

## 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/>)

Representative: Hiroyuki Ueshima, Representative Director and President

Contact: Yoshihisa Shimizu, Executive Officer, General Manager, Corporate Management Department

TEL: +81-3-3665-3103

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

(Notes) 1. Revisions to the latest consolidated earnings forecast: Yes

2. For details, please refer to 1. *Qualitative Information*, (3) *Qualitative Information Related to Consolidated Earnings Forecasts*, on P.5 of this document.

#### \* 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

(Note) For details, please refer to 2. *Quarterly Consolidated Financial Statements and Notes*, (4) *Notes Related to Quarterly Consolidated Financial Statements (Special Accounting Treatment Applied in the Preparation of Quarterly Consolidated Financial Statements)*, on P.13 of this document

(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

(Note) For details, please refer to 2. *Quarterly Consolidated Financial Statements and Notes*, (4) *Notes Related to Quarterly Consolidated Financial Statements (Change in Accounting Policy)*, on P.13 of this document

(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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(Note) The number of treasury stock as of the fiscal period end includes Company shares held by the Stock-Granting Trust for Directors (292,200 shares as of September 30, 2023). Treasury stock deducted from the calculation of the average number of shares during the period includes Company shares held by the Stock-Granting Trust for Directors (292,200 shares as of September 30, 2023).

**\* 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.

For matters related to earnings forecasts, please refer to 1. *Qualitative Information*, (3) *Qualitative Information Related to Consolidated Earnings Forecasts*, on P.5 of this document.

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## 1. Qualitative Information

### (1) Review of Business Performance

#### a. General Summary of Results

During the cumulative consolidated second quarter of the current fiscal year, the global economy showed signs of resilience; however, concerns remained about a slowdown during the second half of the fiscal year and beyond, mainly in Europe and the United States, due to the effects of ongoing monetary tightening policies.

As an overview of the regions in which our group does business, the economy of Greater China saw a recovery in economic activity and personal consumption after the lifting of the Zero-COVID policy. However, concerns remained about an economic slowdown due to the extended real estate recession and sluggish corporate capital investment. In the Americas, the unemployment rate remained low, the rate of price increases slowed, and the economy showed signs of resiliency. However, concerns remained about an economic slowdown due to the effects of ongoing monetary tightening policies. In ASEAN, the economy has been steady, mainly due to domestic and inbound demand. In Japan, the economy is expected to continue recovering, particularly for exports. Consumer spending, particularly in the service-related sector, and inbound demand remained strong, while we observed a pause in the sharp rise in raw materials and sales prices.

In this environment, earnings for the cumulative consolidated second quarter of the current fiscal year are as follows.

(Millions of yen)				
	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023	Change	Change (%)
Net sales	455,549	450,199	(5,350)	(1.2)
Gross profit	79,383	78,896	(486)	(0.6)
Operating income	19,891	14,483	(5,407)	(27.2)
Ordinary income	20,284	14,245	(6,038)	(29.8)
Profit before income taxes	21,027	14,881	(6,146)	(29.2)
Profit attributable to owners of the parent	15,594	10,247	(5,347)	(34.3)

- Despite the weakening of the yen, gross profit declined for the cumulative consolidated second quarter, mainly due to lower profitability in the resin sales business under the Advanced Materials & Processing segment.
- Operating income declined due to a decrease in gross profit and an increase in selling, general and administrative expenses. For details, see *b. Segment Summary*.
- Profit attributable to owners of the parent decreased ¥5.3 billion to ¥10.2 billion, mainly due to a decrease in tax expenses despite an increase in interest expenses.

#### b. Segment Summary

The following describes performance by segment.

##### Functional Materials

(Millions of yen)				
	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023	Change	Change (%)
Net sales	57,650	52,855	(4,795)	(8.3)
Gross profit	11,463	10,640	(823)	(7.2)
Operating income	4,545	3,783	(761)	(16.8)

- Sales decreased for coating materials.
- Sales decreased for raw materials for industrial oil solutions and resins
- Sales decreased for raw materials for the electronics industry, including semiconductor-related products
- Operating income decreased due to a decrease in gross profit

### Advanced Materials & Processing

(Millions of yen)

	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023	Change	Change (%)
Net sales	135,727	121,534	(14,193)	(10.5)
Gross profit	16,371	14,251	(2,119)	(12.9)
Operating income	5,041	3,144	(1,897)	(37.6)

- Sales of resin declined due to lower demand in the office equipment, appliance, and video game device market and the impact of inventory adjustments by customers
- Sales of pigments and additives remained sluggish
- Sales of digital print processing materials were lower, as was profitability in the manufacturing business
- Operating income decreased due to a decrease in gross profit

### Electronics & Energy

(Millions of yen)

	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023	Change	Change (%)
Net sales	68,361	71,211	2,850	4.2
Gross profit	15,763	16,344	581	3.7
Operating income	5,151	5,439	287	5.6

- Despite weakening semiconductor market conditions, sales of materials to the semiconductor industry increased due to product line expansion
- Sales increased due to higher demand for formulated epoxy resins, mainly for server applications and mobile device applications
- Sales increased for photolithography materials for display applications
- Operating income increased due to an increase in gross profit

### Mobility

(Millions of yen)

	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023	Change	Change (%)
Net sales	61,140	64,907	3,766	6.2
Gross profit	7,213	7,391	178	2.5
Operating income	2,494	2,344	(149)	(6.0)

- Sales increased for resins, mainly due to boosted automobile production and expanded market share among existing customers.
- Sales increased for functional materials and functional components for interior and exterior fittings and electrification
- Although gross profit increased, operating income decreased due to higher selling, general and administrative expenses

### Life & Healthcare

(Millions of yen)

	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023	Change	Change (%)
Net sales	132,632	139,691	7,058	5.3
Gross profit	28,508	30,198	1,689	5.9
Operating income	6,682	5,185	(1,496)	(22.4)

- Overall Prinova Group sales increased due to operations of the new plant in Utah and the weaker yen
- Sales of Hayashibara's cosmetics materials increased
- Sales increased for pharmaceutical raw materials and intermediates
- Operating income decreased, despite higher gross profit, as personnel expense and other selling, general and administrative expenses increased at the Prinova Group and profit contribution from the new Utah plant was delayed

**Others**

No special matters to disclose.

**(2) Review of Financial Position**

**a. Assets, Liabilities and Net Assets**

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2023)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2023)	Change	Change (%)
Current assets	530,132	538,888	8,755	1.7
Non-current assets	232,556	245,840	13,284	5.7
Net assets	762,688	784,728	22,039	2.9
Liabilities	384,300	392,469	8,168	2.1
Net assets	378,388	392,259	13,871	3.7
Shareholders' equity ratio (%)	48.2	49.1	+ 0.9 p	—

- Current assets increased mainly due to an increase in accounts receivable, despite a decrease in inventories, etc.
- Non-current assets increased due to an increase in property, plant and equipment and intangible fixed assets, and the fair values of investments in securities
- Liabilities increased mainly due to an increase in accounts payable, despite a repayment in commercial paper and short-term loans
- Net assets increased mainly due to the recording of quarterly profit attributable to owners of the parent and an increase in translation adjustments, despite decreases from purchases of treasury stock and payments of dividends
- As a result, the Company recorded a shareholders' equity ratio of 49.1%, up 0.9 points compared to 48.2% from the end of the prior consolidated fiscal year

**b. Consolidated Cash Flows**

(Millions of yen)

	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023
Cash flows from operating activities	(17,982)	38,232
Cash flows from investing activities	(5,987)	(6,411)
Cash flows from financing activities	11,550	(36,689)

- Net cash provided by operating activities was mainly the result of an increase in cash of ¥23.3 billion due to a decrease in working capital, the recording of ¥14.8 billion in profit before income taxes, and ¥6.6 billion in reserve of funds due to depreciation and amortization. These amounts were offset in part by ¥4.1 billion in income taxes paid and ¥2.0 billion in interest payments.
- Net cash used in investing activities was mainly the result of cash outlays of ¥4.9 billion and ¥2.4 billion for the purchase of property, plant and equipment and purchase of intangible fixed assets, respectively, offset in part by ¥1.6 billion in proceeds from the sales of investments in securities.
- Net cash used in financing activities was mainly the result of a ¥16.2 billion net decrease in short-term loans, cash outlays of ¥6.6 billion in purchases of treasury stock, ¥6.0 billion in the acquisition of stock of a subsidiary not resulting in a change in the scope of consolidation, and ¥4.6 billion in dividend payments.

### (3) Qualitative Information Related to Consolidated Earnings Forecasts

(Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024)

During the cumulative consolidated second quarter of the current fiscal year, business performance was firm for the automobile-related business, the Life & Healthcare-related business, and other businesses seeing an improved business environment. The automobile-related business saw an easing in semiconductor supply shortages and an increase in automobile production volume, while the Life & Healthcare-related business benefited from increased movement of consumers outside the home with the legal reclassification of COVID-19 to a Class 5 disease, etc. We expected our semiconductor-related business to see a recovery in earnest beginning in the second half of the fiscal year. Performance in this business remained firm due to an expansion in product lineup and increased sales for server applications, even as the industry as a whole experienced a delay in a full-fledged recovery.

Meanwhile, resin sales were impacted by a decline in demand for electronic and electrical products due to global inflation and the resulting drop in market prices, leading to lower profit levels than anticipated originally. The Prinova Group experienced lower profit levels than projected, as the profit contribution from the new plant in Utah experienced delays due to a temporary delay in full-scale plant operations, while the food ingredient business was affected by a decline in profitability stemming from falling market prices, despite higher sales volume.

The external environment affecting our main businesses continues to be challenging. Demand for middle- and low-end smartphones, which we assumed would begin to recover in earnest in the second half of the year, has not yet reached a full recovery due to the economic slowdown in China.

While certain businesses continue to experience firm performance, we expect the overall environment to remain difficult in the second half of the year and beyond. Therefore, we have decided to make a downward revision in our consolidated earnings forecast for the fiscal year.

We changed our assumed foreign exchange rates from ¥135 to ¥143 to the U.S. dollar, and we assume an exchange rate of ¥20 to the RMB.

**a. Revised full-year consolidated earnings forecasts (April 1, 2023 to March 31, 2024)** (Millions of yen)

	Prior Forecast (A)	Revised Forecast (B)	Change (B-A)	Change (%)
Net sales	958,000	900,000	(58,000)	(6.1)
Gross profit	171,000	163,000	(8,000)	(4.7)
Operating income	34,500	30,000	(4,500)	(13.0)
Ordinary income	32,600	29,000	(3,600)	(11.0)
Profit attributable to owners of the parent	24,000	22,500	(1,500)	(6.3)

**b. Revised full-year earnings forecasts by segment (April 1, 2023 to March 31, 2024)**

(Net sales by segment) (Millions of yen)

	Prior Forecast (A)*	Revised Forecast (B)	Change (B-A)	Change (%)
Functional Materials	115,000	154,000	39,000	33.9
Advanced Materials & Processing	270,000	197,000	(73,000)	(27.0)
Electronics & Energy	150,000	139,000	(11,000)	(7.3)
Mobility	135,600	129,900	(5,700)	(4.2)
Life & Healthcare	287,300	280,000	(7,300)	(2.5)
Others	100	100	—	—
Total net sales	958,000	900,000	(58,000)	(6.1)

(Gross profit by segment)	(Millions of yen)			
	Prior Forecast (A)*	Revised Forecast (B)	Change (B-A)	Change (%)
Functional Materials	22,900	27,500	4,600	20.1
Advanced Materials & Processing	34,300	23,600	(10,700)	(31.2)
Electronics & Energy	33,800	33,500	(300)	(0.9)
Mobility	15,600	14,900	(700)	(4.5)
Life & Healthcare	64,300	63,400	(900)	(1.4)
Others	100	100	—	—
<b>Total gross profit</b>	<b>171,000</b>	<b>163,000</b>	<b>(8,000)</b>	<b>(4.7)</b>

(Operating income by segment)	(Millions of yen)			
	Prior Forecast (A)*	Revised Forecast (B)	Change (B-A)	Change (%)
Functional Materials	8,900	8,300	(600)	(6.7)
Advanced Materials & Processing	11,000	6,900	(4,100)	(37.3)
Electronics & Energy	10,600	11,100	500	4.7
Mobility	5,100	4,800	(300)	(5.9)
Life & Healthcare	11,300	10,800	(500)	(4.4)
Others	(12,400)	(11,900)	500	4.0
<b>Total operating income</b>	<b>34,500</b>	<b>30,000</b>	<b>(4,500)</b>	<b>(13.0)</b>

\*Figures from FYE March 2023 Financial Highlights announced on May 9, 2023, P.16. We changed our business segment classifications on October 1, 2023; however, the figures presented represent figures prior to segment reclassification.



## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

	Prior Consolidated Fiscal Year (March 31, 2023)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2023)
(Millions of yen)		
<b>ASSETS</b>		
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)
<b>LIABILITIES</b>		
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
<b>Total current liabilities</b>	<b>286,203</b>	<b>290,627</b>
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
<b>Total long-term liabilities</b>	<b>98,097</b>	<b>101,841</b>
<b>Total liabilities</b>	<b>384,300</b>	<b>392,469</b>
<b>NET ASSETS</b>		
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)
<b>Total shareholders' equity</b>	<b>309,064</b>	<b>306,650</b>
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)
<b>Total accumulated other comprehensive income</b>	<b>58,610</b>	<b>78,547</b>
Non-controlling interests	10,713	7,061
<b>Total net assets</b>	<b>378,388</b>	<b>392,259</b>
<b>Total liabilities and net assets</b>	<b>762,688</b>	<b>784,728</b>

## (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)
<b>Operating activities</b>		
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
<b>Investing activities</b>		
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)
<b>Financing activities</b>		
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

### (3) Notes Related to Quarterly Consolidated Financial Statements

#### (Assumption for Going Concern)

No matters to report.

#### (Change in Accounting Policy)

(Adoption of U.S. FASB Accounting Standards Codification (ASC) No. 326, *Financial Instruments-Credit Losses*)

Certain foreign consolidated subsidiaries that adopted U.S. GAAP apply ASC No. 326, *Financial Instruments-Credit Losses*, at the beginning of the consolidated first quarter of the current fiscal year. As a result, the subsidiaries in question are required to revise the methods used to measure financial instruments and recognize impairment of financial assets using the expected credit loss model.

In applying this accounting standard, the subsidiary recognized the cumulative effect as of the date of adoption, which is permitted under the transitional provisions.

The impact of this accounting treatment on the quarterly consolidated statements of income is immaterial.

#### (Significant Fluctuations in Shareholders' Equity)

Following a resolution by the Company's board of directors at a meeting held May 9, 2023, the Company acquired 2,782,900 shares of treasury stock in the cumulative second quarter of the current consolidated fiscal year. As a result, treasury stock increased by ¥6,676 million, with treasury stock holdings of ¥8,228 million as of the end of the consolidated second quarter.

#### (Special Accounting Treatment Applied in the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of Tax Expenses)

Tax expenses are calculated by rationally estimating an effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, including the current second quarter, and multiplying profit before income taxes for the first quarter by the estimated effective tax rate.

In the event that the calculated tax expenses using this estimated effective tax rate lead to significantly unreasonable results, this shall be calculated by multiplying the statutory effective tax rate after adjusting significant non-temporary differences by the profit before income taxes.

Deferred income taxes are included in income tax.

#### (Additional Information)

(Stock-Based Compensation Plan)

Effective as of the previous consolidated fiscal year, the Company has adopted a stock-based compensation plan ("Plan") for directors (excluding outside directors) and executive officers (collectively, "Eligible Individuals"). The purpose of the Plan is to establish a clear link between compensation for Eligible Individuals and Company performance and share value, as well as for Eligible Individuals to share the benefits and risks associated with fluctuations in NAGASE share price with shareholders. In this way, the NAGASE Group intends to raise awareness about contributing to improved business performance and increased corporate value over the medium to long term.

##### (1) Overview

The Plan is a stock-based compensation plan under which a trust ("Trust") established by monetary contribution from the Company acquires Company shares. The Company grants points to each Eligible Individual, and the Trust delivers the number of Company shares equivalent to the points earned by each Eligible Individual. In principle, said delivery is made at the time of the retirement the Eligible Individual.

##### (2) Company shares remaining in the Trust

Company shares remaining in the Trust are recorded as treasury stock under net assets in the balance sheet based on the carrying value in the Trust (excluding incidental expenses). The carrying value of said treasury stock as of the end of the consolidated second quarter was ¥619 million and the treasury stock in question amounted to 292,200 shares.

**(Segment Information, etc.)**

**Segment Information**

I Six-month period ended September 30, 2022 (consolidated)

1. Information related to net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments						Others (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	Consolidated (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total					
Net sales											
Sales to customers	57,650	135,727	68,361	61,140	132,632	455,513	36	455,549	—	—	455,549
Intersegment sales/transfers	494	415	1,143	911	238	3,204	3,529	6,733	—	(6,733)	—
Total	58,144	136,143	69,504	62,052	132,871	458,717	3,566	462,283	—	(6,733)	455,549
Segment income (loss)	4,545	5,041	5,151	2,494	6,682	23,915	30	23,946	(4,258)	204	19,891

- (Note) 1. “Others” is a business segment consisting of businesses not included in Reportable Segments, and includes information processing services and professional services.
2. Corporate segment income (loss) represents expenses not allocated to Reportable Segments or Others.
  3. Adjustments are eliminations of intersegment transactions.
  4. The sum of segment income (loss) Total, Corporate, and Adjustments is equivalent to operating income as presented in “Consolidated”.

II Six-month period ended September 30, 2023 (consolidated)

1. Information related to net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments						Others (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	Consolidated (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total					
Net sales											
Sales to customers	52,855	121,534	71,211	64,907	139,691	450,199	0	450,199	—	—	450,199
Intersegment sales/transfers	591	325	1,760	1,533	361	4,572	3,841	8,414	—	(8,414)	—
Total	53,446	121,860	72,972	66,440	140,052	454,771	3,841	458,613	—	(8,414)	450,199
Segment income (loss)	3,783	3,144	5,439	2,344	5,185	19,897	135	20,033	(5,827)	277	14,483

- (Note) 1. “Others” is a business segment consisting of businesses not included in Reportable Segments, and includes information processing services and professional services.
2. Corporate segment income (loss) represents expenses not allocated to Reportable Segments or Others.
  3. Adjustments are eliminations of intersegment transactions.
  4. The sum of segment income (loss) Total, Corporate, and Adjustments is equivalent to operating income as presented in “Consolidated”.