscal year: 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 20/03 year-end dividend to be submitted for approval to general meeting of shareholders scheduled for June 2020
Toward a New Paradigm for the Post-Corona Era
We see the dramatic changes in the environment as a good opportunity for reform, and will work to create new value to offer our stakeholders from a long-term perspective.

**Changes in environment**
- Spread of COVID-19 pandemic
  - Worries that containment will take a long time and there will be a second wave
- A new normal foreseen after the epidemic is contained
  
  1. Transformation of consumer behavior
     - Growing demand for safety, peace of mind, and health
     - Reconsideration of our mass-production, mass-consumption society
  
  2. Reconsideration of global supply chains
     - Geopolitical risks because of China/US friction and rising protectionism
     - Long-term slump in crude oil and petroleum product prices
  
  3. Permeation of digital transformation
     - Reconsideration of conventional sales and marketing activities
     - Transition to diverse working styles

  4. Changes in stock markets
     - Demand for engagement as an ESG issue
     - Reconsideration of financial strategy (stability, leverage)

**Response for now**
- Response for FY2020
  - Consider stakeholders’ safety and peace of mind
  - Secure supply chains
  - Strengthen risk management
  - Increase productivity of remote work

**Medium- to long-term response**
- Update long-term management policy
  - Put sustainability at the core of management strategy
  - Enhance value we offer to stakeholders and promote dialogue with them

- Update medium-term management plan
  - Step up pace of digital transformation
  - Expand functions, from materials procurement to offering solutions
  - Reconsider financial strategy supporting business activities

**A sense of values, reconsidered in light of dramatic changes in environment**
Expectations for concrete action from the NAGASE Group

**Identify value we offer to stakeholders**
Create new value to offer
Progress of Mid-Term Management Plan ACE-2020

Accountability / Commitment / Efficiency

NAGASE Transforms from Shosha/Trading to Business Designer
To achieve our goal by 2032, the last year of Long-Term Management Policy, we divide 17 years of its term into 3 and start stage 1 as the beginning of the Mid-Term management Plan **ACE-2020**.

In FY2020 we will continue the fourth year of **ACE-2020** and continue reforming the business aiming for significant growth.

*Our goal: Normalization of the profit more than tripled.*
NAGASE Transforms from “Shosha/Trading” to “Business Designer”.

NAGASE strings all the groups together to create and provide new value to the world through 6 key functions.

Leverage Group functions to achieve the quantitative and qualitative targets.

**Reform Profit Structure**

- **Portfolio Optimization**
  - Categorization of business and execution of strategy that matches with the area
  - Replacement of asset and reallocation of resources
  - Acceleration in investment that creates core business of group

- **Expand and Strengthen Revenue Base**
  - Accelerate globalization "G6000"
  - Improve manufacturing profitability

**Reform Corporate Culture**

- **Mindset**
  - Breed independence and responsibility
  - Share the management's message
  - Thorough monitoring and PDCA

- **Strengthen Management Platform**
  - Pursue efficiency
  - HR development

【6 Functions】
Reform of Profit Structure: Portfolio Optimization

**FY2019 Accomplishments**

Categorization of business and execution of strategy that matches with the area / Replacement of assets and reallocation of resources

**Focus Areas**  Business domains where we expect further increase in profit

- **[Life & Healthcare]**
  - Converted Prinova Group (USA) to a subsidiary
  - Established NAGASE Food Ingredients Food Development Center (Xiamen)
  - Established new Food Ingredients Department

- **[Electronics]**
  - Applied management resources to next-generation information & communication (5G) market
  - INKRON: Started work on global business collaboration system

**Growth Areas**  Areas we expect to transform into Focus Areas within 3 years

- Establishment of digital transformation promotion system
- Start of development of digital marketing
- Materials informatics development proceeding smoothly
- Promoting research on rare amino acids

**Base Areas**  Areas that stably contribute to raising corporate value

- Capital participation in wastewater, circulating water, and exhaust treatment business
- Focus on studying supply chains, starting with chemical supply
- Maintain plastics sales volume, especially high-function resins

**Improvement Areas**  Areas in which drastic improvement in profit structure is immediately required

- Decision to withdraw from unprofitable businesses

- Replacement of non-business assets
  - Sale of cross-shareholdings
New Initiatives to Achieve KGI (1)

**Converted Prinova Group (USA) to a subsidiary**
- Developed business with vertically integrated vertical supply chain, including food ingredients sales, formulation manufacturing, and contracted manufacturing of finished products
- Collaborating with materials development functions of Hayashibara, Nagase ChemteX, etc., with aim to provide new materials and solutions

**Target markets**
Food ingredients markets in Europe/Americas

**Established NAGASE Food Ingredients Food Development Center (Xiamen)**
- Hayashibara application development lab *L’Plaza*, first overseas location for the company
- Established official account on WeChat and a China website for food ingredients, started operating them together
- Achieved communication in which we co-create with customers and helped build up a presence rooted in the local area

**Target markets**
China food ingredients market

**Applied management resources to next-generation information & communication (5G) market**
- Made 3D Glass Solutions, Inc., which has special glass processing technologies, an affiliated company, and are developing its technologies into elemental technologies for high-frequency devices
- Launched Next-Generation Information & Communication Project Team as a cross-segment organization, stepping up collaboration with Group network

**Target markets**
Next-generation information & communication (5G) market

**Strengthened development of optical components for augmented/mixed reality (XR) applications**
- INKRON began collaborations with SCHOTT (Germany), EV Group (Austria), and WaveOptics (UK)
- Aiming to develop 300 mm glass wafer process enabling mass-production of optical waveguides

**Target markets**
Next-generation wearables market (Augmented reality (AR) and mixed reality (MR) applications)
New Initiatives to Achieve KGI (2)

**FY2019 Accomplishments**

### Step up pace of digital transformation (DX)

Established Global Marketing Office in April 2020
In charge of digital marketing, materials informatics, etc.

### Start of development of digital marketing platform

- Secured human resources and set up base in the US to develop a digital marketing platform
- Established Global Marketing Group, which is pursuing development with a team of 20

**Target markets**
Offer new solutions to existing markets

### Promoting research on rare amino acid, ergothioneine

- Ergothioneine: a naturally occurring amino acid, found in fungi and other sources, with exceptional anti-oxidative capacity
- We aim to establish mass-production technology using a biological process as an alternative solution to chemical synthesis that has high cost and high environmental impact
- Selected as a NEDO*¹ set-issue-type industrial technology development cost assistance project for FY2019

**Target markets**
Wide range of markets, including food products, cosmetics, and pharmaceuticals

### Materials informatics development proceeding smoothly

- Joint development with IBM (USA) began in FY2016; development project has been proceeding smoothly, and service is expected to begin in FY2020
- Utilizing artificial intelligence (AI) and the latest data processing technology, will offer cost- and time-saving solutions for development of new (or alternative) materials

**Target markets**
Markets requiring new (or alternative) materials

### Develop and promote businesses that benefit the environment

- Made Aience Inc., which works in wastewater, circulating water, and exhaust treatment businesses, an affiliated company
- Benefit the environment and achieve cost savings by using microbial metabolism to treat wastewater, organic solvents, and smoke and other exhaust without chemicals

**Target markets**
Wastewater and exhaust treatment markets in Japan and overseas

*1: New Energy and Industrial Technology Development Organization
Reform Corporate Culture: Mindset/Strengthen Management Platform

ACE-2020 Issues

Mindset
○ Build Accountability, Responsibility and Risk Awareness Instill a shared vision of the mid-term management plan
○ Thorough Monitoring and PDCA Improve investment quality
○ Share Management’s Message Create better communication

Strengthen Management Platform
○ Pursue efficiency
   Eliminate excess/duplication and increase efficiency of the organization/function
○ HR Development

FY2016 to FY2019
Delegation of authority, review organizations company-wide
Strengthen monitoring system, create dashboard, review meeting structure
ACE-2020 Rolling update, company-wide questionnaires
Strengthen governance at overseas manufacturing operations
Use new-investment guidelines, M&A promotion project, venture capital
Branding activities (implement Top Management Tour), publish president videos, hold town meetings

FY2020
Establish Group Management Meeting
Probability evaluation/issue identification for new measures
Establish Group Manufacturing Company Coordinating Committee
Set materialities, non-financial targets
Establish Sustainability Promotion Committee
Begin studying ESG activity disclosure policies
Consolidate operations to NAGASE Business Expert for greater efficiency
Run operations under new HR system
Develop new technology through company-wide cross-departmental efforts (Technical Vitality Program)

Fiscal year slogan (“Listen”) poster
Corporate PR image makeover
Distribution of video of President Conversation with Donald K. Thorp, President of Prinova USA
Top management visits a site Nagase ChemteX: September
Website sustainability page overhauled
## KGI (Key Goal Indicator)

<table>
<thead>
<tr>
<th>KGI</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020 (Plan)</th>
<th>FY2020 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Sales Amount</td>
<td>807.7 Billion Yen</td>
<td>799.5 Billion Yen</td>
<td>754.0 Billion Yen</td>
<td>1.0 Trillion Yen or more</td>
</tr>
<tr>
<td>Consolidated Operating Income</td>
<td>25.2 Billion Yen</td>
<td>19.1 Billion Yen</td>
<td>15.0 Billion Yen</td>
<td>30.0 Billion Yen or more</td>
</tr>
<tr>
<td>ROE</td>
<td>6.6%</td>
<td>4.9%</td>
<td>4.0%</td>
<td>6.0% or more</td>
</tr>
</tbody>
</table>

## KPI (Key Performance Indicator): Factor index to achieve KGI

<table>
<thead>
<tr>
<th>Reform/Strategy</th>
<th>Measures</th>
<th>KPI (Index)</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020 (Plan)</th>
<th>FY2020 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Structure Reform Indicator</td>
<td>Increase Focused Business (Portfolio Optimization)</td>
<td>*Operating Profit in Focus Area</td>
<td>12.6B Yen</td>
<td>13.6B Yen</td>
<td>15.3B Yen</td>
<td>16.9B yen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Growing Investment Distribution Ratio in Focus Area</td>
<td>82%</td>
<td>96%</td>
<td>64%</td>
<td>35% &lt;</td>
</tr>
<tr>
<td></td>
<td>Accelerate Globalization (Expand and Strengthen Profit Structure)</td>
<td>*Overseas Group Sales</td>
<td>405.3B Yen</td>
<td>406.7B Yen</td>
<td>462.8B Yen</td>
<td>600 B Yen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales Growth Rate in USA</td>
<td>118%</td>
<td>191%</td>
<td>340%</td>
<td>170%</td>
</tr>
<tr>
<td></td>
<td>Increase Manufacturing Profitability (Expand and Strengthen Profit Structure)</td>
<td>* Operating Profit from Manufacturing</td>
<td>11.6B Yen</td>
<td>11.0B Yen</td>
<td>11.4B Yen</td>
<td>14.4B Yen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Break-Even Point Sales Ratio</td>
<td>76%</td>
<td>77%</td>
<td>77%</td>
<td>73%</td>
</tr>
<tr>
<td>Corporate Culture Reform Indicator</td>
<td>• Pursue efficiency (Strengthen Management Platform)</td>
<td>Consolidated Selling, General and Administrative Ratio</td>
<td>9.9%</td>
<td>10.7%</td>
<td>12.2%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Financial Strategy Indicator</td>
<td>Investment **Growth Investment</td>
<td>Rating (R&amp;I)</td>
<td>32.4B Yen</td>
<td>110.8B Yen</td>
<td>128.0B Yen</td>
<td>100B Yen</td>
</tr>
</tbody>
</table>

* The figures in this document are all management accounting data (simple sums).
* It is different from the figures disclosed on the consolidated financial statement.
** Total numbers in 5 years
### Consolidated Sales/Operating Income

**1.0 Trillion Yen/30 Billion Yen or more**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (100 millions of yen)</th>
<th>Consolidated operating Income (100 millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>180</td>
<td>5,000</td>
</tr>
<tr>
<td>FY2016</td>
<td>150</td>
<td>7,000</td>
</tr>
<tr>
<td>FY2017</td>
<td>241</td>
<td>9,000</td>
</tr>
<tr>
<td>FY2018</td>
<td>255</td>
<td>10,000</td>
</tr>
<tr>
<td>FY2019</td>
<td>191</td>
<td>8,000</td>
</tr>
<tr>
<td>FY2020 (Forecast)</td>
<td>150</td>
<td>6,000</td>
</tr>
<tr>
<td>Target</td>
<td>300</td>
<td>8,000</td>
</tr>
</tbody>
</table>

### ROE

Normalize Over 6% at early stage

<table>
<thead>
<tr>
<th>Year</th>
<th>ROE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>4.4%</td>
</tr>
<tr>
<td>FY2016</td>
<td>3.7%</td>
</tr>
<tr>
<td>FY2017</td>
<td>5.8%</td>
</tr>
<tr>
<td>FY2018</td>
<td>6.6%</td>
</tr>
<tr>
<td>FY2019</td>
<td>4.9%</td>
</tr>
<tr>
<td>FY2020 (Forecast)</td>
<td>4.0%</td>
</tr>
<tr>
<td>Target</td>
<td>6.0%</td>
</tr>
</tbody>
</table>
NAGASE Food Ingredients Business

Koichiro Kojima, General Manager
Food Ingredients Department

June 10, 2020
Overview of NAGASE Food Ingredients Business

Using its procurement, R&D, manufacturing, processing, and application development functions, the NAGASE Group offers a wide range of solutions globally so that people can enjoy healthier, richer lives through food.

Consolidated business scale: ¥131.7 billion (estimate for FYE March 2021)

*Consolidated business scale is found by simple totaling and does not match consolidated performance forecast.
NAGASE Food Ingredients Business Sales Breakdown

Business scale 131,722

Estimate for FYE March 2021
This figure is found by simple totaling and does not match consolidated performance forecast.

(Millions of yen)
Value Offered by NAGASE Food Ingredients Business

- R&D
- Procurement/supply
- Application Development
- Manufacturing
- Processing, contract manufacturing
- Solving Issues
- Symposium
- Seminars
NAGASE Food Ingredients Business Supply Chain

Ingredients production

Ingredients sales

Premixing (materials mixing)

Final processing and packaging

Market

Food ingredients manufacturers

Food ingredients sales businesses

Premix businesses

Food products manufacturers

Sports nutrition

Nutrition

Beverages

Bakery products

Dairy products

Processed meat products

Nagase ChemteX Corporation

Prinova (Ingredients) (Aromas) (Flavor)

Prinova (Solutions)

Prinova (Armada)

Contract manufacturer

NAGASE & CO., LTD. Nagase Sanbio Co., Ltd. NAGASE overseas affiliates

Hayashibara Co., Ltd.
A History of NAGASE Food Ingredients Business

1939  Started Japan's first industrial production of enzymes, at Amagasaki, got foothold to subsequently enter food product enzymes business

1940  

1990  Nagase R&D Center opened in Kobe, started development of enzymes with actinomycetes

2000  Began production of enzyme product phospholipid, at Fukuchiyama

2007  Hayashibara acquired
Gained domestic sales network and functional saccharides business, began expanding overseas

2010  Factory supporting kosher and halal diets completed, at Fukuchiyama

2012  Hayashibara acquired
Gained domestic sales network and functional saccharides business, began expanding overseas

2012  Prinova acquired
NAGASE gains a food ingredients business platform in Europe/Americas and a foothold in premixes and sports nutrition

2019  Prinova acquired
NAGASE gains a food ingredients business platform in Europe/Americas and a foothold in premixes and sports nutrition

2020  

Prinova head office

Hayashibara (Okayama Functional Saccharide Plant)

Nagase R&D Center

Nagase Chemtex Corporation (Fukuchiyama Office)
Strategy of NAGASE Food Ingredients Business

- **Natural/organic**
- **Health/beauty**
- **Food waste**
- **Plant-based foods**

- **Product line expansion:**
  - Use Prinova’s sourcing capacity
  - Search out new materials (M&A, biotech)

- **Strengthen application development:**
  - Clarify target applications in each region
  - Expand labs

- **Expand manufacturing function:**
  - Use premixes to expand proprietary products globally
  - Expand food additives/ingredients manufacturers

- **Focus on growth markets:**
  - Sports nutrition, nutrition, beverages
  - Processed food products (bakery products, dairy products, processed meat products)
Expansion of Food Additives Lineup

Food additives market ¥4.7 trillion overseas, ¥300 billion in Japan
(source: IHS MARKIT)

Sweeteners
- Sucralose
- Xylitol
- Aspartame
- Erythritol
- Saccharified products
- Sugar alcohols

Coloring agents
- Caramel
- Paprika
- Natural colorings
- Carotene

Preservatives
- Glycine
- Sorbic acid
- Propionate
- Polysine

Thickeners & stabilizers
- Xanthan gum
- Carrageenan
- Cellulose derivative
- Pullulan
- Soy polysaccharides
- Processed starch
- Pectin
- Guar gum

Antioxidants
- Vitamin C
- Catechins
- Vitamin E

Flavorings
- Artificial flavorings
- Natural flavorings

Enzymes
- Protease
- Amylase
- Lactase
- Lipase

Acidulants
- Lactic acid
- Malic acid
- Tartaric acid
- Fumaric acid
- Citric acid

Seasonings
- Nucleic acids
- Organic acids
- Inorganic salts
- Amino acids

Emulsifiers
- Glycercine ester
- Lechitin
- Sucrose esters

Nutrition enhancers
- Minerals
- Amino acids
- Vitamins

Production agents
- Gelatin
- Agar
- Casein
- Cellulose
- Trehalose

[Other food additives (types)]
- Color formers, bleaching agents, anti-mold agents, gum bases, brines, bitterness agents, glazing agents, chewing gum softeners, yeast foods, tofu coagulants, hydrogen ion concentration conditioners, leavening agents, other

Types of food additives: Quoted from websites of the Japan Food Additives Association and Tokyo Metropolitan Government Bureau of Social Welfare and Public Health

Lineup before Prinova acquisition
Expanded lineup resulting from Prinova acquisition
Expansion of Application Labs

- **Japan**
  - Hayashibara Co., Ltd., Okayama and Tokyo
  - Nagase ChemteX Corporation, Fukuchiyama

- **China**
  - Food Development Center (Xiamen)
  - Opened in August 2019
  - Bakery products, traditional sweets, beverages

- **Singapore**
  - Regional Innovation Center
  - Opening planned for June 2020
  - Bakery products, processed meat and seafood products
Premix market scale: ¥161 billion (growing to ¥230 billion in 2027)

Have established three global hubs, considering adding two more
Sales ¥11.1 billion (¥24.9 billion if contracted sports nutrition business is included)

Target applications: (short term) Sports nutrition, nutrition, beverages
(medium term) Processed foods including bakery products

Premix market scale, by region. Source: Future Market Insight
Sports Nutrition: Start of Approach to Japan Market

Prinova’s innovative spirit + The Group’s unique functional materials

Japan market

(Source: Global Nutrition Group Analysis)

Sales start in the US! Prinova’s capacity to propose solutions and its premix technology + Hayashibara’s materials
Outlook for the NAGASE Food Ingredients Business

Our aim is to realize a combination of product lineup expansion, stronger application development, manufacturing function expansion, and focus on growth markets to expand our business.
Contact for Inquiries

Contact us as indicated below if you have any questions or concerns about today’s briefing or these materials.

Contact for inquiries:

Investor Relations Team, Corporate Administration Office, Corporate Planning Department

Telephone: +81-3-3665-3028

Contact forms: [https://www.nagase.co.jp/english/contact/](https://www.nagase.co.jp/english/contact/)

*Contact us by clicking the above URL, then fill in the required items under For inquiries about our financial information and other IR related topics.*
(Reference) Information by Segment
Although the 5G and environmental businesses will remain firm, we forecast that, as a result of factors like the COVID-19 epidemic, sales of coatings, urethane materials, processed industrial lubricants, plastic additives, and more for the automotive industry will decline and that business in electronics chemicals for the electronics industry and business in filters will be slow, and we project that sales and profits will be down overall.

**FYE March 2021 Outlook**

*Figures above are a combination of consolidated entities by location. Inter-region eliminates are not reflected; adjusted provided in the eliminations column. (Includes amortization of goodwill and technology-based assets)*
We project sales and profits will fall overall. Although there are some domains in which sales will rise, the COVID-19 epidemic will slow the business in resins for the OA, electrical, and electronic industries, while sales of digital print processing materials, conductive materials, etc., will also decline.

Sales rose in the Colors & Advanced Processing business overall. Though sales fell for industrial and packaging application plastic resins and conductive materials, sales of digital print processing materials rose in Japan and overseas.

The Polymer Global Account business recorded lower sales overall, mainly due to lower sales in Japan, Northeast Asia, and Southeast Asia.

Despite reduced sales, increased profitability at the Company’s manufacturing subsidiaries in Japan led to higher profit.

We project sales and profits will fall overall. Although there are some domains in which sales will rise, the COVID-19 epidemic will slow the business in resins for the OA, electrical, and electronic industries, while sales of digital print processing materials, conductive materials, etc., will also decline.

### FYE March 2020 Actual

#### Net sales

⁴¥267.0 billion (97%)

- Sales rose in the Colors & Advanced Processing business overall. Though sales fell for industrial and packaging application plastic resins and conductive materials, sales of digital print processing materials rose in Japan and overseas.

- The Polymer Global Account business recorded lower sales overall, mainly due to lower sales in Japan, Northeast Asia, and Southeast Asia.

#### Operating income

⁴¥8.5 billion (105%)

- Despite reduced sales, increased profitability at the Company’s manufacturing subsidiaries in Japan led to higher profit.

### FYE March 2021 Outlook

- We project sales and profits will fall overall. Although there are some domains in which sales will rise, the COVID-19 epidemic will slow the business in resins for the OA, electrical, and electronic industries, while sales of digital print processing materials, conductive materials, etc., will also decline.

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*Figures above are a combination of consolidated entities by location. Inter-region eliminates are not reflected; adjusted provided in the eliminations column. (Includes amortization of goodwill and technology-based assets)
Electronics Segment

<Net Sales/Operating Income by Location>

<table>
<thead>
<tr>
<th></th>
<th>FYE 03/20</th>
<th>FYE 03/21</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year Actual</td>
<td>Vs. PY</td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>1,174</td>
<td>99%</td>
</tr>
<tr>
<td>Overseas</td>
<td>661</td>
<td>89%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>▲684</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,151</td>
<td>94%</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>39</td>
<td>104%</td>
</tr>
<tr>
<td>Overseas</td>
<td>17</td>
<td>50%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>▲3</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>53</td>
<td>73%</td>
</tr>
</tbody>
</table>

*Figures above are a combination of consolidated entities by location. Inter-region eliminates are not reflected; adjusted provided in the eliminations column. (Includes amortization of goodwill and technology-based assets)

**FYE March 2020 Actual**

- **Net sales**: ¥115.1 billion (94%)
- **Operating income**: ¥5.3 billion (73%)

- Despite increased sales of photolithography materials and of formulated epoxy resins for mobile device electronic components and for semiconductor industries, the segment recorded lower 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.

**FYE March 2021 Outlook**

- Although sales of formulated epoxy resins will be comparable to those of last year for mobile devices and heavy electrical equipment, equipment-related sales will be down given slowdowns in investment, and it is hard to predict the market because of such forces as the COVID-19 epidemic, so we project lower sales and profits overall.
## Mobility & Energy Segment

### Net Sales/Operating Income by Location

<table>
<thead>
<tr>
<th></th>
<th>FYE 03/20 Year Actual</th>
<th>Vs. PY</th>
<th>FYE 03/21 Year Forecast</th>
<th>Vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>764</td>
<td>97%</td>
<td>659</td>
<td>86%</td>
</tr>
<tr>
<td>Overseas</td>
<td>723</td>
<td>84%</td>
<td>606</td>
<td>84%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>▲227</td>
<td>-</td>
<td>▲235</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>1,260</td>
<td>90%</td>
<td>1,030</td>
<td>82%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>10</td>
<td>96%</td>
<td>4</td>
<td>40%</td>
</tr>
<tr>
<td>Overseas</td>
<td>8</td>
<td>42%</td>
<td>7</td>
<td>91%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
<td>62%</td>
<td>11</td>
<td>58%</td>
</tr>
</tbody>
</table>

*Figures above are a combination of consolidated entities by location. Inter-region eliminates are not reflected; adjusted provided in the eliminations column. (Includes amortization of goodwill and technology-based assets)

### FYE March 2020 Actual

- **Net sales**: ¥126.0 billion (90%)
  - The Mobility Solution business recorded lower overall sales, mainly due to lower sales in the resins business in Japan and overseas, despite higher sales in car electronics-related materials in Japan
- **Operating income**: ¥1.8 billion (62%)
  - Lower profits, mainly due to lower sales.

### FYE March 2021 Outlook

- We project lower sales and profits in the segment. Factors such as the COVID-19 epidemic have led to lower production volumes of automobiles. Together with the price drop of naphtha, this has lowered sales of resin in Japan and overseas and sales of materials and components for car electronics and others
We project sales will be down in the skin care and toiletries sectors, with lower sales of products like AA2G™, owing to the COVID-19 epidemic. Sales are projected to rise in the food products field, with the Prinova business performing well and sales of TREHA™ and other products similar to the year before. Firm performance is likewise expected in the medical and pharmaceutical field with rising sales and profits projected overall (the Prinova Group will be part of the consolidated Group for the entire year).

In the food ingredients field, sales of TREHA™ were up overseas, and we added sales from the Prinova Group, so sales were up overall. Sales were down in the skin care and toiletries sectors, with lower sales of products like AA2G™. In the medical and pharmaceutical field, sales of pharmaceutical raw materials and intermediates as well as medical materials increased, leading to higher sales. Sales were up in the business overall.

The Beauty Care Products business recorded lower sales, driven down due to weak performance across all product categories.

Although sales were up, profits were down, mainly due to worsening profitability at certain domestic manufacturing subsidiaries.

We project sales will be down in the skin care and toiletries sectors, with lower sales of products like AA2G™, owing to the COVID-19 epidemic. Sales are projected to rise in the food products field, with the Prinova business performing well and sales of TREHA™ and other products similar to the year before. Firm performance is likewise expected in the medical and pharmaceutical field with rising sales and profits projected overall (the Prinova Group will be part of the consolidated Group for the entire year).

### Life & Healthcare Segment

**<Net Sales/Operating Income by Location>**

<table>
<thead>
<tr>
<th></th>
<th>FYE 03/20 (100 millions of yen)</th>
<th>FYE 03/21</th>
<th>Year Actual</th>
<th>Vs. PY</th>
<th>Year Forecast</th>
<th>Vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>1,044</td>
<td>1,041</td>
<td>100%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas</td>
<td>468</td>
<td>1,015</td>
<td>318%</td>
<td>217%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eliminations</td>
<td>▲298</td>
<td>▲306</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,215</td>
<td>1,750</td>
<td>134%</td>
<td>144%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>67</td>
<td>66</td>
<td>93%</td>
<td>99%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas</td>
<td>19</td>
<td>53</td>
<td>300%</td>
<td>267%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eliminations</td>
<td>▲47</td>
<td>▲52</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>39</td>
<td>68</td>
<td>85%</td>
<td>171%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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These presentation materials contain forward-looking statements based on assumptions, forecasts, and plans as of June 10, 2020. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.