

FYE March 2023 First Quarter

# Financial Highlights

NAGASE & CO., LTD.

August 4, 2022

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# Consolidated statements income

▶ Gross profit

- Overall gross profit reached a new quarterly record due to strong growth in Life & Healthcare, as well as increases in Functional Materials and Electronics & Energy

▶ Operating income

- Selling, general and administrative expenses increased due to higher logistics costs and increased activities; however, the increase in gross profit exceeded this increase in expenses, and operating income also reached a quarterly record high

▶ Profit attributable to owners of the parent

- Profit for the period increased due to the increase in profits at every measure through ordinary income

100 millions of yen

	21/06	22/06	Change	Vs.PY	Forecast (Full year)	Achievement
<b>Sales</b>	1,843	2,195	+ 351	119%	—	—
<b>Gross profit</b>	345	399	+ 53	115%	1,590	25%
<b>&lt;GP ratio&gt;</b>	18.8%	18.2%	(0.6pt)	—	—	—
<b>SG&amp;A expenses</b>	248	290	+ 41	117%	1,210	—
<b>Operating income</b>	97	108	+ 11	112%	380	29%
<b>Ordinary income</b>	106	115	+ 8	108%	390	30%
<b>Profit Attributable to owners of the parent</b>	71	79	+ 7	111%	285	28%
US\$ Exchange rate (period average)	@ 109.5	@ 129.7	@ 20.2	Weak yen	@120.0	
RMB Exchange rate (period average)	@ 16.9	@ 19.6	@ 2.7	Weak yen	@18.5	

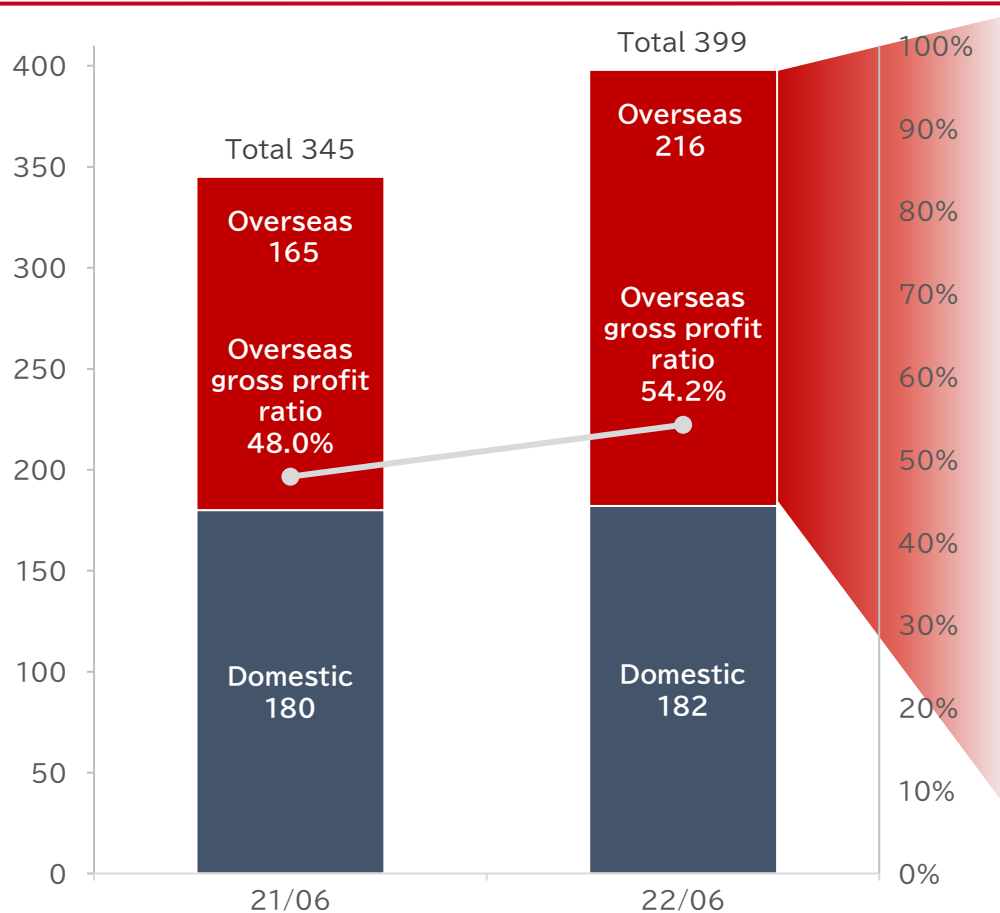
※ Offset to sales and cost of sales from revenue recognition standards: June 2021, -¥58.5 billion; June 2022, -¥65.1 billion

※ Impact from foreign exchange: Gross profit, +¥2.4 billion; Operating income, +¥0.8 billion

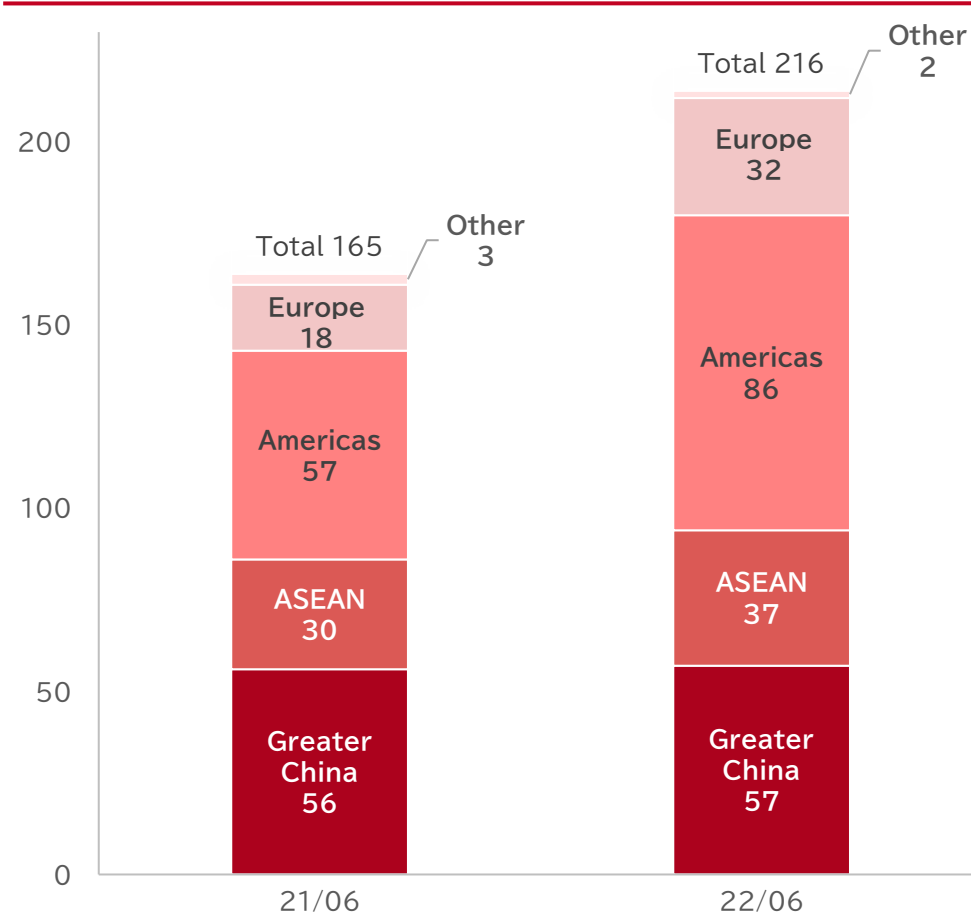
# Gross Profit By Region

- ▶ Higher profit both domestic and overseas
- ▶ Domestic profit increased due to an increase in sales for precision processing-related materials and electronics chemicals to semiconductor-related businesses
- ▶ Increase overseas due to strong performance of the Prinova Group in the Americas and Europe, and an increase in Greater China, despite the lockdowns, due to the weaker yen

Domestic & Overseas Gross profit(100 millions of yen)



Overseas gross profit By Region(100 millions of yen)

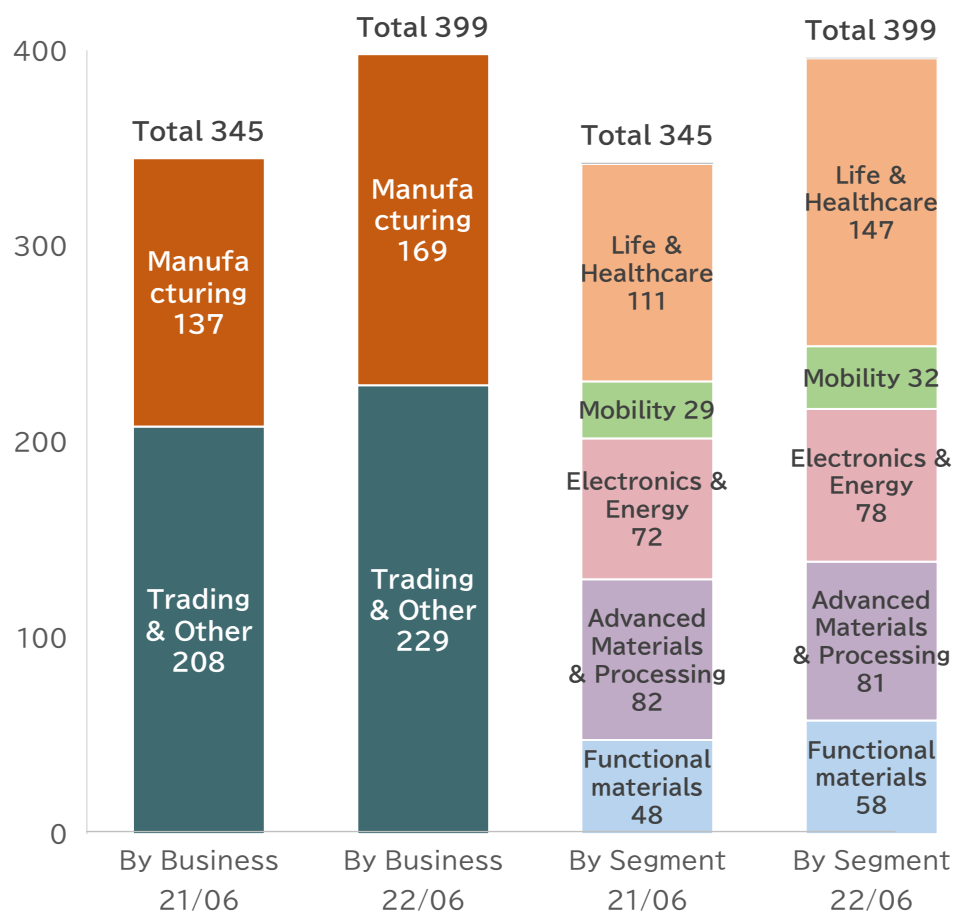


※Domestic figures under Domestic & Overseas Gross Profit include inter-regional adjustments

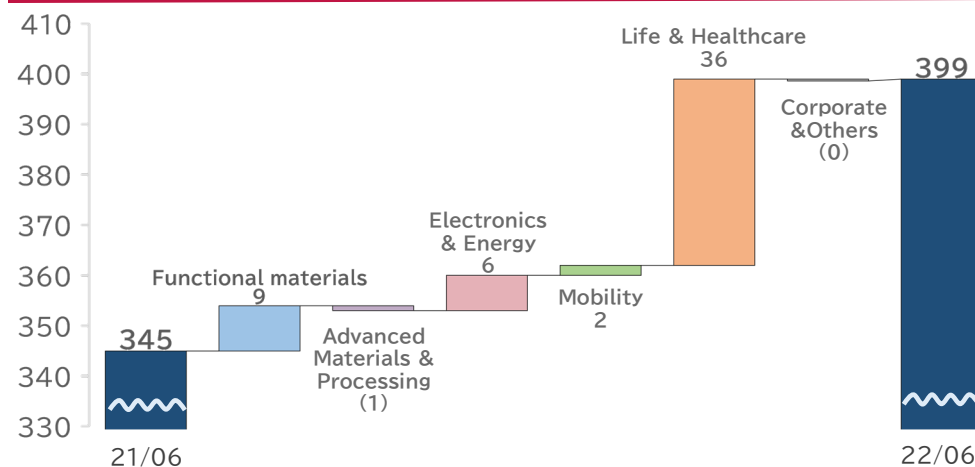
# Gross Profit By Business & Segment

- ▶ Functional Materials sales increased in areas like electronics chemicals for the electronics industry, including semiconductor-related products
- ▶ Despite the impact of the weak yen on resin sales, Advanced Materials & Processing profitability decreased due to a reactionary decline stemming from increased profit ratios in connection with soaring market conditions in the year-ago period
- ▶ Electronics & Energy sales increased for products related to precision processing materials for semiconductors
- ▶ Life & Healthcare sales were strong for nutritional materials and manufacturing and processing in the Prinova Group

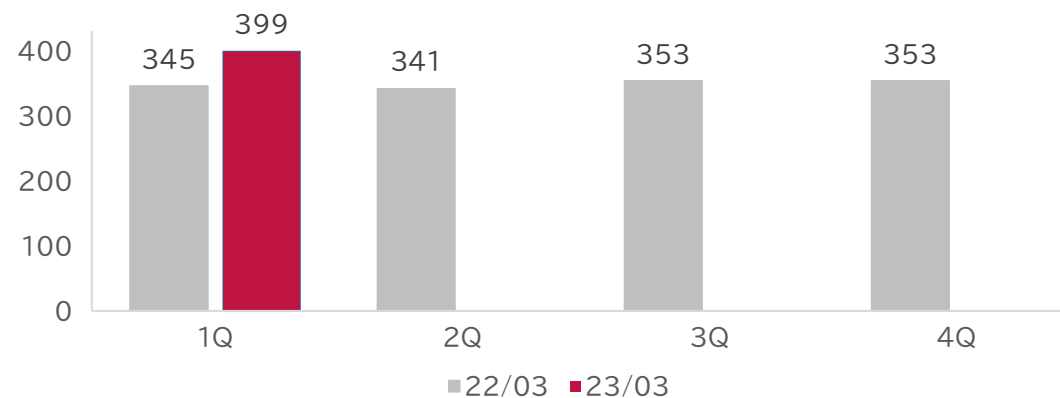
Gross Profit By Business & Segment (100 millions of yen)



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



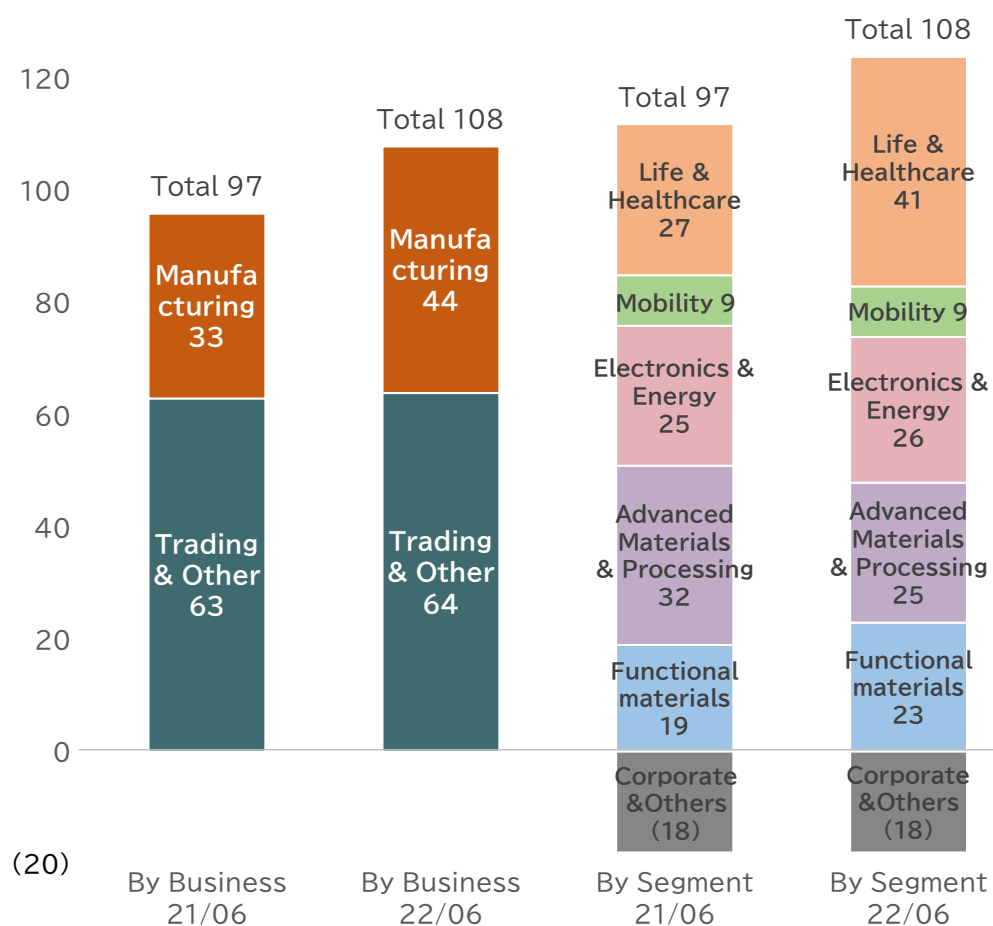
History of Gross Profit(100 millions of yen)



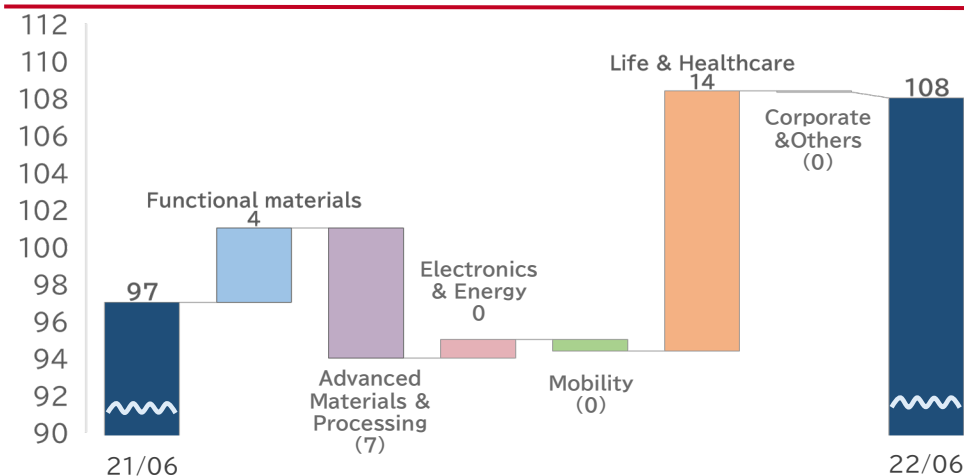
# Operating Income by Business & Segment

- ▶ Selling, general and administrative expenses increased due to higher logistics costs and increased activities; however, the increase in gross profit exceeded this increase in expenses reaching a quarterly record high
- ▶ Advanced Materials & Processing recorded lower profit, partly due to a reactionary decline from the stemming from increased profit ratios in connection with soaring market conditions in the year-ago period, as well as higher selling, general and administrative expenses
- ▶ Life & Healthcare recorded a significant profit increase due to strong sales of nutritional materials by the Prinova Group
- ▶ We continue to invest for sustainable future growth, including in DX-related areas

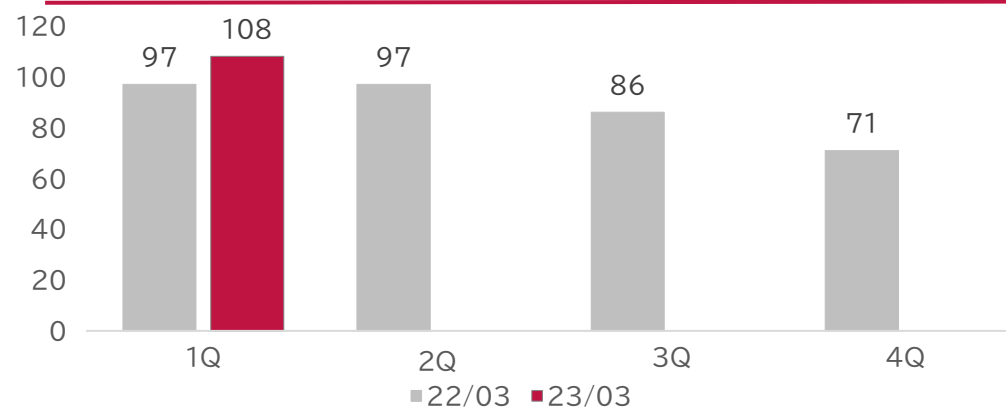
Operating Income by Business & Segment(100 millions of yen)



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



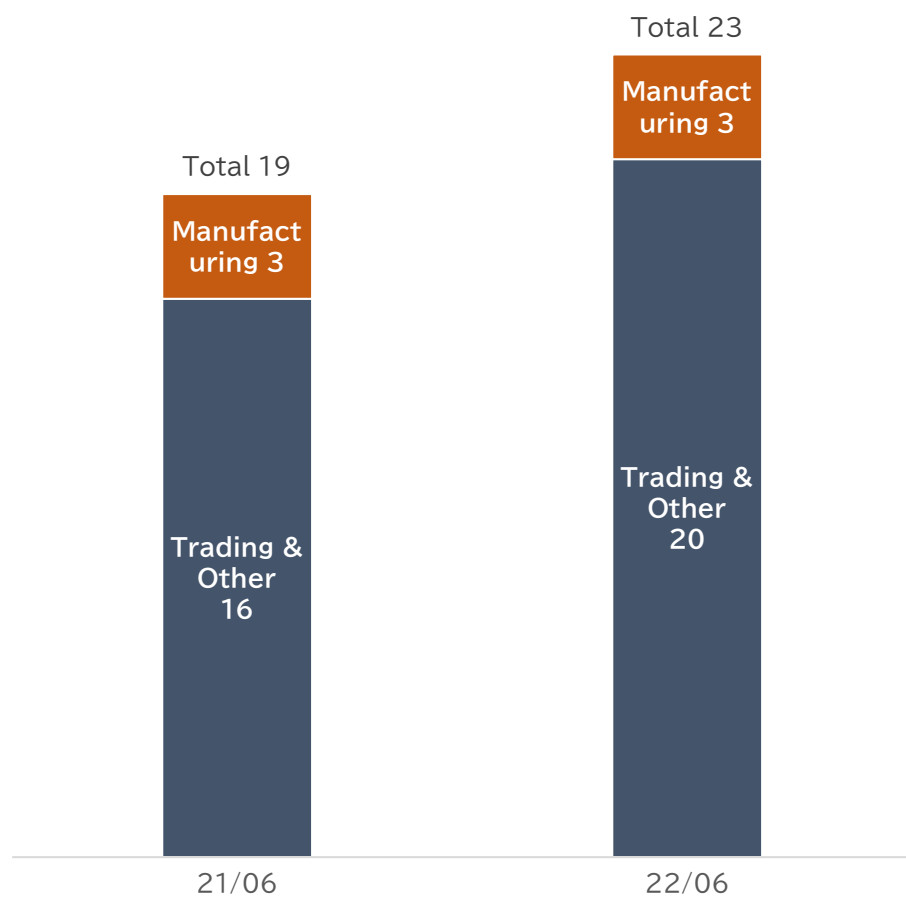
History of Operating Income(100 millions of yen)



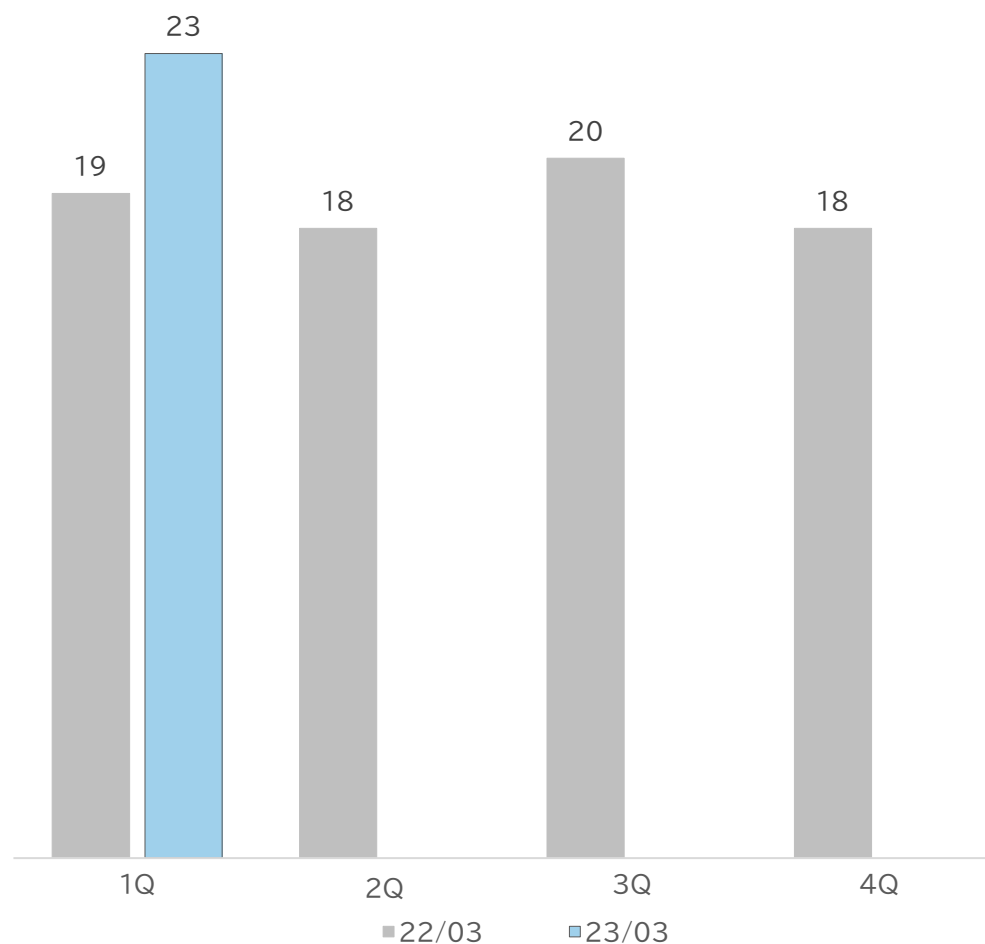
# Functional Materials Segment Operating Income Overview

- ▶ Sales increased for coating and urethane raw materials, due in part to soaring market prices and the weakening of the yen
- ▶ Sales increased in areas like electronics chemicals for the electronics industry, including semiconductor-related products, as well as for raw materials for industrial oil solutions and resins
- ▶ Profit increased year on year due to steady demand, mainly from semiconductor-related industries, market conditions, and the impact of the weaker yen

Operating income by business(100 millions of yen)



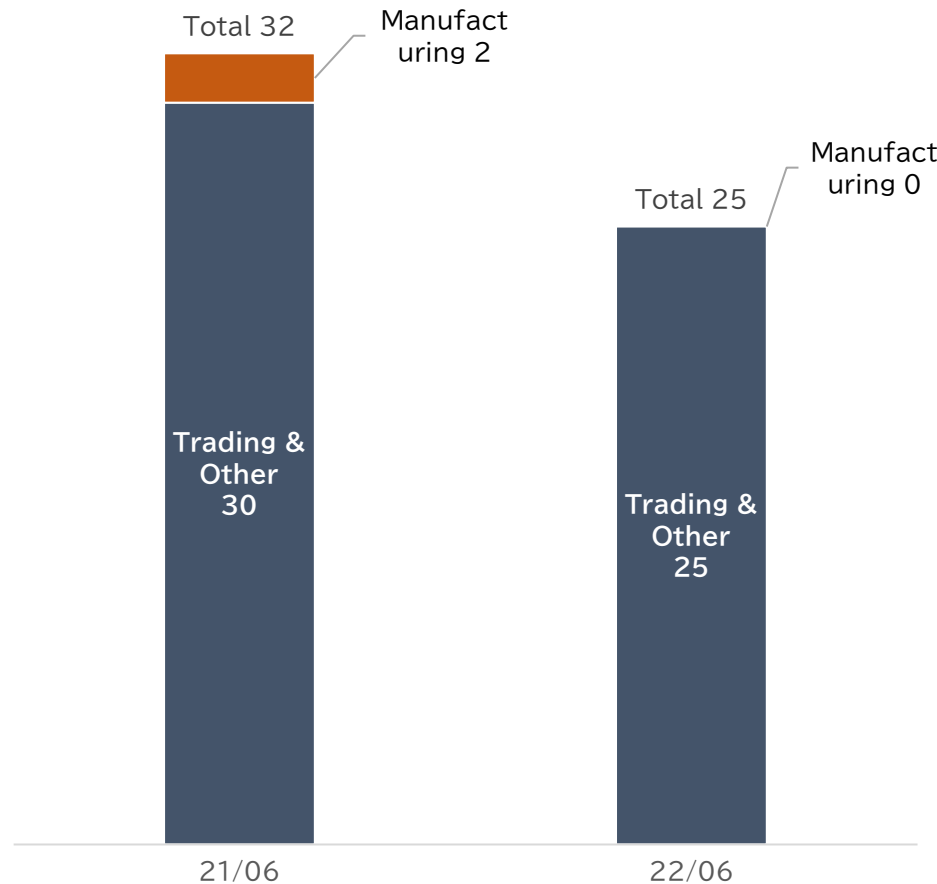
History of operating income (100 millions of yen)



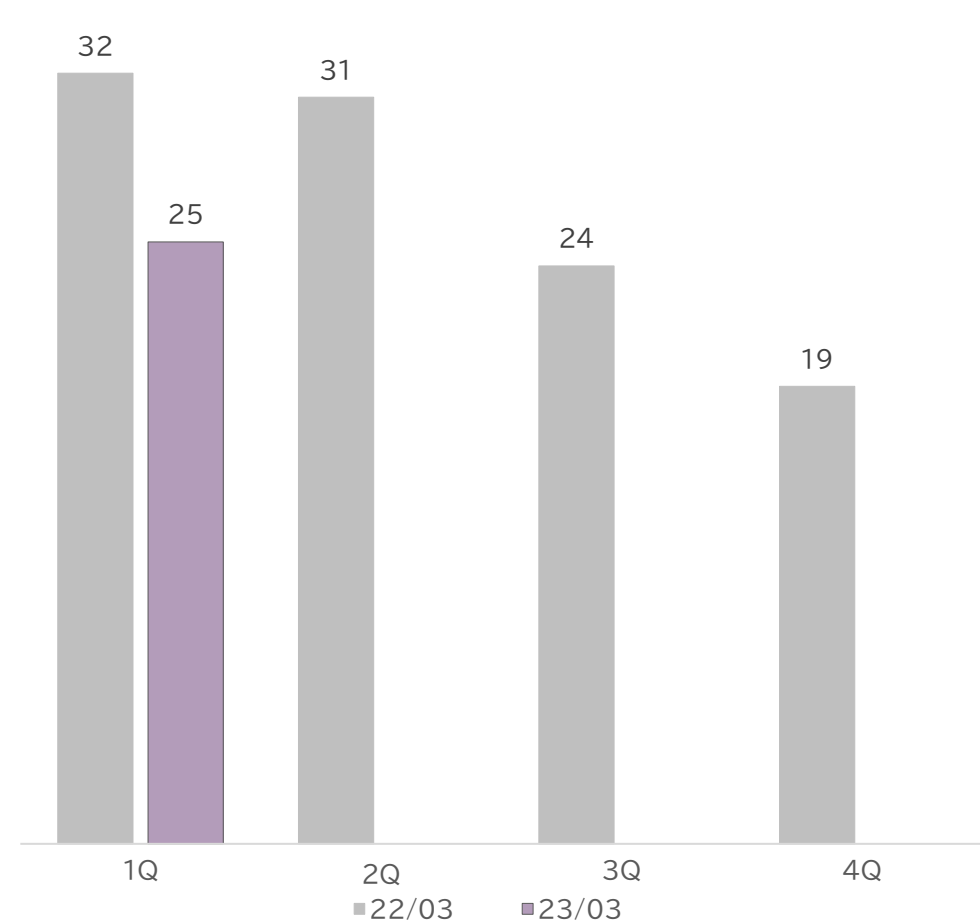
# Advanced material & Processing Segment Operating Income Overview

- ▶ Despite the impact of the weak yen on resin sales to the office equipment, appliance, and video game device market, profitability decreased due to a reactionary decline stemming from increased profit ratios in connection with soaring market conditions in the year-ago period
- ▶ Digital print processing materials sales were weak due to sluggish demand
- ▶ Profit was lower year on year due to a decrease in resin sales, lower profitability in our manufacturing businesses, and an increase in selling, general and administrative expenses

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)

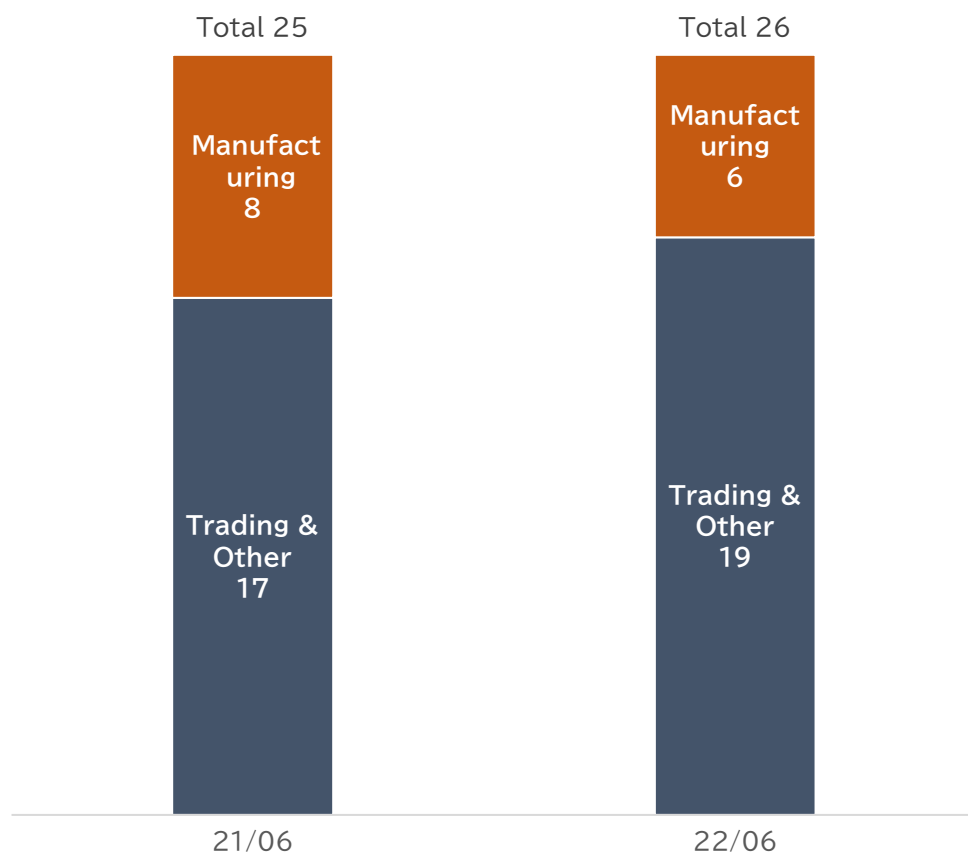




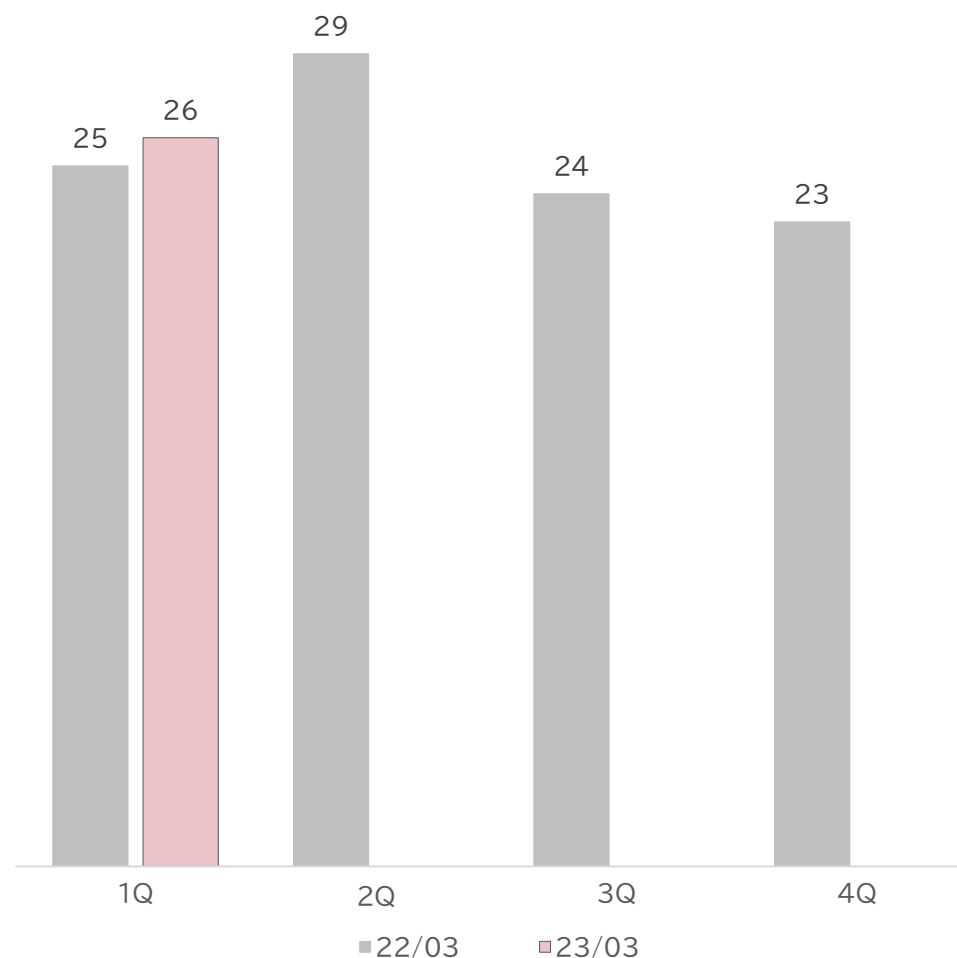
# Electronics & Energy Segment Operating Income Overview

- ▶ Sales increased for products related to precision processing materials for semiconductors
- ▶ Sales of formulated epoxy resins were strong for semiconductor applications, but slow for mobile devices
- ▶ We are building a system for a next-generation communications-related business, aiming for medium- to long-term growth after upfront development costs
- ▶ Profit increased year on year due to continued strong performance in semiconductor-related product business

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



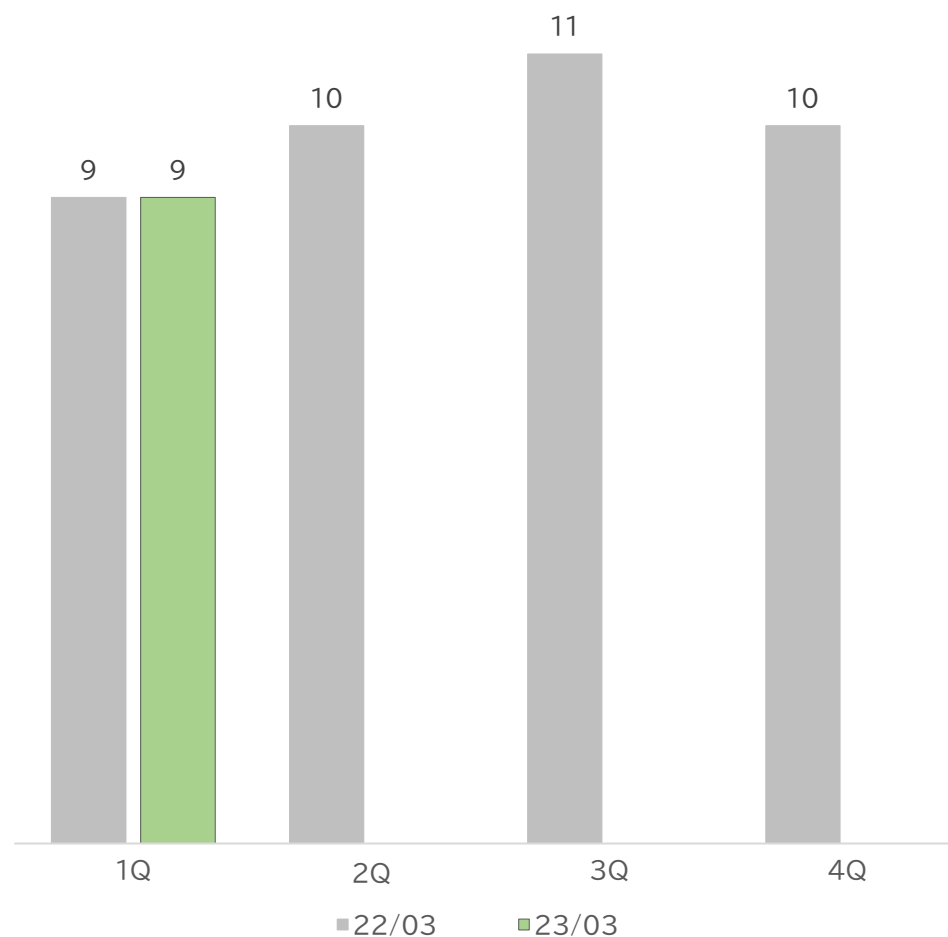
# Mobility Segment Operating Income Overview

- ▶ Sales increased for resins due to the weak yen, etc., despite lower automobile production
- ▶ Sales increased for functional materials and functional components for interior and exterior fittings and electrification
- ▶ Although gross profit increased, profit decreased year on year, due in part to an increase in selling, general and administrative expenses

Operating income by business(100 millions of yen)



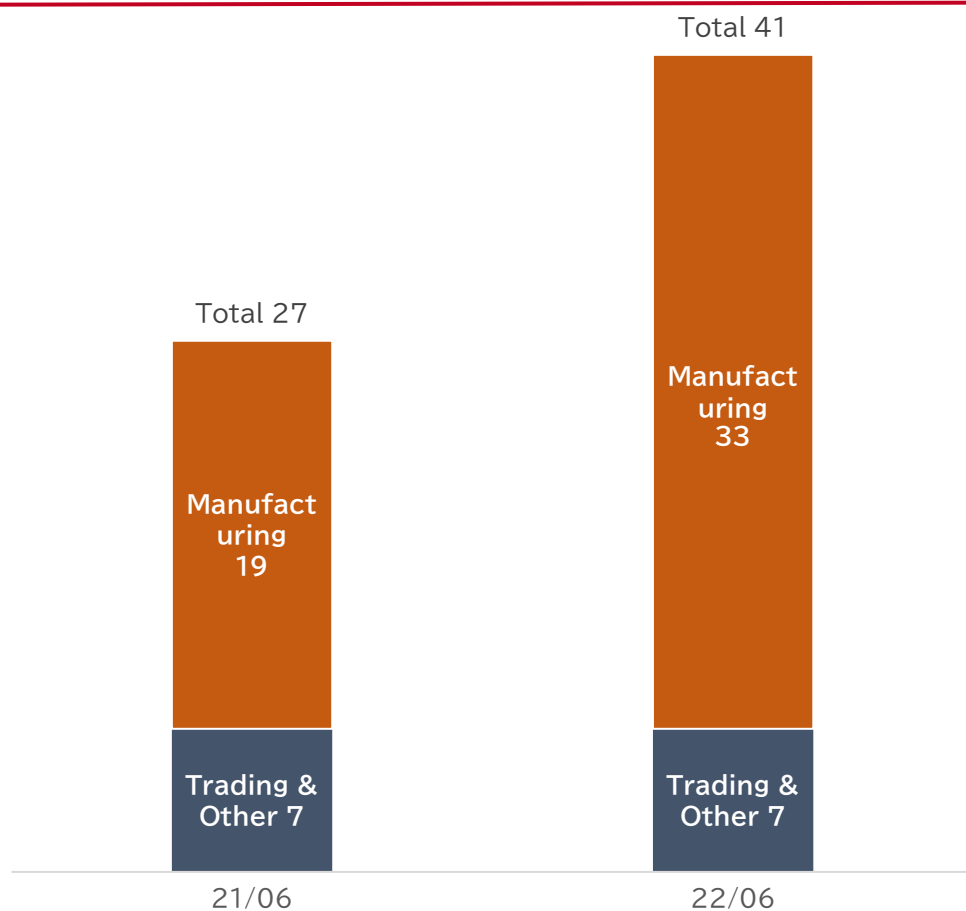
History of operating income (100 millions of yen)



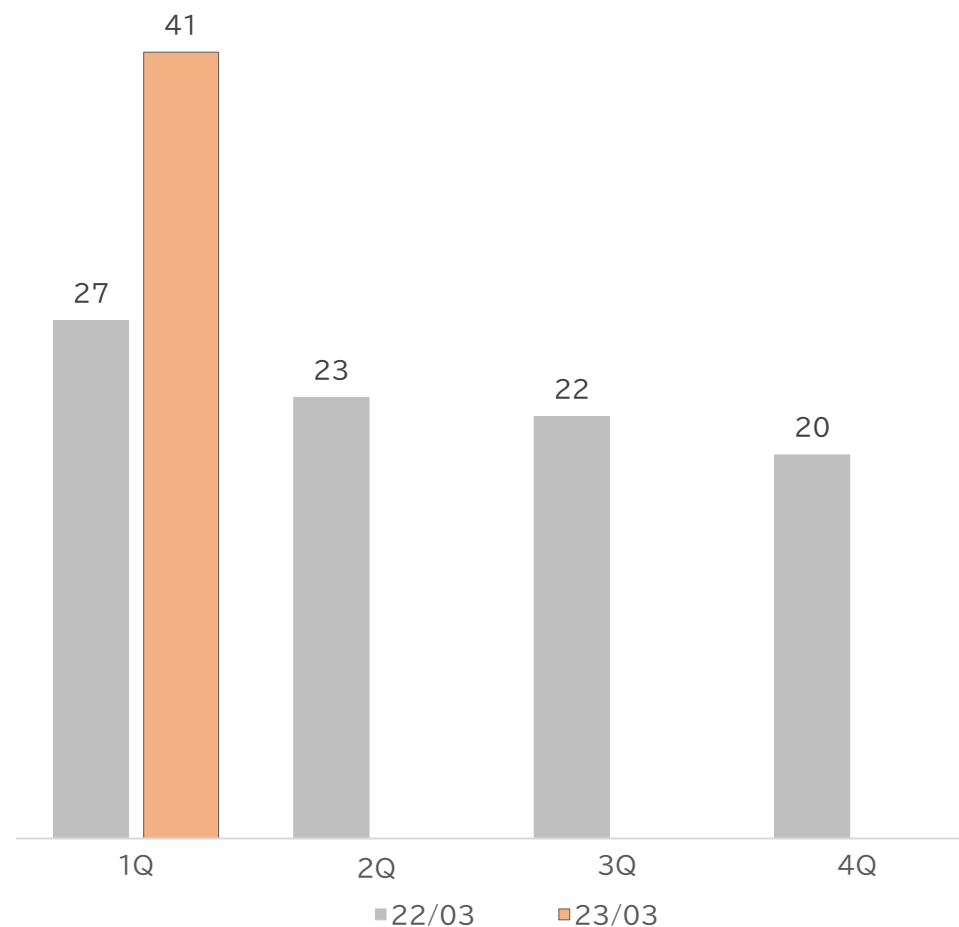
# Life & Healthcare Segment Operating Income Overview

- ▶ Sales of Prinova Group nutrition-related materials were strong and profitability improved
- ▶ Sales of food ingredients (mainly TREHA™) and pharmaceutical raw materials increased; however, sales of cosmetics materials (mainly AA2G™) decreased due to lower demand overseas and other factors
- ▶ We recorded a substantial increase in profit year on year, mainly due to the strong business performance of the Prinova Group and the impact of the weaker yen

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



# State of Major Manufacturing Subsidiaries

- ▶ Nagase ChemteX: Lower profit, despite strong semiconductor-related sales, due to weak sales of formulated epoxy resins for use in mobile devices
- ▶ Hayashibara: Lower profit due to lower sales of cosmetic material AA2G™ and lower profitability of food material TREHA™, stemming from higher raw materials and energy prices
- ▶ Prinova Group: Higher profit due to higher sales of nutrition-related materials stemming from increased demand, as well as improved profitability

100 millions of yen

		21/06	22/06	Change	Vs.PY
Nagase ChemteX Corporation	Sales	72	72	0	101%
	Gross profit	24	22	(2)	91%
	Operating income	12	8	(3)	70%
Hayashibara Co.,Ltd.	Sales	66	71	4	106%
	Gross profit	28	28	(0)	98%
	Operating income	13	11	(1)	88%
	Goodwill amortization etc.	7	7	-	100%
	Operating income after amortization burden	5	3	(1)	72%
Prinova Group	Sales	273	459	186	168%
	Gross profit	53	85	32	161%
	Operating income	18	33	14	180%
	Goodwill amortization etc.	4	5	0	110%
	Operating income after amortization burden	13	28	14	204%

# Consolidated Balance Sheets

- ▶ Current assets: Increase in working capital due to overall strong performance
- ▶ Net assets: Increase, despite dividend payments and share buyback, due to profit for the period and an increase in foreign currency translation adjustments due to the weaker yen
- ▶ NET D/E ratio: Increased to 0.41 times due to an increase in short-term borrowings for funds as a result of an increase in working capital

100 millions of yen

	22/03	22/06	Change	Details
Total Current Assets	5,142	5,527	385	
(Cash&deposits)	542	521	(20)	
(Trade account receivable)	2,898	3,038	139	
(Inventories)	1,575	1,774	198	
Total non-current assets	2,254	2,292	37	
(Investments in security)	756	737	(18)	
Total assets	7,397	7,820	422	
Current Liab.	3,078	3,265	187	Short-term loans/CP+303, Current Portion of Bonds(100)
(Trade account payable)	1,490	1,518	28	
Non-current Liab.	767	890	122	Corporate Bonds+100
Total Liab.	3,846	4,156	309	
Shareholders' equity	2,988	3,010	22	
Accum. Other Comprehensive Income	454	535	81	Translation adjustment+93, Appraisal Loss on Investment Securities(15)
Non-controlling interest	108	117	8	
Total net assets	3,550	3,663	112	
Working capital	2,983	3,294	310	
Shareholders' equity ratio	46.5%	45.4%	(1.2%)	
NET D/E ratio	0.33	0.41	0.09	

# FYE March 2023 Earnings Projection(No change)

- ▶ Semiconductor and food-related businesses, which are focus businesses under the ACE 2.0 medium-term management plan, will continue to expand market share and deliver strong performance
- ▶ We expect the impact of COVID-19 on economic activities to be limited due to trends toward deregulation in various countries
- ▶ We also expect a certain degree of supply chain disruption and continuing sharp rises in crude oil and related chemical prices
- ▶ Direct dealings to Russia and Ukraine are negligible, and have limited impact on our business
- ▶ Despite the many uncertainties in the external environment, we currently expect to record record-high profits for a second consecutive fiscal year

100 millions of yen

	22/03 Actual	23/03 Forecast	Change	Vs.PY
<b>Gross profit</b>	1,394	1,590	195	114%
<b>SG&amp;A expenses</b>	1,042	1,210	167	116%
<b>Operating income</b>	352	380	27	108%
<b>Ordinary income</b>	364	390	25	107%
<b>Profit attributable to owners of the parent</b>	259	285	25	110%
US\$ Exchange rate (period average)	@ 112.4	@ 120.0		
RMB Exchange rate (period average)	@ 17.5	@ 18.5		

※Impact on operating income of 1 yen change in exchange rate: US\$ approx. 100 million yen, RMB approx. 400 million yen

## FYE March 2023 Earnings Projection By segment (No change)

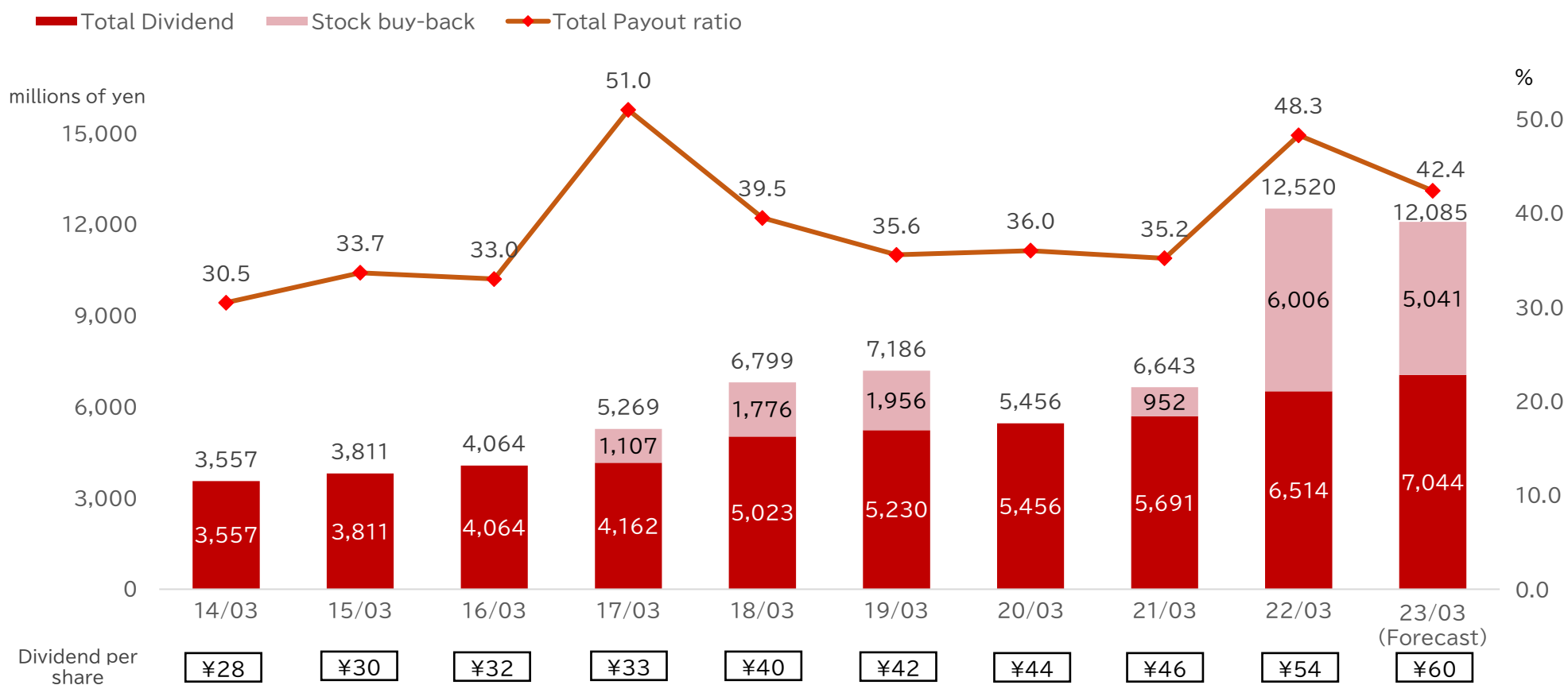
- ▶ We expect the semiconductor-related products business, centered on Functional Materials and Electronics, to experience strong performance based on our projections of strong demand, particularly for telecommunications applications
- ▶ Advanced Materials & Processing and the resins business within Mobility should see normalizing profit ratios due to a high resin market, and performance should be strong due to increasing demand and expanded sales of high-performance products
- ▶ We expect further growth in the nutrition-related business of Life & Healthcare-related Prinova Group due to expanding consumption and rising health consciousness in Europe and the Americas
- ▶ We expect cost increases in Corporate & Others due to office relocation, etc.

100 millions of yen

		22/03 Actual	23/03 forecast	Change	Vs.PY
Functional Materials	Gross profit	198	221	22	112%
	Operating income	78	83	4	106%
Advanced Materials & Processing	Gross profit	323	343	19	106%
	Operating income	108	117	8	108%
Electronics & Energy	Gross profit	297	325	27	109%
	Operating income	102	115	12	112%
Mobility	Gross profit	127	142	14	112%
	Operating income	41	44	2	106%
Life & Healthcare	Gross profit	447	557	109	124%
	Operating income	94	112	17	119%
Corporate & Others	Gross profit	1	2	0	168%
	Operating income	(72)	(91)	(18)	—
Total	Gross profit	1,394	1,590	195	114%
	Operating income	352	380	27	108%

# Shareholder Returns

- ▶ The dividend per share for fiscal 2022 is planned to be 60 yen per year, 30 yen in the interim, 30 yen at the end of the year (Increase in dividends for an expected 13th consecutive fiscal year)
- ▶ We are proceeding as planned with the repurchase of ¥6 billion in treasury stock, as resolved in February 2022 (Acquired 1.8 billion yen in the first quarter of the current fiscal year, and the cumulative amounts of acquisitions as of the end of June 2022 was 2.8 billion yen)



※ 23/03 year-end dividend to be submitted for approval to the 108th general meeting of shareholders scheduled for June 2023.





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

These presentation materials contain projections based on forward-looking assumptions, forecasts, and plans as of August 4, 2022. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.