

FY2023 First Quarter Financial Highlights

NAGASE&CO.,LTD.

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Delivering next.

“Next” connects us to the future.



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Consolidated statements income

- ▶ Gross profit : Net sales increased due to the weaker yen, but gross profit margin declined due to lower profitability at certain manufacturing subsidiaries, etc., resulting in lower gross profit
- ▶ Operating income : Profit decreased due to lower gross profit as well as higher selling, general and administrative expenses in connection with personnel costs, etc., and lower profitability in the Prinova Group
- ▶ Profit Attributable to owners of the parent : Profit decreased due to the decrease in operating income, an increase in interest expenses, an increase in loss on valuation of investment securities, and other factors

100 millions of yen

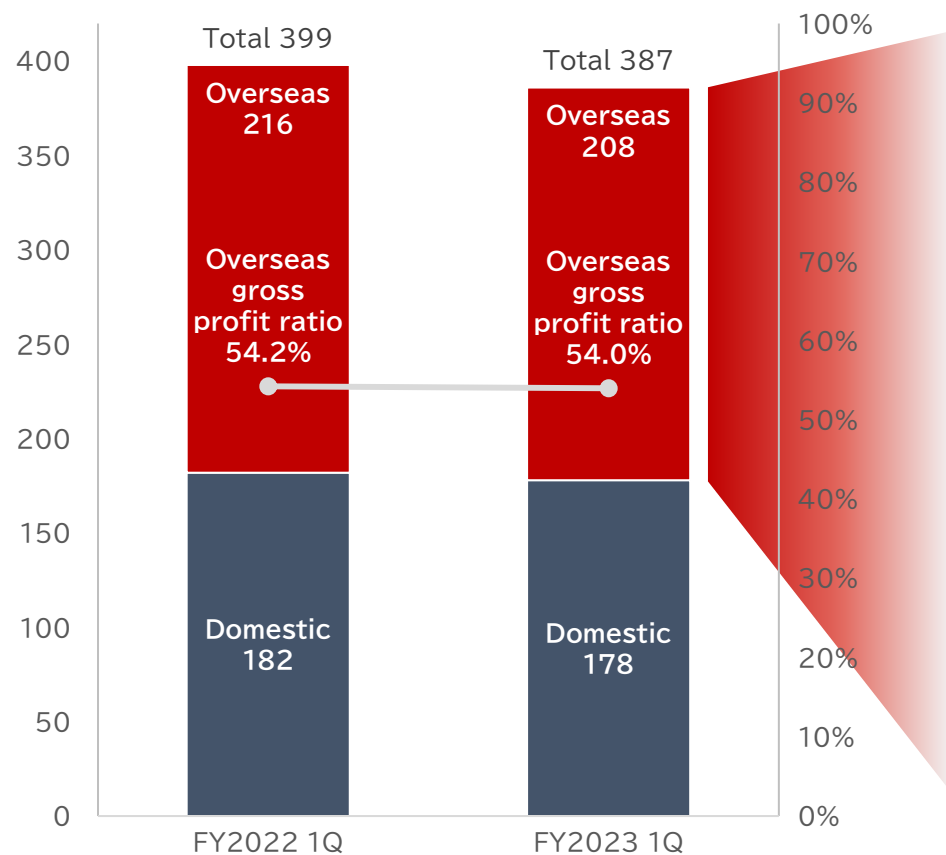
	FY2022 1Q	FY2023 1Q	Change	Vs.PY	Forecast	Achievement
Sales	2,195	2,240	+ 44	102%	9,580	23%
Gross profit	399	387	(11)	97%	1,710	23%
<GP ratio>	18.2%	17.3%	(0.9ppt)	—	17.8%	—
SG&A expenses	290	317	+ 27	109%	1,365	—
Operating income	108	69	(39)	64%	345	20%
Ordinary income	115	73	(42)	64%	326	23%
Profit Attributable to owners of the parent	79	43	(36)	55%	240	18%
US\$ Exchange rate (period average)	@ 129.7	@ 137.5	@ 7.8	Weak yen	@ 135.0	
RMB Exchange rate (period average)	@ 19.6	@ 19.6	@ 0.0	Strong yen	@ 20.0	

- ※ Offset to sales and cost of sales from revenue recognition standards: FY2022 1Q -¥65.1 billion, FY2023 1Q -¥63.5 billion
- ※ Impact from foreign exchange: Gross profit, +¥1.4 billion; Operating income, +¥0.1 billion

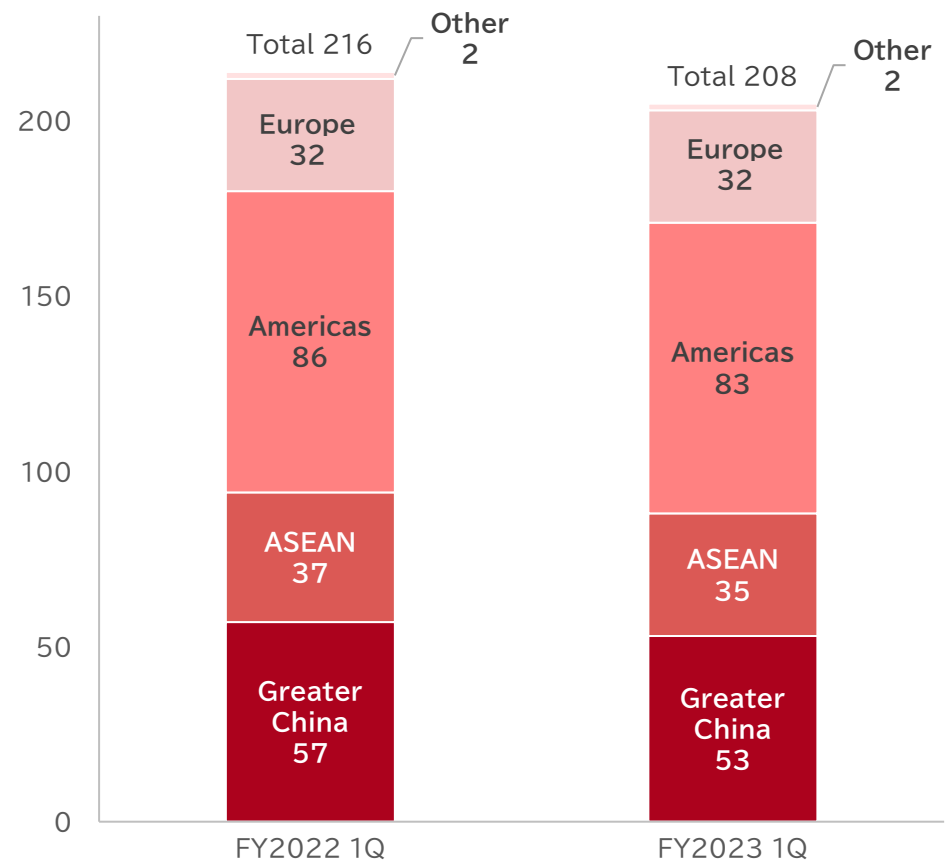
Gross Profit By Region

- ▶ Profit decreased in both domestic and overseas businesses
- ▶ Sales of cosmetics-related and other businesses were strong in Japan; however, overall profit decreased due to weak sales of raw materials for semiconductor-related products and other electronics industry-related products
- ▶ Despite higher profits overseas due to the weaker yen, profits decreased overall due to sluggish Prinova Group business sales and weak resin sales stemming from the impact of the economic slowdown

Domestic & Overseas Gross profit(100 millions of yen)



Overseas gross profit By Region(100 millions of yen)

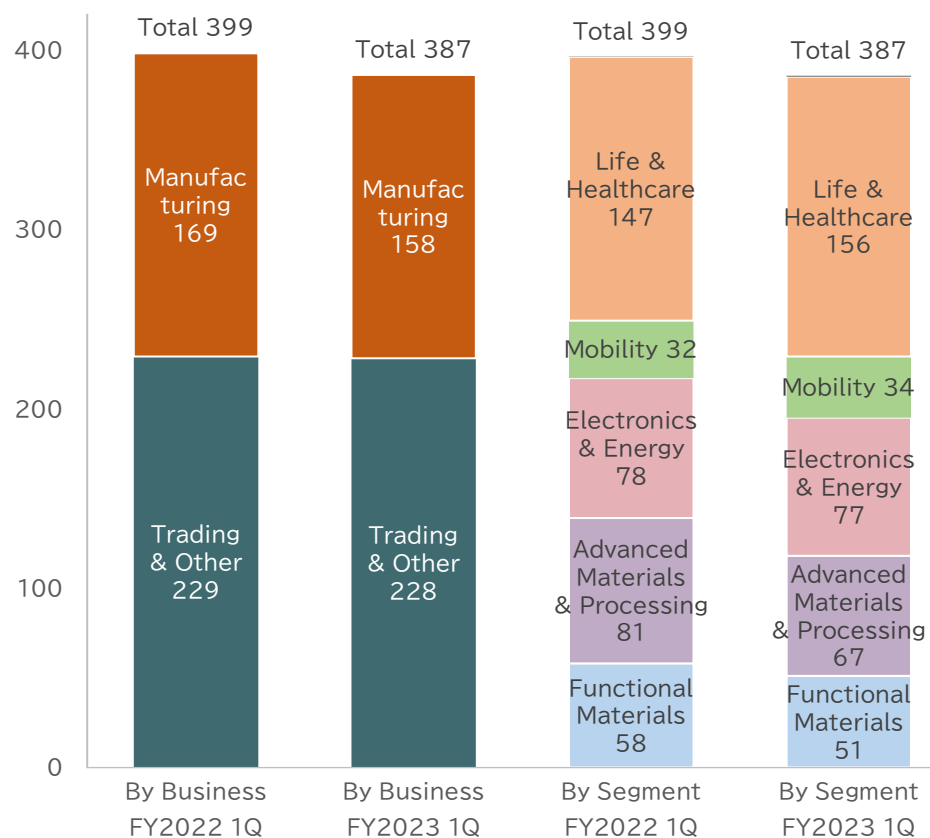


※Domestic figures under Domestic & Overseas Gross Profit include inter-regional adjustments

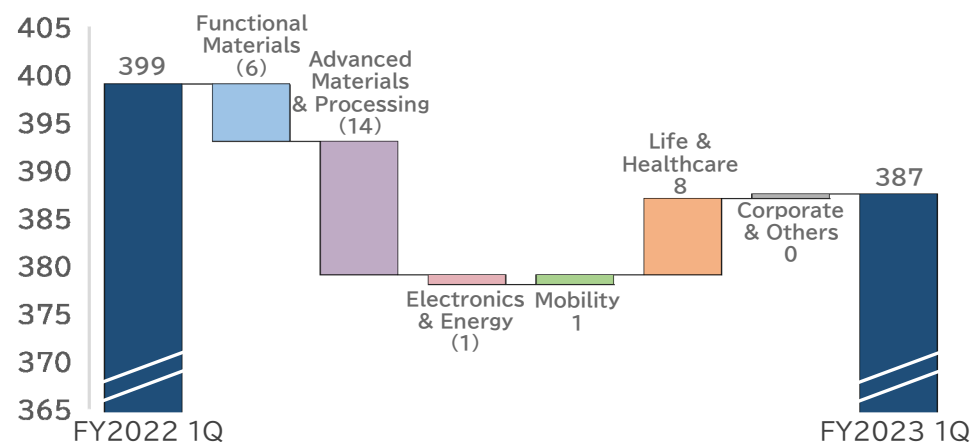
Gross Profit By Business & Segment

- ▶ Functional Materials posted lower sales of coating raw materials and raw materials for semiconductor-related products and other electronics industry products
- ▶ Advanced Materials & Processing posted lower sales due to decreased demand for resin sales in the office equipment, appliance, and video game device market, as well as the impact of inventory adjustments by customers
- ▶ Life & Healthcare posted an increase in sales of Hayashibara's AA2G™ and other cosmetics materials

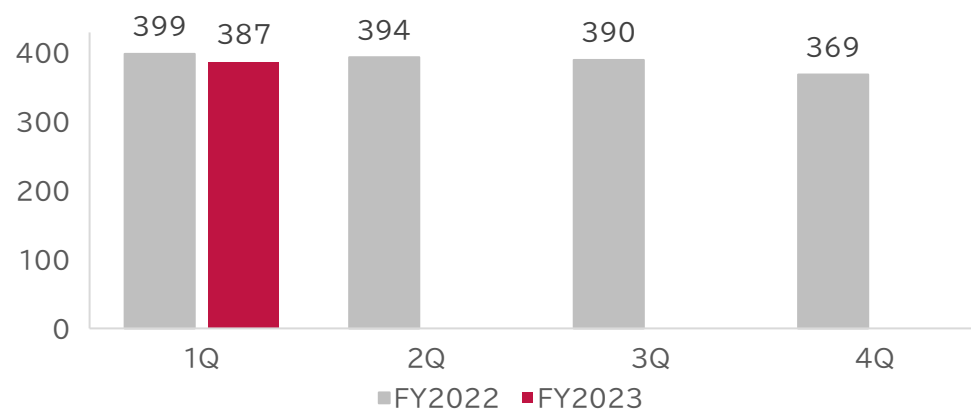
Gross Profit By Business & Segment (100 millions of yen)



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



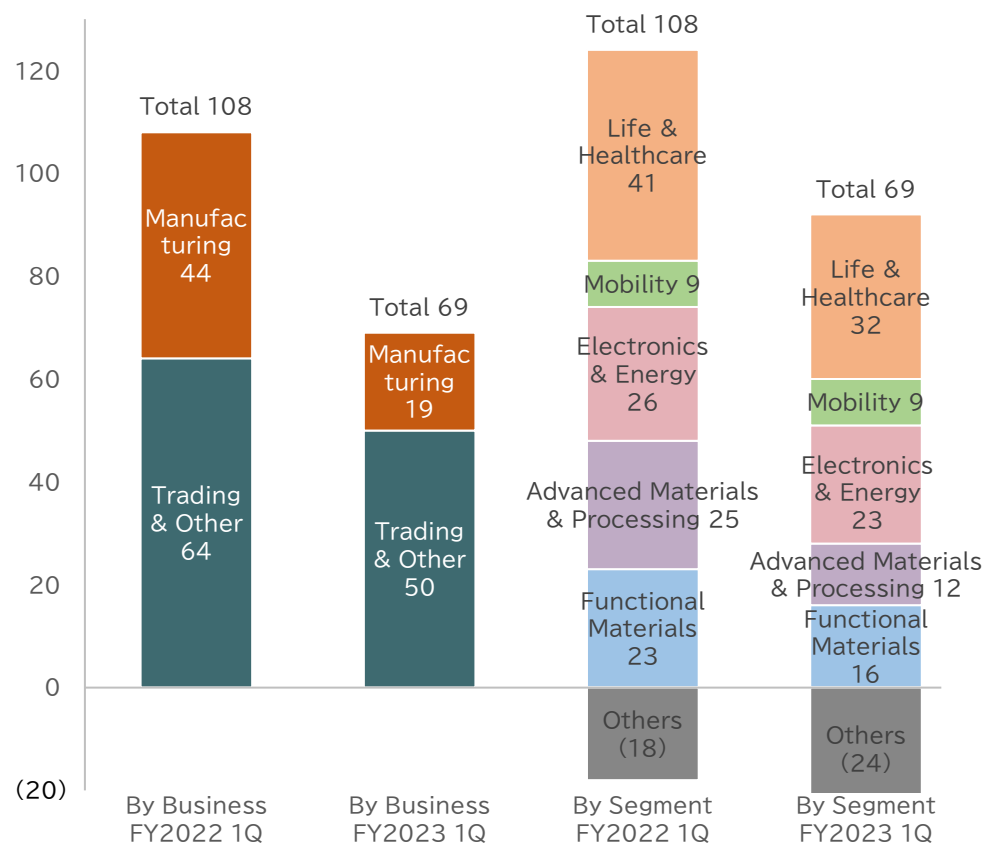
History of Gross Profit (100 millions of yen)



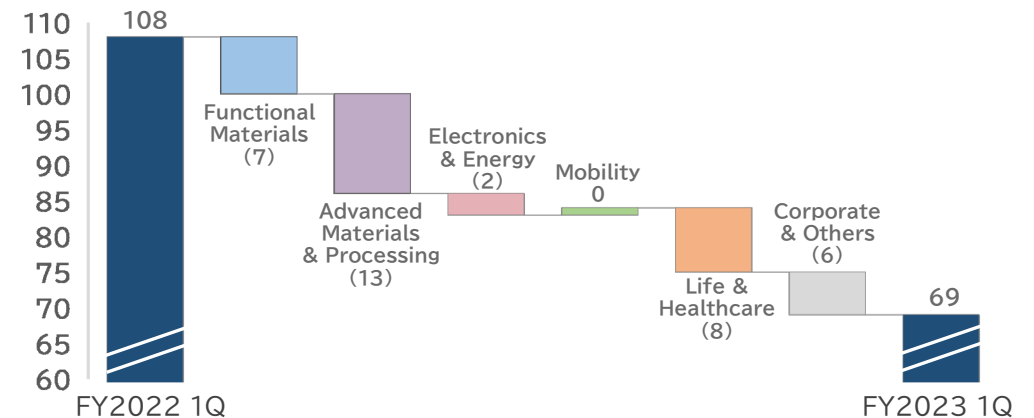
Operating Income by Business & Segment

- ▶ Operating income decreased due to lower gross profit in Functional Materials and Advanced Materials & Processing
- ▶ While gross profit increased in Life & Healthcare, weaker profitability at the Prinova Group, increased personnel expense and other selling, general and administrative expenses, and a delay in the profit contribution of the new Utah plant caused a decrease in operating income
- ▶ We continue to invest for sustainable future growth, including in DX-related areas

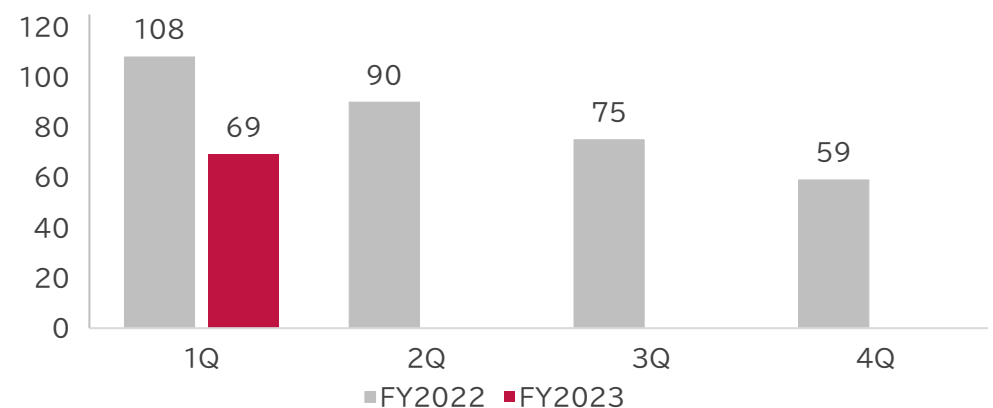
Operating Income by Business & Segment(100 millions of yen)



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



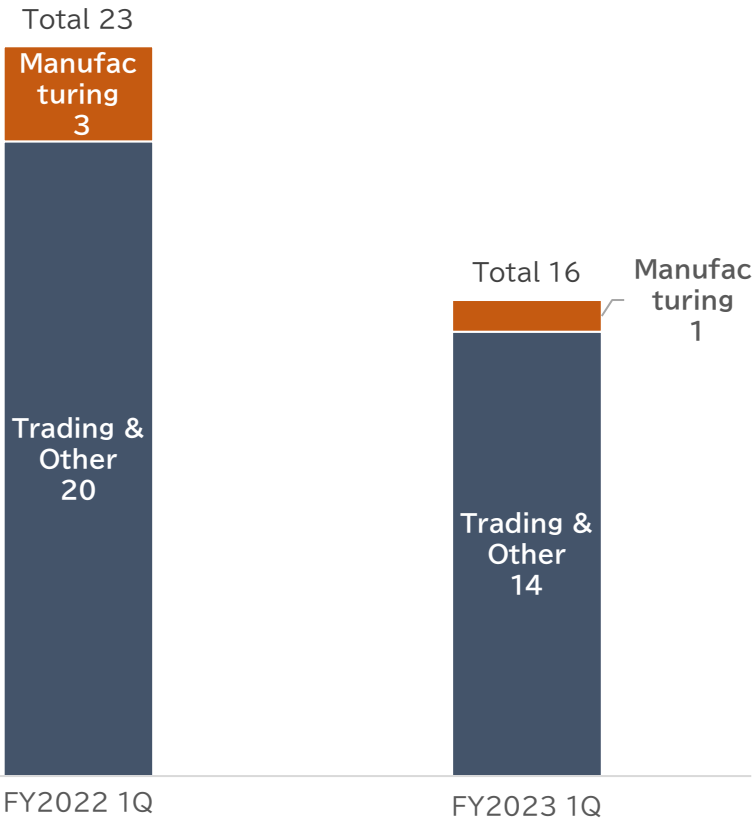
History of Operating Income(100 millions of yen)



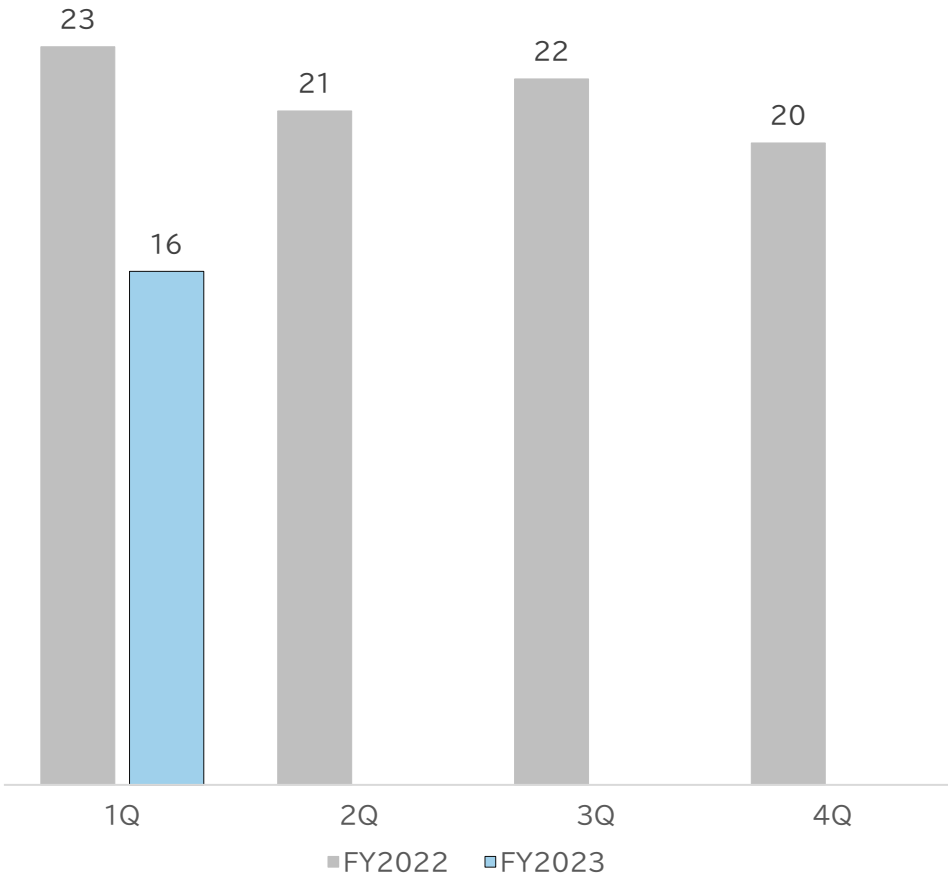
Functional Materials Segment Operating Income Overview

- ▶ Decrease in sales of coating raw materials to the automotive and other industries
- ▶ Sales decreased for raw materials for semiconductor-related products and other electronics industry products, as did sales of raw materials for industrial oil solutions and plastic materials
- ▶ Lower profit year on year as a result of overall weak performance due in part to customer inventory adjustments

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)

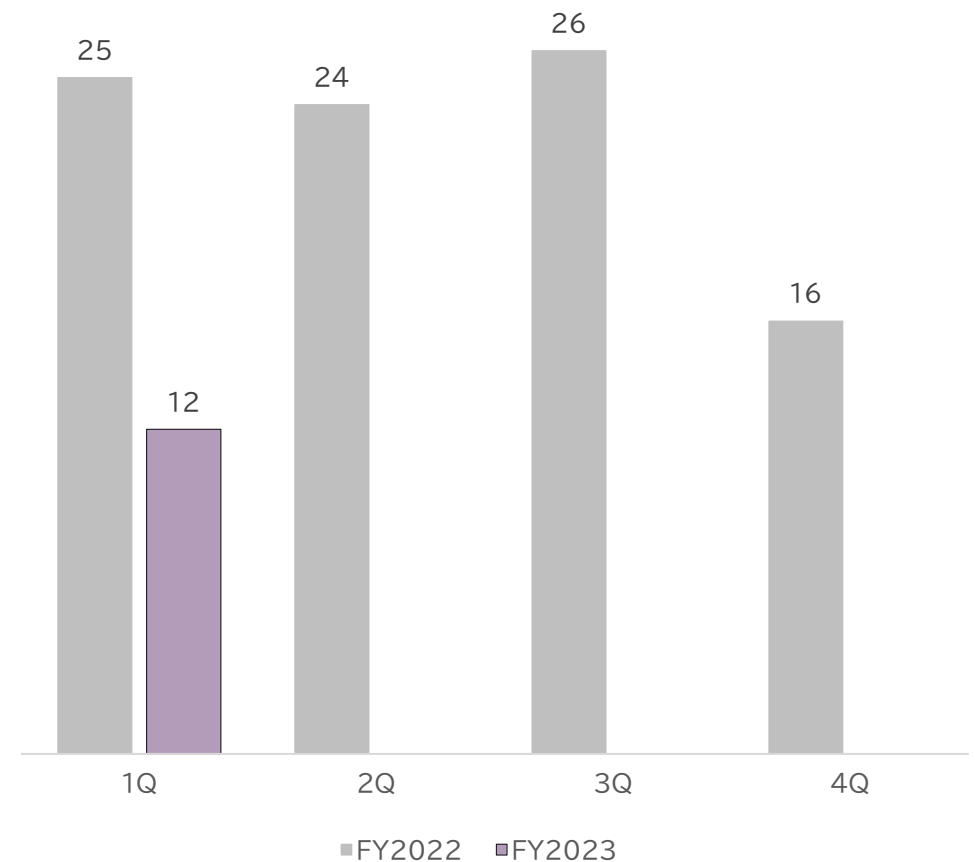
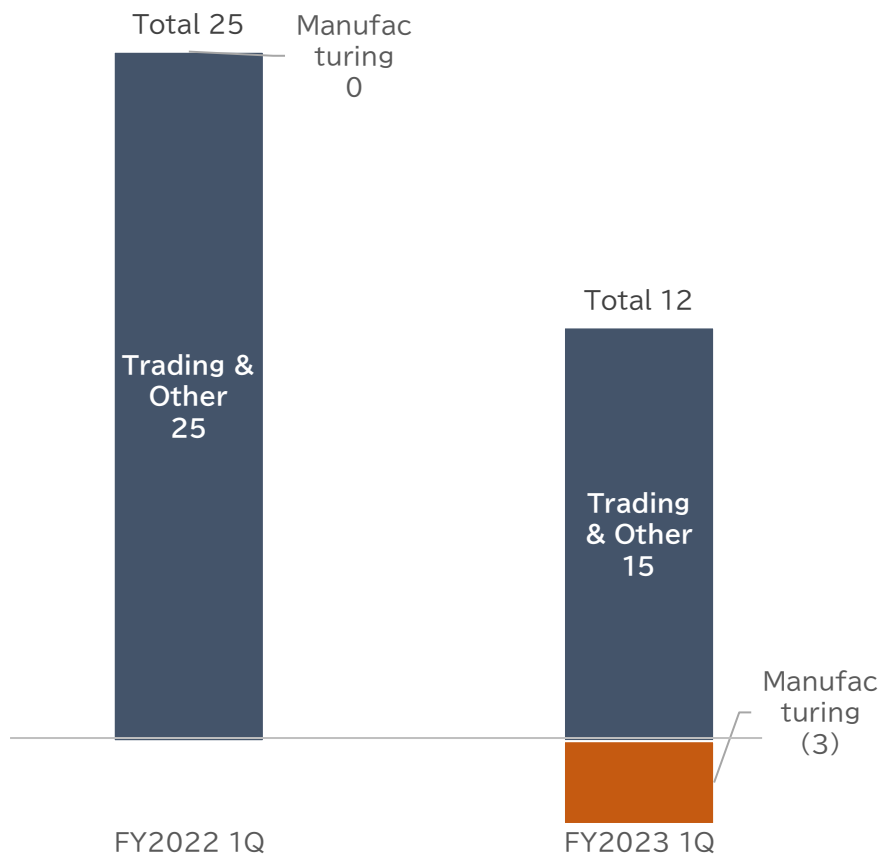


Advanced Materials & Processing Segment Operating Income Overview

- ▶ Lower profit due to decreased demand for resin sales in the office equipment, appliance, and video game device market, as well as the impact of inventory adjustments by customers
- ▶ Lower digital print processing materials sales due to lower profitability in the manufacturing business
- ▶ Decrease in resin sales and lower profitability in the manufacturing business led to weak performance in trading company and manufacturing businesses and lower profit year on year

Operating income by business(100 millions of yen)

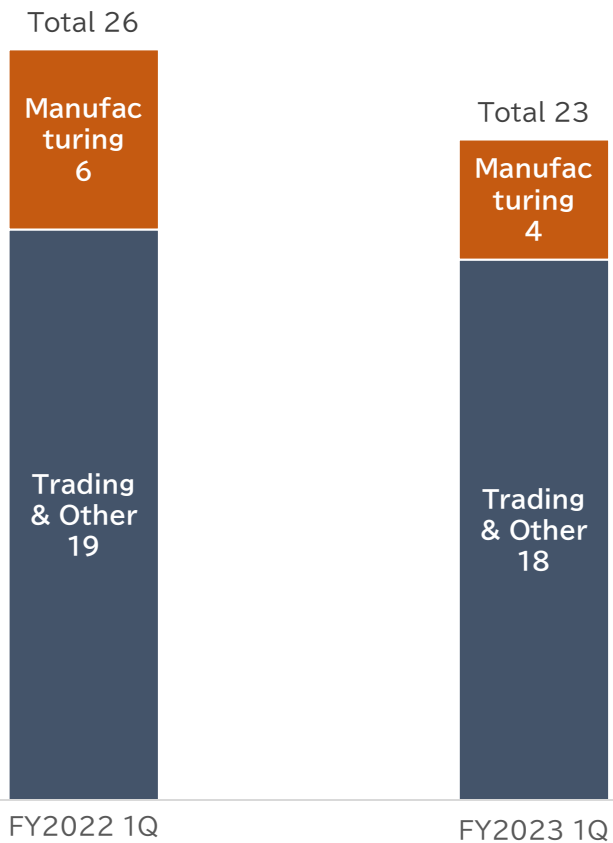
History of operating income (100 millions of yen)



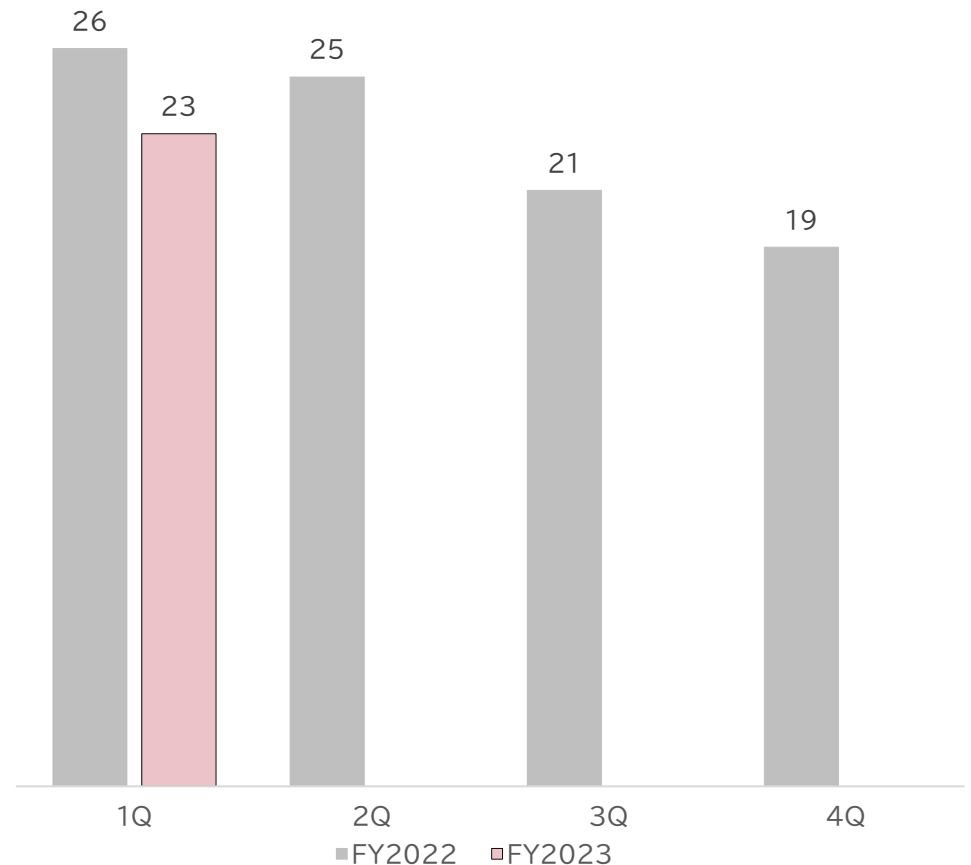
Electronics & Energy Segment Operating Income Overview

- ▶ Despite weakening semiconductor market conditions, sales of materials to the semiconductor industry increased due to growth in product sales
- ▶ Sales of formulated epoxy resins increased for server applications, but performance was lower overall due to a decline in semiconductor-related and electronics-related products for mobile device applications
- ▶ Profit decreased year on year due to the significant impact of weak sales related to formulated epoxy resins

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



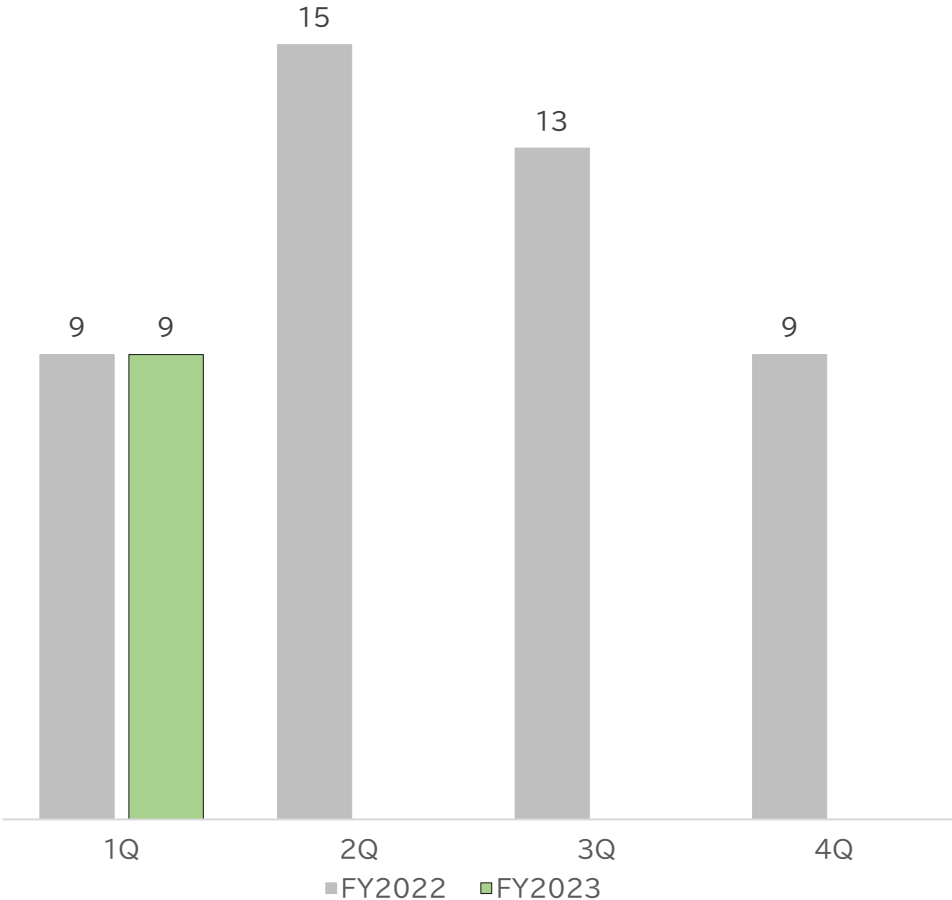
Mobility Segment Operating Income Overview

- ▶ Sales increased for resins, mainly due to an increase in automobile production
- ▶ Sales increased in functional materials and functional components for interior and exterior fittings and electrification
- ▶ Operating income increased year on year, despite an increase in selling, general and administrative expenses due to higher activity volume, etc.

Operating income by business(100 millions of yen)



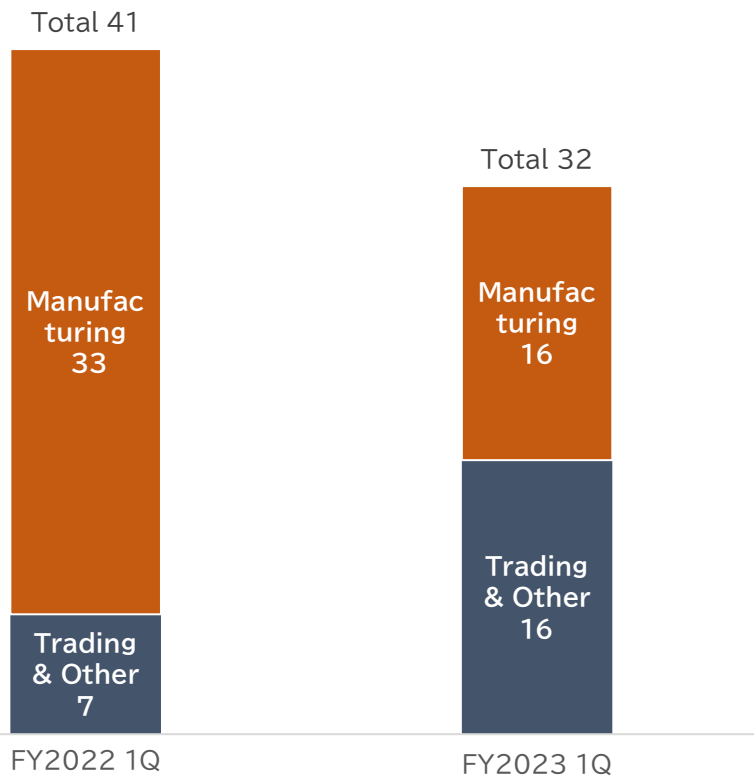
History of operating income (100 millions of yen)



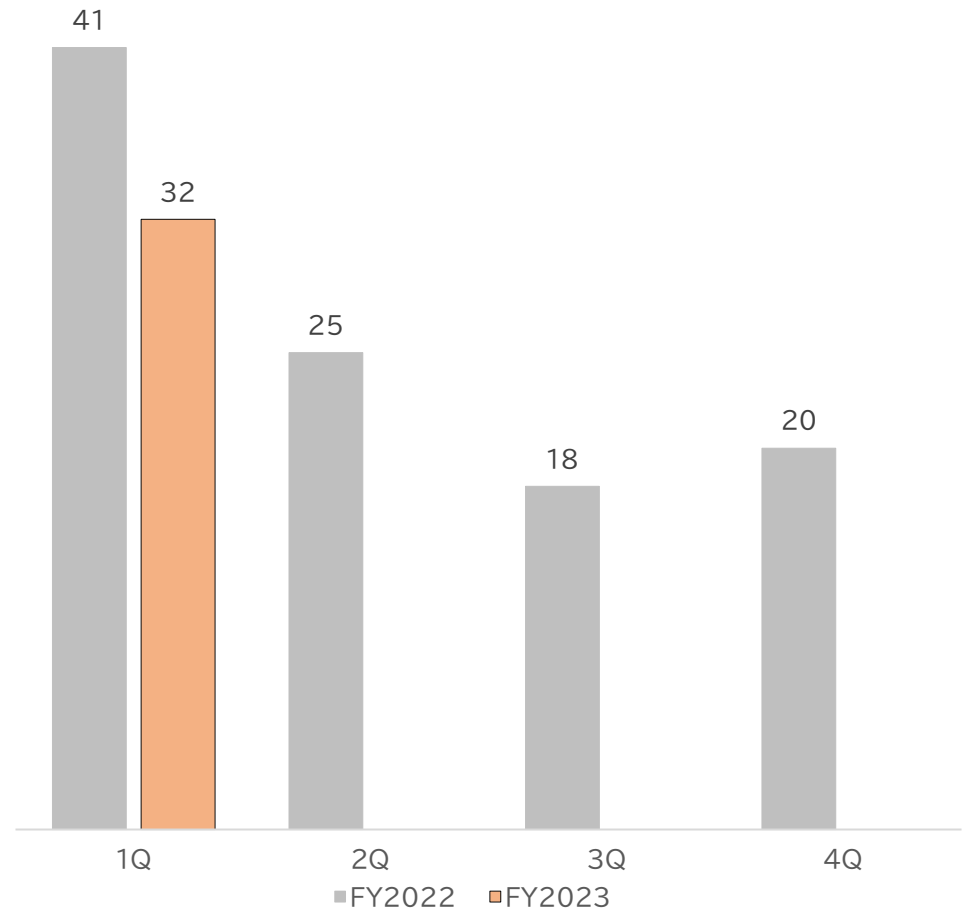
Life & Healthcare Segment Operating Income Overview

- ▶ Prinova Group profitability in food ingredient sales declined due to falling market prices; however, manufacturing and processing businesses posted higher sales due in part to operations at the new plant in Utah
- ▶ Hayashibara profitability recovered due to the wider advancement of price increases, while sales of AA2G™ and other cosmetics materials increased with higher demand, particularly overseas
- ▶ Hayashibara performed well; however, profit decreased overall year on year due to weaker profitability in Prinova Group food ingredient sales, increased personnel expense and other selling, general and administrative expenses, and a delay in the profit contribution of the new Utah plant

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 due to weak sales of formulated epoxy resins for use in semiconductor and mobile device applications
- ▶ Hayashibara : Higher profit due to improved profitability in AA2G™ cosmetics materials through the wider advancement of price increases and strong sales stemming from a recovery in demand
- ▶ Prinova Group : Despite increased sales in our manufacturing businesses, profit declined due to the impact of weaker profitability in materials sales resulting from lower market prices, increased personnel expense and other selling, general and administrative expenses, and a delay in the profit contribution of the new Utah plant

100 millions of yen

		FY2022 1Q	FY2023 1Q	Change	Vs.PY	Forecast	Achievement
Nagase ChemteX Corporation	Sales	72	57	(15)	79%	252	23%
	Gross profit	22	17	(4)	79%	71	24%
	Operating income	8	5	(3)	60%	20	26%
Hayashibara Co.,Ltd.	Sales	71	89	18	126%	367	24%
	Gross profit	28	34	6	122%	131	26%
	Operating income	11	16	4	142%	50	33%
	Goodwill amortization etc.	7	7	-	100%	30	25%
	Operating income after amortization burden	3	8	4	222%	19	45%
Prinova Group	Sales	459	489	29	106%	2,035	24%
	Gross profit	85	80	(5)	93%	367	22%
	Operating income	33	12	(20)	38%	84	15%
	Goodwill amortization etc.	5	6	0	114%	24	25%
	Operating income after amortization burden	28	6	(21)	24%	59	11%

Consolidated Balance Sheets

- ▶ Current assets : We reduced inventories and working capital
- ▶ Net assets : Increase, despite dividend payments and share buybacks, as we posted a profit for the period, as well as increases in net unrealized holding gain on securities and translation adjustments due to the weaker yen

100 millions of yen

	23/03	23/06	Change	Details
Total Current Assets	5,301	5,336	35	
(Cash&deposits)	408	424	15	
(Trade account receivable)	3,021	3,062	41	
(Inventories)	1,697	1,621	(75)	
Total non-current assets	2,325	2,411	85	
(Investments in security)	697	767	70	
Total assets	7,626	7,748	121	
Current Liab.	2,862	2,902	40	Short-term loans·CP(10)
(Trade account payable)	1,404	1,465	60	
Non-current Liab.	980	993	12	Non-Current Loan (14), Lease Obligation+12, Deferred Tax Liab.+11
Total Liab.	3,843	3,895	52	
Shareholders' equity	3,090	3,054	(36)	Treasury Stock (32)
Accum. Other Comprehensive Income	586	686	100	Net unrealized holding gain on securities+53, Translation Adjustment+42
Non-controlling interest	107	111	4	
Total net assets	3,783	3,852	68	
Working capital	3,313	3,218	(94)	
Shareholders' equity ratio	48.2%	48.3%	0.1ppt	
NET D/E ratio	0.38	0.37	(0.01)	

FY2023 Earnings Projection(No Change)

- ▶ We expect raw materials and resource prices to remain high, due in part to the protracted Russian invasion of Ukraine
- ▶ We expect the business environment to remain challenging, given inflation in many countries, consumer spending impacted negatively by tightening measures, and the suppression of economic activities
- ▶ Under these circumstances, we expect to see higher profit for FY2023, due to steady growth in the automobile-related business, continued growth in the food-related business, and a recovery in profitability in our manufacturing businesses, which faced a difficult situation in the previous fiscal year
- ▶ Currently reviewing the details and considering revisions of the KGIs and KPIs in our **ACE 2.0** Medium-term Management Plan

100 millions of yen

	FY2022 Actual	FY2023 Forecast	Change	Vs.PY
Sales	9,128	9,580	451	105%
Gross profit	1,554	1,710	155	110%
<GP ratio>	17.0%	17.8%	+0.8ppt	-
SG&A expenses	1,220	1,365	144	112%
Operating income	333	345	11	103%
Ordinary income	325	326	0	100%
Profit attributable to owners of the parent	236	240	3	102%
US\$ Exchange rate (period average)	@ 135.5	@ 135.0		
RMB Exchange rate (period average)	@ 19.7	@ 20.0		

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

FY2023 Earnings Projection By segment(No Change)

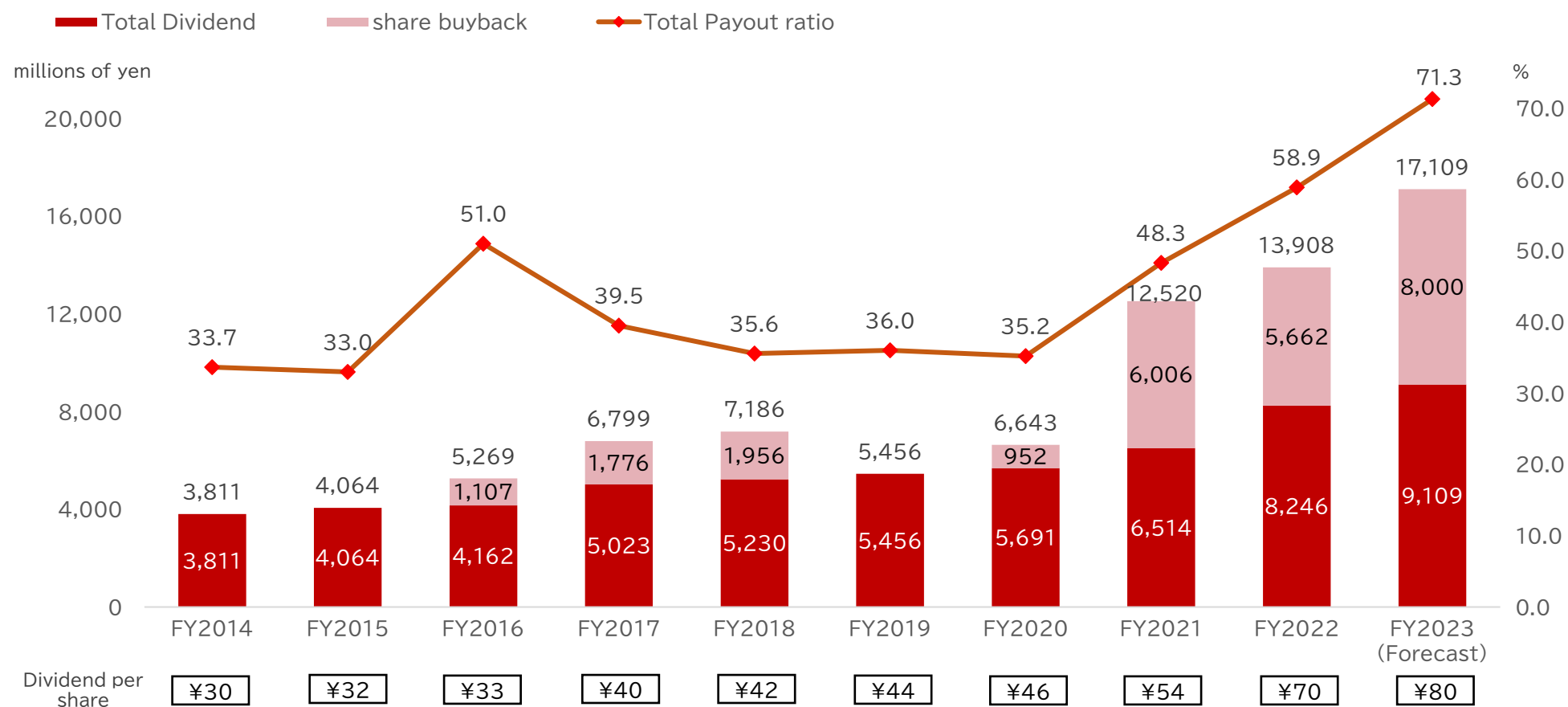
- ▶ We expect Functional Materials and Mobility to remain firm, mainly in response to an increase in automobile production volume
- ▶ We expect higher profit in Advanced Materials & Processing to increase, driven mainly by a recovery in resin sales volume (declined in the previous year due to lockdowns in China) and an improvement in the earnings of our manufacturing subsidiaries
- ▶ We expect higher profit in Electronics & Energy, mainly due to recovery in sales of formulated epoxy resins for mobile devices and other products
- ▶ We expect higher profit in Life & Healthcare, driven mainly by full-scale operations at the new Utah plant engaged in sports nutrition contract manufacturing of Prinova Group, a return to profitability at Hayashibara, etc.
- ▶ We expect Others & Corporate to be impacted by increased development costs for future profits and increased amortization of retirement benefit actuarial differences

100 millions of yen

		FY2022 Actual	FY2023 Forecast	Change	Vs.PY
Functional Materials	Sales	1,120	1,150	29	103%
	Gross profit	223	229	5	102%
	Operating income	88	89	0	101%
Advanced Materials & Processing	Sales	2,650	2,700	49	102%
	Gross profit	317	343	25	108%
	Operating income	93	110	16	118%
Electronics & Energy	Sales	1,369	1,500	130	110%
	Gross profit	307	338	30	110%
	Operating income	92	106	13	114%
Mobility	Sales	1,255	1,356	100	108%
	Gross profit	144	156	11	108%
	Operating income	47	51	3	106%
Life & Healthcare	Sales	2,731	2,873	141	105%
	Gross profit	559	643	83	115%
	Operating income	105	113	7	107%
Corporate&Others	Sales	0	1	0	122%
	Gross profit	1	1	(0)	62%
	Operating income	(94)	(124)	(29)	—
Total	Sales	9,128	9,580	451	105%
	Gross profit	1,554	1,710	155	110%
	Operating income	333	345	11	103%

Shareholder Returns

- ▶ We plan to pay an interim dividend of ¥40 per share and a year-end dividend of ¥40 per share for an annual dividend of ¥80 per share for fiscal 2023 (expected 14th consecutive fiscal year of dividend increases)
- ▶ We are proceeding as planned with the repurchase of ¥8 billion in treasury stock, as resolved in May 2023 (repurchase period: May 2023 to December 2023), reaching cumulative purchases of ¥3.2 billion as of the end of June 2023
- ▶ We expect the total payout ratio for fiscal 2023 to be 71%, including greater shareholder returns through increased dividends and share buybacks



※ FY2023 year-end dividend to be submitted for approval to the 109th general meeting of shareholders scheduled for June 2024.

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These presentation materials contain projections based on forward-looking assumptions, forecasts, and plans as of August 3, 2023. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.