

## Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2021 <Under Japanese GAAP>

November 4, 2020

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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Filing of quarterly report (scheduled): November 12, 2020

Start of distribution of dividends (scheduled): December 7, 2020

Supplementary documents of quarterly financial results: Yes

Quarterly investors' meeting: Yes (for analysts and institutional investors)

(Note: Amounts have been rounded down to the nearest million yen.)

### 1. Consolidated Results for the Second Quarter of the Fiscal Year Ending March 31, 2021

(April 1, 2020 to September 30, 2020)

#### (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	%
For the second quarter ended September 30, 2020	381,153	(2.7)	8,934	(15.9)	9,692	(8.4)	10,187	37.2
September 30, 2019	391,900	(3.1)	10,628	(20.9)	10,584	(23.9)	7,423	(28.1)

(Notes) Comprehensive income

Second quarter ended September 30, 2020: ¥20,194 million (306.5%)

Second quarter ended September 30, 2019: ¥4,967 million (65.4% decrease)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
For the second quarter ended September 30, 2020	82.15		-	
September 30, 2019	59.86		-	

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2020	602,131	330,418	53.6	2,600.26
March 31, 2020	611,477	313,243	49.9	2,462.04

(Reference) Equity capital

As of September 30, 2020: ¥322,462 million

As of March 31, 2020: ¥305,322 million

### 2. Dividends

	Annual Dividends per Share				
	1Q	2Q	3Q	Fiscal year end	Annual
For the year ended (or ending)	Yen				
March 2020	-	22.00	-	22.00	44.00
March 2021	-	22.00	-	-	-
March 2021 (forecast)	-	-	-	22.00	44.00

(Note) Revisions to the latest dividends forecast: No

**3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2021**  
**(April 1, 2020 to March 31, 2021)**

(% = year-on-year change)

Full fiscal year	Net sales		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
	754,000	(5.7)	15,000	(21.7)	15,500	(18.8)	12,500	(17.5)	100.80

(Note) Revisions to the latest consolidated earnings forecast: No

Our consolidated earnings forecast for the fiscal year ending March 2021 is based on the assumption that the shift to a full-fledged recovery from the COVID-19 pandemic will be pushed back to the following fiscal year or thereafter.

**\* 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) Application of special accounting methods to the preparation of quarterly financial statements: No

(3) 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

(4) Number of shares issued and outstanding (common stock)

i. Number of shares issued and outstanding as of the fiscal period end (including treasury stock)

September 30, 2020	127,408,285 shares	March 31, 2020	127,408,285 shares
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ii. Number of treasury stock as of the fiscal period end

September 30, 2020	3,396,894 shares	March 31, 2020	3,396,695 shares
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iii. Average number of shares during the period

September 30, 2020	124,011,496 shares	September 30, 2019	124,011,874 shares
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**\* Quarterly financial statements are not subject to quarterly review.**

**\* 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. *Qualitative Information* (3) *Qualitative Information Related to Consolidated Earnings Forecasts* on P.4 of this document.

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## 1. Qualitative Information

### (1) Business Performance

#### a. General Summary of Results

The global economy for the current consolidated second quarter saw different situations for each country. While the economic impact of the COVID-19 pandemic remains serious, China was able to maintain its economic recovery after quickly resuming its own economic activity. In Japan, economic activity gradually resumed and consumer activity is on a modest recovery path, but the Japanese economy is not yet in full recovery mode and the situation remains challenging. In the regions where the NAGASE Group operates our business, the situation has returned to pre-pandemic levels in Greater China, but economic activity is slow in Japan, the Americas, Europe, and ASEAN and the future continues to be uncertain.

In this environment, the Company recorded domestic sales of ¥166.13 billion (-18.0% year on year) for the cumulative consolidated second quarter. Overseas sales amounted to ¥215.02 billion (+13.6%) thanks in part to sales from the Prinova Group acquired by the Company in the prior consolidated second quarter. The Company recorded net sales of ¥381.15 billion (-2.7%) in total.

The Company recorded gross profit of ¥53.78 billion (+5.7%) as a result of the high profitability of the Prinova Group exceeding the impact of the Company's sales decrease. On the other hand, operating income declined to ¥8.93 billion (-15.9%) due to rising costs of promoting digital transformation (DX) and other activities for sustainable growth despite the contribution of the Prinova Group. Ordinary income amounted to ¥9.69 billion (-8.4%). Profit attributable to owners of the parent amounted to ¥10.18 billion (+37.2%) mainly due to the recording of profits stemming from the sales of certain shares owned by the Company.

#### b. Segment Summary

##### Functional Materials

The Functional Materials segment recorded lower sales in both domestic and overseas markets mainly due to lower automotive production in all regions except Greater China due to the spread of the COVID-19 pandemic.

The Performance Chemicals business recorded significantly 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 due to decreased sales of electronics chemicals mainly for the semiconductor and other electronics industries, and 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 ¥70.21 billion, representing a ¥17.02 billion (-19.5%) decrease compared to the same period in the prior fiscal year. Operating income fell ¥790 million (-28.3%) to ¥2.01 billion.

##### Advanced Materials & Processing

The Advanced Materials & Processing segment recorded lower sales in both domestic and overseas markets due to the broad impact of the COVID-19 on the resins and other businesses.

The Colors & Advanced Processing business recorded lower sales overall, due to sharply decreased sales of dyes and additives and digital print processing materials in Japan, as well as reduced sales of plastic resins for industrial and packaging applications and conductive materials.

The Polymer Global Account business, which mainly sells plastics to the office equipment, appliance, and video game device markets, recorded lower sales overall. This was caused by slightly lower sales in Greater China along with declines in Japan and ASEAN.

As a result, sales for the segment amounted to ¥124.36 billion for the cumulative consolidated second quarter, representing a ¥13.35 billion (-9.7%) decrease year on year. Operating income declined ¥960 million (-21.7%) compared to the previous cumulative consolidated second quarter to ¥3.47 billion, impacted primarily by poorer profitability caused by degraded market

conditions in the digital print processing materials business.

### **Electronics**

Despite increased sales of precision processing-related materials used in connection with intermediate processing in semiconductors, the Electronics segment recorded lower net sales overall driven by slightly lower sales of display-related materials and lower sales of materials related to photolithography, formulated epoxy resins for the heavy and light electrical equipment industry, and equipment.

As a result, sales for the segment amounted to ¥54.42 billion, which was a ¥2.88 billion (-5.0%) decrease compared to the cumulative consolidated second quarter of the prior fiscal year. Operating income was ¥3.53 billion, an increase of ¥400 million (+12.9%) year on year, mainly due to improved profitability among the Company's manufacturing subsidiaries.

### **Mobility & Energy**

The Mobility Solutions business recorded significantly lower sales both in Japan and overseas, due to lower sales of car electronics-related products in Japan and lower sales in the resins business in all regions but Greater China as a result of lower automotive production in all regions except Greater China attributable to the impact of the COVID-19 pandemic.

As a result, sales for the segment amounted to ¥46.03 billion, representing a ¥19.62 billion (-29.9%) decrease compared to the same period in the prior fiscal year. Operating income fell ¥1.05 billion (-90.3%) to ¥110 million for the cumulative consolidated second quarter.

### **Life & Healthcare**

The Life & Healthcare segment recorded significantly higher sales overall, due to higher sales overseas driven by the addition of sales from the Prinova Group acquired by the Company in the prior consolidated second quarter, though domestic sales decreased mainly due to lower demand attributable to the impact of the COVID-19 pandemic.

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

The Life & Healthcare 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 products-related materials in the skin care and toiletries field. Overall sales were lower, however, due to reduced sales in the pharmaceutical business in the medical and pharmaceutical field and lower sales in Japan and overseas of AA2G™ in the skin care and toiletries field.

As a result, sales for the segment amounted to ¥85.91 billion, which was a ¥42.18 billion (+96.5%) increase compared to the cumulative consolidated second quarter of the prior fiscal year. Operating income grew ¥1.02 billion (+51.7%) year on year, reaching ¥3.02 billion.

### **Other**

No special matters to disclose.

## **(2) Financial Position**

### **a. Assets, Liabilities and Net Assets**

As of the end of the consolidated second quarter, current assets amounted to ¥354.06 billion. This represents a decrease of ¥25.26 billion compared to the end of the prior consolidated fiscal year due primarily to decreases in cash and deposits and accounts receivable. Non-current assets amounted to ¥248.06 billion, up ¥15.92 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. As a result, total assets decreased by ¥9.34 billion compared to the end of the prior consolidated fiscal year, down to ¥602.13 billion.

Liabilities amounted to ¥271.71 billion, a decrease of ¥26.52 billion compared to the end of the prior consolidated fiscal year.

This was mainly due to decreases in commercial paper and accounts payable.

Net assets amounted to ¥330.41 billion, up ¥17.17 billion from 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 ¥10.18 billion and an increase in net unrealized holding gain on securities, despite a decrease in translation adjustments.

As a result, the Company recorded a shareholders' equity ratio of 53.6%, up 3.7 points over the 49.9% at the end of the prior consolidated fiscal year.

#### **b. Summary of Consolidated Cash Flows**

Cash and cash equivalents ("Cash") in the cumulative consolidated second quarter amounted to ¥37.02 billion, a decrease of ¥13.44 billion (-26.6%) compared to the end of the prior consolidated fiscal year. Cash flows from operating activities amounted to ¥13.24 billion while Cash used in investing activities amounted to ¥2.59 billion, and Cash flows from financing activities amounted to ¥23.63 billion, in addition to the ¥460 million decrease in Cash caused by exchange rate changes.

##### **(Cash Flows from Operating Activities)**

Cash flows from operating activities for the cumulative consolidated second quarter amounted to ¥13.24 billion. While the Company recorded ¥5.34 billion in income taxes paid, profit before income taxes amounted to ¥15.17 billion, Cash reserved associated with depreciation and amortization amounted to ¥5.32 billion, and Cash from a decrease in working capital amounted to ¥2.21 billion.

##### **(Cash Flows from Investing Activities)**

Cash used in investing activities for the cumulative consolidated second quarter amounted to ¥2.59 billion. This result was mainly due to ¥8.19 billion in purchases of property, plant and equipment and investments in securities, as opposed to ¥5.74 billion in proceeds from sales of investments in securities.

##### **(Cash Flows from Financing Activities)**

Cash used in financing activities in the cumulative consolidated second quarter was ¥23.63 billion. This result was mainly due to a net decline in commercial paper of ¥20.0 billion and dividend payments of ¥2.72 billion.

### **(3) Qualitative Information Related to Consolidated Earnings Forecasts**

Our consolidated earnings forecast for the current fiscal year was created based on the assumption that the economy would gradually recover from the impact of COVID-19 in the second half. However, our sales for the first half were relatively stronger than the previous earnings forecast, mainly due to the economic activities resuming earlier than expected and a temporary increase in the demand caused by a supply uncertainty attributable to the spread of the COVID-19 pandemic.

On the other hand, as the COVID-19 pandemic continues to grow worldwide, we forecast as of the end of the consolidated second quarter that the shift to a full-fledged recovery will be pushed back to the following fiscal year or thereafter. We also anticipate that costs for sustainable growth including investment to promote DX will be higher in the second half than in the first. Furthermore, there is a possibility of temporary costs occurring as a result of actively reviewing our portfolio. Therefore, at this point, we will not make changes to the consolidated earnings forecast released on May 14, 2020.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2020)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2020)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	51,408	37,850
Notes and accounts receivable	221,116	209,475
Merchandise and finished goods	86,166	85,400
Work in process	1,789	1,860
Raw materials and supplies	7,730	7,702
Other	11,859	12,384
Less allowance for doubtful accounts	(732)	(606)
Total current assets	379,337	354,067
Non-current assets		
Property, plant and equipment	74,309	75,628
Intangible fixed assets		
Goodwill	35,246	33,644
Technology-based assets	9,064	8,276
Other	28,286	27,107
Total intangible fixed assets	72,597	69,027
Investments and other assets		
Investments in securities	76,124	94,128
Long-term loans receivable	391	214
Retirement benefit asset	1,754	2,183
Deferred tax assets	2,085	1,903
Other	4,967	5,067
Less allowance for doubtful accounts	(91)	(91)
Total investments and other assets	85,232	103,407
Total non-current assets	232,139	248,063
Total assets	611,477	602,131

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2020)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2020)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	108,285	98,445
Short-term loans	30,590	26,678
Current portion of long-term loans	1,277	7,784
Commercial paper	30,000	10,000
Accrued income taxes	4,625	3,159
Accrued bonuses for employees	5,123	5,033
Accrued bonuses for directors	170	100
Other	20,360	20,307
<b>Total current liabilities</b>	<b>200,434</b>	<b>171,509</b>
Long-term liabilities		
Bonds	30,000	30,000
Long-term loans	42,621	39,406
Deferred tax liabilities	9,280	14,800
Retirement benefit liability	13,677	13,965
Other	2,221	2,030
<b>Total long-term liabilities</b>	<b>97,800</b>	<b>100,202</b>
<b>Total liabilities</b>	<b>298,234</b>	<b>271,712</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,646	10,646
Retained earnings	257,067	264,526
Less treasury stock, at cost	(5,071)	(5,071)
<b>Total shareholders' equity</b>	<b>272,342</b>	<b>279,801</b>
Accumulated other comprehensive income		
Net unrealized holding gain on securities	32,618	43,538
Deferred gain (loss) on hedges	3	(10)
Translation adjustments	1,051	(449)
Remeasurements of defined benefit plans	(694)	(418)
<b>Total accumulated other comprehensive income</b>	<b>32,979</b>	<b>42,660</b>
<b>Non-controlling interests</b>	<b>7,921</b>	<b>7,956</b>
<b>Total net assets</b>	<b>313,243</b>	<b>330,418</b>
<b>Total liabilities and net assets</b>	<b>611,477</b>	<b>602,131</b>



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

### (Quarterly Consolidated Statements of Income)

Six-month periods ended September 30, 2020 and 2019

(Millions of yen)

	Six-month period ended September 30, 2019 (April 1, 2019 - September 30, 2019)	Six-month period ended September 30, 2020 (April 1, 2020 - September 30, 2020)
Net sales	391,900	381,153
Cost of sales	341,038	327,371
Gross profit	50,861	53,782
Selling, general and administrative expenses	40,233	44,847
Operating income	10,628	8,934
Non-operating income		
Interest income	54	67
Dividend income	1,226	591
Rent income	128	133
Foreign exchange gains	-	570
Other	175	280
Total non-operating income	1,584	1,643
Non-operating expenses		
Interest expenses	696	481
Equity in losses of affiliates	260	225
Foreign exchange losses	421	-
Other	250	178
Total non-operating expenses	1,629	885
Ordinary income	10,584	9,692
Extraordinary gains		
Gain on sales of non-current assets	14	27
Gain on sales of investment securities	17	5,597
Subsidy income	25	-
Total extraordinary gains	57	5,624
Extraordinary losses		
Loss on sales of non-current assets	21	7
Loss on disposal of non-current assets	91	34
Impairment losses	-	38
Loss on sales of investment securities	-	10
Loss on valuation of investment securities	-	44
Loss on sales of shares of subsidiaries and affiliates	-	1
Total extraordinary losses	113	138
Income before income taxes	10,527	15,179
Income taxes - current	2,526	3,958
Income taxes - deferred	387	696
Total income taxes	2,914	4,655
Profit for the period	7,613	10,523
Profit attributable to non-controlling interests	190	336
Profit attributable to owners of the parent	7,423	10,187

**(Quarterly Consolidated Statements of Comprehensive Income)**

Six-month periods ended September 30, 2020 and 2019

(Millions of yen)

	Six-month period ended September 30, 2019 (April 1, 2019 - September 30, 2019)	Six-month period ended September 30, 2020 (April 1, 2020 - September 30, 2020)
Profit for the period	7,613	10,523
Other comprehensive income		
Net unrealized holding gain on securities	1,864	10,914
Deferred gain (loss) on hedges	30	(14)
Translation adjustments	(4,444)	(1,470)
Remeasurements of defined benefit plans	186	276
Share of other comprehensive loss of affiliates accounted for by the equity method	(282)	(35)
Total other comprehensive income	(2,645)	9,670
Comprehensive income	4,967	20,194
Comprehensive income attributable to:		
Shareholders of the parent	5,120	19,868
Non-controlling interests	(152)	325

### (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six-month period ended September 30, 2019 (April 1, 2019 - September 30, 2019)	Six-month period ended September 30, 2020 (April 1, 2020 - September 30, 2020)
<b>Operating Activities</b>		
Income before income taxes	10,527	15,179
Depreciation and amortization other than amortization of goodwill	4,522	5,326
Loss on impairment of fixed assets	-	38
Amortization of goodwill	904	1,277
Subsidy income	(25)	-
Increase in retirement benefit liability	1,313	687
Increase in retirement benefit asset	(1,760)	(429)
Interest and dividend income	(1,280)	(658)
Interest expenses	696	481
Exchange (gain) loss, net	(23)	122
Gain on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(17)	(5,584)
Decrease in notes and accounts receivable	6,621	11,697
Decrease in inventories	2,394	359
Decrease in notes and accounts payable	(7,255)	(9,837)
Other	(642)	(515)
<b>Subtotal</b>	<b>15,976</b>	<b>18,144</b>
Interest and dividends received	1,474	959
Interest paid	(721)	(514)
Income taxes paid	(4,282)	(5,344)
<b>Net cash provided by operating activities</b>	<b>12,445</b>	<b>13,245</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(4,192)	(5,148)
Proceeds from sales of property, plant and equipment	75	42
Purchases of intangible fixed assets	(189)	(438)
Purchases of investments in securities	(507)	(3,044)
Proceeds from sales of investments in securities	28	5,746
Purchases of investments in capital	(54)	(52)
Purchases of shares of subsidiaries resulting in change in scope of consolidation	(42,805)	-
Decrease on short-term loans receivable included in other current assets	303	266
(Increase) decrease in time deposits, net	(32)	121
Proceeds from subsidy income	25	-
Other	(467)	(90)
<b>Net cash used in investing activities</b>	<b>(47,817)</b>	<b>(2,598)</b>
<b>Financing Activities</b>		
Increase (decrease) in short-term loans, net	45,176	(3,889)
Increase (decrease) in commercial paper, net	8,000	(20,000)
Proceeds from long-term loans	456	4,383
Repayments of long-term loans	(414)	(1,003)
Redemption of bonds	(10,000)	-
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(2,976)	(2,728)
Cash dividends paid to non-controlling interests	(219)	(290)
Other	(578)	(104)
<b>Net cash provided by (used in) financing activities</b>	<b>39,443</b>	<b>(23,632)</b>
Effects of exchange rate changes on cash and cash equivalents	(2,326)	(461)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,745</b>	<b>(13,447)</b>
Cash and cash equivalents at beginning of the year	44,017	50,471
<b>Cash and cash equivalents at end of the period</b>	<b>45,762</b>	<b>37,023</b>

#### **(4) Notes Related to Quarterly Consolidated Financial Statements**

##### **(Assumption for Going Concern)**

No matters to report.

##### **(Significant Fluctuations in Shareholders' Equity)**

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* (Accounting Standards Board of Japan (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.

In the Additional Information section of the first-quarter report, the Group assumed the economy would gradually recover from the impact of COVID-19 in the second half of the fiscal year ending March 2021. However, as the COVID-19 pandemic continues to grow worldwide, as of the end of the consolidated second quarter, the Group's accounting estimates reflect the assumption that the shift to a full-fledged recovery will be pushed back to the following fiscal year or thereafter.

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 the consolidated third and subsequent quarters.

**(Segment Information, etc.)**

Segment Information

I Six-month period ended September 30, 2019 (consolidated)

1. Information related to net sales and income (loss) by reportable segment

(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	87,239	137,718	57,308	65,651	43,720	391,638	261	391,900	-	-	391,900
Intersegment sales/transfers	906	1,102	947	1,459	253	4,668	2,879	7,548	-	(7,548)	-
Total	88,145	138,820	58,255	67,111	43,974	396,307	3,141	399,449	-	(7,548)	391,900
Segment income (loss)	2,816	4,439	3,134	1,169	1,990	13,550	97	13,648	(3,298)	278	10,628

(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.
3. Adjustments are eliminations of intersegment transactions.
4. The sum of segment income (loss) Total, Corporate, and Adjustments is equivalent to operating income as presented in "Consolidated".

2. Information about assets for each reportable segment

(Significant increases in assets due to acquisition of subsidiaries)

During the consolidated second quarter, the Company acquired equity in Prinova Group, LLC, adding a total of 18 companies including Prinova Group, LLC and its subsidiaries to the scope of consolidation. In connection with this transaction, assets of the Life & Healthcare segment increased ¥72,519 million compared to the end of the prior consolidated fiscal year.

3. Information about impairment loss of non-current assets or goodwill, etc. for each reportable segment

(Significant changes in goodwill)

During the consolidated second quarter, the Company acquired equity in Prinova Group, LLC, adding a total of 18 companies including Prinova Group, LLC and its subsidiaries to the scope of consolidation. In connection with this transaction, the Company recorded goodwill within the Life & Healthcare segment. Following the finalization of the provisional accounting treatment, goodwill amounted to ¥10,747 million at the end of the consolidated fiscal year.

II Six-month period ended September 30, 2020 (consolidated)

1. Information related to net sales and income (loss) by reportable segment

(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	70,214	124,366	54,423	46,031	85,910	380,946	207	381,153	-	-	381,153
Intersegment sales/transfers	790	1,017	550	1,028	196	3,583	3,210	6,793	-	(6,793)	-
Total	71,004	125,383	54,974	47,059	86,107	384,529	3,417	387,946	-	(6,793)	381,153
Segment income (loss)	2,019	3,476	3,538	114	3,020	12,168	242	12,410	(3,757)	280	8,934

(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.

3. Adjustments are eliminations of intersegment transactions.

4. The sum of segment income (loss) Total, Corporate, and Adjustments is equivalent to operating income as presented in "Consolidated".

## **(Significant Subsequent Events)**

(Transfer of shares of consolidated subsidiary, etc.)

At the Board of Directors meeting held on August 28, 2020, the Company resolved to transfer all held shares of Nagase Medicals Co., Ltd. (hereinafter, "Nagase Medicals"), a consolidated subsidiary of the Company. The Company concluded a share transfer agreement with Shionogi Pharma Co., Ltd. (hereinafter, "Shionogi Pharma"), a wholly-owned subsidiary of Shionogi & Co., Ltd., on August 31 and completed the transfer on October 1.

### **(1) Reason for transfer of shares**

Based on the manufacturing technology of sterile formulations and highly active formulations, Nagase Medicals has proceeded with a business structure reform in order to strengthen the company's competitive advantage in the contract manufacturing of injections and the development of its proprietary generic drugs. Under these circumstances, the Company concluded the share transfer agreement since the transfer of shares to Shionogi Pharma, which focuses on the contract development and manufacturing organization business and aims to become an industry leader in highly potent injectables and active solid formulations, would lead to further growth of both Shionogi Pharma and Nagase Medicals.

### **(2) Name of party acquiring shares**

Shionogi Pharma Co., Ltd.

### **(3) Overview of transferred subsidiary**

Name: Nagase Medicals Co., Ltd.

Business description: Development, manufacture and import/export of ethical drugs, medical equipment, medical materials and veterinary drugs

Description of transaction with the Company: Sales of goods and purchases of products

### **(4) Number of shares transferred, transfer price**

Shares held before transfer: 596,000 (ratio of equity ownership: 100%)

Number of shares transferred: 596,000 (ratio of equity ownership: 100%)

Transfer price: The Company requested a third-party organization to conduct an assessment, after which the Company negotiated the transfer price with the other party through a fair process. The price will not be publicly disclosed from the viewpoint of confidentiality obligation.

Ratio of equity ownership after transfer: 0%

### **(5) Transfer schedule**

Date agreement concluded: August 31, 2020

Date shares transferred: October 1, 2020

### **(6) Name of reportable segment which included transferred subsidiary**

Life & Healthcare

### 3. Supplementary Information

#### (1) Overseas Sales

##### I Six-month period ended September 30, 2019 (consolidated)

	Greater China	ASEAN	Americas	Europe	Other	Total
I Overseas sales (Millions of yen)	99,964	56,086	17,548	7,459	8,297	189,356
II Consolidated sales (Millions of yen)						391,900
III Ratio of overseas sales to consolidated sales (%)	25.5	14.3	4.5	1.9	2.1	48.3

##### II Six-month period ended September 30, 2020 (consolidated)

	Greater China	ASEAN	Americas	Europe	Other	Total
I Overseas sales (Millions of yen)	98,494	43,996	42,794	20,410	9,323	215,020
II Consolidated sales (Millions of yen)						381,153
III Ratio of overseas sales to consolidated sales (%)	25.9	11.5	11.2	5.4	2.4	56.4

(Note) 1. Overseas sales consist of net sales of the Company and consolidated subsidiaries in other countries or regions.

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