

FYE March 2023 Second Quarter

Financial Highlights

NAGASE & CO., LTD.

November 4, 2022

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Consolidated statements income

- ▶ Gross profit
 - Overall profit increased, despite lower gross profit margin due to lower profitability at certain manufacturing subsidiaries, etc.
- ▶ 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, resulting in higher operating income
- ▶ Profit attributable to owners of the parent
 - Profit increased, despite decrease in ordinary income, due partly to a decrease in tax expenses

100 millions of yen

	21/09	22/09	Change	Vs.PY	Forecast (Full year)	Achievement
Sales	3,737	4,555	+ 817	122%	—	—
Gross profit	687	793	+ 106	115%	1,590	50%
<GP ratio>	18.4%	17.4%	(1.0pt)	—	—	—
SG&A expenses	492	594	+ 102	121%	1,210	—
Operating income	194	198	+ 3	102%	380	52%
Ordinary income	204	202	(1)	99%	390	52%
Profit Attributable to owners of the parent	146	155	+ 9	107%	285	55%
US\$ Exchange rate (period average)	@ 109.8	@ 134.0	@ 24.2	Weak yen	@120.0	
RMB Exchange rate (period average)	@ 17.0	@ 19.9	@ 2.9	Weak yen	@18.5	

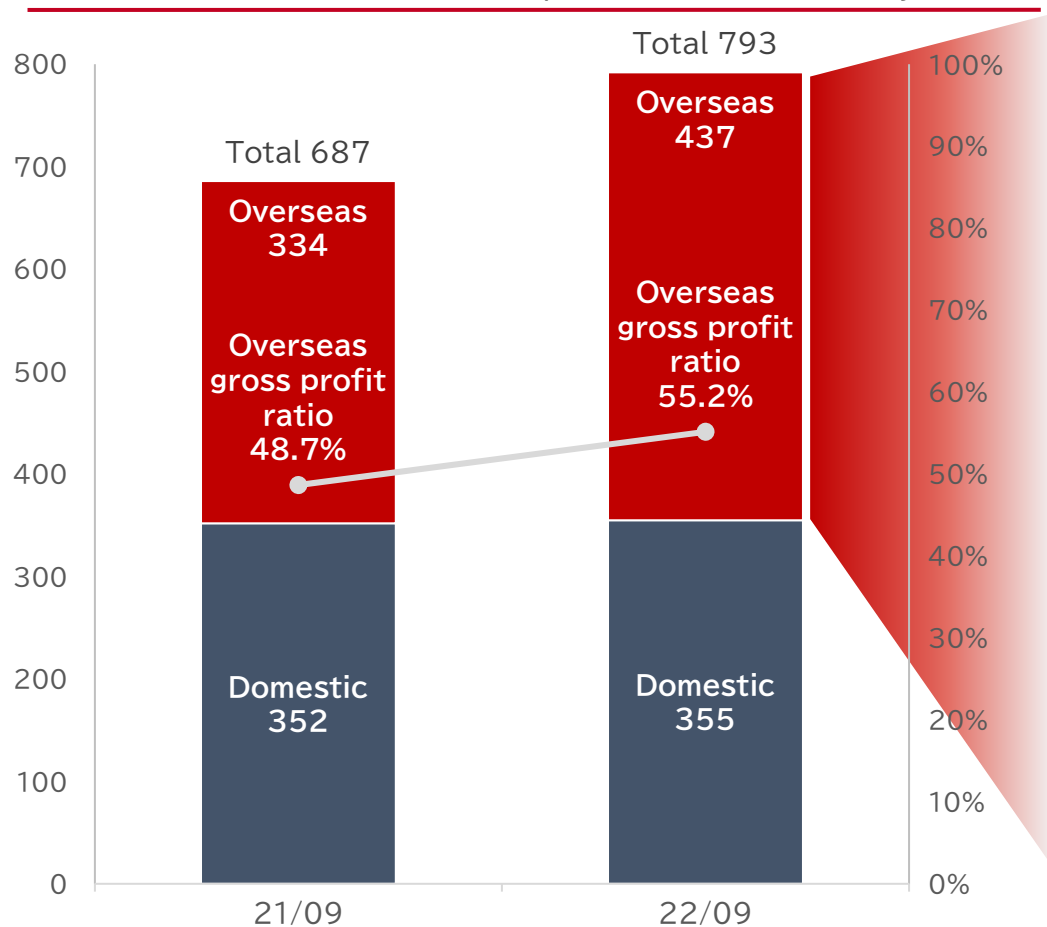
※ Offset to sales and cost of sales from revenue recognition standards: September 2021, -¥117.1 billion; September 2022, -¥133 billion

※ Impact from foreign exchange: Gross profit, +¥6 billion; Operating income, +¥1.9 billion

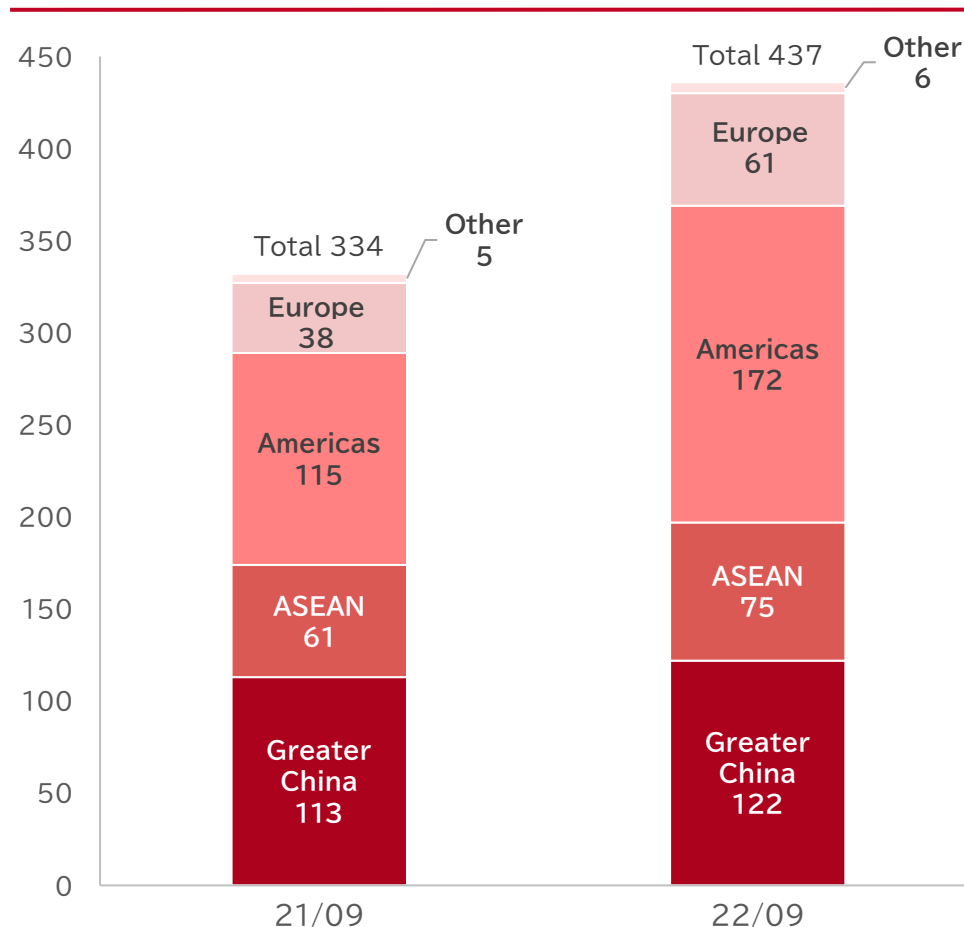
Gross Profit By Region

- ▶ Higher profit both domestic and overseas
- ▶ Domestic profit increased due to higher sales of precision-processing products and electronics chemicals for the semiconductor industry
- ▶ Overseas profit increased 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)

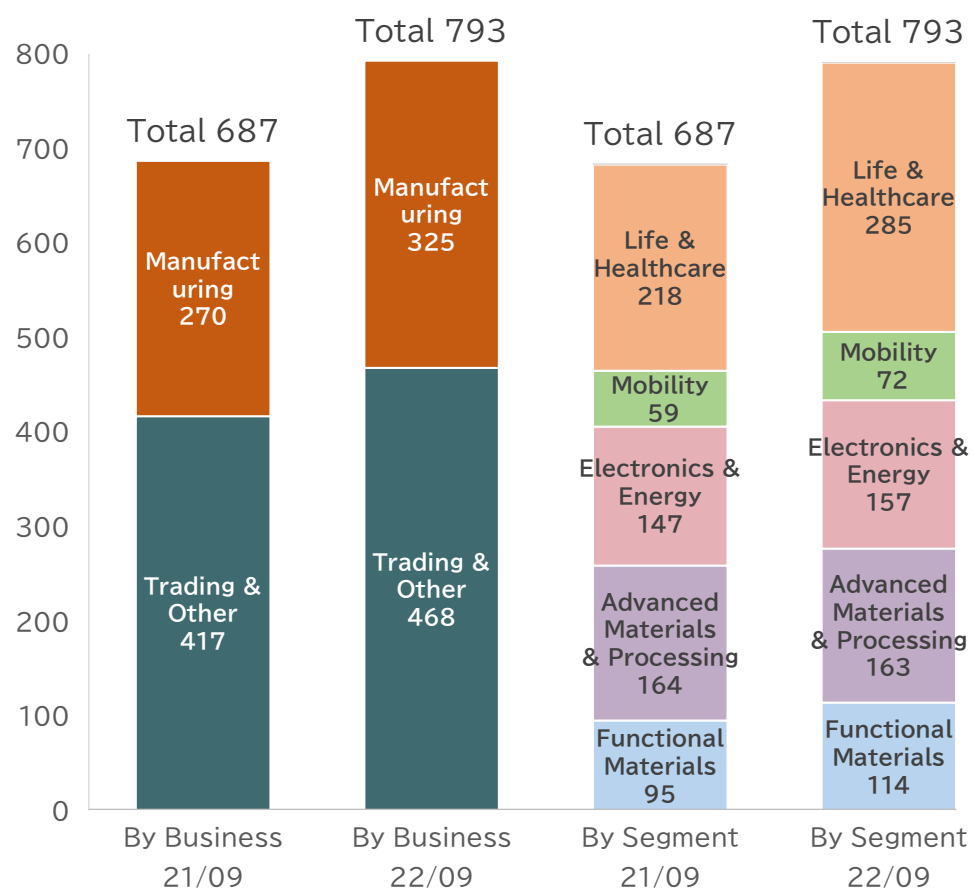


※Domestic figures under Domestic & Overseas Gross Profit include inter-regional adjustments

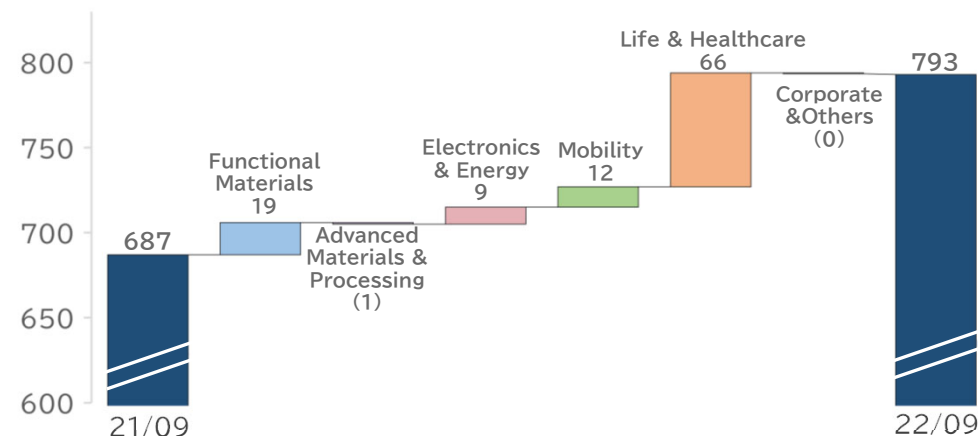
Gross Profit By Business & Segment

- ▶ Functional Materials sales increased in areas like electronics chemicals for the electronics industry, including semiconductor-related products
- ▶ Profit decreased in part due to lower profitability in Advanced Materials & Processing, despite the positive impact of the weak yen, as sales volume of resins declined and the segment experienced 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

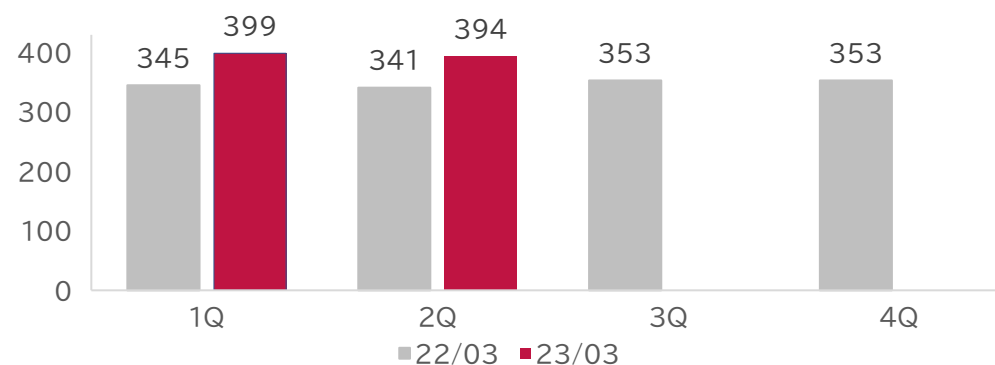
Gross Profit By Business & Segment (100 millions of yen)



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



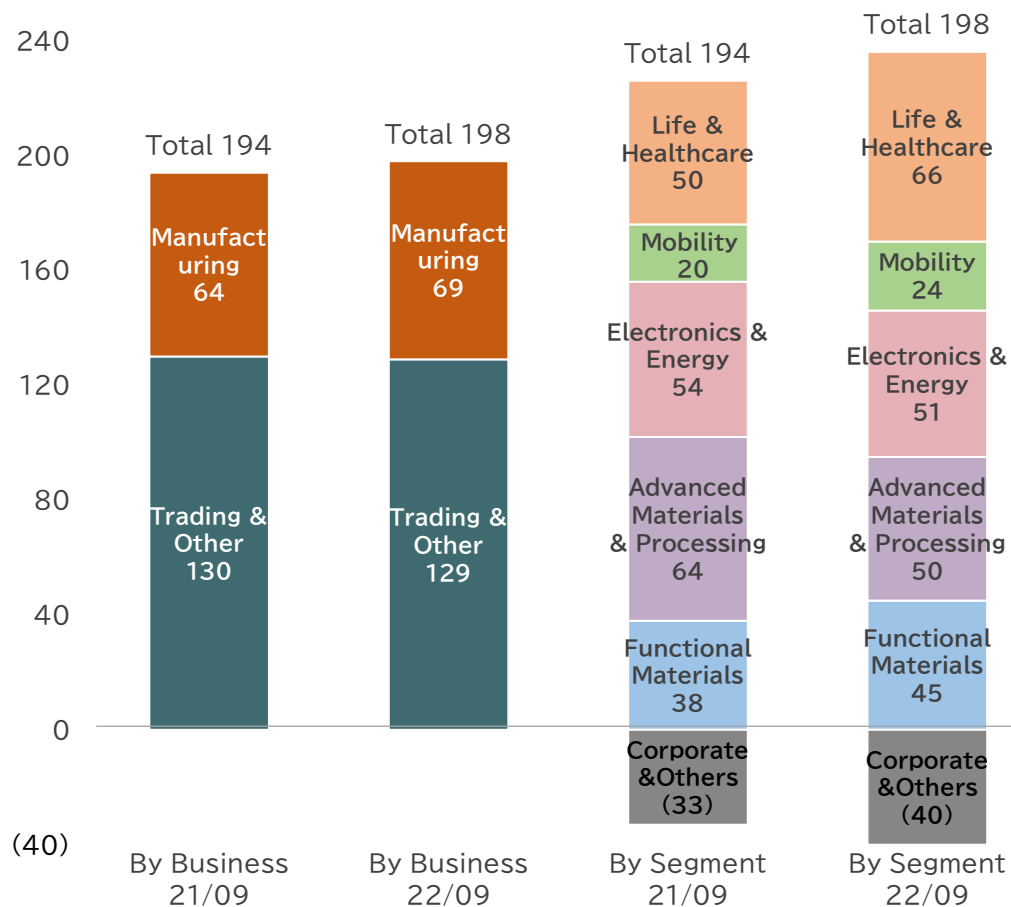
History of Gross Profit (100 millions of yen)



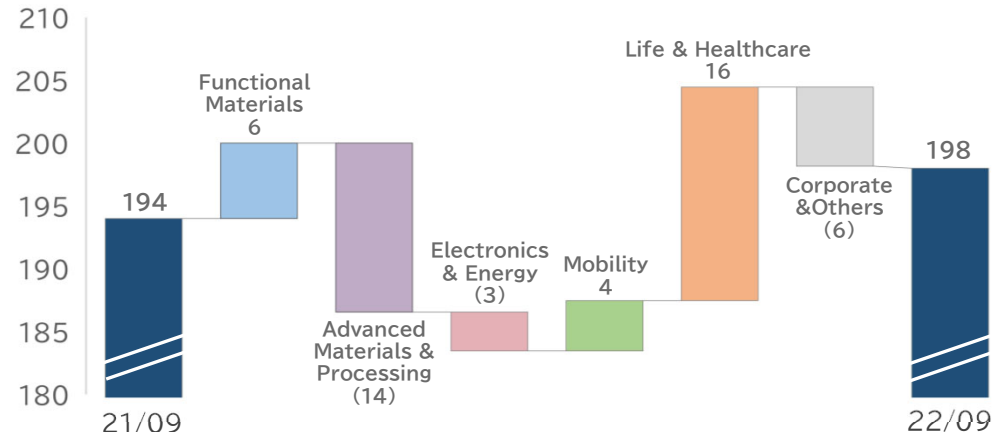
Operating Income by Business & Segment

- ▶ 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
- ▶ 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 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

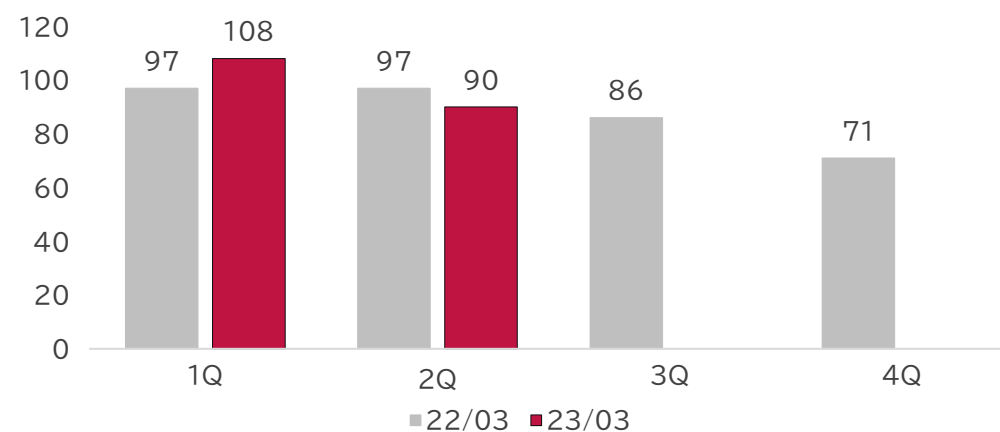
Operating Income by Business & Segment(100 millions of yen)



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



History of Operating Income(100 millions of yen)

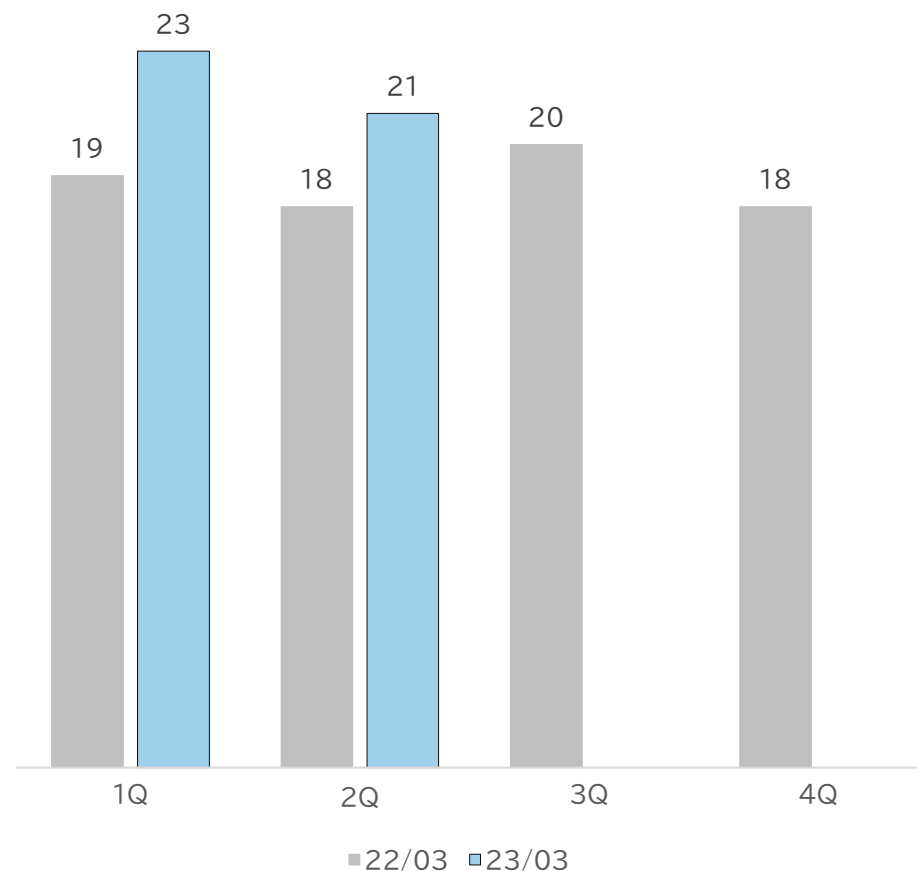
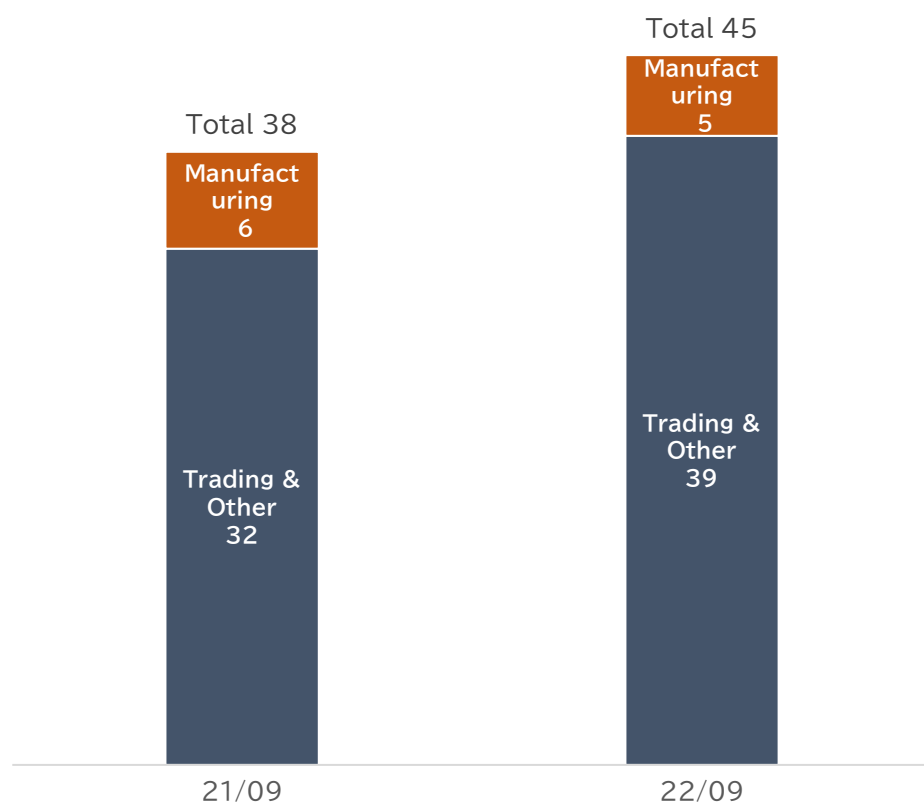


Functional Materials Segment Operating Income Overview

- ▶ 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)

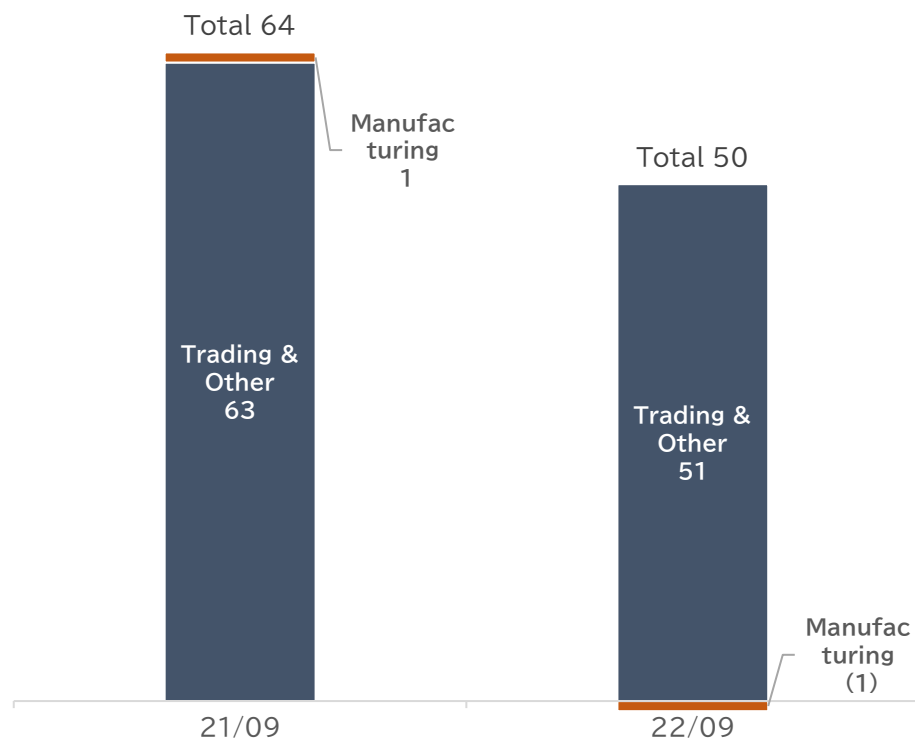
History of operating income (100 millions of yen)



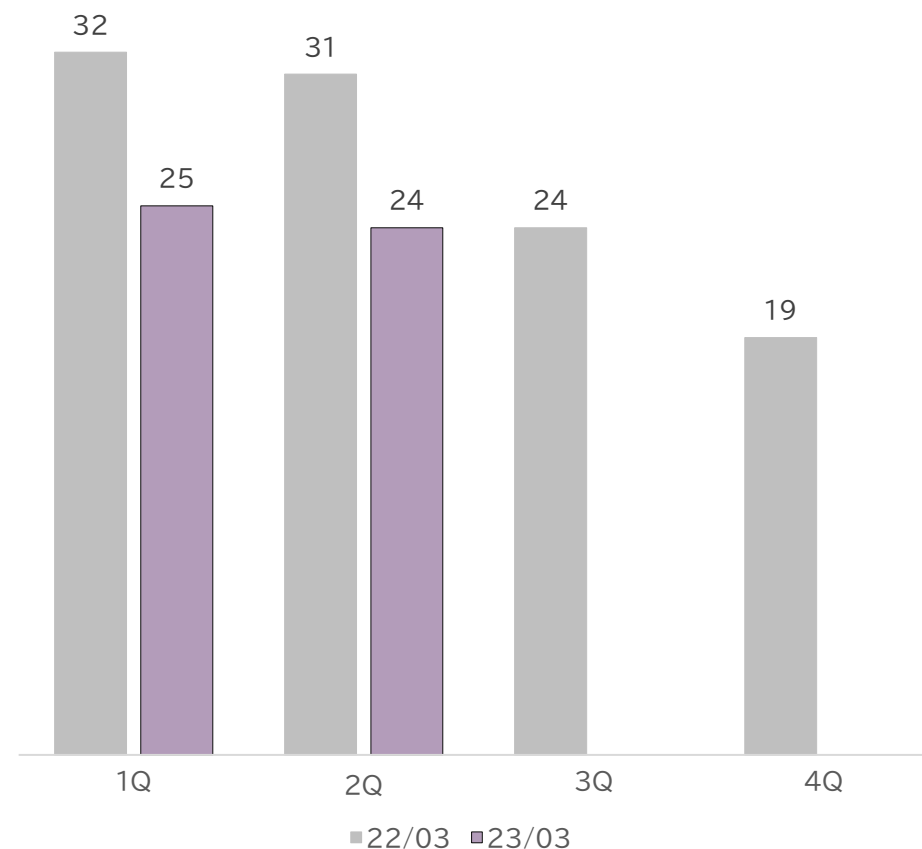
Advanced material & Processing Segment Operating Income Overview

- ▶ 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)



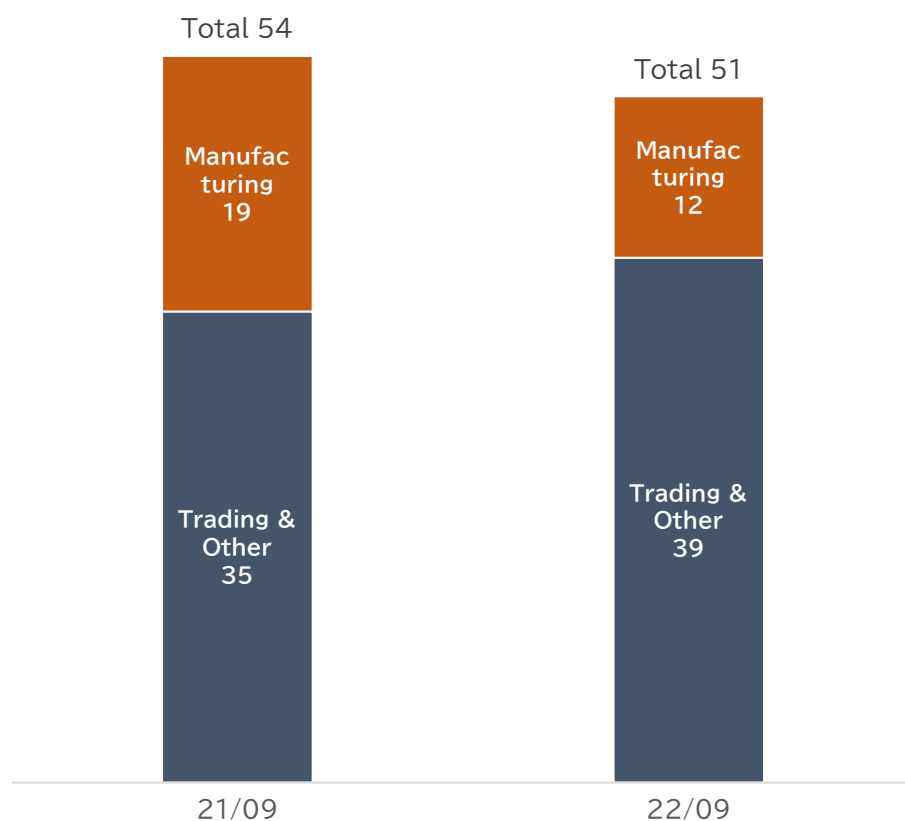
History of operating income (100 millions of yen)



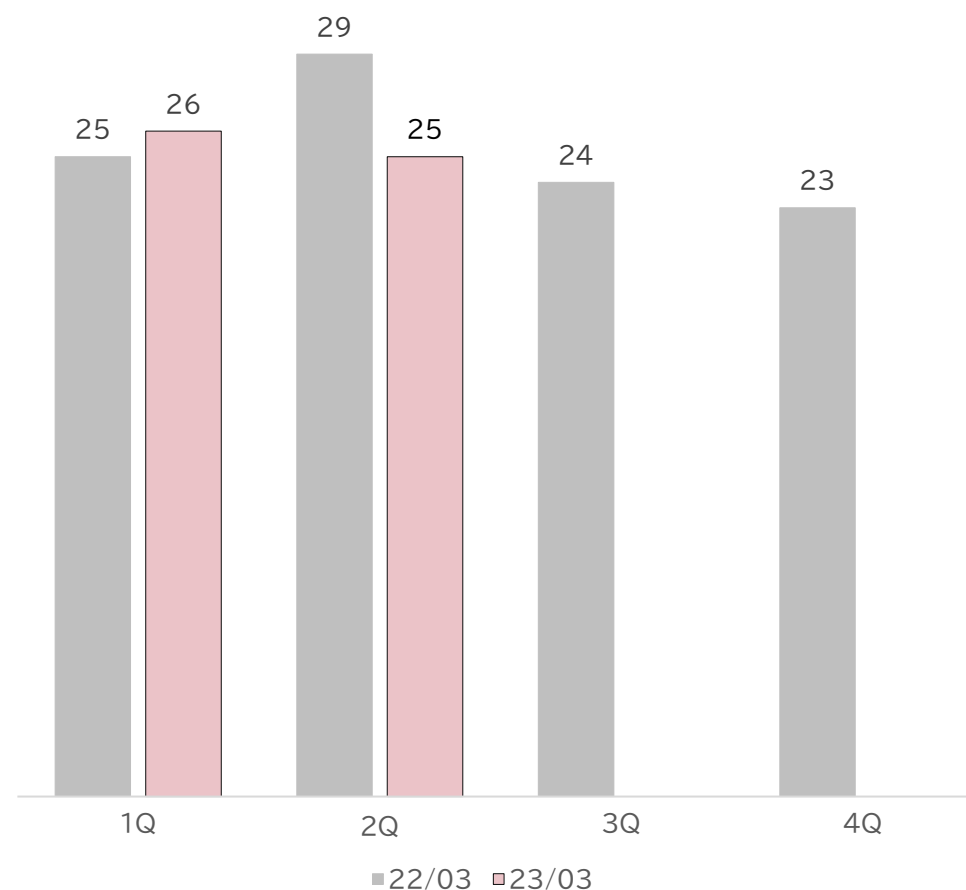
Electronics & Energy Segment Operating Income Overview

- ▶ Sales increased for products related to precision processing materials for semiconductors
- ▶ Sales of formulated epoxy resins was strong for semiconductor applications, but slow for mobile devices
- ▶ We are aiming for medium- to long-term growth after upfront development costs for a next-generation telecommunications-related business
- ▶ Profit decreased year on year due to continued weak sales of formulated epoxy resins for mobile devices

Operating income by business(100 millions of yen)



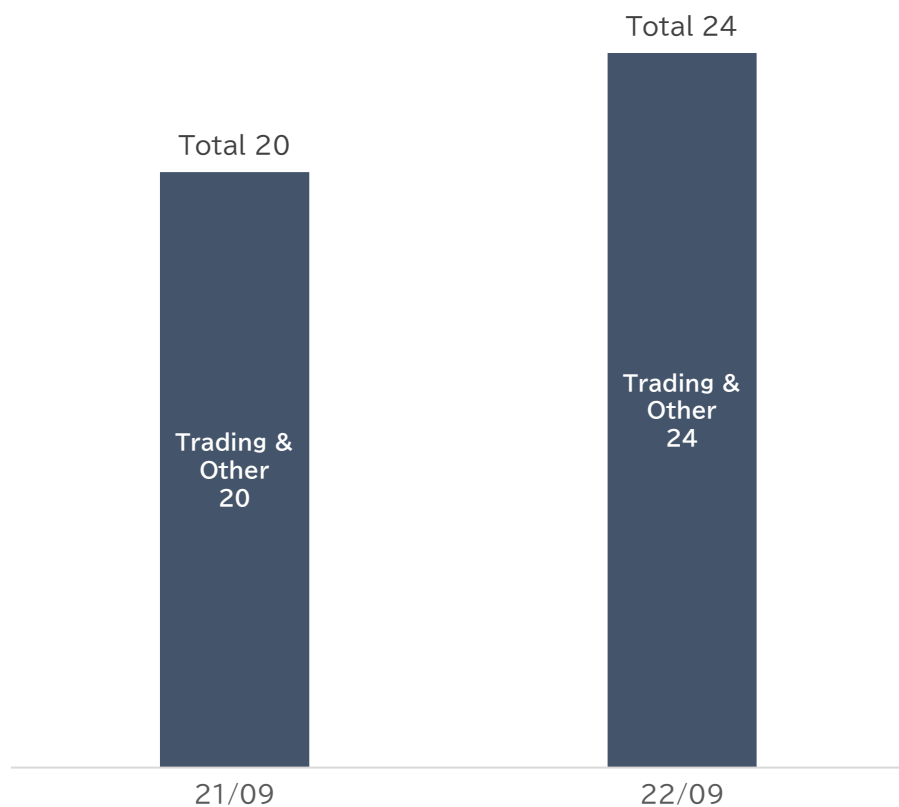
History of operating income (100 millions of yen)



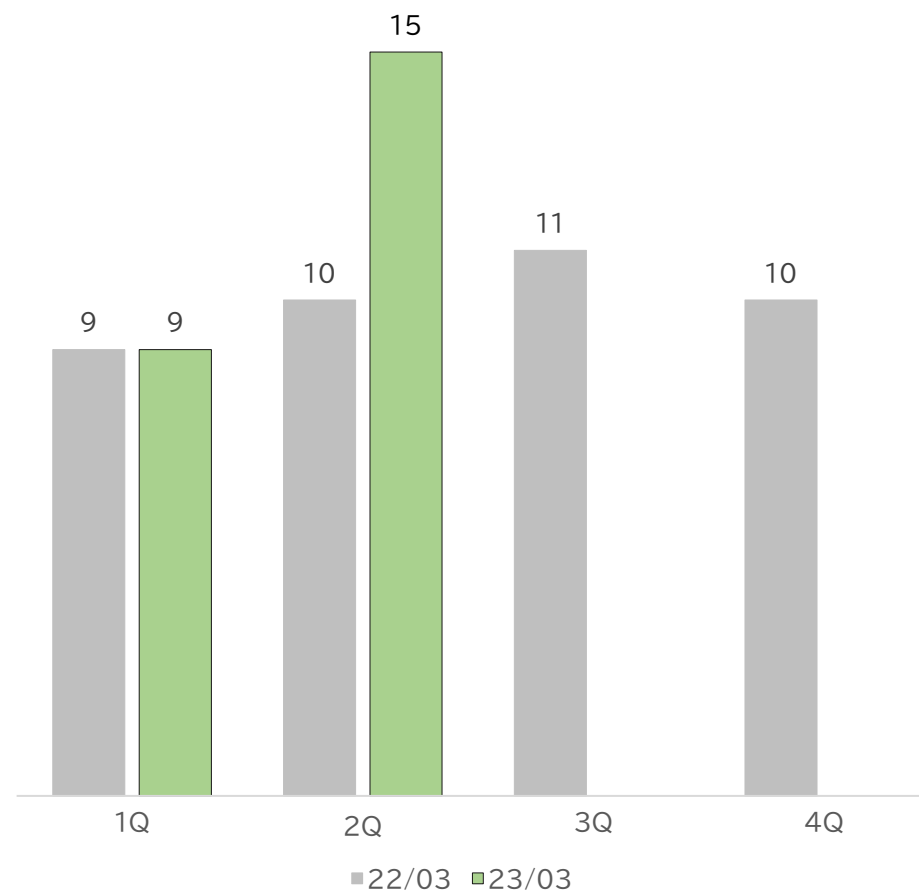
Mobility Segment Operating Income Overview

- ▶ Sales increased for resins, mainly due to an increase in automobile production and the impact of the weakening yen
- ▶ Sales increased in functional materials and functional components for interior and exterior fittings and electrification
- ▶ Higher gross profit led to higher profit year on year

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



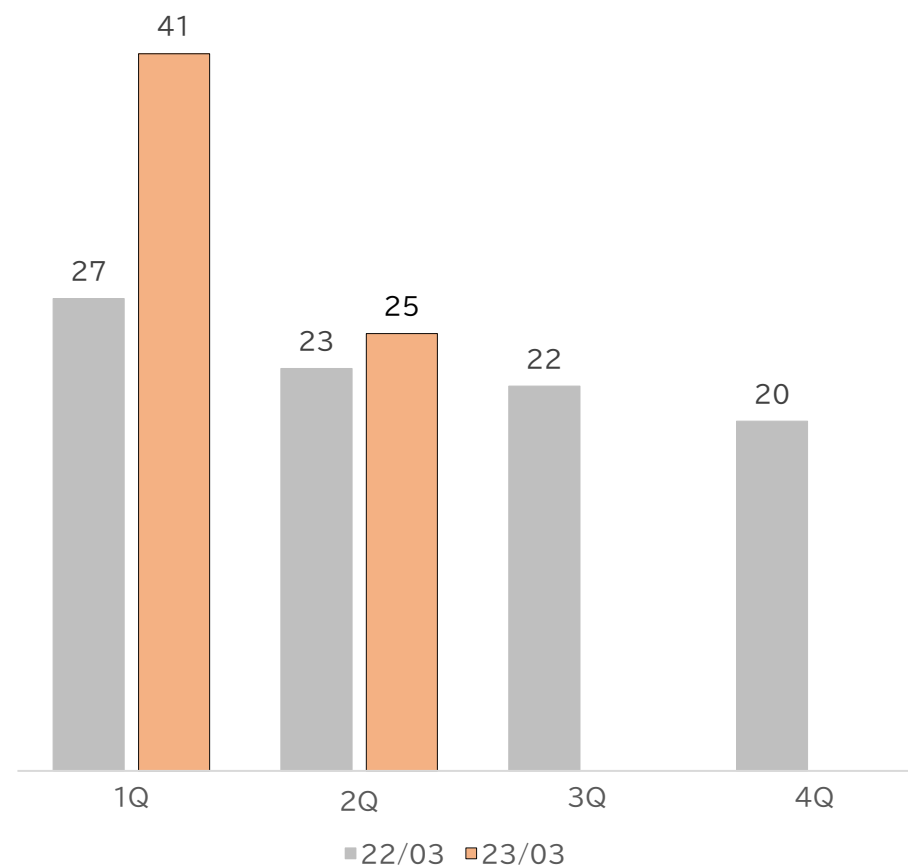
Life & Healthcare Segment Operating Income Overview

- ▶ 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
- ▶ Quarterly profit declined due to slackening supply-demand conditions in the Prinova Group business; however, profit remained strong and increased compared to the year-ago period

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

		21/09	22/09	Change	Vs.PY
Nagase ChemteX Corporation	Sales	146	135	(10)	93%
	Gross profit	47	38	(9)	80%
	Operating income	23	11	(12)	49%
Hayashibara Co.,Ltd.	Sales	130	138	8	107%
	Gross profit	54	53	(0)	98%
	Operating income	23	20	(2)	87%
	Goodwill amortization etc.	15	15	-	100%
	Operating income after amortization burden	7	4	(2)	62%
Prinova Group	Sales	557	950	392	170%
	Gross profit	106	166	60	157%
	Operating income	37	57	20	153%
	Goodwill amortization etc.	9	11	1	114%
	Operating income after amortization burden	27	46	18	167%

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 interest-bearing debt resulting from higher demand for cash in connection with an increase in working capital

100 millions of yen

	22/03	22/09	Change	Details
Total Current Assets	5,142	5,677	534	
(Cash&deposits)	542	461	(80)	
(Trade account receivable)	2,898	3,164	266	
(Inventories)	1,575	1,864	289	
Total non-current assets	2,254	2,341	87	
(Investments in security)	756	724	(31)	
Total assets	7,397	8,019	622	
Current Liab.	3,078	3,285	207	Short-term loans/CP+310, Current Portion of Bonds(100)
(Trade account payable)	1,490	1,523	33	
Non-current Liab.	767	897	129	Corporate Bonds+100
Total Liab.	3,846	4,182	336	
Shareholders' equity	2,988	3,073	85	
Accum. Other Comprehensive Income	454	652	197	Translation adjustment+218, Appraisal Loss on Investment Securities(25)
Non-controlling interest	108	111	2	
Total net assets	3,550	3,836	285	
Working capital	2,983	3,505	522	
Shareholders' equity ratio	46.5%	46.5%	(0.0%)	
NET D/E ratio	0.33	0.41	0.09	

Consolidated Cash Flows

- ▶ Operating CF : Net cash used of ¥17.9 billion as working capital increased due to strong business performance
- ▶ Investing CF : Net cash used of ¥5.9 billion due to purchases of property, plant and equipment, etc., offset in part by proceeds from sales of investments in securities
- ▶ Financing CF : Net cash provided of ¥11.5 billion, mainly due to an increase in interest-bearing debt in connection with an increase in working capital, offset in part by payments of dividends and purchases of treasury stock

	100 millions of yen	
	21/09	22/09
Operating CF	(136)	(179)
Investing CF	(49)	(59)
Free CF	(185)	(239)
Financing CF	144	115
Effects of exchange rate changes on cash and cash equivalents	3	47
Net change in cash and cash equivalents	(38)	(76)
Depreciation and amortization of tangible and intangible assets	68	71
Fixed asset investment	(75)	(83)
Change in working capital	(327)	(295)

FYE March 2023 Earnings Projection

- ▶ Although the yen weakened compared to our initial forecast, we maintain our full-year earnings forecast unchanged, reflecting following circumstances (we expect to record record-high earnings for a second consecutive year)
- ▶ We expect to see continued growth in food-related businesses, as semiconductor-related products remain strong, even while we forecast food-related product to slow due to economic sluggishness
- ▶ In addition to crude oil prices and related chemical market conditions, we expect utility costs such as electricity and gas to remain high
- ▶ Lower resin sales due to the Shanghai lockdowns, and lower sales of formulated epoxy resins due to lower demand for mobile devices, will have a larger-than-expected impact

100 millions of yen

	22/03 Actual	23/03 Forecast	Change	Vs.PY
Gross profit	1,394	1,590	195	114%
SG&A expenses	1,042	1,210	167	116%
Operating income	352	380	27	108%
Ordinary income	364	390	25	107%
Profit attributable to owners of the parent	259	285	25	110%
US\$ Exchange rate (period average)	@ 112.4	@ 140.0	(@120.0 ⇒ @140.0)	
RMB Exchange rate (period average)	@ 17.5	@ 20.0	(@18.5 ⇒ @20.0)	

※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

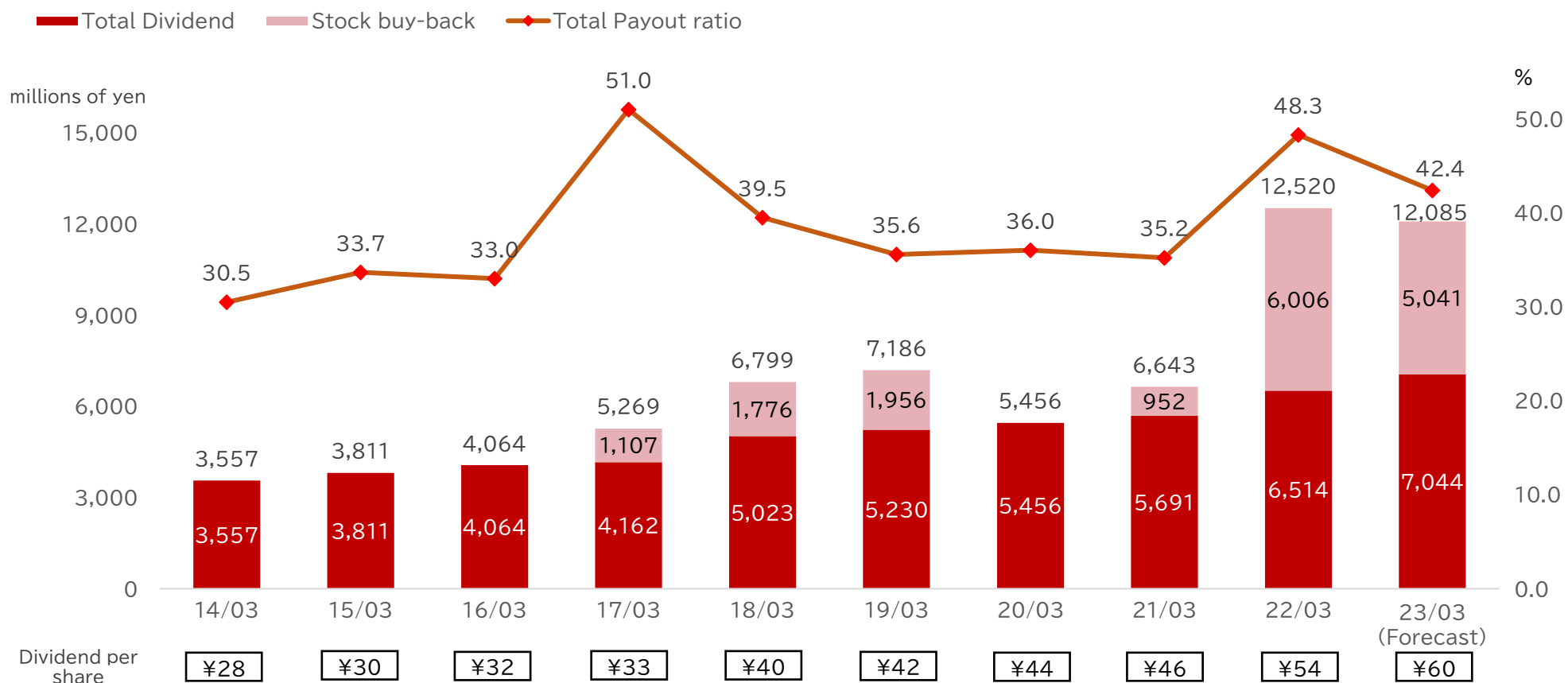
- ▶ We revised our forecast for Functional Materials upward, mainly due to strong sales of electronics chemicals for semiconductor-related industries and improved profitability resulting from market conditions and foreign exchange rate fluctuations
- ▶ We revised our forecast downward for Advanced Materials & Processing, mainly due to weaker-than-expected performance in the resins business, which was affected by the Shanghai lockdowns, etc.
- ▶ We revised our forecast downward for Electronics & Energy, which should see firm performance for semiconductor-related products, but weak sales of formulated epoxy resins, mainly due to a decline in demand for mobile devices
- ▶ We revised our forecast upward for Mobility, mainly due to improved profitability in response to market conditions and foreign exchange rates, as well as an increase in market share of Functional Materials and components for EVs
- ▶ We revised our forecast for Life & Healthcare upward, mainly due to the Prinova Group nutrition-related business performing better than expected in the first half, including an increase in market share

100 millions of yen

		22/03 Actual	23/03 Previous forecast	23/03 Revised forecast	Change	Percentage change
Functional Materials	Gross profit	198	221	229	8	3.6%
	Operating income	78	83	95	12	14.5%
Advanced Materials & Processing	Gross profit	323	343	330	(13)	(3.8%)
	Operating income	108	117	105	(12)	(10.3%)
Electronics & Energy	Gross profit	297	325	310	(15)	(4.6%)
	Operating income	102	115	103	(12)	(10.4%)
Mobility	Gross profit	127	142	149	7	4.9%
	Operating income	41	44	55	11	25.0%
Life & Healthcare	Gross profit	447	557	571	14	2.5%
	Operating income	94	112	117	5	4.5%
Corporate & Others	Gross profit	1	2	1	(1)	(50.0%)
	Operating income	(72)	(91)	(95)	(4)	—
Total	Gross profit	1,394	1,590	1,590	—	—
	Operating income	352	380	380	—	—

Shareholder Returns

- ▶ We plan to pay an interim dividend of ¥30 per share and a year-end dividend of ¥30 per share for an annual dividend of ¥60 per share for fiscal 2022 (expected 13th consecutive fiscal year of dividend increases)
- ▶ The repurchase of ¥6 billion in treasury stock, resolved in February 2022, is on schedule
(We repurchased ¥1.3 billion in the first half of the current fiscal year, bringing the cumulative total to ¥4.1 billion as of September 30, 2022)



※ 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 November 4, 2022. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.