

FYE March 2020 Second Quarter Financial Briefing

**NAGASE & CO., LTD
November 27, 2019**

Summary

■ FYE March 2020 Second Quarter Results and Earnings Projections

- Greater-than-expected slowdown in economic growth, particularly in China; decline in resin and other markets
 - ⇒ Resin sales higher year-on-year in terms of sales volume
- Greater-than-expected weakness in electric and electronics industries, automotive industry
- As a result, we have made a downward revision to fiscal year earnings projections

■ Conversion of Prinova Group, LLC (USA) to a Subsidiary

- Optimizing the overall NAGASE Group portfolio
- Building a strategic foundation to expand food materials business in Europe and the U.S.
- Creating synergies with existing NAGASE Group businesses for a larger, stronger revenue base

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FYE March 2020 Second Quarter Results

Consolidated Statements of Income

- Net sales: Overall industry weakness led to lower sales, despite firm performance in our Life & Healthcare segment
 - Operating income: Lower profits due to lower sales and increased expenses in connection with the Prinova acquisition
- * Prinova has not been consolidated on the NAGASE Group consolidated statements of income for the second quarter under review.

(100 millions of yen)

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

[Foreign exchange rate impact on 19/09 net sales and operating income results]

Net sales: -¥6.6 billion (approx.)
Operating income: -¥100 million (approx.)

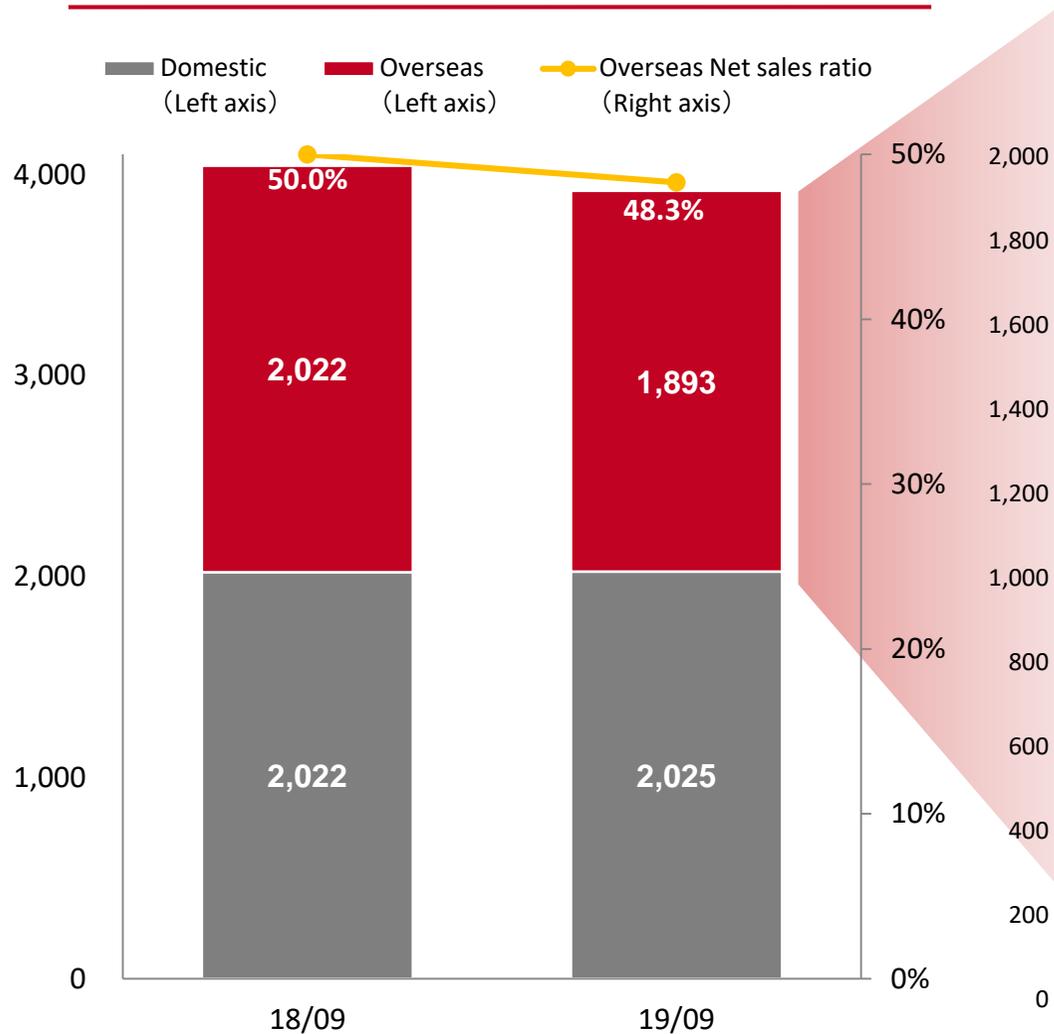
[Per-yen exchange rate impact on net sales and operating income]

	Impact of US\$ /yen	Impact of RMB/yen
Net sales	¥0.70 billion (approx.)	¥3.9 billion (approx.)
Operating income	¥20 million (approx.)	¥70 million (approx.)

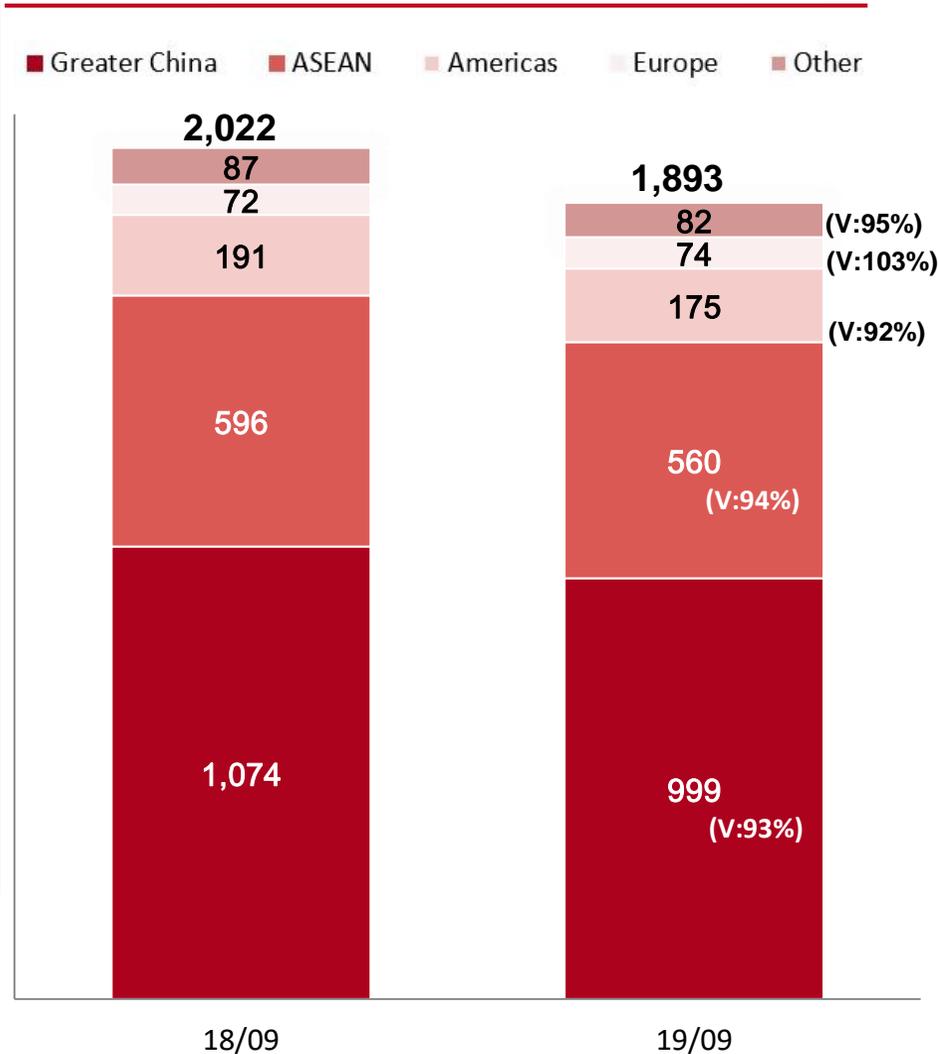
Net Sales by Region (Domestic, Overseas)

- Despite level year-on-year performance in Japan and Europe, other regions reported lower sales (overseas ratio of total sales 48.3%)

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



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



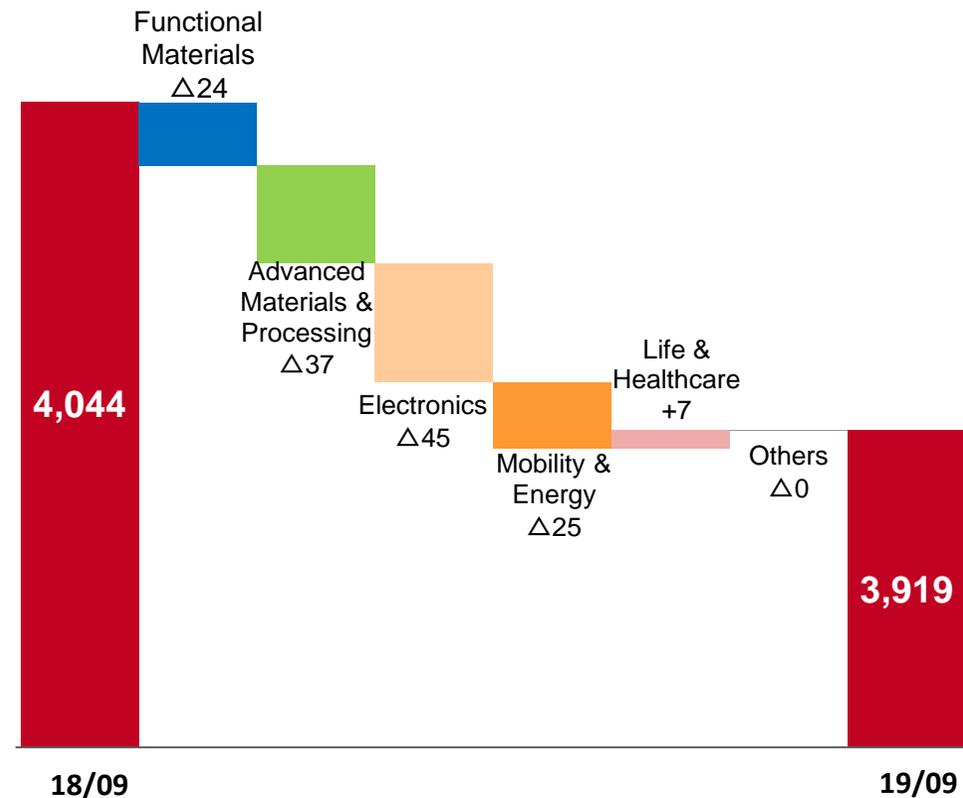
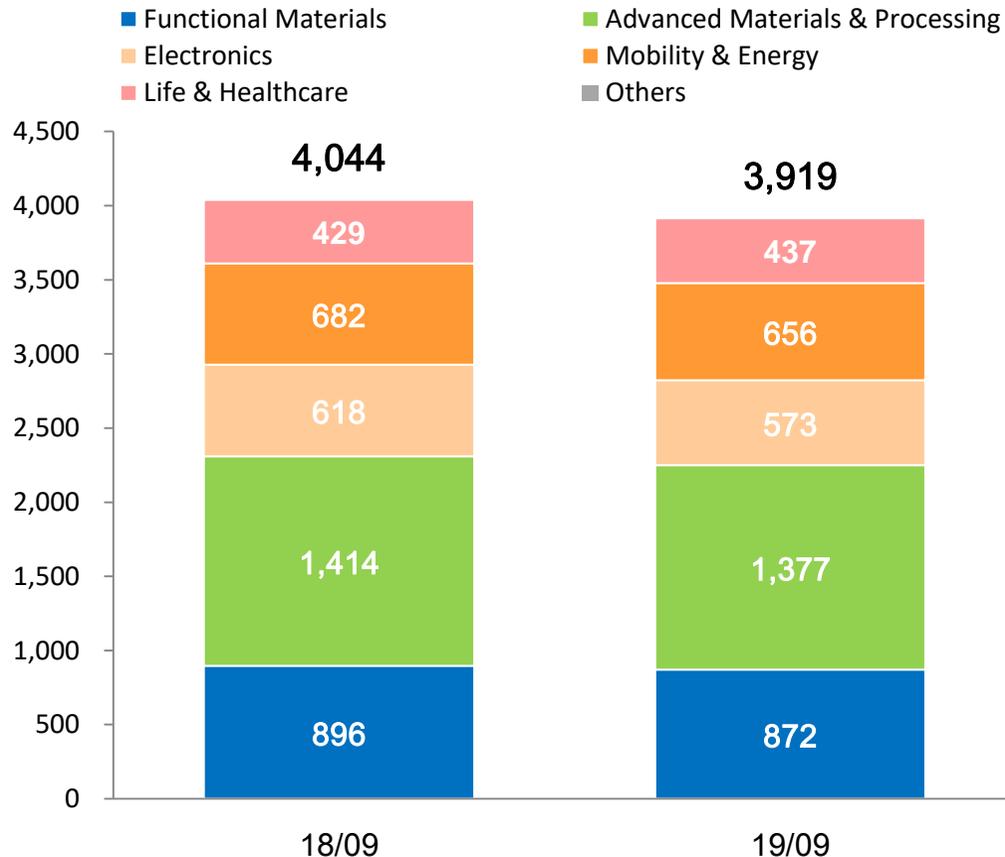
*V: Vs. Same Period in Prior Fiscal Year

Net Sales: Two-Year Comparison (by Segment)

- **Advanced Materials & Processing:** Lower overall sales, despite sales growth in digital print processing materials; sales of plastics were lower due to a weakening market
- **Electronics:** Lower sales, mainly due to sales declines in display-related products, despite growth in formulated epoxy resins and photolithography materials
- **Life & Healthcare:** Higher sales, mainly driven by strong sales of TREHA™ and other products to the foods industry and strong performance in business to the medical and pharmaceutical fields, despite lower performance of AA2G™ to the skin care and toiletries field

Net Sales by Segment (100 millions of yen)

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

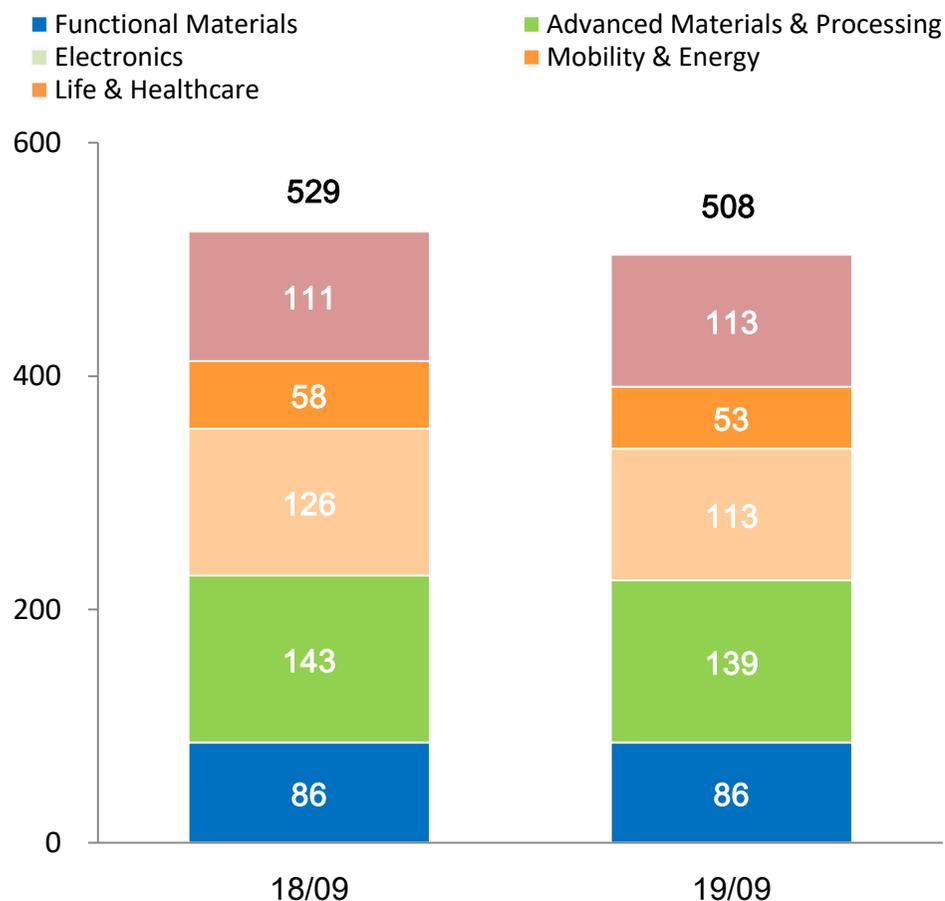


*As of April 2019, the Automotive & Energy Segment has changed its name to the Mobility & Energy Segment.

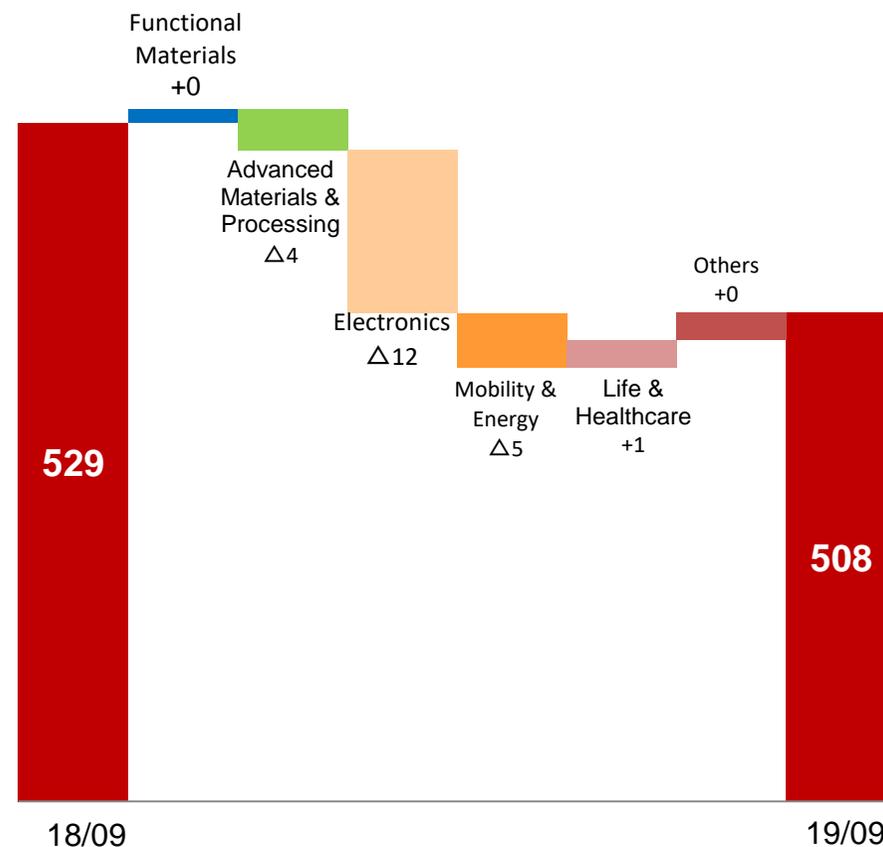
Gross Profit: Two-Year Comparison by Segment

- Lower profit, mainly due to the impact of lower revenues
- The Functional Materials Segment recorded slightly higher profits, mainly due to improved profit mix stemming from an increase in high-profit business

Gross Profit by Segment (100 millions of yen)



Change in Gross Profit by Segment (100 millions of yen)

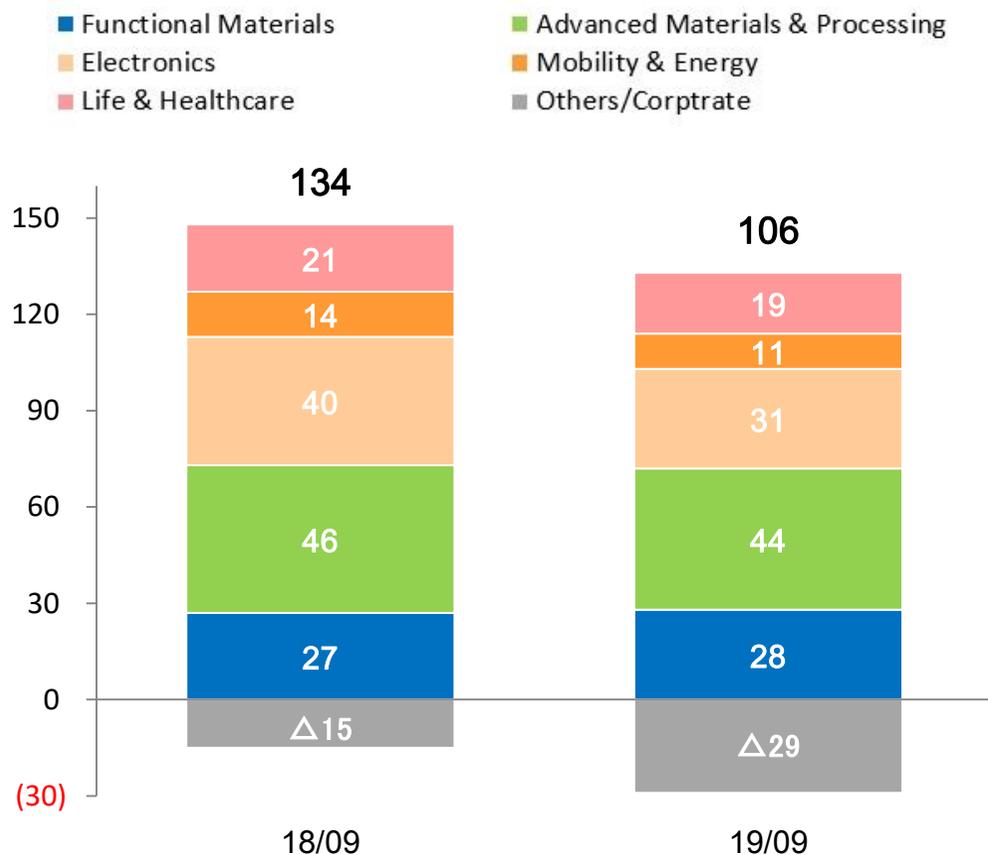


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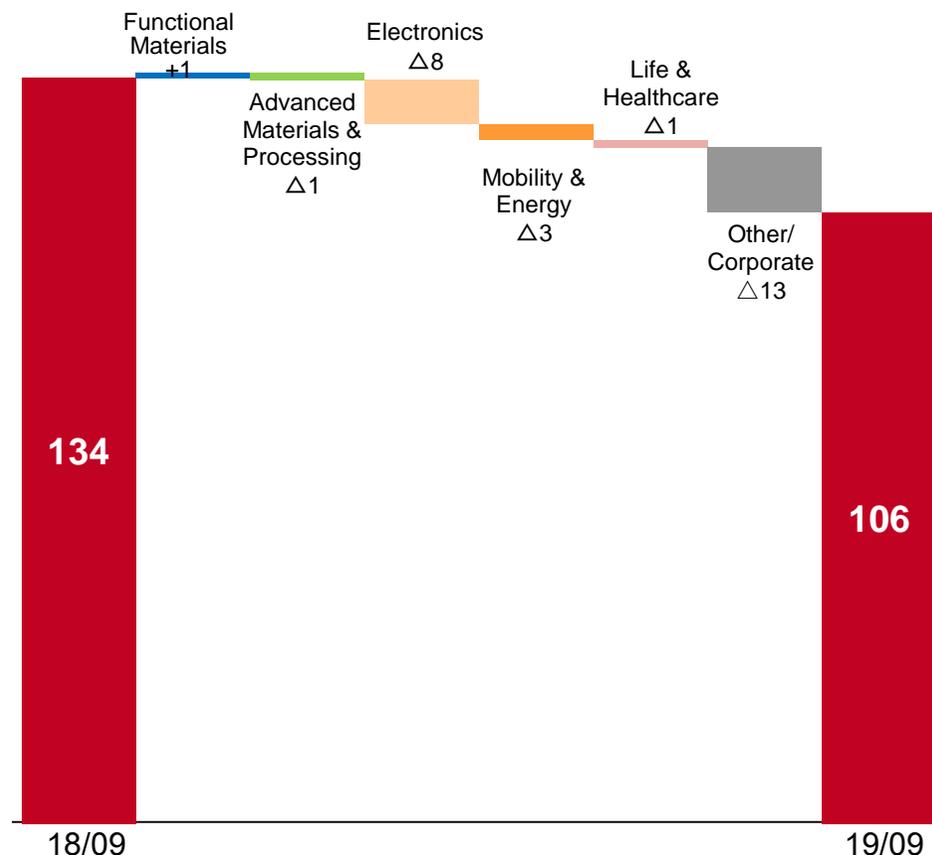
Operating Income: Two-Year Comparison (by Segment)

- **Electronics:** Lower profits, mainly due to the impact of worsening profitability at manufacturing subsidiaries
- **Other/Corporate:** Lower profits, mainly due to increased expenses in connection with the Prinova acquisition and systems building to implement measures toward medium- and long-term growth

Operating Income by Segment (100 millions of yen)



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



*As of April 2019, the Automotive & Energy Segment has changed its name to the Mobility & Energy Segment.

Earnings at Major Consolidated Subsidiaries

- Nagase Plastics Co., Ltd. recorded higher sales and profits despite a declining market for resins, mainly due to sales of super engineering plastics to the electronics industry
- Nagase (Thailand) Co., Ltd. recorded lower sales and profits despite growth in sales of materials for use in LEDs, mainly due to lower sales of engineering plastics for the automotive and OA industries

(100 millions of yen)

	Company Name	Net sales	Vs. PY	Operating Income (Note 2)	Vs. PY
Manufacturing Companies	Hayashibara Co., Ltd.	129	102%	26	105%
	Nagase ChemteX Corporation	131	99%	13	80%
	Total for manufacturing (Note 1)	523	98%	58	97%
Domestic Sales Companies	Nagase Plastics Co., Ltd.	190	103%	5	104%
	Nagase Chemical Co., Ltd.	97	105%	1	121%
	Nishinihon Nagase Co., Ltd.	43	102%	1	81%
	Total for domestic sales (Note 1)	473	102%	14	100%
Overseas Sales Companies	Nagase (Thailand) Co., Ltd.	188	96%	5	88%
	Shanghai Hua Chang Trading Co., Ltd.	198	101%	5	82%
	Shanghai Nagase Trading Co., Ltd.	215	93%	3	71%
	Total for overseas sales (Note 1)	1,845	94%	39	79%

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: Higher sales and profits as the company recorded higher sales of TREHA™ and Pullulan, despite lower performance of AA2G™ sales; the company also recorded increased sales due to new adoptions of Fibryxa™
- Nagase ChemteX: Sales level with the same period in the prior fiscal year despite higher sales in the Photolithography Materials Business due to improved customer capacity utilization and level sales in the epoxy resin business; Performance Chemicals Business recorded weak performance
Operating income lower due to worsening product mix

Hayashibara Co., Ltd.

(100 millions of yen)

	18/09	19/09	Change	Vs. PY
Net sales	126	129	+2	102%
Operating income	25	26	+1	105%

- 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, and in mouth-refreshing film
- Strong sales of other and LUMIN™-A

Nagase ChemteX Corporation

(100 millions of yen)

	18/09	19/09	Change	Vs. PY
Net sales	132	131	△0	99%
Operating income	16	13	△3	80%

- The Epoxy Resin Business recorded sales level year on year, despite strong performance in sales for heavy electrical and semiconductor applications, as sales of sealants for electronic components used in smartphones were lower
- 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, as sales of conductive materials for the LCD industry were lower

Consolidated Balance Sheets

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

Assets

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

Liabilities and Net Assets

(100 millions of yen)

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

Cash Flows

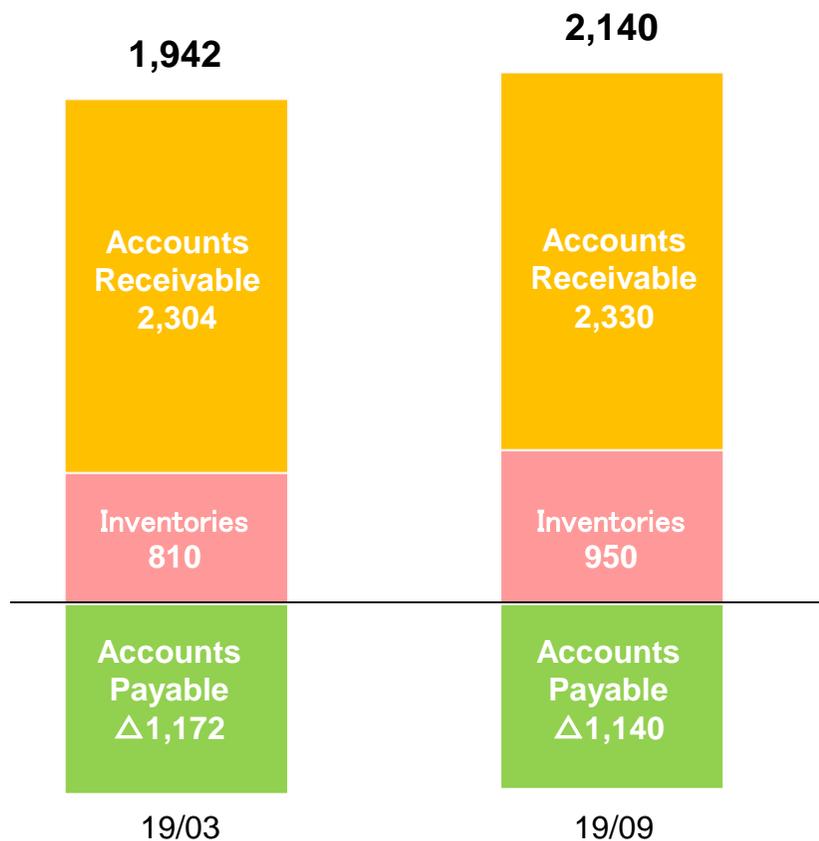
(100 millions of yen)

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

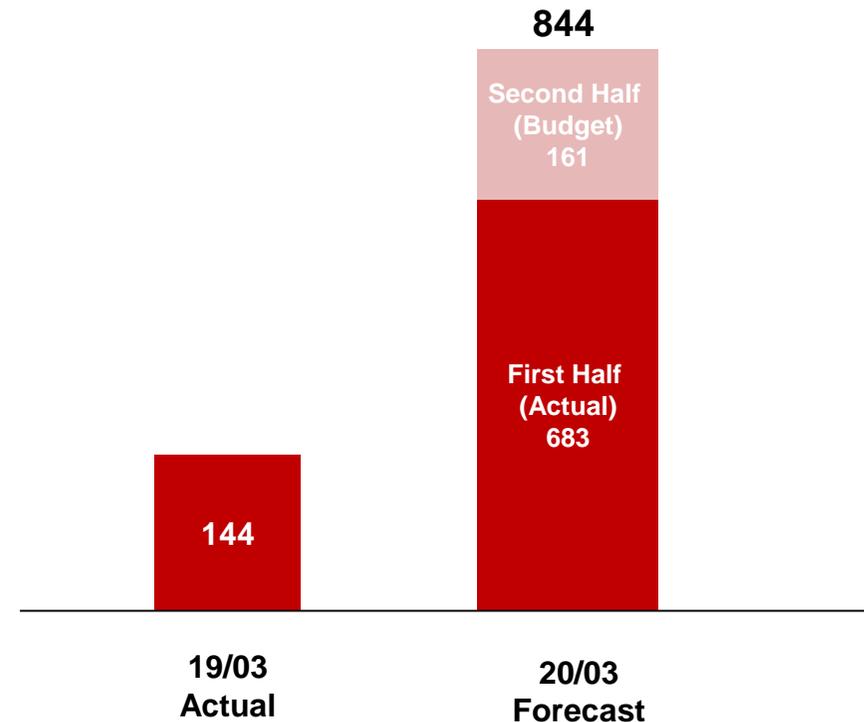
Working Capital and Investments

- Working Capital: Increased working capital due to the impact of new consolidations
- Investments: Acquisition of Prinova in our Focus Area Life & Healthcare segment

Working Capital (100 millions of yen)



Investment (100 millions of yen)



FYE March 2020 Earnings Projections

FYE March 2020 Earnings Projections

- China experienced an economic deceleration, while the impact of the U.S.-China trade frictions has slowed growth in the global economy, leading to a continued challenging business environment
- The impact of this transaction on consolidated earnings should be limited in the current fiscal year, as only five months of Prinova Group results will be incorporated into the Company's full-year earnings and the Company will incur significant temporary costs associated with the acquisition in question
- Impact of Prinova acquisition on operating income (five months, consolidated): Operating income (approximately ¥1.5 billion), goodwill amortization (approximately ¥1.0 billion), and acquisition-related expenses (approximately ¥600 million)

(100 millions of yen)

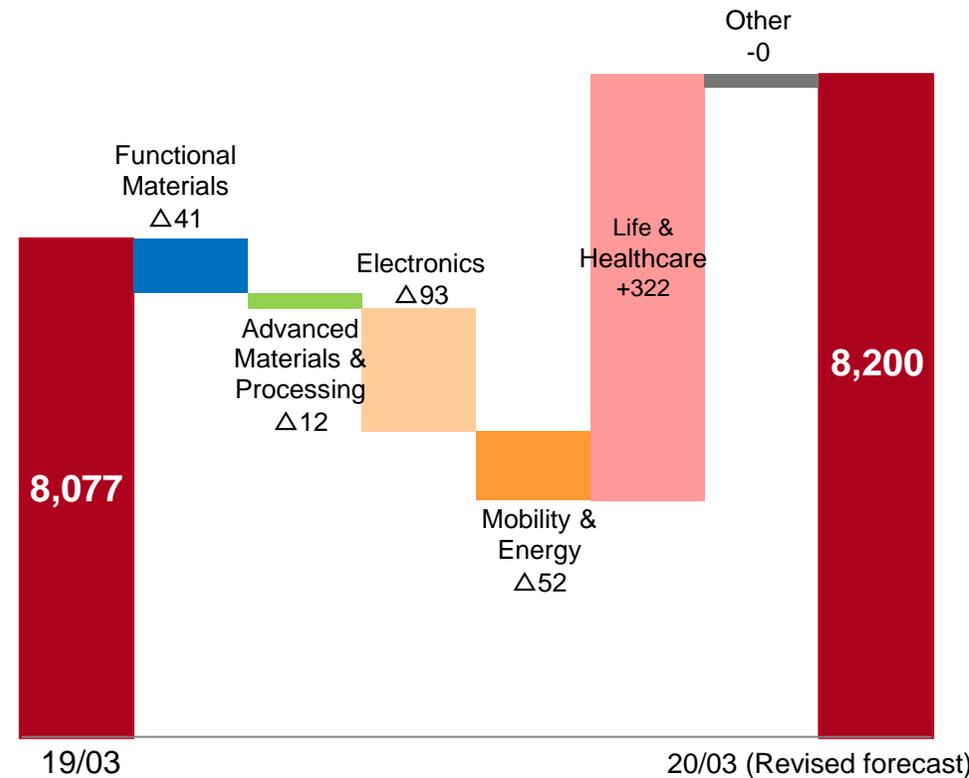
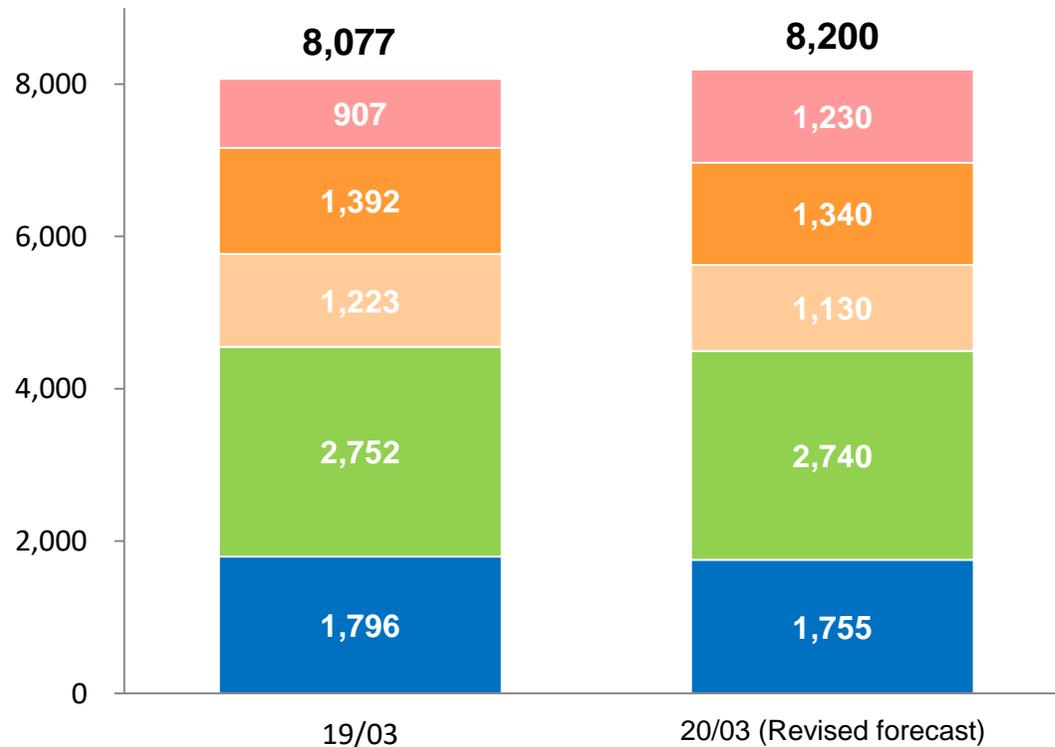
	19/03	20/03				
	Actual (A)	19/09 Actual	Previous Forecast (B)	Revised Forecast (C)	Change (C-A)	Vs. PY (C/A)
Net sales	8,077	3,919	8,500	8,200	+ 123	102%
Gross profit	1,054	508	1,108	1,080	+ 26	102%
<GP ratio>	13.1%	13.0%	13.0%	13.2%	—	
SG&A expenses	802	402	848	865	+ 63	108%
Operating income	252	106	260	215	△37	85%
Ordinary income	266	105	270	220	△46	83%
Profit attributable to owners of the parent	201	74	205	173	△28	86%
US\$ Exchange rate (period average)	@110.9	@108.6	@110.0	@108.0	@¥2.9 revaluation	—
RMB Exchange rate (period average)	@16.5	@15.7	@16.0	@15.4	@¥1.1 revaluation	—

Net Sales Forecast (by Segment)

- **Electronics:** Lower sales compared to the first half and lower sales for the fiscal year; although sales of formulated epoxy resins is likely to be in line with the first half, sales of display-related products expected to be weak, as is sales in the Photolithography Materials Business, which had been strong in the first half
- **Mobility & Energy:** Lower sales for the fiscal year, despite higher sales compared to the first half, even as second-half sales of car electronics-related products are expected to continue to be strong and the company expects to launch new businesses during the second half
- **Life & Healthcare:** Higher sales compared to the first half and for the fiscal year, as sales of TREHA™ are expected to continue to be strong, sales of AA2G™ to the skin care industry should rise, and Prinova will be added as a newly consolidated entity

Net Sales by Segment (100 millions of yen)

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

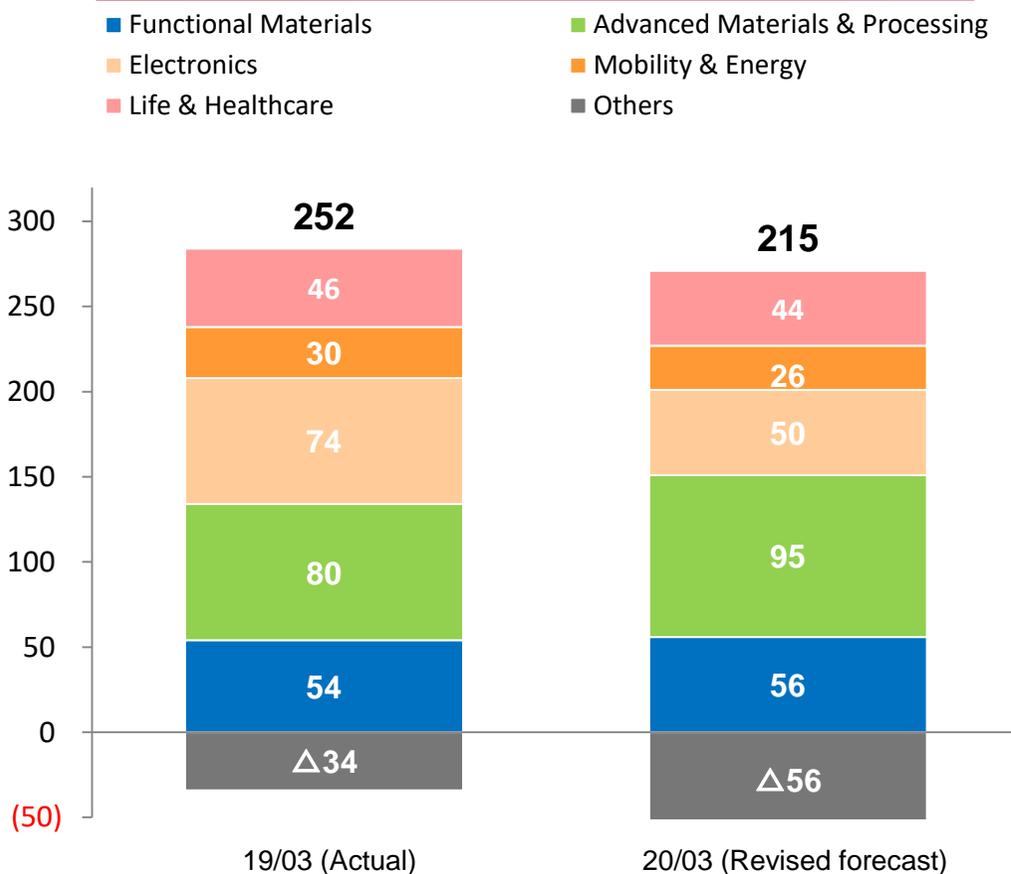


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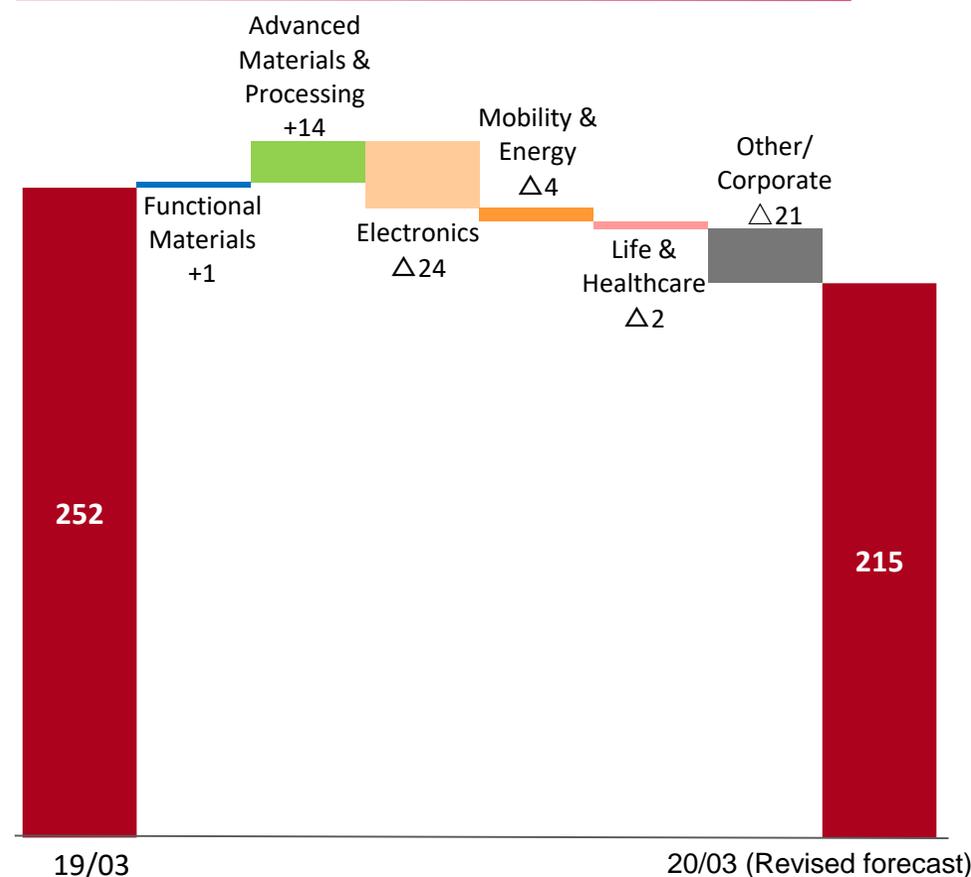
Operating Income Forecast (by Segment)

- **Advanced Materials & Processing:** Higher second-half profit compared to the first half and higher profit for the fiscal year, mainly due to ongoing strength in digital print processing materials sales and improved profitability at manufacturing subsidiaries
- **Life & Healthcare:** Lower profit, despite the new consolidation of Prinova, mainly due to weakness in pharmaceutical business performance and advanced investments toward medium- and long-term business growth at Hayashibara
- **Other/Corporate:** Lower profit for the fiscal year, despite lower second-half expenses compared to the first half, as the group will record costs related to the Prinova acquisition

Operating Income by Segment (100 millions of yen)



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

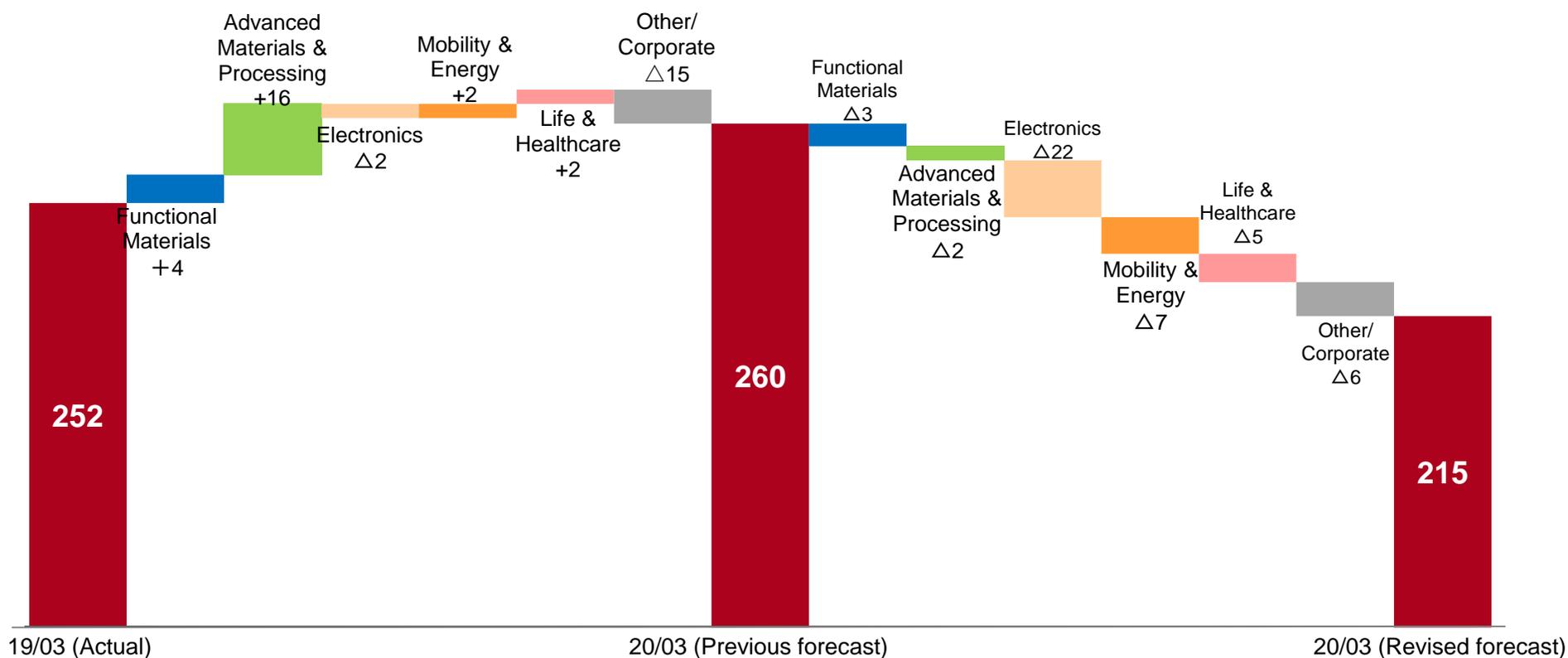


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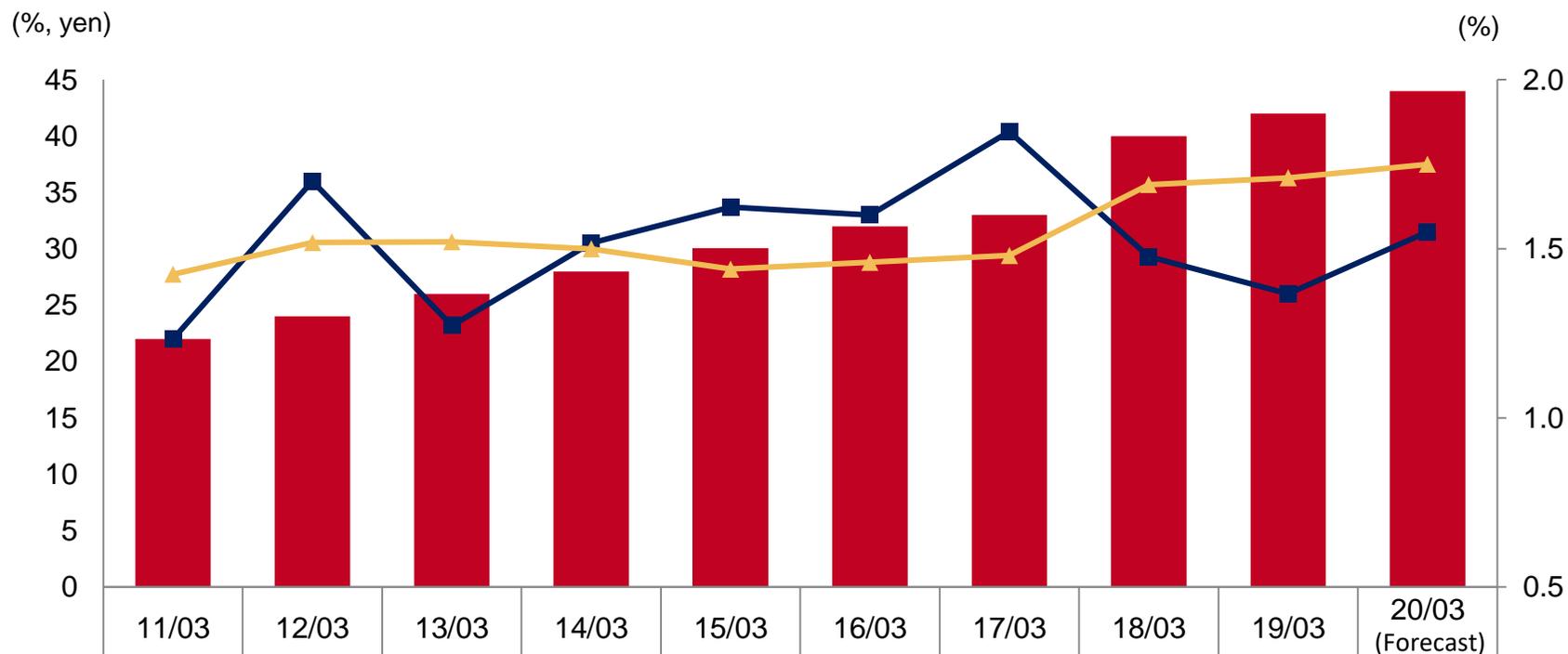
Operating Income Change Factors (PY Actual vs. Initial Forecast vs. Revised Forecast)

- Unit price decreases due to declines in the markets surrounding the Company likely to lead to lower profits (Advanced Materials & Processing, Mobility & Energy segment), despite increased sales volume for resin sales to the OA and automotive markets
- Weaker demand for certain high-end products in the display industry and cooling off in the Chinese market likely to result in lower display-related business performance and lower profits (Electronics segment)
- Lower profit (Life & Healthcare segment), despite the new consolidation of Prinova, mainly due to lower-than-expected profits in the pharmaceutical business, the enzymes business (related to the food industry), and the raw materials business (related to the skin care and toiletries industry)
- Lower profit due to increased expenses in connection with the Prinova acquisition (Other/Corporate)

Change in Operating Income by Segment (100 millions of 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 (10 consecutive years of higher dividends)



■ Dividend per Share (left axis)	22	24	26	28	30	32	33	40	42	44
■ Payout Ratio (left axis)	22.0	36.0	23.2	30.5	33.7	33.0	40.4	29.3	26.0	31.5
▲ DOE (right axis)	1.42	1.52	1.52	1.50	1.44	1.46	1.48	1.69	1.71	1.75

*1 03/18 dividends included a ¥5 per share special dividend

*2 03/20 year-end dividend is scheduled as an agenda item for the 105th Shareholders' Meeting planned for June 2020.

Progress of Mid-Term Management Plan *ACE-2020*

Accountability / Commitment / Efficiency



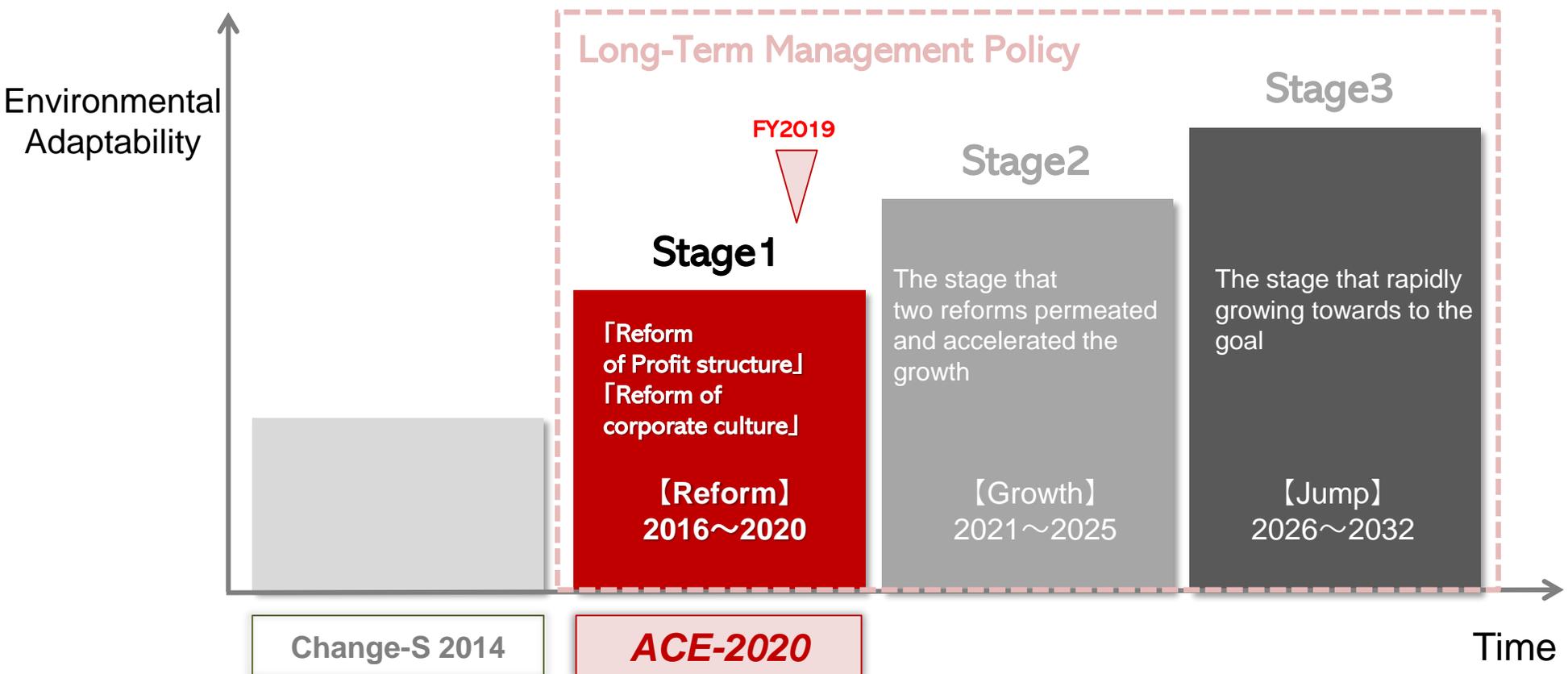
NAGASE Transforms from *Shosha/Trading* to *Business Designer*

Positioning of ACE-2020

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 FY2019 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.



【6 Functions】

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

Reform of Profit Structure

Focus Area

- **Convert Prinova (USA) to a Subsidiary**
Build a strategic foundation in combination with Hayashibara to expand food materials business in Europe and the U.S.
- **Established NAGASE Food Ingredients Food Development Center (Xiamen) in Fujian Province, China**
Hayashibara application development lab *L'Plaza*, first overseas location for the company

Growth Area

- **Rare amino acid ergothioneine research selected for FY2019 NEDO subsidy**
Aiming to establish eco-friendly bio production process from chemical synthesis
- **Israeli venture development, sales of first MRI image noise reduction software in Japan**
Reduction in Imaging Time Results in Less Burden on Patients, Health Care Workers

Base Area

- **Response to risk chemicals in connection with expanded environmental regulations throughout China**
Research into impact of factories, raw materials, and value chain whose supply may be affected by regulations

Business Designer Functions



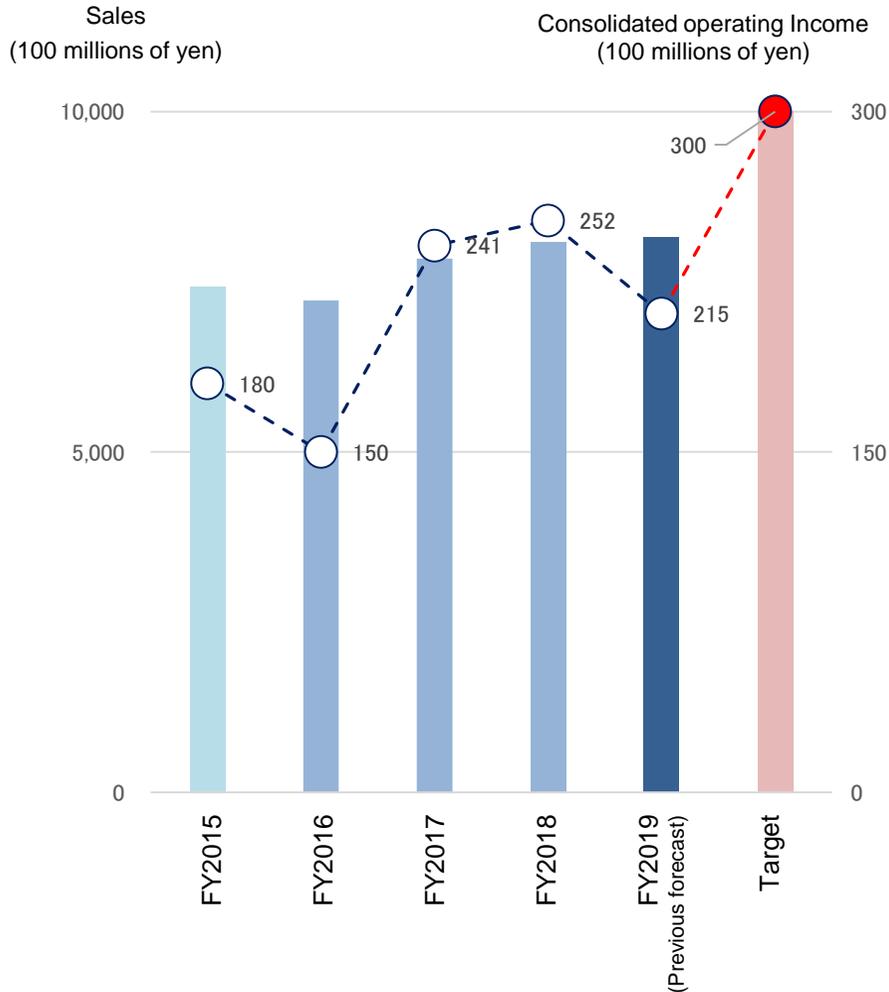
Reform Corporate Culture

- **Continue discussions to identify priority issues toward sustainability management**
- **Launch of Group Manufacturing Company Coordinating Committee**
- **Update corporate advertising visuals**

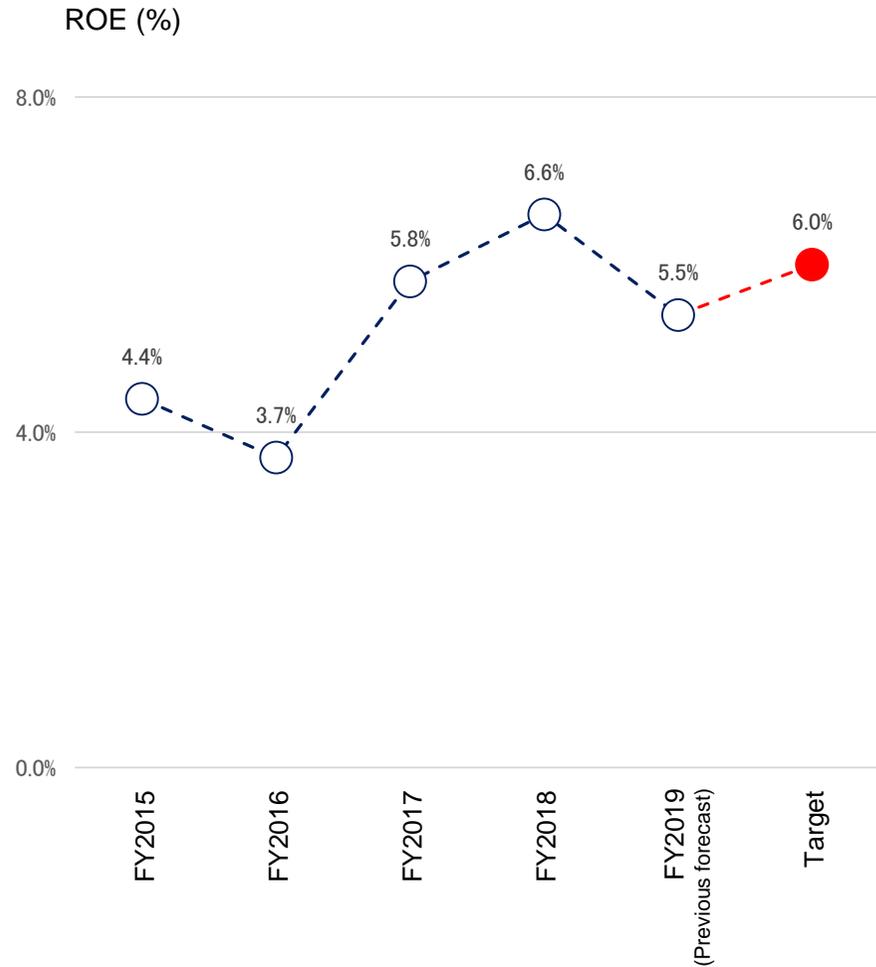
Progress of Mid-Term Management Plan

ACE - 2020 KGIs

Consolidated Sales/Operating Income
1.0 Trillion Yen/30 Billion Yen or more



ROE
Normalize Over 6% at early stage



Acquisition of Prinova Group, LLC (USA)

Director and Executive Officer
Director in Charge of Prinova Group, LLC
Masaya Ikemoto



Overview of Prinova Group, LLC Acquisition	P.28
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Overview of Prinova Group, LLC Acquisition

Acquired Companies

Prinova Group, LLC and 17 Subsidiaries

Acquisition Cost

Approximately 63.0 billion yen

Recovery of Investment

15 years or less

Capital Procurement

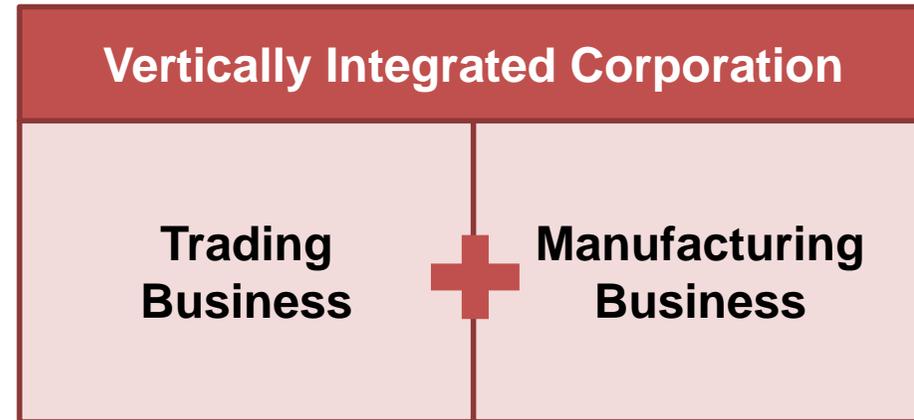
Interest-bearing debt and cash on hand

Acquisition Schedule

Completed equity acquisition on August 6, 2019 BS to be consolidated with Q2 results. PL to be consolidated with Q3 results (consolidating five months' results for Fiscal 2019)

Overview of Prinova Group, LLC Acquisition

Company Name	Prinova Group, LLC
Head Office	Illinois (near Chicago), USA
Established	1978
Business Scale (FYE December 2018)	Net sales : Approx. US\$777 million Operating income: Approx. US\$42 million
Employees	Approx. 1,000
Manufacturing Sites	USA (4), UK (1), China (1)
Sales Offices	Offices in 10 countries, including USA and UK
Product Line	Food ingredients (vitamins, amino acids, etc.); flavors, premix and contract manufacturing (sports nutrition)
Description of Business	Distribution of food ingredients and aromas, manufacturing of premix and flavors, and contract manufacturing.



Mid-Term Management Plan ACE-2020 Framework (Excerpt)

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**

M&A conducted by HQ that adds into Focus area

Focus

Expected further increase in profit

Life & Healthcare

Electronics

[Resource Allocation Policy]
Intensive resource allocation that accelerates growth
[Priority Measures]
(1) Expand scale
(2) Examine profit structure
(3) Horizontal expansion of market
(4) Strengthen marketing
(5) Minimize risk

Prinova Group Features

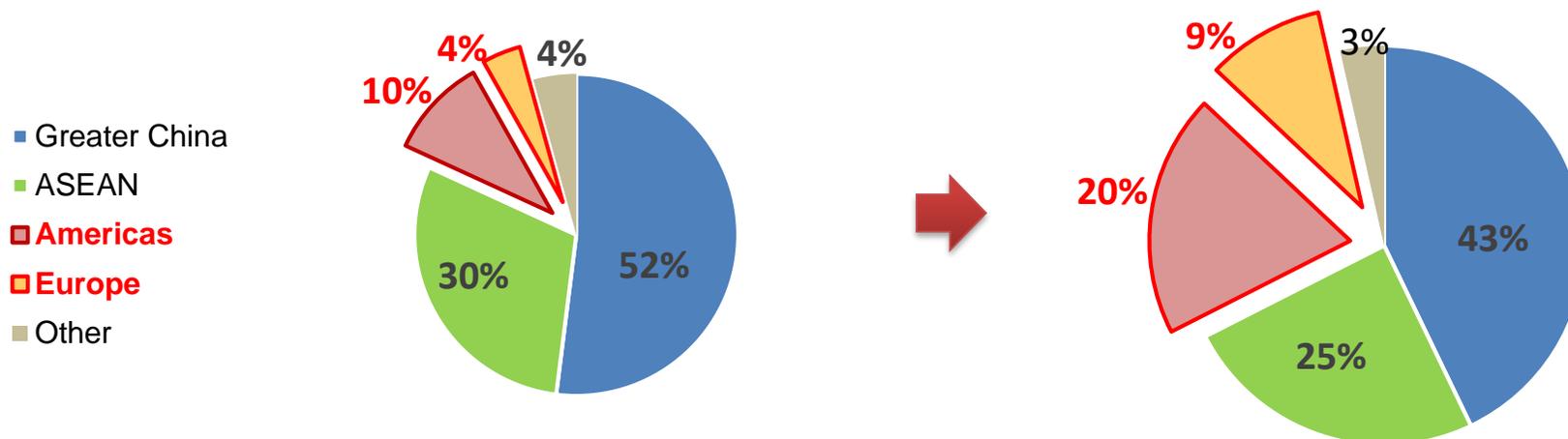
Prinova continues to grow with similar strategy as Nagase, vertically integrating distribution, processing and contract manufacturing

By acquiring the Prinova business platform we intend to;

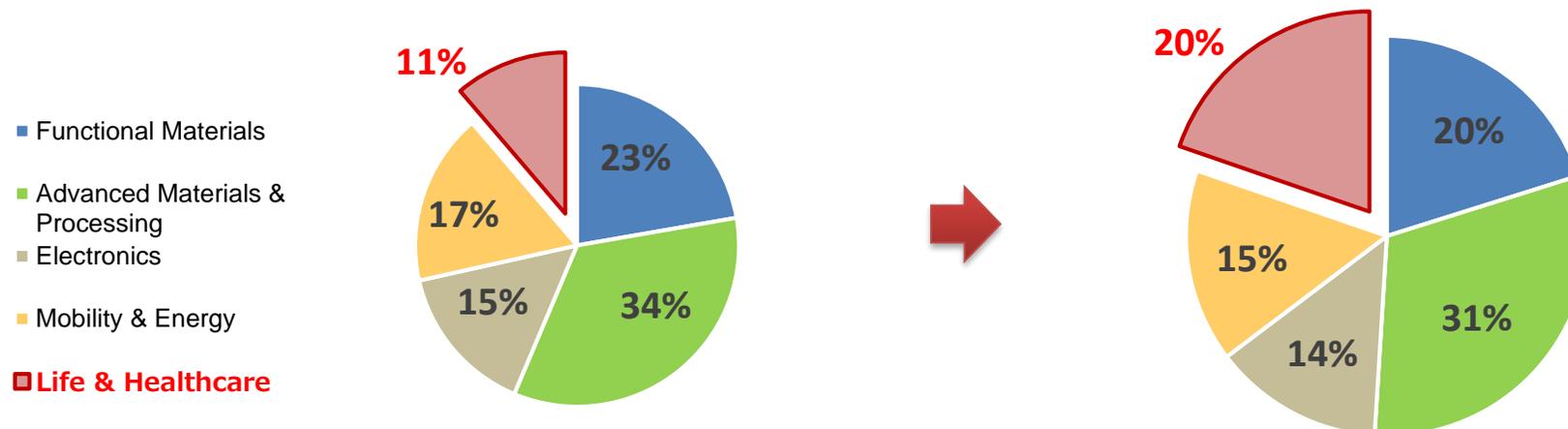
- ❑ Use the platform as our strategic foundation for US and Europe
- ❑ Strengthen our food business and raise our market presence
- ❑ Obtain a value chain that offers added values to our customers
- ❑ Create synergies with Hayashibara and other existing businesses

Purpose and Significance of the Acquisition (3) - Impact of NAGASE Group Operations

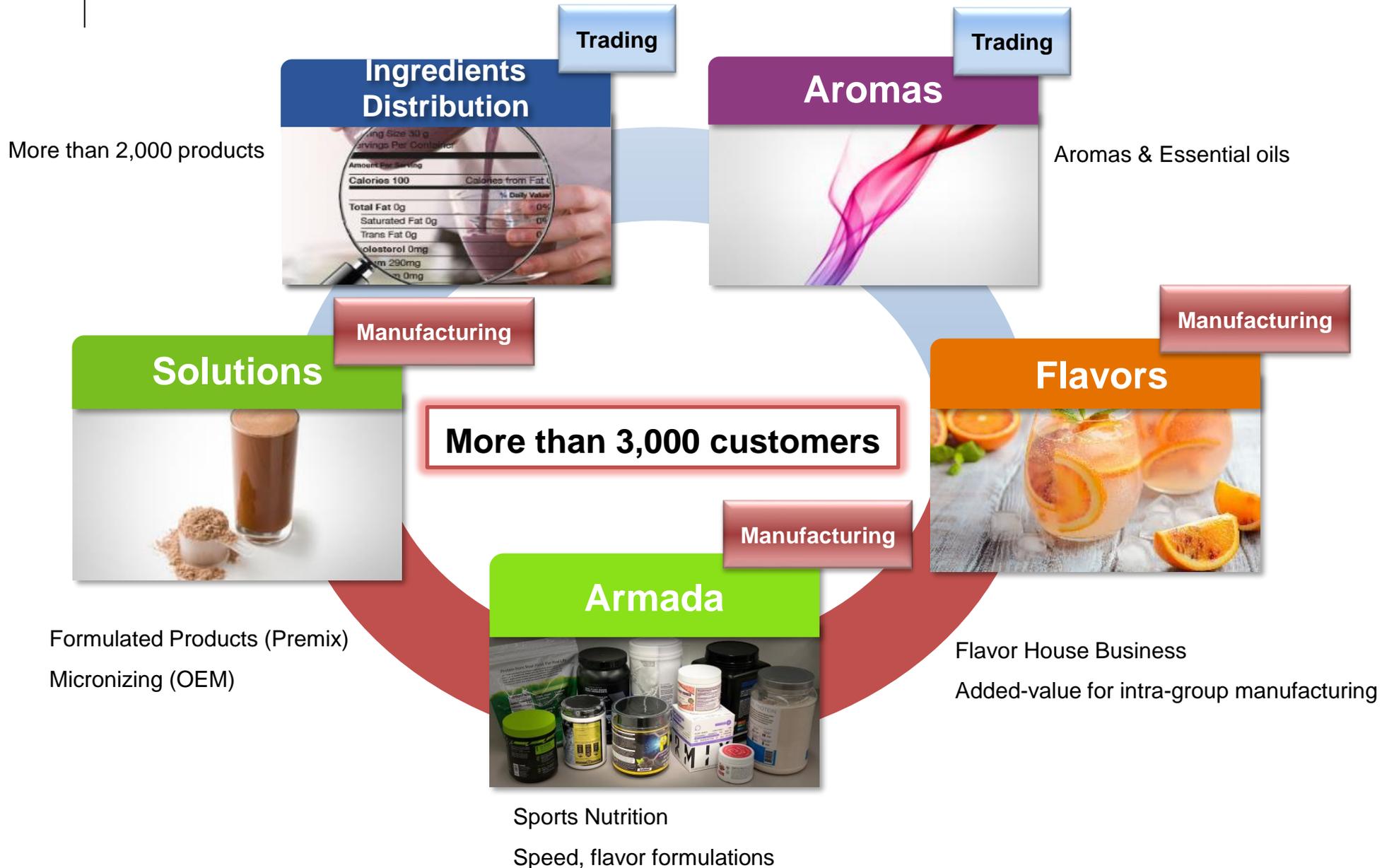
Overseas Sales Overseas Sales by Region (%) (FY2018 basis)



Sales by Segment (%) (FY2018 basis)

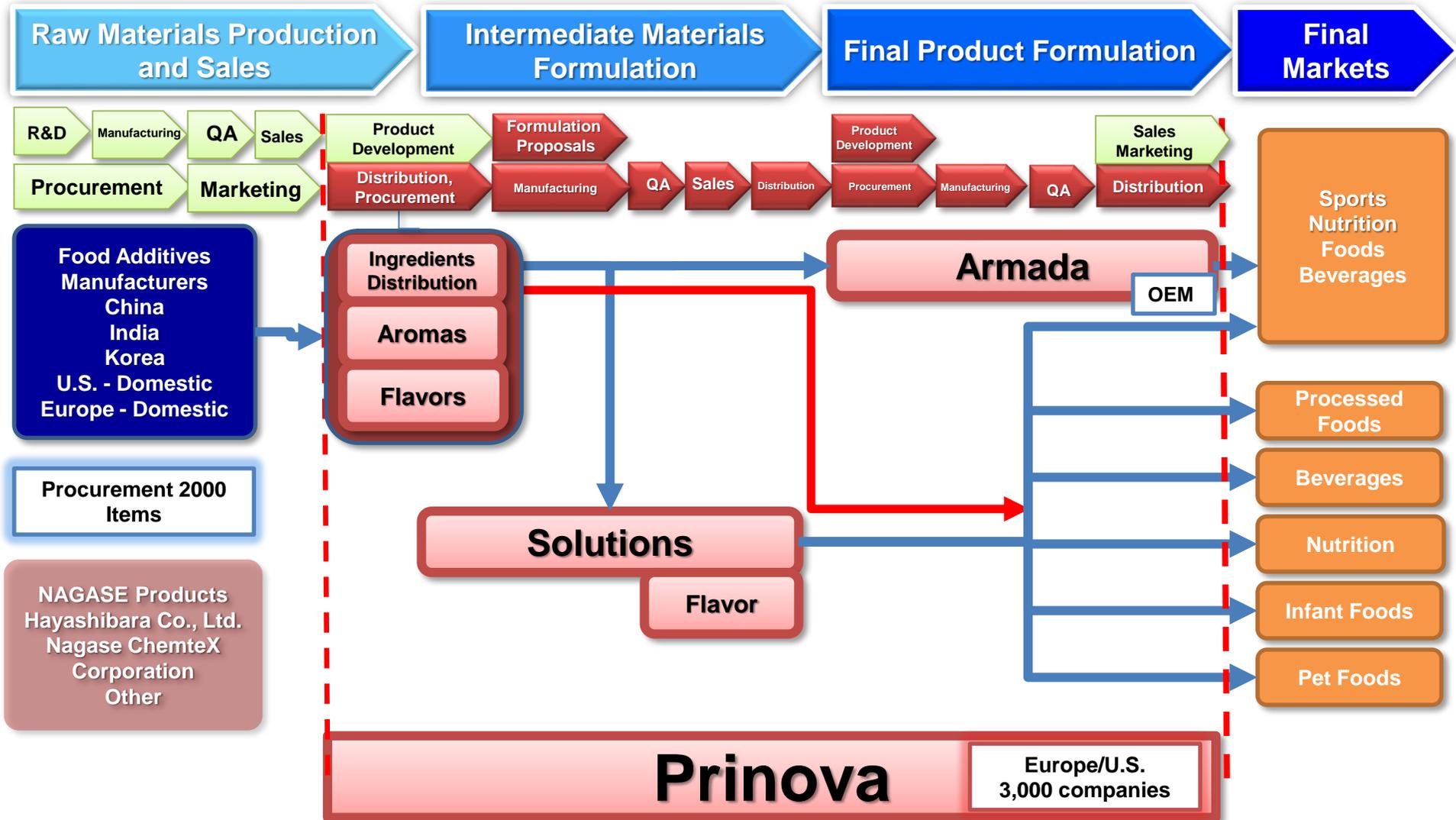


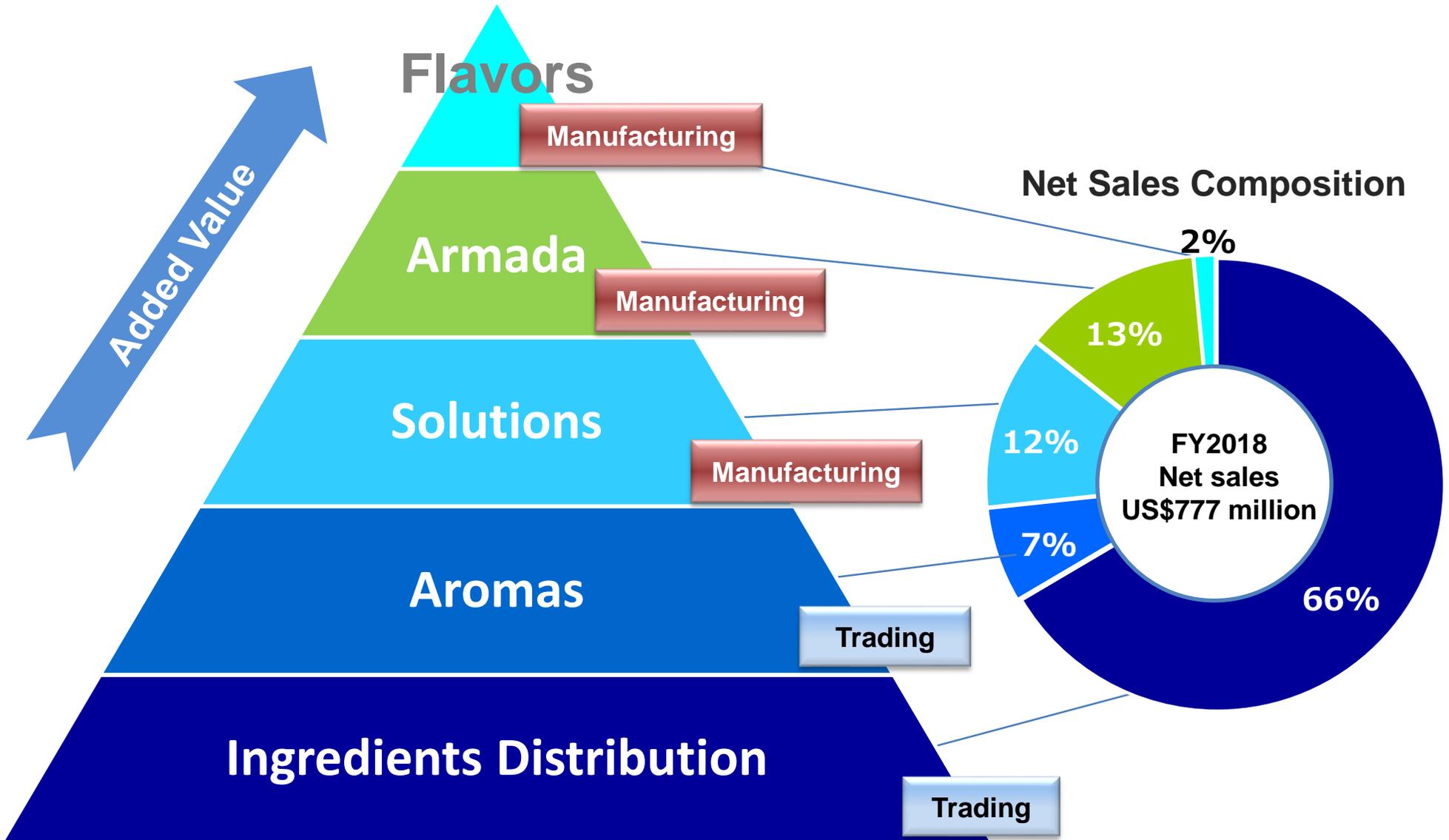
Overview of Business



Overview of Business Lines

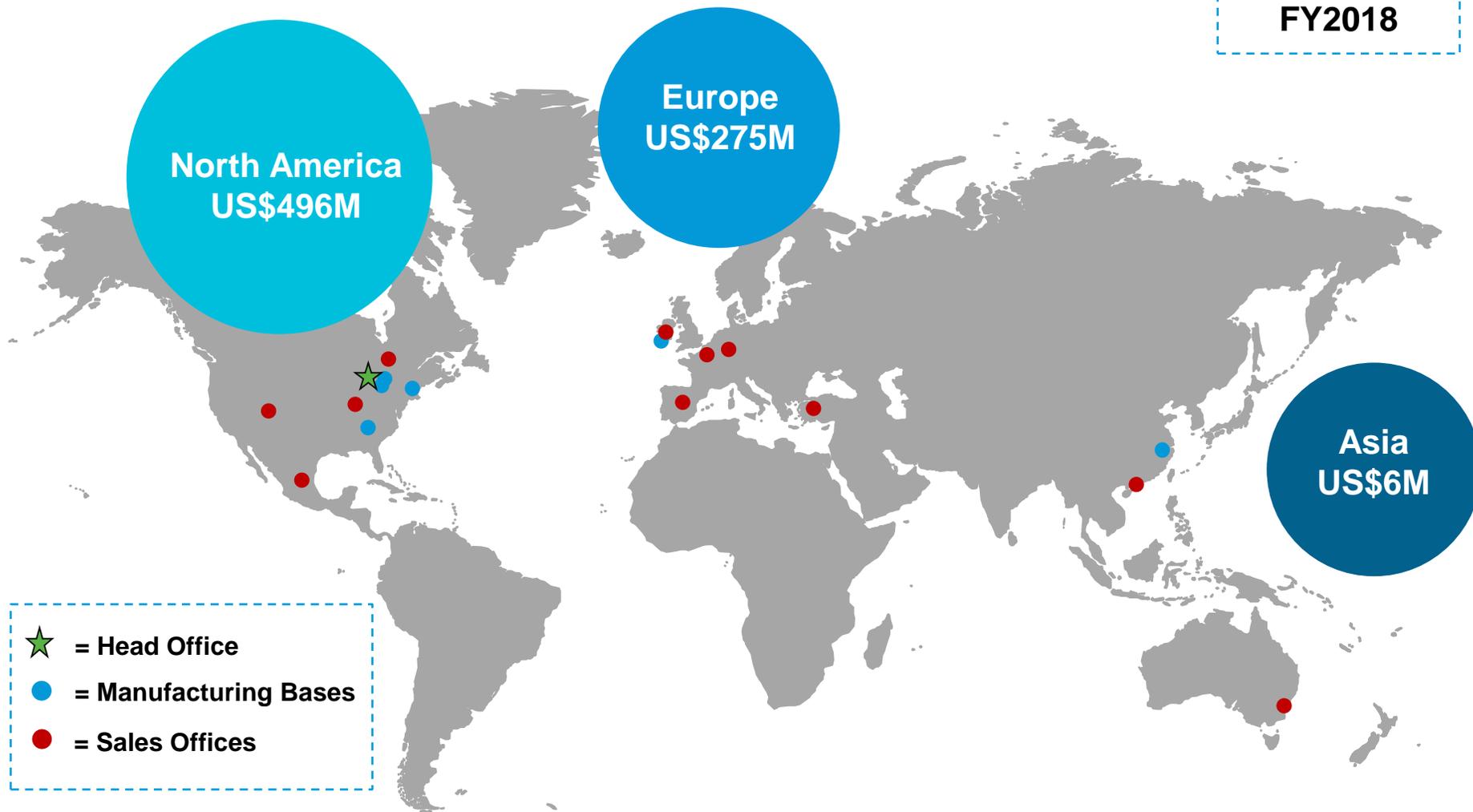
- Coverage Across the Food Value Chain





Sales by Region

FY2018



Solutions Formulation/Processing Business

Strengths

- Customer-base with strong relationship built over time
- Sourcing capability of ingredients
- Global manufacturing coverage (US, Europe and China)
- Product development/formulation capabilities
- Capability to handle a variety of manufacturing
- Quality Control/Quality Assurance system

Market Environment

Formulation (Premix) Market

- Premix market is growing as nutritional supplement and functional food market expand driven by growing health consciousness
 - Main ingredients and vitamins and amino acids, ingredients where Prinova has strong presence in
- Premix market is expected to reach US21B by 2027
 - North American market represents 36% of global market, followed by Europe and China (2017)

Armada Contract Manufacturing Business

Strengths

- Strong relationships with major sports nutrition brands
- Top-class manufacturing facilities in terms of size and quality
- Formulation capability incorporating in-house flavorists
- Speed, from proposal to market
- Supply chain of ingredients
- Manufacturing sites in US and Europe

Market Environment

Sports Nutrition Market

- US\$28.0B market globally (2016)*
- Expected to reach US\$45.0 billion by 2022*
- Expanding consumer base from athletes and body builders to general consumers as lifestyle changes
- North America is the largest market (80%+)

*Source: Zion Market Research survey

Growth Engine of Prinova Group

- Growing Added-Value Businesses

Solutions Formulation/Processing BusinessAQ

- Shift from ingredient sales business to formulation and other high-value-added solutions-based biz model
- Further expanding business with major brands leveraging global coverage
- Accelerating expansion in Asian markets

Armada Contract Manufacturing Business

- Expanding product types to meet customer needs
- Full range of product formats to answer customer needs
 - Capsulation line will be installed in addition to existing bottle and stick pack lines
- Accelerating expansion in Europe, the No.2 market behind U.S.

European and U.S. Markets (Prinova)

- For Prinova customers:
 - Expand sales of NAGASE Group products and Japanese products
 - Propose formulations utilizing Hayashibara functions
 - New product proposals utilizing Hayashibara's R&D, application development functions
- Deploy Hayashibara's functional food ingredients to sports nutrition market by leveraging Prinova's position in the market
- Sales of premix to Japanese companies' overseas plants

Asian Markets (NAGASE)

Use the NAGASE Group network to:

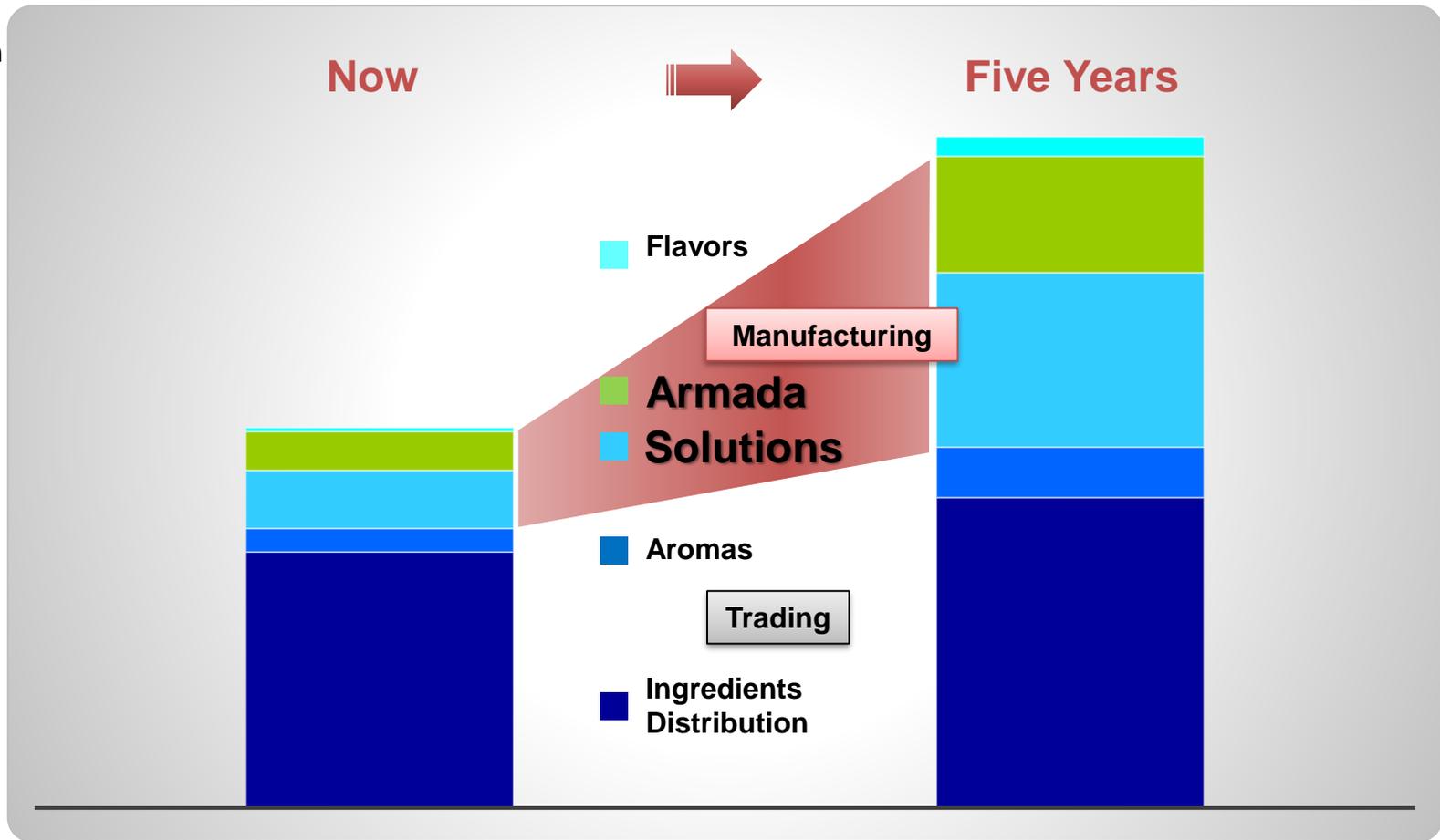
- Promote manufacture and sales of Prinova products in Asia (formulated products, food ingredients)
- Expand sports nutrition contract manufacturing business

Expecting Growth in Solutions Business and Armada Business

Reform Profit Structure (Operating Income)

10.0 Billion Yen

5.0 Billion Yen



Aiming to Expand Manufacturing / Value-Added Businesses Backed by Distribution Business Base

Impact of Consolidating Prinova Group

	03/20 Forecast (Prinova Earnings from August through December)	*Reference Prinova Group, LLC Estimated FYE December 2019 Results (excluding special M&A-related expenses)
Prinova Group Net Sales	Approximately ¥33.0 billion	Approximately ¥84.0 billion
Prinova Group Operating Income	Approximately ¥1.5 billion	Approximately ¥4.7 billion
Goodwill Amortization*	Approximately ¥1.0 billion	-

Goodwill Recorded*	<h3>¥35.4 Billion</h3> <p>Acquisition cost allocation procedures (PPA) have not been completed as of Q2, FYE March 2020; accordingly, NAGASE has provisionally recorded the entire difference as goodwill</p>
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*Estimate as of November 27, 2019. Goodwill, intangible fixed assets and amortization of goodwill will change according to the results of PPA.

(Reference) Information by Segment

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/19		FYE 03/20				
	Interim	Full-Year	Interim	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	826	1,662	807	98%	1,654	100%
	Overseas	297	587	288	97%	556	95%
	Eliminations	▲227	▲454	▲223	-	▲455	-
	Total	896	1,796	872	97%	1,755	98%
Operating income	Domestic	20	42	20	97%	42	101%
	Overseas	7	14	8	112%	15	106%
	Eliminations	▲1	▲2	▲0	-	▲1	-
	Total	27	54	28	104%	56	102%

*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 Second Quarter Results

Net sales

¥87.2 billion (97%)

- ◆ The Performance Chemicals business recorded slightly lower sales due to lower sales in coating raw materials and urethane materials as a result of lower automotive production in Japan and overseas.
- ◆ The Speciality Chemicals business recorded slightly lower sales overall, from decreased sales of both electronics chemicals for the semiconductor and other related electronics industries in Japan and overseas, and of industrial oil solutions.

Operating income

¥2.8 billion (104%)

- ◆ Higher due to improved product mix

FYE March 2020 Outlook

- ◇ We forecast higher sales for the second half compared to the first half due to recovery in coating raw materials and urethane materials sales. The filters-related business has seen the addition of new sales, while epichlorohydrin conductor sales for 3D printers should also be strong. Despite lower sales, we expect improved product mix to lead to higher sales and profits for the fiscal year.

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/19		FYE 03/20				
	Interim	Full-Year	Interim	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	888	1,760	891	100%	1,808	103%
	Overseas	900	1,717	863	96%	1,689	98%
	Eliminations	▲374	▲725	▲378	-	▲757	-
	Total	1,414	2,752	1,377	97%	2,740	100%
Operating income	Domestic	27	50	28	103%	59	117%
	Overseas	20	30	17	84%	36	117%
	Eliminations	▲2	▲1	▲1	-	0	-
	Total	46	80	44	96%	95	117%

*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 Second Quarter Results

Net sales

¥137.7 billion (97%)

- ◆ The Colors & Advanced Processing business recorded higher sales as a whole, due to growth in digital print processing materials in both Japan and overseas, as well as slight growth in sales of dyes and additives within Japan.
- ◆ The Polymer Global Account business recorded lower sales overall, mainly due to lower sales in Japan, Northeast Asia, and Southeast Asia.

Operating income

¥4.4 billion (96%)

- ◆ Lower profits, mainly due to lower sales.

FYE March 2020 Outlook

- ◇ We forecast higher second-half profits compared to the first half despite level sales, as our manufacturing businesses drive results. While we expect full-year sales to be level year on year, our manufacturing businesses should drive results, leading to higher profits.

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/19		FYE 03/20				
	Interim	Full-Year	Interim	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	608	1,189	583	96%	1,151	97%
	Overseas	368	744	325	88%	647	87%
	Eliminations	▲358	▲710	▲336	-	▲668	-
	Total	618	1,223	573	93%	1,130	92%
Operating income	Domestic	23	38	20	89%	34	91%
	Overseas	17	35	9	57%	17	50%
	Eliminations	▲0	+0	+0	-	▲1	-
	Total	40	74	31	78%	50	68%

*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 Second Quarter Results

Net sales

¥57.3 billion (93%)

◆ Despite increased sales of formulated epoxy resins and photolithography materials to the semiconductor industries, the Electronics segment recorded lower net sales overall driven by lower sales of precision processing-related, equipment-related, and display-related materials used in connection with interim processing in semiconductors.

Operating income

¥3.1 billion (78%)

◆ Lower profits, mainly due to lower sales.

FYE March 2020 Outlook

◇ We forecast sales and profits to be lower compared to the first half due to weakness in photolithography materials sales and ongoing weakness on sales of display-related products from the first half. We also project lower sales and profits for the full year.

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/19		FYE 03/20				
	Interim	Full-Year	Interim	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	377	786	387	103%	807	103%
	Overseas	425	856	384	90%	780	91%
	Eliminations	▲121	▲250	▲116	-	▲247	-
	Total	682	1,392	656	96%	1,340	96%
Operating income	Domestic	4	10	5	118%	11	107%
	Overseas	9	19	5	60%	15	77%
	Eliminations	+0	+0	+0	-	0	-
	Total	14	30	11	78%	26	85%

*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 Second Quarter Results

Net sales

¥65.6 billion (96%)

- ◆ The Mobility Solution business recorded lower overall sales, mainly due to lower sales in the resins business overseas, despite higher sales in the resins business and car electronics-related products in Japan.

Operating income

¥1.1 billion (78%)

- ◆ Lower profits, mainly due to lower sales.

FYE March 2020 Outlook

- ◇ We forecast higher sales and profits compared to the first half, despite an unclear future in the automotive industry, as car electronics-related product sales should continue to be strong from the first half and we expect to win new business in our resins business.
However, we also project lower sales and profits for the full year.

<Net Sales/Operating Income by Location>

(100 millions of yen)

	FYE 03/19		FYE 03/20				
	Interim	Full-Year	Interim	Vs. PY	Year Forecast	Vs. PY	
Net sales	Domestic	495	1,047	508	103%	1,048	100%
	Overseas	64	147	73	114%	474	322%
	Eliminations	▲129	▲287	▲145	-	▲292	-
	Total	429	907	437	102%	1,230	135%
Operating income	Domestic	34	72	32	93%	65	91%
	Overseas	2	6	3	148%	20	316%
	Eliminations	▲16	▲32	▲16	-	▲41	-
	Total	21	46	19	93%	44	95%

*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 Second Quarter Results

Net sales

¥43.7 billion (102%)

- ◆ Overseas sales of TREHA™ and other products in the food materials field grew, with slight increases in Japan. While sales of AA2G™ to customers in the skin care and toiletries sectors were lower in Japan, sales were strong in Europe and other regions, driving overseas sales higher. In the medical and pharmaceutical field, sales of pharmaceutical raw materials and intermediates, as well as medical materials, increased, while sales of pharmaceutical business products were slightly higher, leading to overall higher sales.
- ◆ The Beauty Care Products business recorded lower sales, driven down due to weak performance across all product categories.

Operating income

¥1.9 billion (93%)

- ◆ Lower profits, mainly due to worsening profitability at certain domestic manufacturing subsidiaries

FYE March 2020 Outlook

- ◇ We forecast higher second-half sales compared to the first half, despite level sales of TREHA™ to the food materials sector, mainly due to expanded adoption of Fibryxa™. Sales of AA2G™ and other raw materials to the skin care and toiletries sectors are expected to be higher than the first half. In the medical and pharmaceutical field, sales are forecast to be lower than the first half, as we do not expect any large-scale transactions in the second half of the year. Overall, the new consolidation of Prinova and other factors lead us to forecast higher sales and profits compared to the first half. We forecast higher sales and lower profits for the full year, mainly due to advanced investments in medium- and long-term business growth.



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These presentation materials contain forward-looking statements based on assumptions, forecasts, and plans as of November 27, 2019. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.