

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2023
<Under Japanese GAAP>

May 9, 2023

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 (Prime Market)

Code number: 8012 URL (<https://www.nagase.co.jp/english/>)
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Annual general meeting of stockholders: June 20, 2023
 Start of distribution of dividends (scheduled): June 21, 2023
 Securities report filing (scheduled): June 21, 2023
 Supplementary documents: Yes
 Investors' meeting: Yes

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

1. Consolidated Results for the Fiscal Year Ended March 31, 2023

(April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results

(% = year-on-year change)

	Net sales		Gross profit		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FYE March 2023	912,896	17.0	155,410	11.4	33,371	-5.4	32,528	-10.9	23,625	-8.9
FYE March 2022	780,557	24.8	139,494	21.7	35,263	60.9	36,497	59.7	25,939	37.8

(Note) Comprehensive income FYE March 2023: ¥37,994 million (32.8%)
 FYE March 2022: ¥28,608 million (10.3% decrease)

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
FYE March 2023	199.54	—	6.6	4.3	3.7
FYE March 2022	213.46	—	7.7	5.3	4.5

(Reference) Equity in earnings of affiliates FYE March 2023: ¥318 million
 FYE March 2022: (¥1,031) million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FYE March 2023	762,688	378,388	48.2	3,139.26
FYE March 2022	739,720	355,092	46.5	2,868.22

(Reference) Equity capital FYE March 2023: ¥367,675 million
 FYE March 2022: ¥344,261 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FYE March 2023	9,414	(8,031)	(17,247)	40,331
FYE March 2022	(17,776)	(7,664)	27,282	53,336

2. Dividends

	Annual Dividends per Share					Total dividends paid (full fiscal year)	Payout ratio (consolidated)	Dividends/ net assets (consolidated)
	1Q	2Q	3Q	Fiscal year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FYE March 2022	–	24.00	–	30.00	54.00	6,514	25.1	1.9
FYE March 2023	–	30.00	–	40.00	70.00	8,245	34.9	2.3
FYE March 2024 (forecast)	–	40.00	–	40.00	80.00		38.0	

(Note) A year-end dividend for FYE March 2022 includes regular dividend of ¥24 per share and special dividend of ¥6 per share.

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024

(April 1, 2023 to March 31, 2024)

(% = year-on-year change)

	Net sales		Gross profit		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	%	Millions of yen	%	Yen
Full fiscal year	958,000	4.9	171,000	10.0	34,500	3.4	32,600	0.2	24,000	1.6	209.35

* 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) 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: Yes

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)

March 31, 2023	117,908,285 shares	March 31, 2022	120,908,285 shares
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ii. Number of treasury stock as of the fiscal period end

March 31, 2023	786,718 shares	March 31, 2022	881,767 shares
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iii. Average number of shares during the period

March 31, 2023	118,398,261 shares	March 31, 2022	121,522,286 shares
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*** These consolidated financial statements are not subject to audit by an independent audit corporation**

* 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.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2022)	Current Consolidated Fiscal Year (March 31, 2023)
ASSETS		
Current assets		
Cash and time deposits	54,211	40,897
Notes and accounts receivable	289,862	302,105
Merchandise and finished goods	142,590	152,504
Work in process	2,401	2,446
Raw materials and supplies	12,533	14,770
Other	13,935	18,429
Less allowance for doubtful accounts	(1,248)	(1,021)
Total current assets	514,286	530,132
Non-current assets		
Property, plant and equipment		
Buildings and structures	61,430	64,095
Accumulated depreciation	(36,003)	(37,018)
Buildings and structures (net)	25,427	27,076
Machinery, equipment and vehicles	64,794	65,005
Accumulated depreciation	(47,271)	(47,686)
Machinery, equipment and vehicles (net)	17,523	17,318
Land	20,398	18,839
Other	30,318	42,415
Accumulated depreciation	(21,112)	(23,585)
Other (net)	9,205	18,829
Total property, plant and equipment	72,554	82,064
Intangible fixed assets		
Goodwill	29,492	29,004
Technology-based assets	5,912	4,337
Other	29,664	35,587
Total intangible fixed assets	65,070	68,928
Investments and other assets		
Investments in securities	75,600	69,743
Long-term loans receivable	24	17
Retirement benefit asset	3,139	2,645
Deferred tax assets	3,572	3,857
Other	5,583	5,475
Less allowance for doubtful accounts	(112)	(176)
Total investments and other assets	87,809	81,562
Total non-current assets	225,434	232,556
Total assets	739,720	762,688

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2022)	Current Consolidated Fiscal Year (March 31, 2023)
LIABILITIES		
Current liabilities		
Notes and accounts payable	149,036	140,438
Short-term loans	73,121	66,117
Current portion of long-term loans	8,752	1,056
Commercial paper	25,000	38,000
Current portion of bonds	10,000	-
Accrued income taxes	7,100	2,913
Accrued bonuses for employees	7,648	6,985
Accrued bonuses for directors	497	371
Other	26,678	30,321
Total current liabilities	307,836	286,203
Long-term liabilities		
Bonds	20,000	30,000
Long-term loans	28,244	32,697
Lease liabilities	1,011	9,763
Deferred tax liabilities	12,310	10,360
Retirement benefit liability	13,238	13,197
Provision for directors' stock benefit	-	65
Other	1,987	2,012
Total long-term liabilities	76,791	98,097
Total liabilities	384,628	384,300
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,639	10,636
Retained earnings	280,015	290,279
Less treasury stock, at cost	(1,534)	(1,550)
Total shareholders' equity	298,820	309,064
Accumulated other comprehensive income		
Net unrealized holding gain on securities	31,732	28,928
Deferred gain on hedges	178	(7)
Translation adjustments	13,690	30,414
Remeasurements of defined benefit plans	(161)	(726)
Total accumulated other comprehensive income	45,441	58,610
Non-controlling interests	10,830	10,713
Total net assets	355,092	378,388
Total liabilities and net assets	739,720	762,688

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

(Consolidated Statements of Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2021 - March 31, 2022)	Current Consolidated Fiscal Year (April 1, 2022 - March 31, 2023)
Net sales	780,557	912,896
Cost of sales	641,062	757,486
Gross profit	139,494	155,410
Selling, general and administrative expenses		
Selling expenses	19,907	22,953
Employee salaries and allowances	33,977	38,839
Provision for accrued bonuses for employees	4,522	4,421
Provision for accrued bonuses for directors	287	396
Depreciation and amortization other than amortization of goodwill	6,716	7,554
Retirement benefit expenses	769	1,443
Provision for retirement benefits for directors	42	24
Allowance for doubtful accounts	612	333
Amortization of goodwill	2,478	2,545
Other	34,918	43,526
Total selling, general and administrative expenses	104,231	122,038
Operating income	35,263	33,371
Non-operating income		
Interest income	156	197
Dividend income	1,395	1,537
Rent income	272	243
Foreign exchange gains	1,283	12
Equity in earnings of affiliates	-	318
Other	822	656
Total non-operating income	3,929	2,967
Non-operating expenses		
Interest expenses	1,176	3,211
Equity in losses of affiliates	1,031	-
Other	486	598
Total non-operating expenses	2,695	3,810
Ordinary income	36,497	32,528
Extraordinary gains		
Gain on sales of non-current assets	16	144
Gain on receipt of donated non-current assets	719	-
Gain on sales of investment securities	7,037	6,587
Gain on sales of shares of subsidiaries and affiliates	-	52
Gain on sales of investments in capital of subsidiaries and affiliates	314	147
Gain on change in equity	-	449
Subsidy income	75	25
Other	229	-
Total extraordinary gains	8,392	7,406
Extraordinary losses		
Loss on sales of non-current assets	177	87
Loss on disposal of non-current assets	453	998
Loss on impairment of fixed assets	2,974	2,838
Loss on sales of investment securities	6	7
Loss on valuation of investments securities	1,436	2,120
Loss on sales of shares of subsidiaries and affiliates	59	466
Other	224	277
Total extraordinary losses	5,333	6,797

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2021 - March 31, 2022)	Current Consolidated Fiscal Year (April 1, 2022 - March 31, 2023)
Income before income taxes	39,557	33,137
Income taxes - current	12,826	9,621
Income taxes - deferred	(141)	(694)
Total income taxes	12,684	8,927
Profit for the period	26,872	24,210
Profit attributable to non-controlling interests	932	584
Profit attributable to owners of the parent	25,939	23,625

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2021 - March 31, 2022)	Current Consolidated Fiscal Year (April 1, 2022 - March 31, 2023)
Profit for the period	26,872	24,210
Other comprehensive income		
Net unrealized holding loss on securities	(11,844)	(2,794)
Deferred gain (loss) on hedges	106	(186)
Translation adjustments	13,623	16,852
Remeasurements of defined benefit plans	(430)	(564)
Share of other comprehensive gain of affiliates accounted for by the equity method	282	477
Total other comprehensive income	1,736	13,784
Comprehensive income	28,608	37,994
Comprehensive income attributable to:		
Shareholders of the parent	26,482	36,838
Non-controlling interests	2,126	1,156

(3) Consolidated Statements of Changes in Shareholders' Equity

Prior Consolidated Fiscal Year (April 1, 2021 - March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance, beginning of period	9,699	10,646	265,920	(1,503)	284,763
Changes					
Cash dividends			(5,876)		(5,876)
Profit attributable to owners of the parent			25,939		25,939
Purchase of treasury stock				(6,006)	(6,006)
Disposal of treasury stock		0		0	0
Cancellation of treasury stock		(0)	(5,975)	5,975	-
Equity transactions with non-controlling interests		(0)			(0)
Changes in scope of consolidation		(6)			(6)
Changes in scope of equity affiliates			7		7
Changes other than shareholders' equity accounts (net)					
Total changes	-	(6)	14,094	(30)	14,057
Balance, end of period	9,699	10,639	280,015	(1,534)	298,820

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, beginning of period	43,576	72	1,006	268	44,924	8,743	338,431
Changes							
Cash dividends							(5,876)
Profit attributable to owners of the parent							25,939
Purchase of treasury stock							(6,006)
Disposal of treasury stock							0
Cancellation of treasury stock							-
Equity transactions with non-controlling interests							(0)
Changes in scope of consolidation							(6)
Changes in scope of equity affiliates							7
Changes other than shareholders' equity accounts (net)	(11,843)	106	12,684	(430)	516	2,086	2,603
Total changes	(11,843)	106	12,684	(430)	516	2,086	16,661
Balance, end of period	31,732	178	13,690	(161)	45,441	10,830	355,092

Current Consolidated Fiscal Year (April 1, 2022 - March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance, beginning of period	9,699	10,639	280,015	(1,534)	298,820
Changes					
Cash dividends			(7,150)		(7,150)
Profit attributable to owners of the parent			23,625		23,625
Purchase of treasury stock				(5,662)	(5,662)
Cancellation of treasury stock			(5,645)	5,645	-
Equity transactions with non-controlling interests		(0)			(0)
Changes in scope of consolidation		(3)			(3)
Changes in scope of equity affiliates			(330)		(330)
Changes in fiscal year-end of consolidated subsidiaries			(234)		(234)
Changes other than shareholders' equity accounts (net)					
Total changes	-	(3)	10,264	(16)	10,244
Balance, end of period	9,699	10,636	290,279	(1,550)	309,064

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, beginning of period	31,732	178	13,690	(161)	45,441	10,830	355,092
Changes							
Cash dividends							(7,150)
Profit attributable to owners of the parent							23,625
Purchase of treasury stock							(5,662)
Cancellation of treasury stock							-
Equity transactions with non-controlling interests							(0)
Changes in scope of consolidation							(3)
Changes in scope of equity affiliates							(330)
Changes in fiscal year-end of consolidated subsidiaries							(234)
Changes other than shareholders' equity accounts (net)	(2,804)	(186)	16,723	(564)	13,169	(117)	13,051
Total changes	(2,804)	(186)	16,723	(564)	13,169	(117)	23,295
Balance, end of period	28,928	(7)	30,414	(726)	58,610	10,713	378,388

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Prior Consolidated Fiscal Year (April 1, 2021 - March 31, 2022)	Current Consolidated Fiscal Year (April 1, 2022 - March 31, 2023)
Operating Activities		
Income before income taxes	39,557	33,137
Depreciation and amortization other than amortization of goodwill	11,216	12,377
Loss on impairment of fixed assets	2,974	2,838
Amortization of goodwill	2,478	2,545
Subsidy income	(75)	(25)
Share of loss (gain) of entities accounted for using equity method	1,031	(318)
Gain on change in equity	-	(449)
Decrease in retirement benefit liability	(599)	(609)
Increase in retirement benefit asset	(869)	(55)
Interest and dividend income	(1,551)	(1,734)
Interest expenses	1,176	3,211
Exchange gain, net	(778)	(891)
Gain on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(7,285)	(6,312)
Loss on valuation of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	1,436	2,120
Increase in notes and accounts receivable	(34,234)	(5,171)
Increase in inventories	(49,346)	(1,275)
Increase (decrease) in notes and accounts payable	20,465	(13,584)
Other	4,859	(1,462)
Subtotal	(9,544)	24,341
Interest and dividends received	1,926	2,418
Interest paid	(1,202)	(3,058)
Income taxes paid	(8,956)	(14,286)
Net cash (used in) provided by operating activities	(17,776)	9,414
Investing activities		
Purchases of property, plant and equipment	(8,830)	(12,029)
Proceeds from sales of property, plant and equipment	326	540
Purchases of intangible fixed assets included in other assets	(1,624)	(4,888)
Purchases of investments in securities	(1,317)	(437)
Proceeds from sales of investments in securities	7,736	7,474
Proceeds from sales of investments in capital	890	178
Purchases of shares of subsidiaries resulting in change in scope of consolidation	(3,848)	-
Proceeds from sales of shares of subsidiaries resulting in change of scope of consolidation	587	2,040
Increase in short-term loans receivable included in other current assets, net	(83)	(623)
(Increase) decrease in time deposits, net	(137)	337
Proceeds from subsidy income	75	25
Payments of leasehold and guarantee deposits	(1,352)	-
Other	(86)	(650)
Net cash used in investing activities	(7,664)	(8,031)

	(Millions of yen)	
	Prior Consolidated Fiscal Year (April 1, 2021 - March 31, 2022)	Current Consolidated Fiscal Year (April 1, 2022 - March 31, 2023)
Financing activities		
Increase (decrease) in short-term loans, net	33,325	(11,961)
Increase in commercial paper, net	17,000	13,000
Proceeds from long-term loans	1,900	5,000
Repayments of long-term loans	(12,039)	(8,623)
Proceeds from issuance of bonds	-	10,000
Redemption of bonds	-	(10,000)
Purchase of treasury stock	(6,006)	(5,662)
Cash dividends paid	(5,876)	(7,150)
Cash dividends paid to non-controlling interests	(543)	(1,133)
Other	(477)	(716)
Net cash provided by (used in) financing activities	27,282	(17,247)
Effects of exchange rate changes on cash and cash equivalents	2,942	3,064
Net increase (decrease) in cash and cash equivalents	4,783	(12,800)
Cash and cash equivalents at beginning of the year	48,553	53,336
Decrease in cash and cash equivalents resulting from changes in fiscal year-end of consolidated subsidiaries	-	(204)
Cash and cash equivalents, at end of the period	53,336	40,331