

Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2024 <Under Japanese GAAP>

November 1, 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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Filing of quarterly report (scheduled): November 8, 2023

Start of distribution of dividends (scheduled): December 4, 2023

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, 2024

(April 1, 2023 to September 30, 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	%
For the second quarter ended										
September 30, 2023	450,199	-1.2	78,896	-0.6	14,483	-27.2	14,245	-29.8	10,247	-34.3
September 30, 2022	455,549	21.9	79,383	15.5	19,891	2.0	20,284	-0.9	15,594	6.6

(Note) Comprehensive income Second quarter ended September 30, 2023: ¥31,306 million (15.0% decrease)

Second quarter ended September 30, 2022: ¥36,815 million (106.3%)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
For the second quarter ended				
September 30, 2023	88.48		—	
September 30, 2022	130.95		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2023	784,728	392,259	49.1	3,368.93
March 31, 2023	762,688	378,388	48.2	3,139.26

(Reference) Equity capital As of September 30, 2023: ¥385,198 million

As of March 31, 2023: ¥367,675 million

2. Dividends

	Annual Dividends per Share				
	1Q	2Q	3Q	Fiscal year end	Annual
For the year ended (or ending)	Yen	Yen	Yen	Yen	Yen
March 2023	—	30.00	—	40.00	70.00
March 2024	—	40.00			
March 2024 (forecast)			—	40.00	80.00

(Note) Revisions to the latest dividends forecast: No

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	900,000	-1.4	163,000	4.9	30,000	-10.1	29,000	-10.8	22,500	-4.8	195.86

(Note) Revisions to the latest consolidated earnings forecast: Yes

* 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: Yes

(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: 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)

September 30, 2023	117,908,285 shares	March 31, 2023	117,908,285 shares
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ii. Number of treasury stock as of the fiscal period end

September 30, 2023	3,569,899 shares	March 31, 2023	786,718 shares
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iii. Average number of shares during the period

September 30, 2023	115,817,285 shares	September 30, 2022	119,089,430 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.

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2023)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2023)
ASSETS		
Current assets		
Cash and time deposits	40,897	40,817
Notes and accounts receivable and contract assets	302,105	324,546
Merchandise and finished goods	152,504	137,639
Work in process	2,446	3,055
Raw materials and supplies	14,770	13,520
Other	18,429	20,118
Less allowance for doubtful accounts	(1,021)	(809)
Total current assets	530,132	538,888
Non-current assets		
Property, plant and equipment	82,064	86,502
Intangible fixed assets		
Goodwill	29,004	29,464
Technology-based assets	4,337	3,549
Other	35,587	39,035
Total intangible fixed assets	68,928	72,048
Investments and other assets		
Investments in securities	69,743	75,268
Long-term loans receivable	17	26
Retirement benefit asset	2,645	2,844
Deferred tax assets	3,857	3,754
Other	5,475	5,572
Less allowance for doubtful accounts	(176)	(176)
Total investments and other assets	81,562	87,289
Total non-current assets	232,556	245,840
Total assets	762,688	784,728

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2023)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2023)
LIABILITIES		
Current liabilities		
Notes and accounts payable	140,438	156,759
Short-term loans	66,117	55,943
Current portion of long-term loans	1,056	2,964
Commercial paper	38,000	36,000
Accrued income taxes	2,913	4,057
Accrued bonuses for employees	6,985	6,478
Accrued bonuses for directors	371	134
Other	30,321	28,289
Total current liabilities	286,203	290,627
Long-term liabilities		
Bonds	30,000	30,000
Long-term loans	32,697	31,474
Lease liabilities	9,763	13,306
Deferred tax liabilities	10,360	11,318
Retirement benefit liability	13,197	13,211
Provision for directors' stock benefit	65	30
Other	2,012	2,499
Total long-term liabilities	98,097	101,841
Total liabilities	384,300	392,469
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,636	9,348
Retained earnings	290,279	295,830
Less treasury stock, at cost	(1,550)	(8,228)
Total shareholders' equity	309,064	306,650
Accumulated other comprehensive income		
Net unrealized holding gain on securities	28,928	32,729
Deferred (loss) gain on hedges	(7)	300
Translation adjustments	30,414	45,912
Remeasurements of defined benefit plans	(726)	(394)
Total accumulated other comprehensive income	58,610	78,547
Non-controlling interests	10,713	7,061
Total net assets	378,388	392,259
Total liabilities and net assets	762,688	784,728

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

(Quarterly Consolidated Statements of Income)

Six-month periods ended September 30, 2023 and 2022

(Millions of yen)

	Six-month period ended September 30, 2022 (April 1, 2022 - September 30, 2022)	Six-month period ended September 30, 2023 (April 1, 2023 - September 30, 2023)
Net sales	455,549	450,199
Cost of sales	376,166	371,302
Gross profit	79,383	78,896
Selling, general and administrative expenses	59,491	64,413
Operating income	19,891	14,483
Non-operating income		
Interest income	57	130
Dividend income	831	778
Rent income	124	117
Equity in earnings of affiliates	165	217
Foreign exchange gains	449	539
Other	212	236
Total non-operating income	1,841	2,020
Non-operating expenses		
Interest expenses	1,207	1,924
Other	240	334
Total non-operating expenses	1,448	2,258
Ordinary income	20,284	14,245
Extraordinary gains		
Gain on sales of non-current assets	127	55
Gain on sales of investment securities	1,335	923
Subsidy income	—	500
Other	1	45
Total extraordinary gains	1,465	1,524
Extraordinary losses		
Loss on sales of non-current assets	28	3
Loss on disposal of non-current assets	205	696
Loss on sales of investment securities	7	21
Loss on valuation of investments securities	457	104
Other	23	63
Total extraordinary losses	722	888
Income before income taxes	21,027	14,881
Income taxes	5,000	4,256
Profit for the period	16,026	10,625
Profit attributable to non-controlling interests	431	377
Profit attributable to owners of the parent	15,594	10,247

(Quarterly Consolidated Statements of Comprehensive Income)

Six-month periods ended September 30, 2023 and 2022

(Millions of yen)

	Six-month period ended September 30, 2022 (April 1, 2022 - September 30, 2022)	Six-month period ended September 30, 2023 (April 1, 2023 - September 30, 2023)
Profit for the period	16,026	10,625
Other comprehensive income		
Net unrealized holding (loss) gain on securities	(2,552)	3,797
Deferred gain on hedges	363	307
Translation adjustments	22,155	15,753
Remeasurements of defined benefit plans	90	331
Share of other comprehensive gain of affiliates accounted for by the equity method	731	491
Total other comprehensive income	20,789	20,681
Comprehensive income	36,815	31,306
Comprehensive income attributable to:		
Shareholders of the parent	35,358	30,184
Non-controlling interests	1,457	1,121

(3) Quarterly Consolidated Statements of Cash Flows

Six-month periods ended September 30, 2023 and 2022

(Millions of yen)

	Six-month period ended September 30, 2022 (April 1, 2022 - September 30, 2022)	Six-month period ended September 30, 2023 (April 1, 2023 - September 30, 2023)
Operating activities		
Income before income taxes	21,027	14,881
Depreciation and amortization other than amortization of goodwill	5,895	6,662
Amortization of goodwill	1,246	1,288
Subsidy income	—	(500)
Increase in retirement benefit liability	379	501
(Increase) decrease in retirement benefit asset	(27)	246
Interest and dividend income	(889)	(908)
Interest expenses	1,207	1,924
Exchange gain, net	(2,823)	(1,314)
Gain on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(1,327)	(902)
Increase in notes and accounts receivable	(11,298)	(11,599)
(Increase) decrease in inventories	(11,960)	24,901
(Decrease) increase in notes and accounts payable	(6,307)	10,002
Other	(3,880)	(2,272)
Subtotal	(8,758)	42,910
Interest and dividends received	1,073	1,024
Interest paid	(1,156)	(2,040)
Proceeds from subsidy income	—	500
Income taxes paid	(9,140)	(4,161)
Net cash (used in) provided by operating activities	(17,982)	38,232
Investing activities		
Purchases of property, plant and equipment	(5,725)	(4,947)
Proceeds from sales of property, plant and equipment	495	93
Purchases of intangible fixed assets	(2,370)	(2,438)
Purchases of investments in securities	(228)	(394)
Proceeds from sales of investments in securities	1,651	1,604
Purchases of investments in capital	—	(202)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	(244)
Increase in short-term loans receivable included in other current assets	(601)	(245)
Decrease in time deposits, net	239	322
Other	550	40
Net cash used in investing activities	(5,987)	(6,411)
Financing activities		
Increase (decrease) in short-term loans, net	6,389	(16,269)
Increase (decrease) in commercial paper, net	14,000	(2,000)
Repayments of long-term loans	(529)	(17)
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(10,000)	—
Purchase of treasury stock	(3,227)	(6,677)
Cash dividends paid	(3,600)	(4,696)
Cash dividends paid to non-controlling interests	(1,133)	(603)
Payments for purchases of shares of subsidiaries not resulting in change in scope of consolidation	—	(6,002)
Other	(347)	(422)
Net cash provided by (used in) financing activities	11,550	(36,689)

(Millions of yen)

	Six-month period ended September 30, 2022 (April 1, 2022 - September 30, 2022)	Six-month period ended September 30, 2023 (April 1, 2023 - September 30, 2023)
Effects of exchange rate changes on cash and cash equivalents	4,754	5,082
Net (decrease) increase in cash and cash equivalents	(7,664)	213
Cash and cash equivalents at beginning of the year	53,336	40,331
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	45,467	40,545