

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2021
<Under Japanese GAAP>

May 11, 2021

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

NAGASE & CO., LTD.

Stock exchange listing: Tokyo (First Section)

Code number: 8012 URL (<https://www.nagase.co.jp/english/>)

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Annual general meeting of stockholders (scheduled): June 23, 2021

Start of distribution of dividends (scheduled): June 24, 2021

Securities report filing (scheduled): June 24, 2021

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, 2021

(April 1, 2020 to March 31, 2021)

(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 2021	830,240	3.8	21,916	14.3	22,854	19.8	18,829	24.3
FYE March 2020	799,559	(1.0)	19,167	(24.0)	19,083	(28.4)	15,144	(24.8)

(Notes) Comprehensive income FYE March 2021: ¥31,887 million (790.7%)

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

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
FYE March 2021	151.91	—	5.9	3.7	2.6
FYE March 2020	122.12	—	4.9	3.2	2.4

(Reference) Equity in earnings of affiliates FYE March 2021: (¥327) million

FYE March 2020: (¥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 2021	640,587	338,431	51.5	2,670.09
FYE March 2020	611,477	313,243	49.9	2,462.04

(Reference) Equity capital FYE March 2021: ¥329,687 million

FYE March 2020: ¥305,322 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 2021	20,391	2,643	(25,866)	48,553
FYE March 2020	33,074	(49,208)	24,334	50,471

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			
FYE March 2020	Yen –	Yen 22.00	Yen –	Yen 22.00	Yen 44.00	Millions of yen 5,456	% 36.0	% 1.8
FYE March 2021	–	22.00	–	24.00	46.00	5,691	30.3	1.8
FYE March 2022 (forecast)	–	24.00	–	24.00	48.00		32.4	

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022

(April 1, 2021 to March 31, 2022)

(% = year-on-year change)

	Gross profit		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	120,000	4.7	23,000	4.9	24,000	5.0	18,000	(4.4)	148.04

- (Note) 1. In conjunction with the adoption of *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29) from the beginning of the fiscal year ending March 2022, the Company will disclose gross profit instead of net sales in our published consolidated earnings forecasts from this report.
2. Consolidated earnings forecasts for the fiscal year ending March 2022 are based on the assumption that the unstable business environment will continue through the first half of the fiscal year. We also assume that the spread of vaccinations will lead to a gradual normalization in business activities in and after the second half of the fiscal year.

* Notes

- (1) Changes in major subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): No

New: — (Company name:) Excluded: — (Company name:)

- (2) Changes in accounting policies, 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: No
- 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

- (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, 2021	124,408,285 shares	March 31, 2020	127,408,285 shares
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- ii. Number of treasury stock as of the fiscal period end

March 31, 2021	933,995 shares	March 31, 2020	3,396,695 shares
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- iii. Average number of shares during the period

March 31, 2021	123,955,784 shares	March 31, 2020	124,011,793 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 (4) Future Outlook* on P.5 of this document.

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1. Business Performance

(1) Review of Business Performance

a. General Summary of Results

The global economy during the current consolidated fiscal year experienced a major downturn in the first half due to the worldwide spread of COVID-19. More recently, however, the economy has been recovering gradually, albeit with degrees of difference among regions, as seen in the early resumption of economic activities in China. The tourism, travel, and restaurant industries in Japan experienced significant damage due to activity restrictions. On the other hand, some industries performed well, including those that adapted to changes in the consumption structure due to in-home demand.

Among the regions where the NAGASE Group operates, the situation has returned to pre-pandemic levels in Greater China. While a gradual resumption of economic activities and economic stimulus are expected to accelerate recoveries in the Americas and ASEAN, the resumption of activities has been limited in Japan due to repeated declarations of emergencies. Differences in economic recoveries in each country have been affected by vaccine distribution and other measures to prevent the spread of COVID-19. The outlook remains uncertain, however, as the pace of infections has accelerated in certain regions of the world.

The impact of COVID-19 on NAGASE Group earnings was considerable during the consolidated first quarter, mainly in our automobile-related business. However, since the consolidated second quarter, our electronics-related business and resins business experienced a recovery, driven by demand for telework and other factors. Given these developments, the impact on our businesses overall was limited in scope.

In this environment, we recorded domestic sales of ¥363.16 billion (-9.8% year on year) for the current consolidated fiscal year. Overseas sales amounted to ¥467.07 billion (+17.6%). In total, we recorded ¥830.24 billion (+3.8%) in net sales.

We recorded gross profit of ¥114.6 billion (+9.2%), aided by the contribution of the highly profitable Prinova Group. Despite rising costs related to our pursuit of digital transformation (DX) and other activities toward sustainable growth, operating income amounted to ¥21.91 billion (+14.3%), mainly due to cost savings associated with voluntary constraints on activities caused by the COVID-19 pandemic. Ordinary income amounted to ¥22.85 billion (+19.8%), while profit attributable to owners of the parent amounted to ¥18.82 billion (+24.3%).

b. Segment Summary

Functional Materials

The Functional Materials segment recorded lower sales in both domestic and overseas markets. This result was mainly due to lower automotive production in all regions (except Greater China) affected by the spread of the COVID-19 pandemic. This was particularly true for the first half of the year, despite a more recent trend in recovery.

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.

The Speciality Chemicals business recorded lower sales overall, despite firm sales of electronics chemicals mainly for the semiconductor and other electronics industries, mainly due to the performance of industrial oil solutions and plastic materials, which were sharply impacted by the weak automotive industry.

As a result, sales for the segment amounted to ¥155.16 billion, which was a ¥14.15 billion (-8.4%) decrease compared to the prior consolidated fiscal year. Operating income fell ¥470 million (-8.9%) to ¥4.88 billion for the year.

Advanced Materials & Processing

Despite lower domestic sales, the Advanced Materials & Processing segment recorded slightly higher sales due to increased sales overseas.

The Colors & Advanced Processing business recorded lower sales overall, due to sharply decreased sales of digital print processing materials in Japan, the Americas, and Europe. Sales of dyes and additives, plastic resins for industrial and packaging applications, and conductive materials were also lower.

The Polymer Global Account business, which mainly sells plastics to the office equipment, appliance, and video game device markets, recorded higher sales overall. Although sales in Japan decreased, sales overseas rose due to a recovery in demand and higher market prices, mainly in the resins business.

As a result, sales for the segment amounted to ¥269.15 billion, which was a ¥2.07 billion (+0.8%) increase compared to the prior consolidated fiscal year. Meanwhile, operating income declined ¥1.21 billion (-14.2%) to ¥7.31 billion. This result was mainly due to the impact of weaker profitability due to declining market conditions in the digital print processing materials business.

Electronics

Despite a decrease in sales of display materials-related and equipment-related products, the Electronics segment recorded higher sales, driven by rising sales of precision processing-related materials for intermediate processing in semiconductors and formulated epoxy resins-related products.

As a result, sales for the segment amounted to ¥119.59 billion, which was a ¥4.46 billion (+3.9%) increase compared to the prior consolidated fiscal year. Operating income was ¥8.74 billion, an increase of ¥3.35 billion (+62.1%), mainly due to increased sales and improved profitability among certain of the Company's manufacturing subsidiaries.

(Note) As of April 1, 2021, the *Electronics Segment* has been renamed as the *Electronics & Energy Segment*.

Mobility & Energy

The Mobility Solutions business recorded lower sales both in Japan and overseas. This result was due to lower sales of car electronics-related products in Japan and lower sales in the resins business in all regions (except Greater China), stemming from lower automotive production (excluding Greater China) caused by the COVID-19 pandemic.

As a result, sales for the segment amounted to ¥111.53 billion, which was a ¥14.46 billion (-11.5%) decrease compared to the prior consolidated fiscal year. Operating income fell ¥340 million (-18.4%) to ¥1.54 billion.

(Note) As of April 1, 2021, the *Mobility & Energy Segment* has been renamed as the *Mobility Segment*.

Life & Healthcare

Despite a decrease in domestic sales, mainly due to lower demand attributable to the impact of the COVID-19 pandemic, the Life & Healthcare segment recorded significantly higher sales overall, due to higher sales overseas for the current consolidated fiscal year driven by the addition of the Prinova Group acquired by the Company in the prior consolidated second quarter.

The new Food Ingredients business recorded significantly higher sales overall, boosted by the addition of sales from the Prinova Group, despite lower sales of TREHA™ and other products in the food materials field in Japan.

The Life & Healthcare Products business recorded gains in sales of pharmaceutical raw materials and intermediates and medical materials in the medical and pharmaceutical field along with rising sales of hygiene product-related raw materials in the cosmetics and toiletries field. Overall business sales were lower, however, as sales of AA2G™ in the skin care field decreased in Japan and overseas. Pharmaceutical production business sales to the medical and pharmaceutical field also decreased due to the sale of a manufacturing subsidiary.

As a result, sales for the segment amounted to ¥174.45 billion, which was a ¥52.9 billion (+43.5%) increase compared to the prior consolidated fiscal year. Operating income rose ¥2.53 billion (+63.9%) to ¥6.51 billion.

Others

No special matters to disclose.

(2) Review of Financial Position

As of the end of the current consolidated fiscal year, current assets amounted to ¥401.75 billion. This represents an increase of ¥22.39 billion compared to the end of the prior consolidated fiscal year, mainly due to increases in accounts receivable and inventories, which was offset in part by decreases in cash and deposits. Non-current assets amounted to ¥238.83 billion, up ¥6.71 billion from the end of the prior consolidated fiscal year. This increase was mainly due to an increase in investment in securities stemming from a rise in the fair value of shares owned by the Company, despite a decrease resulting from the amortization of intangible fixed assets and a decrease in property, plant and equipment stemming from the removal of certain domestic subsidiaries from the scope of consolidation. As a result, total assets increased ¥29.1 billion compared to the end of the prior consolidated fiscal year to ¥640.58 billion.

Liabilities amounted to ¥302.15 billion, an increase of ¥3.92 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to an increase in accounts payable, despite a decrease in commercial paper.

Net assets amounted to ¥338.43 billion, up ¥25.18 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to the recording of profit attributable to owners of the parent in the amount of ¥18.82 billion, as well as an increase in net unrealized holding gain on securities.

As a result, the Company recorded a shareholders' equity ratio of 51.5%, up 1.6 points over the 49.9% at the end of the prior consolidated fiscal year.

(3) Summary of Cash Flows

Cash and cash equivalents ("Cash") at the end of the current consolidated fiscal year decreased ¥1.91 billion (-3.8%) compared to the end of the prior consolidated fiscal year, amounting to ¥48.55 billion. Cash from operating activities amounted to ¥20.39 billion, while Cash from investing activities amounted to ¥2.64 billion, Cash used in financing activities amounted to ¥25.86 billion, and exchange rate changes increased Cash as well.

(Cash Flows from Operating Activities)

Cash from operating activities as of the end of the current consolidated fiscal year amounted to ¥20.39 billion. This result was mainly due to the recording of profit before income taxes of ¥29.27 billion, offset in part by a decrease in cash due to an increase in working capital in the amount of ¥10.05 billion.

(Cash Flows from Investing Activities)

Cash from investing activities as of the end of the current consolidated fiscal year amounted to ¥2.64 billion. This result was mainly due to proceeds of ¥8.01 billion from the sale of subsidiary stock in connection with a change in the scope of consolidation and ¥6.02 billion stemming from proceeds from sales of investments in securities. These increases were offset in part by a decrease of ¥8.86 billion in outlays for the purchases of property, plant and equipment and ¥3.26 billion in purchases of investments in securities.

(Cash Flows from Financing Activities)

Cash used in financing activities as of the end of the current consolidated fiscal year amounted to ¥25.86 billion. This result was mainly due to a net decrease of ¥22.0 billion in commercial paper and payments of dividends in the amount of ¥5.45 billion. These decreases were offset in part by proceeds from long-term loans in the amount of ¥4.35 billion.

	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020	FYE March 2021
Shareholders' equity ratio	54.7%	53.3%	54.2%	49.9%	51.5%
Shareholders' equity ratio based on market value	36.9%	39.7%	34.7%	25.9%	33.3%
Interest-bearing debt to cash flow ratio (years)	5.6	4.1	4.9	4.1	5.8
Interest coverage ratio (times)	13.9	16.3	10.4	23.9	19.1

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.

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).
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.
4. At the beginning of the fiscal year ended March 2019, the Company adopted *Partial Amendment to the Accounting Standard for Tax Effect Accounting* (Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018). Indicators for the fiscal year ended March 2018 reflect a retrospective application of this accounting standard.

(4) Future Outlook

a. Performance Forecast for the Fiscal Year Ending March 2022

The environment surrounding the NAGASE Group in the next fiscal year will continue to present uncertainties and a lack of clarity. Although economic activities are expected to normalize in developed countries and other regions due to the increase in COVID-19 vaccination rates, uncertain factors include the impact of variant strains on the Japanese economy and trends in U.S.-China frictions. As companies are forced to respond to the new normal and geopolitical risks, demands will also rise regarding sustainable efforts toward social and environmental issues.

In the midst of these circumstances, we launched our **ACE 2.0** medium-term management plan in April 2021. The measures implemented under **ACE-2020** resulted in a number of reforms. However, we recognize the need for further efforts to ensure the outcomes of these reforms. Further, we recognize the growing need for a paradigm shift in response to the ongoing rapid changes in the external environment. For this reason, we have named our new medium-term management plan **ACE 2.0**, indicating that we have upgraded the plan, while still retaining the basic concepts defined in **ACE-2020**.

*For more details on our new medium-term management plan, please refer to the following URL (Japanese).

<https://www.nagase.co.jp/assetfiles/tekijikaiji/20210511-3.pdf> (English version in progress)

While the impact of COVID-19 on the global economy will continue to be a concern, we have formulated our earnings forecasts for the fiscal year ending March 2022 as follows, based on the assumption that vaccinations will progress to a certain extent in many countries and that economic activities will begin to normalize in and after the second half of the fiscal year.

The impact of semiconductor shortages on production volume and on our automobile-related business is an issue; however, we expect the recovery that began in the second half of the prior fiscal year will continue. We expect Prinova Group sales to rise with the recovery of the U.S. economy, providing a positive impact on our Life & Healthcare business. Even as we pursue growth aggressively through research and development and investments related to digital transformation, we expect our first-half expenses to be level with the prior fiscal year in connection with ongoing restraint in certain activities due to COVID-19.

These forecasts have been developed based on foreign exchange rates of ¥104 to the U.S. dollar and ¥15.4 to the RMB.

Further, these forecasts were calculated based on information available at the time and on reasonable determinations of conditions. 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 2022 occur.

(Millions of yen)

	Gross profit	Operating income	Ordinary income	Profit attributable to owners of the parent
FYE March 2022 Forecast	120,000	23,000	24,000	18,000
FYE March 2021 Actual	114,600	21,916	22,854	18,829
Change	+4.7%	+4.9%	+5.0%	(4.4%)

(Note) In conjunction with the adoption of *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29) from the beginning of the fiscal year ending March 2022, the Company will disclose gross profit instead of net sales in our published consolidated earnings forecasts from this report.

b. Operating Income Forecast by Segment

(Millions of yen)

	FYE March 2021 Actual (Note) 3	FYE March 2022 Forecast	Change
Functional Materials	4,712	5,700	+21.0%
Advanced Materials & Processing	7,311	7,200	(1.5%)
Electronics & Energy (Note) 1	8,408	7,600	(9.6%)
Mobility (Note) 2	1,851	3,000	+62.0%
Life & Healthcare	6,512	7,200	+10.6%
Others	(6,879)	(7,700)	-
Total Operating Income	21,916	23,000	+4.9%

(Note) 1. As of April 1, 2021, the *Electronics Segment* has been renamed the *Electronics & Energy Segment*.

2. As of April 1, 2021, the *Mobility & Energy Segment* has been renamed the *Mobility Segment*.

3. Due to organizational changes effective April 1, 2021, we have changed our business segment classification method for the fiscal year ended March 2021.

(5) Dividend Policy and Dividends for the Fiscal Years Ending March 2021 and 2022

Dividends are paid based on consolidated cash flows and investment conditions. Our basic policy is to pay continuously increasing dividends in consideration of consolidated earnings and financial structure, while improving profitability and strengthening our corporate structure. In addition, we will consider the flexible implementation of share buybacks with an eye toward efficiency.

The NAGASE Group declared a year-end dividend of ¥24 per share based on this policy. As a result, the scheduled full-year cash dividend including the interim dividend will amount to ¥46 per share, an increase of ¥2 per share from the prior fiscal year.

After a comprehensive consideration of our forecast earnings capacity (our present consolidated earnings forecasts adjusted for special circumstances) and of our stability and continuity of dividend payments, we forecast a full-year dividend of ¥48 per share for the next fiscal year. This dividend will consist of a ¥24 per share interim dividend and a ¥24 per share year-end dividend.

2. Basic Policy on the Selection of Accounting Standards

The NAGASE Group intends to use 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, 2020)	Current Consolidated Fiscal Year (March 31, 2021)
ASSETS		
Current assets		
Cash and time deposits	51,408	49,254
Notes and accounts receivable	221,116	242,558
Merchandise and finished goods	86,183	88,130
Work in process	1,789	1,654
Raw materials and supplies	7,730	7,457
Other	11,859	13,259
Less allowance for doubtful accounts	(732)	(563)
Total current assets	<u>379,354</u>	<u>401,751</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	61,970	59,327
Accumulated depreciation	(37,033)	(34,422)
Buildings and structures (net)	<u>24,937</u>	<u>24,905</u>
Machinery, equipment and vehicles	63,984	64,956
Accumulated depreciation	(50,063)	(47,962)
Machinery, equipment and vehicles (net)	<u>13,920</u>	<u>16,993</u>
Land	21,092	20,054
Other	33,303	28,074
Accumulated depreciation	(18,628)	(19,131)
Other (net)	<u>14,674</u>	<u>8,943</u>
Total property, plant and equipment	<u>74,626</u>	<u>70,896</u>
Intangible fixed assets		
Goodwill	33,230	30,216
Technology-based assets	9,064	7,488
Other	30,204	26,893
Total intangible fixed assets	<u>72,499</u>	<u>64,598</u>
Investments and other assets		
Investments in securities	76,124	93,719
Long-term loans receivable	391	211
Retirement benefit asset	1,754	2,929
Deferred tax assets	1,850	1,903
Other	4,967	4,689
Less allowance for doubtful accounts	(91)	(112)
Total investments and other assets	<u>84,997</u>	<u>103,340</u>
Total non-current assets	<u>232,123</u>	<u>238,835</u>
Total assets	<u>611,477</u>	<u>640,587</u>

	(Millions of yen)	
	Prior Consolidated Fiscal Year (March 31, 2020)	Current Consolidated Fiscal Year (March 31, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable	108,285	119,941
Short-term loans	30,590	33,050
Current portion of long-term loans	1,277	12,025
Commercial paper	30,000	8,000
Accrued income taxes	4,625	3,565
Accrued bonuses for employees	5,123	6,042
Accrued bonuses for directors	170	203
Other	20,360	23,310
Total current liabilities	<u>200,434</u>	<u>206,139</u>
Long-term liabilities		
Bonds	30,000	30,000
Long-term loans	42,621	34,514
Deferred tax liabilities	9,280	16,077
Retirement benefit liability	13,677	13,292
Other	2,221	2,131
Total long-term liabilities	<u>97,800</u>	<u>96,016</u>
Total liabilities	<u>298,234</u>	<u>302,155</u>
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,646	10,646
Retained earnings	257,067	265,920
Less treasury stock, at cost	(5,071)	(1,503)
Total shareholders' equity	<u>272,342</u>	<u>284,763</u>
Accumulated other comprehensive income		
Net unrealized holding gain on securities	32,618	43,576
Deferred gain on hedges	3	72
Translation adjustments	1,051	1,006
Remeasurements of defined benefit plans	(694)	268
Total accumulated other comprehensive income	<u>32,979</u>	<u>44,924</u>
Non-controlling interests	<u>7,921</u>	<u>8,743</u>
Total net assets	<u>313,243</u>	<u>338,431</u>
Total liabilities and net assets	<u>611,477</u>	<u>640,587</u>

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

(Consolidated Statements of Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2019 - March 31, 2020)	Current Consolidated Fiscal Year (April 1, 2020 - March 31, 2021)
Net sales	799,559	830,240
Cost of sales	694,657	715,640
Gross profit	104,901	114,600
Selling, general and administrative expenses		
Selling expenses	12,787	14,877
Employee salaries and allowances	26,491	30,828
Provision for accrued bonuses for employees	2,967	3,609
Provision for accrued bonuses for directors	147	175
Depreciation and amortization other than amortization of goodwill	4,975	6,558
Retirement benefit expenses	1,545	1,936
Provision for retirement benefits for directors	22	19
Allowance for doubtful accounts	281	(62)
Amortization of goodwill	2,037	2,344
Other	34,477	32,396
Total selling, general and administrative expenses	85,734	92,683
Operating income	19,167	21,916
Non-operating income		
Interest income	148	149
Dividend income	2,173	1,163
Rent income	266	263
Foreign exchange gains	-	417
Other	666	766
Total non-operating income	3,254	2,759
Non-operating expenses		
Interest expenses	1,355	1,064
Equity in losses of affiliates	538	327
Foreign exchange losses	747	-
Other	697	430
Total non-operating expenses	3,339	1,821
Ordinary income	19,083	22,854
Extraordinary gains		
Gain on sales of non-current assets	21	86
Gain on sales of investment securities	9,723	5,774
Gain on sales of shares of subsidiaries and affiliates	-	2,657
Subsidy income	52	163
Other	4	51
Total extraordinary gains	9,801	8,733
Extraordinary losses		
Loss on sales of non-current assets	46	23
Loss on disposal of non-current assets	204	92
Loss on impairment of fixed assets	3,116	1,824
Loss on sales of investment securities	-	10
Loss on valuation of investments securities	1,028	155
Loss on sales of shares of subsidiaries and affiliates	-	1
Other	288	206
Total extraordinary losses	4,684	2,314
Income before income taxes	24,200	29,272
Income taxes - current	7,395	7,851
Income taxes - deferred	1,288	1,775
Total income taxes	8,684	9,626
Profit for the period	15,515	19,646
Profit attributable to non-controlling interests	371	816
Profit attributable to owners of the parent	15,144	18,829

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2019 - March 31, 2020)	Current Consolidated Fiscal Year (April 1, 2020 - March 31, 2021)
Profit for the period	15,515	19,646
Other comprehensive income		
Net unrealized holding (loss) gain on securities	(9,231)	10,945
Deferred gain on hedges	11	69
Translation adjustments	(1,973)	7
Remeasurements of defined benefit plans	(402)	963
Share of other comprehensive (loss) gain of affiliates accounted for by the equity method	(339)	254
Total other comprehensive income	<u>(11,935)</u>	<u>12,241</u>
Comprehensive income	<u>3,579</u>	<u>31,887</u>
Comprehensive income attributable to:		
Shareholders of the parent	3,380	30,774
Non-controlling interests	199	1,112

(3) Consolidated Statements of Changes in Shareholders' Equity

Prior Consolidated Fiscal Year (April 1, 2019 - 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 method			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 (loss) 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
Purchase of treasury stock							(0)
Equity transactions with non-controlling interests							(0)
Changes in scope of consolidation							(93)
Changes in scope of equity method							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

Current Consolidated Fiscal Year (April 1, 2020 - March 31, 2021)

(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	10,646	257,067	(5,071)	272,342
Changes					
Cash dividends			(5,456)		(5,456)
Profit attributable to owners of the parent			18,829		18,829
Purchase of treasury stock				(952)	(952)
Disposal of treasury stock		0		0	0
Cancellation of treasury stock		(0)	(4,520)	4,520	-
Equity transactions with non-controlling interests		(0)			(0)
Changes other than shareholders' equity accounts (net)					
Total changes	-	(0)	8,852	3,568	12,420
Balance, end of period	9,699	10,646	265,920	(1,503)	284,763

	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	32,618	3	1,051	(694)	32,979	7,921	313,243
Changes							
Cash dividends							(5,456)
Profit attributable to owners of the parent							18,829
Purchase of treasury stock							(952)
Disposal of treasury stock							0
Cancellation of treasury stock							-
Equity transactions with non-controlling interests							(0)
Changes other than shareholders' equity accounts (net)	10,957	69	(45)	963	11,944	822	12,767
Total changes	10,957	69	(45)	963	11,944	822	25,188
Balance, end of period	43,576	72	1,006	268	44,924	8,743	338,431

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2019 - March 31, 2020)	Current Consolidated Fiscal Year (April 1, 2020 - March 31, 2021)
Operating Activities		
Income before income taxes	24,200	29,272
Depreciation and amortization other than amortization of goodwill	10,089	11,008
Loss on impairment of fixed assets	3,116	1,824
Amortization of goodwill	2,037	2,344
Subsidy income	(52)	(163)
Increase in retirement benefit liability	645	1,395
Increase in retirement benefit asset	(1,645)	(1,174)
Interest and dividend income	(2,322)	(1,312)
Interest expenses	1,355	1,064
Exchange gain, net	(121)	(24)
Gain on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(9,723)	(8,419)
Decrease (increase) in notes and accounts receivable	19,452	(17,641)
Decrease (increase) in inventories	3,187	(1,034)
(Decrease) increase in notes and accounts payable	(13,689)	8,623
Other	2,244	3,036
Subtotal	38,773	28,797
Interest and dividends received	2,714	1,950
Interest paid	(1,382)	(1,067)
Income taxes paid	(7,031)	(9,288)
Net cash provided by operating activities	33,074	20,391
Investing activities		
Purchases of property, plant and equipment	(11,909)	(8,864)
Proceeds from sales of property, plant and equipment	87	448
Purchases of intangible fixed assets included in other assets	(464)	(704)
Purchases of investments in securities	(1,635)	(3,260)
Proceeds from sales of investments in securities	10,278	6,027
Purchases of investments in capital	(54)	(47)
Purchase of share of subsidiaries resulting in change in scope of consolidation	(44,691)	-
Proceeds from sale of share of subsidiaries resulting in change of scope of consolidation	-	8,010
Decrease on short-term loans receivable included in other current assets, net	404	319
(Increase) decrease in time deposits, net	(887)	290
Proceeds from subsidy income	52	163
Other	(388)	259
Net cash (used in) provided by investing activities	(49,208)	2,643

	(Millions of yen)	
	Prior Consolidated Fiscal Year (April 1, 2019 - March 31, 2020)	Current Consolidated Fiscal Year (April 1, 2020 - March 31, 2021)
Financing activities		
(Decrease) increase in short-term loans, net	(21,332)	658
Increase (decrease) in commercial paper, net	18,000	(22,000)
Proceeds from long-term loans	25,454	4,350
Repayments of long-term loans	(1,131)	(1,891)
Proceeds from issuance of bonds	20,000	-
Redemption of bonds	(10,000)	-
Purchase of treasury stock	(0)	(952)
Cash dividends paid	(5,704)	(5,456)
Cash dividends paid to non-controlling interests	(219)	(290)
Other	(730)	(285)
Net cash provided by (used in) financing activities	<u>24,334</u>	<u>(25,866)</u>
Effects of exchange rate changes on cash and cash equivalents	(1,882)	913
Net increase (decrease) in cash and cash equivalents	6,317	(1,918)
Cash and cash equivalents at beginning of the year	44,017	50,471
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	136	-
Cash and cash equivalents, at end of the period	<u>50,471</u>	<u>48,553</u>

(5) Notes Related to Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Additional Information)

(Application of Tax Effect Accounting for Transition from Consolidated Taxation System to Group Tax Sharing System)

The Company and certain domestic consolidated subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities in accordance with the provisions of tax laws in Japan prior to the amendments based on the treatments stipulated in Paragraph 3 of *Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System* (ASBJ Practical Issues Task Force No. 39, March 31, 2020) instead of applying the provision of Paragraph 44 of *Implementation Guidance on Tax Effect Accounting* (ASBJ Guidance No. 28, February 16, 2018), regarding the transition to group tax sharing system provided for in *Act for Partial Amendment of the Income Tax Act, etc.* (Act No. 8 of 2020), and items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system.

(Effects of COVID-19 Pandemic When Making Accounting Estimates)

The Group made accounting estimates related to impairment loss on non-current assets and recoverability of deferred tax assets, etc., based on information available at the time the consolidated financial statements were prepared.

The impact of the spread of COVID-19 on NAGASE Group earnings for the current consolidated fiscal year was particularly significant on our automobile-related business during the consolidated first quarter. However, in the consolidated second quarter, we began to see a recovery driven by telework demand, etc., in our electronics-related business under our Electronics segment and resins business under our Advanced Materials & Processing segment. As a result, the impact of COVID-19 overall was limited.

Accounting estimates related to the impact of COVID-19 in fiscal 2021 and later are based on the assumption that the unstable business environment will continue through the first half of fiscal 2021. We also assume that the spread of vaccinations during the second half of fiscal 2021 will lead to a gradual normalization in business activities, which we have reflected in our accounting processes.

There are still many uncertain factors regarding the impact of COVID-19, and it may affect the financial condition and operating performance of the Group in and after the next consolidated fiscal year.

(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).

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, and adhesives, 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 solutions and environment-related commercial products, sintered metal filters, and more for the paints/inks, resins, urethane foam, organic synthesis, surfactants, electronics chemicals, communications equipment, water processing, metal processing, plastic and film processing, 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 dye/additive, digital print processing material, fiber processing, raw resin material, resin molding, 3D printing, functional film and sheet, appliance and office automation device, electronics, packaging material, construction material, and other industries.

The Electronics segment is engaged in the sales of formulated epoxy resins, precision abrasives, semiconductor assembly materials and devices, adhesives and encapsulant materials, display panel components and devices, chemical management equipment for display manufacturing processing, low-temperature/vacuum equipment, LEDs, and other products for the heavy electrical and light electrical, semiconductor, HDD, electronic component, automotive and aircraft, display, touch panel, environmental energy, and other industries.

The Mobility & Energy segment is engaged in the sales of plastic products in general, materials for secondary batteries, interior and exterior materials and components, materials for functional components, products for electrification, sensor components, in-vehicle electronics products, in-vehicle display-related components, self-driving-related products, design and manufacture of storage battery systems, proposals for energy management systems, solar panels, battery assessment services, optical wireless communication equipment, and other products 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, Income (Loss), Assets, Liabilities, and Other Items 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.

Income in reportable segments is defined as operating income. Intersegment sales/transfers are based on actual market prices.

3. Information Related to Net Sales, Income (Loss), Assets, Liabilities, and Other Items by Segment

Prior 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	946	484	-	29,935	33,230	-	33,230	-	-	33,230
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".

Current Consolidated Fiscal Year (April 1, 2020 to March 31, 2021)

(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	155,166	269,151	119,590	111,530	174,452	829,891	349	830,240	-	-	830,240
Intersegment sales/transfers	2,249	2,113	2,234	3,015	399	10,013	5,059	15,072	-	(15,072)	-
Total	157,415	271,265	121,824	114,546	174,852	839,904	5,408	845,312	-	(15,072)	830,240
Segment income (loss)	4,888	7,311	8,746	1,543	6,512	29,002	157	29,160	(7,763)	519	21,916
Segment assets	81,236	144,135	63,855	55,899	165,934	511,061	2,738	513,800	161,684	(34,898)	640,587
Other items											
Depreciation and amortization	472	1,040	1,490	285	5,788	9,076	104	9,180	1,828	-	11,008
Amortization of goodwill	105	89	40	-	2,108	2,344	-	2,344	-	-	2,344
Unamortized balance of goodwill	1,787	720	451	-	27,257	30,216	-	30,216	-	-	30,216
Investments in equity affiliates	1,981	1,728	3,170	1,237	2,995	11,113	82	11,196	-	(1)	11,195
Increase in property, plant, and equipment and intangible fixed assets	399	1,974	1,195	261	5,744	9,576	11	9,588	1,167	-	10,755

(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, 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	10,324	74,626

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, 2020 to March 31, 2021)

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
363,168	212,622	104,495	88,460	42,787	18,705	830,240

(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, UK
 - (5) Other.....Korea

(2) Property, plant and equipment

(Millions of yen)		
Japan	Other	Total
61,846	9,050	70,896

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, 2019 to March 31, 2020)

	Reportable Segments						Others	Corporate/ Elimination	Total	(Millions of yen)
	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, in respect to goodwill related to our siloxane materials production and development business, the Company have 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.

Current Consolidated Fiscal Year (April 1, 2020 to March 31, 2021)

	Reportable Segments						Others	Corporate/ Elimination	Total	(Millions of yen)
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total				
Impairment loss	-	843	954	18	-	1,817	-	7	1,824	

(Note) The Advanced Materials & Processing segment recorded impairment losses of ¥843 million for business assets related to color former manufacturing business due to declining profitability. The Company wrote down the book value of these assets to their recoverable amounts.

We conducted a review of the future business plans for the business assets owned by a Taiwanese subsidiary in the polyimide film and glass lamination business in the Electronics segment. As a result, we determined future cash flow will be less than book value. Therefore, the Company wrote down the book value of these assets to their recoverable amounts and recorded an impairment loss of ¥951 million.

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

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

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

Current Consolidated Fiscal Year (April 1, 2020 to March 31, 2021)

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, 2019 to March 31, 2020)

No matters to report.

Current Consolidated Fiscal Year (April 1, 2020 to March 31, 2021)

No matters to report.

(Per-Share Data)

	Prior Consolidated Fiscal Year (April 1, 2019 - March 31, 2020)	Current Consolidated Fiscal Year (April 1, 2020 - March 31, 2021)
Net assets per share	¥2,462.04	¥2,670.09
Earnings per share	¥122.12	¥151.91

(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, 2019 - March 31, 2020)	Current Consolidated Fiscal Year (April 1, 2020 - March 31, 2021)
Profit attributable to owners of the parent (millions of yen)	15,144	18,829
Profit attributable to common stock owners of the parent (millions of yen)	15,144	18,829
Average number of outstanding shares of common stock (shares)	124,011,793	123,955,784

(Significant Subsequent Events)

No matters to report.