

# **FYE March 2021 Second Quarter Financial Highlights**

**NAGASE & CO., LTD.**

**November 4, 2020**

# Agenda

Consolidated Statements of Income	3
Net Sales by Region (Domestic, Overseas)	4
Net Sales: Two-Year Comparison (by Segment)	5
Operating Income: Two-Year Comparison (by Segment)	6
Consolidated Balance Sheets	7
Consolidated Cash Flows	8
FYE March 2021 Earnings Projections	9
Dividends	10

# Consolidated Statements of Income

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

(100 millions of yen)

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

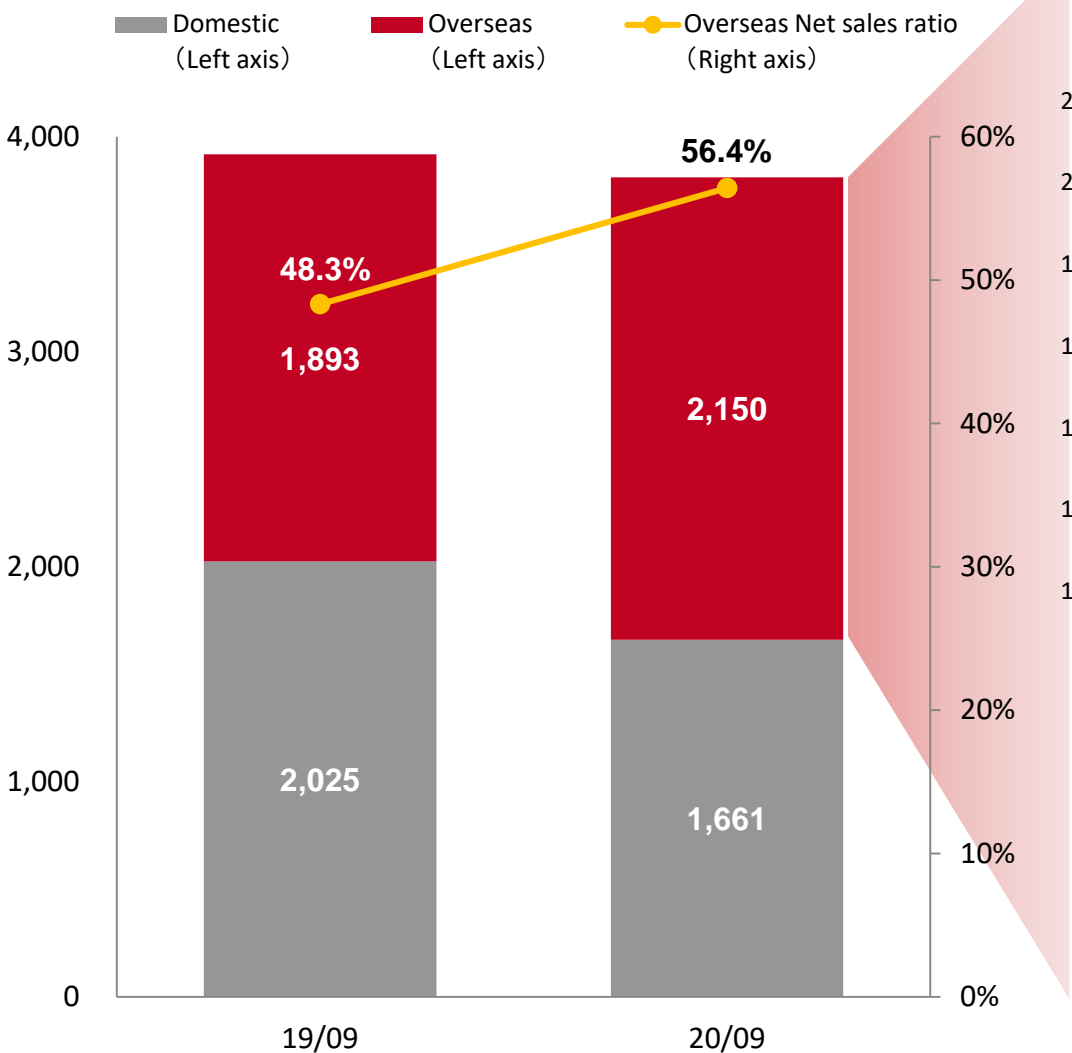
【 Foreign exchange rate impact on 20/09 net sales and operating income results 】

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

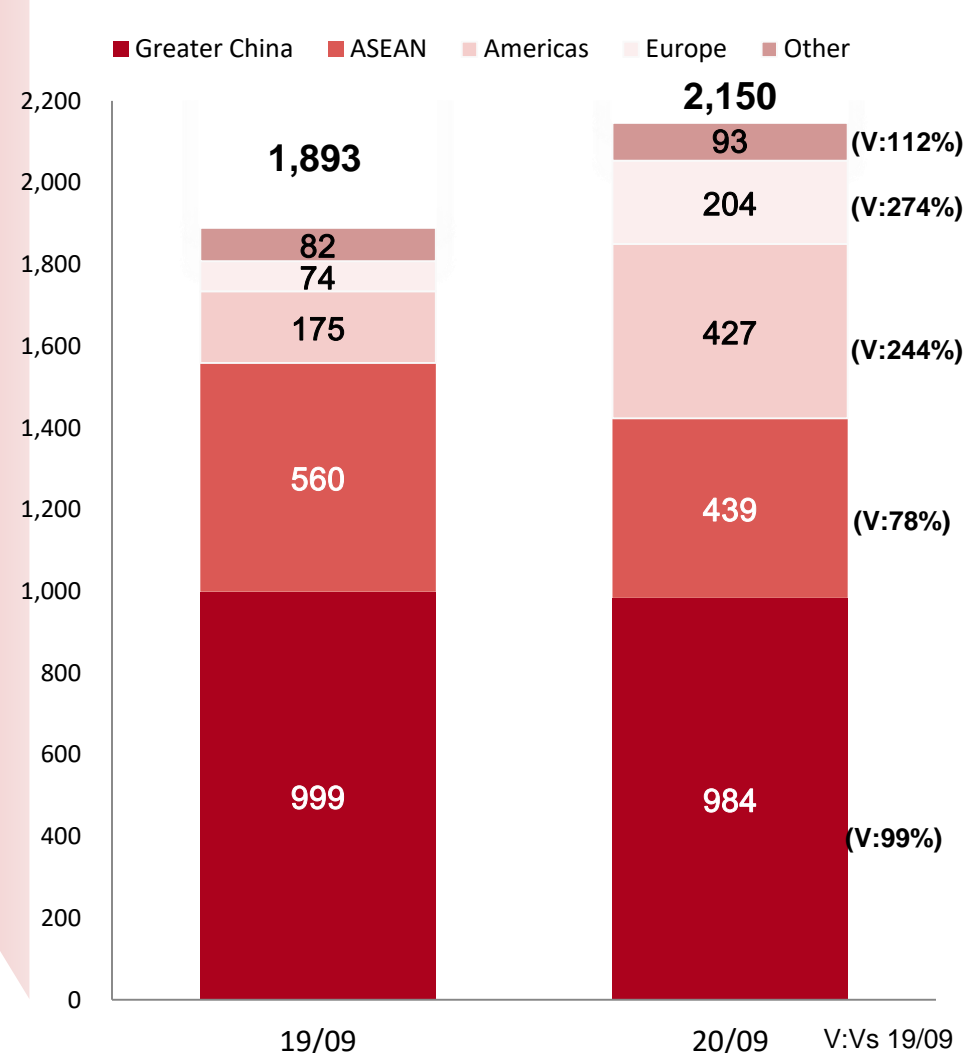
# Net Sales by Region (Domestic, Overseas)

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

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



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

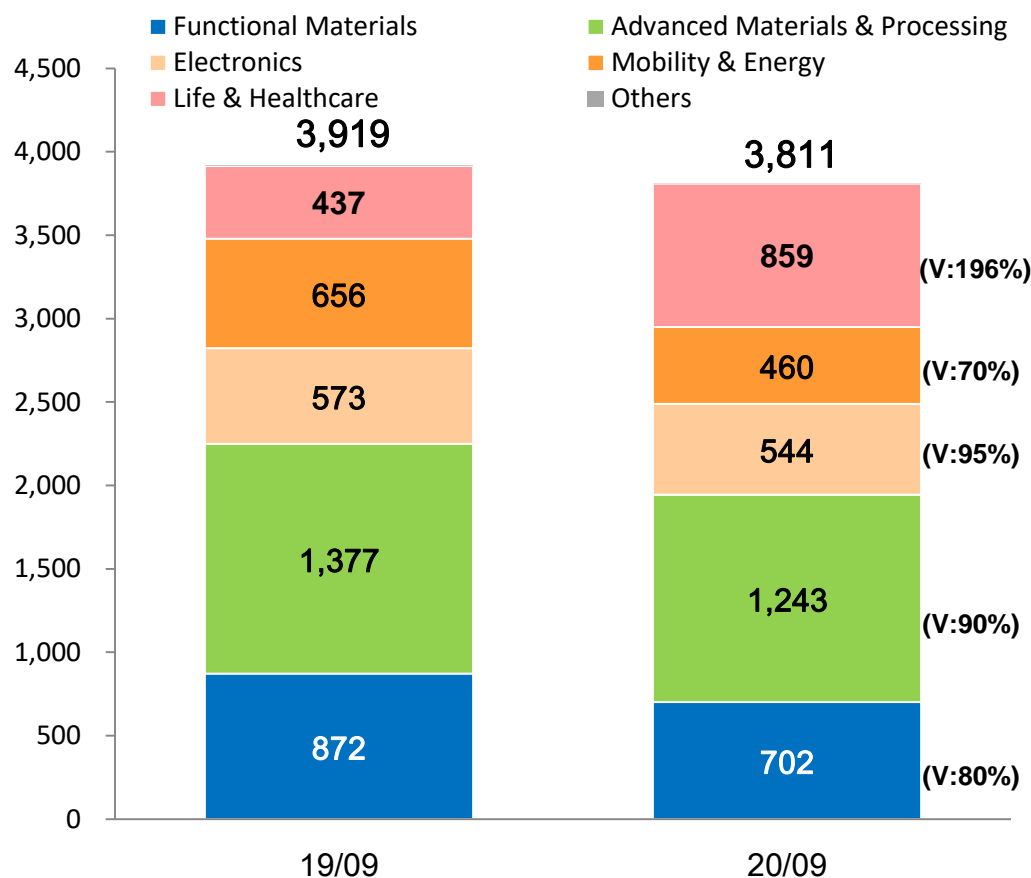


# Net Sales: Two-Year Comparison (by Segment)

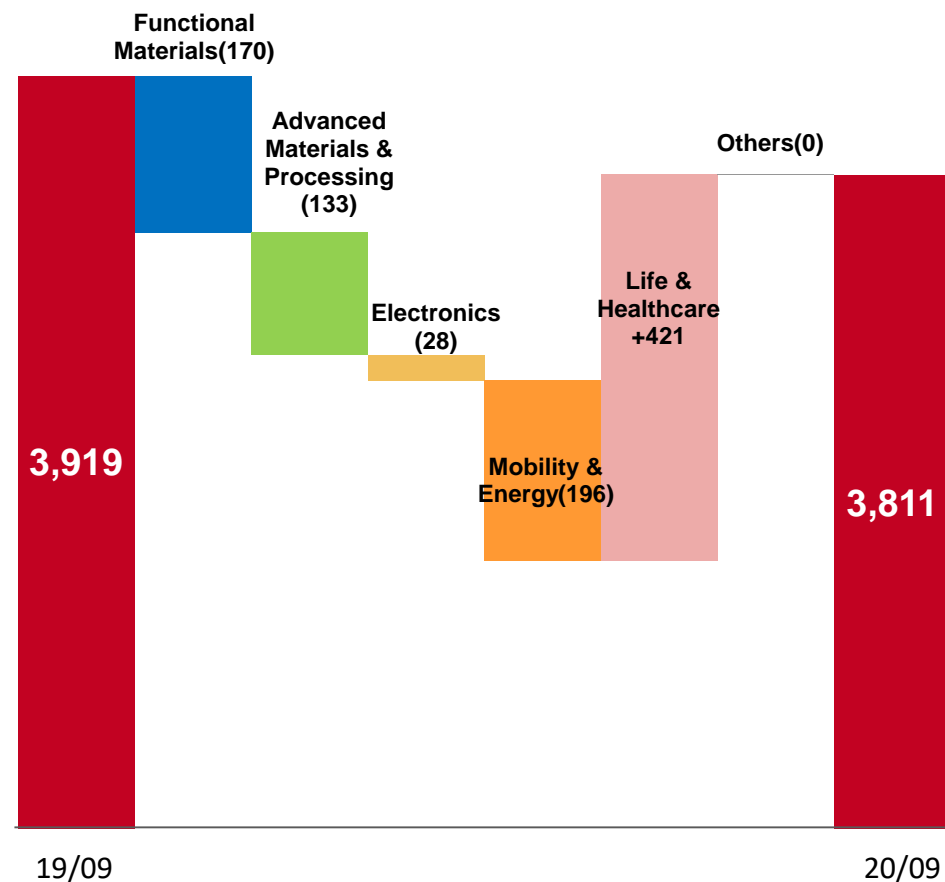
■ **Mobility & Energy:** Sales declined due to a decrease in the sales of car electronics-related products in Japan and in the resins business in all regions except Greater China, mainly caused by lower automotive production in all regions except Greater China.

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

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



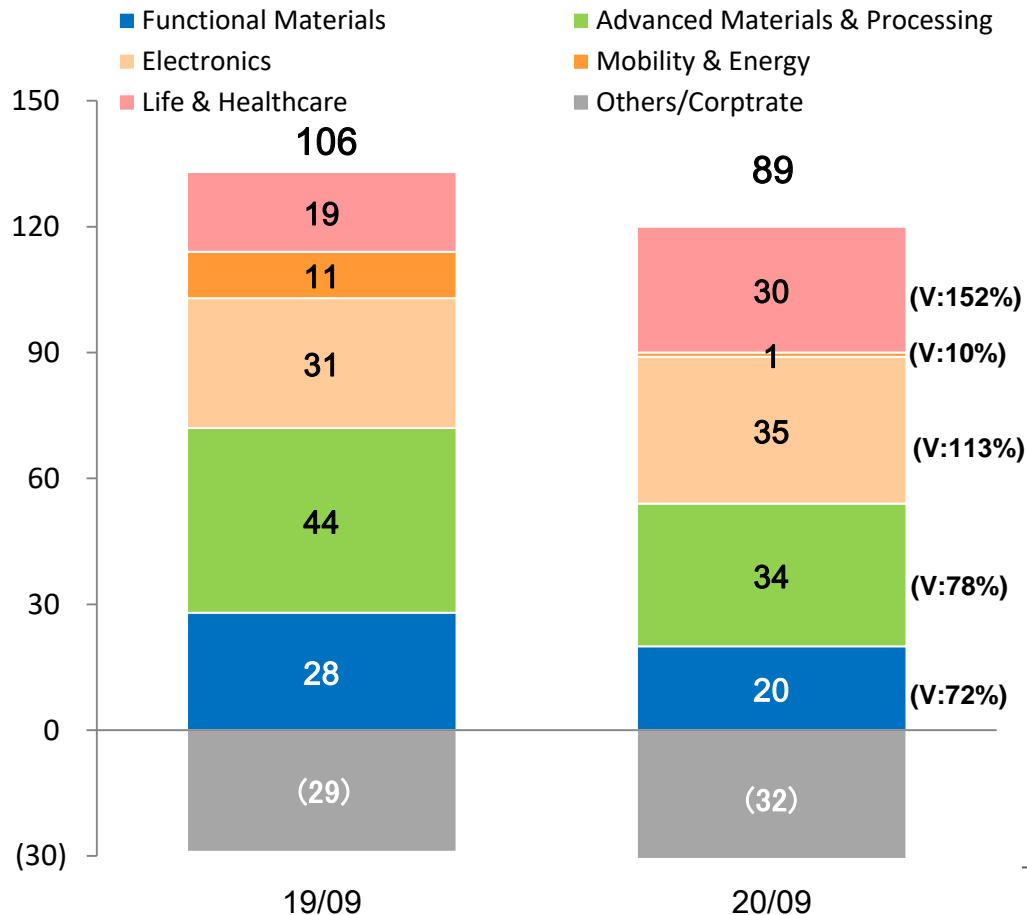
## Change in Net Sales by Segment (100 millions of yen)



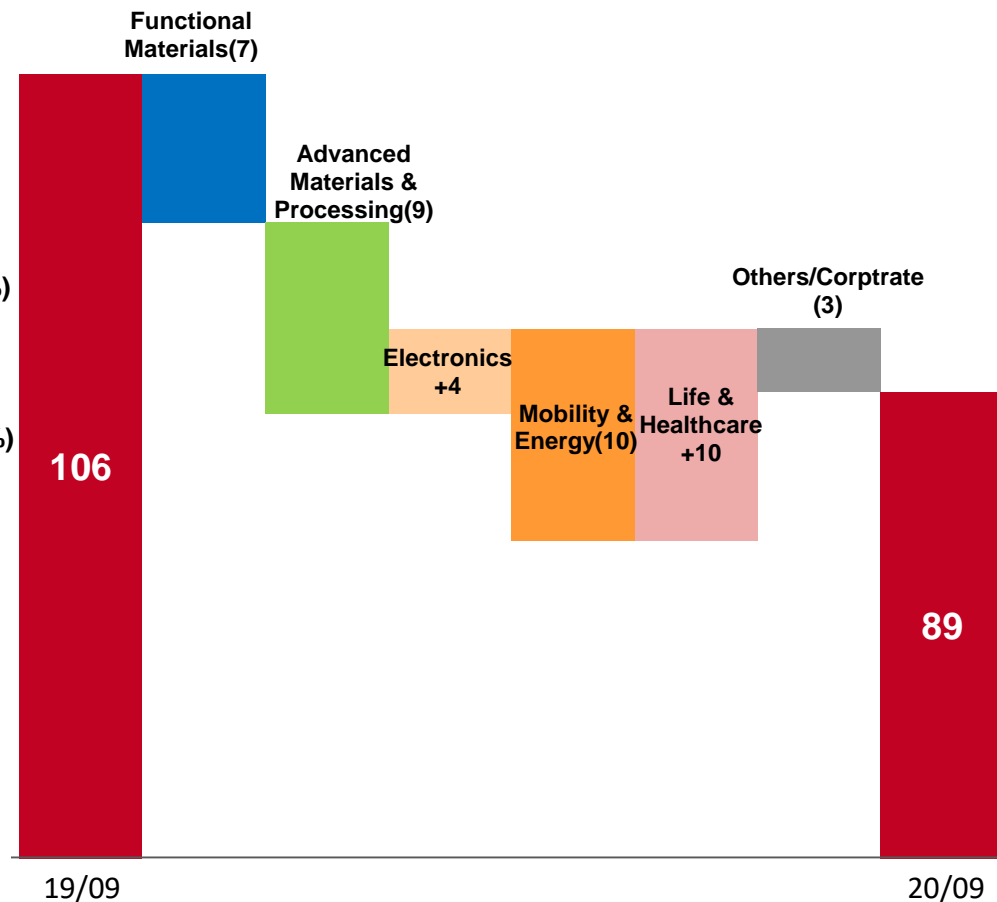
# Operating income: Two-Year Comparison (by Segment)

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

## Operating income by Segment (100 millions of yen)



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



# Consolidated Balance Sheets

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

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

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

## Assets

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

## Liabilities and Net Assets

(100 millions of yen)

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

## Cash Flows

(100 millions of yen)

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



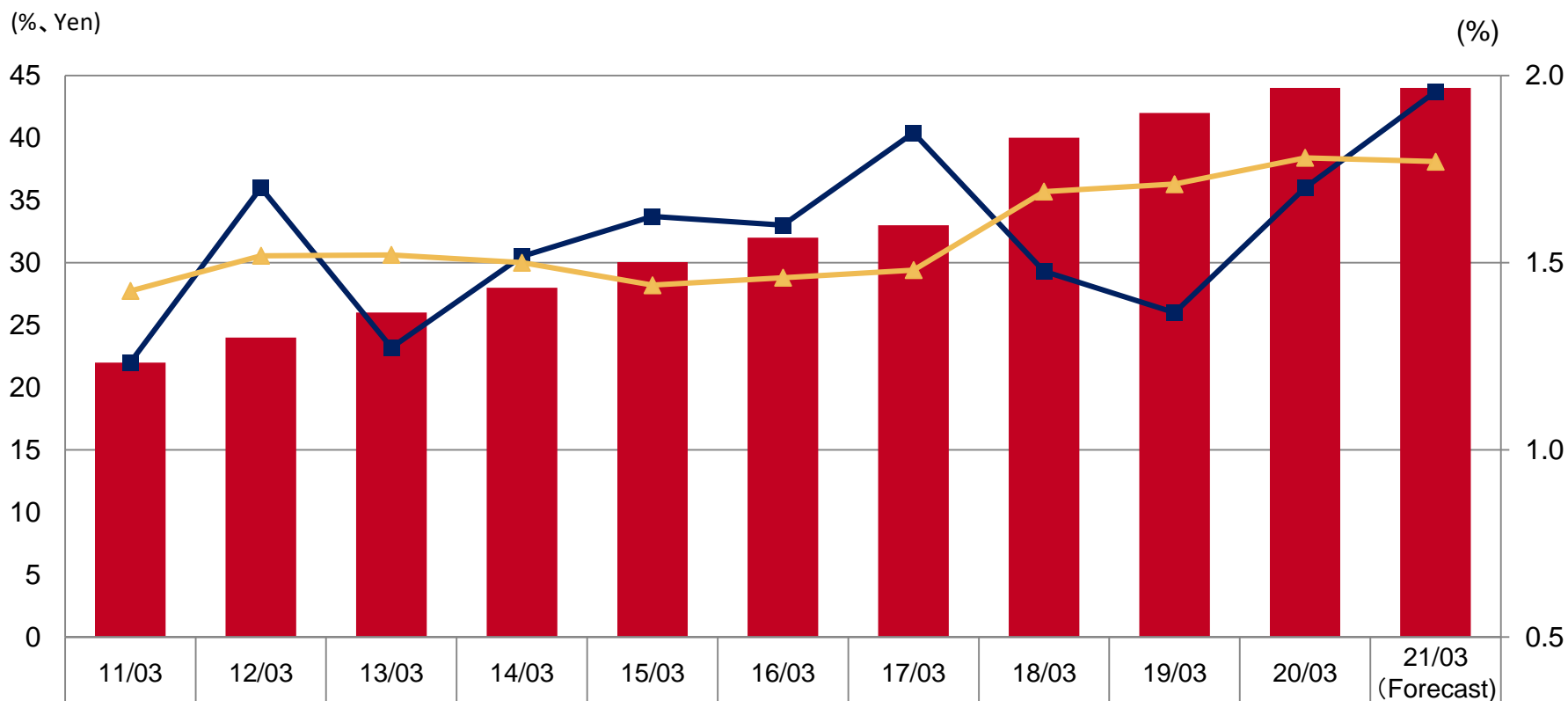
# FYE March 2021 Earnings Projections

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

(100 millions of yen)

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

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



■ Dividend per Share (left axis)	22	24	26	28	30	32	33	40	42	44	44
■ Payout Ratio (left axis)	22.0	36.0	23.2	30.5	33.7	33.0	40.4	29.3	26.0	36.0	43.7
▲ DOE (right axis)	1.42	1.52	1.52	1.50	1.44	1.46	1.48	1.69	1.71	1.78	1.77

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

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



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

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