



# FY2023 Third Quarter Financial Highlights

**NAGASE&CO.,LTD.**

Stock exchange listing : Tokyo (Prime Market)  
Code number : 8012

February 6, 2024

# Delivering next.

“Next” connects us to the future.



# Contents

■ Consolidated Statements Income	P3
■ Gross Profit by Region	P4
■ Gross Profit by Business & Segment	P5
■ Operating Income by Business & Segment	P6
■ Segment Operating Income Overview	P7~P11
■ State of Major Manufacturing Subsidiaries	P12
■ Consolidated Balance Sheets	P13
■ FY2023 Earnings Projection	P14~P16
■ Shareholder Returns	P17
■ Remarks: Changes to business segment classification (implemented on October 1, 2023)	P18

\* We changed segment classifications on October 1, 2023. Figures for the previous and current fiscal years have been reclassified to reflect these changes.

# Consolidated statements income

- ▶ Gross profit : Sales decreased, but profits increased mainly due to strong performance of manufacturing subsidiaries with high profitability
- ▶ Operating income : Gross profit increased, but profit decreased due to increases in selling, general and administrative expenses in connection with personnel costs, etc.
- ▶ Profit Attributable to owners of the parent : Loss on securities decreased, but profit for the period decreased due to lower ordinary income

100 millions of yen

	FY2022 3Q	FY2023 3Q	Change	Vs.PY	Forecast	Achievement
<b>Sales</b>	6,956	6,777	(179)	97%	9,000	75%
<b>Gross profit</b>	1,184	1,214	30	103%	1,630	75%
<b>&lt;GP ratio&gt;</b>	17.0%	17.9%	0.9ppt	–	18.1%	–
<b>SG&amp;A expenses</b>	910	984	74	108%	1,330	–
<b>Operating income</b>	274	230	(44)	84%	300	77%
<b>Ordinary income</b>	274	231	(42)	84%	290	80%
<b>Profit Attributable to owners of the parent</b>	200	180	(20)	90%	225	80%
US\$ Exchange rate (period average)	@ 136.5	@ 143.3	@ 6.8	Weak yen	@ 143.0	
RMB Exchange rate (period average)	@ 19.9	@ 20.0	@ 0.1	Weak yen	@ 20.0	

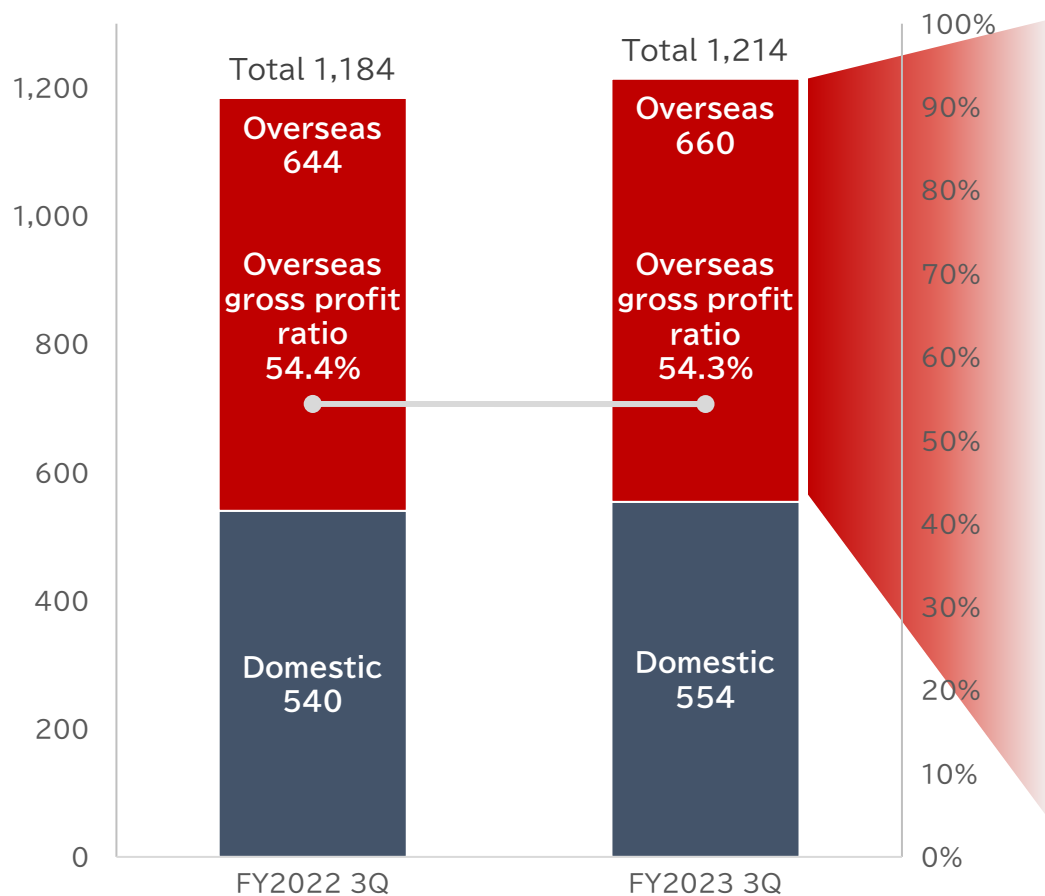
※ Offset to sales and cost of sales from revenue recognition standards: FY2022 3Q -¥203.8 billion, FY2023 3Q -¥205.3 billion

※ Impact from foreign exchange: Gross profit, +¥3.3 billion; Operating income, +¥0.4 billion

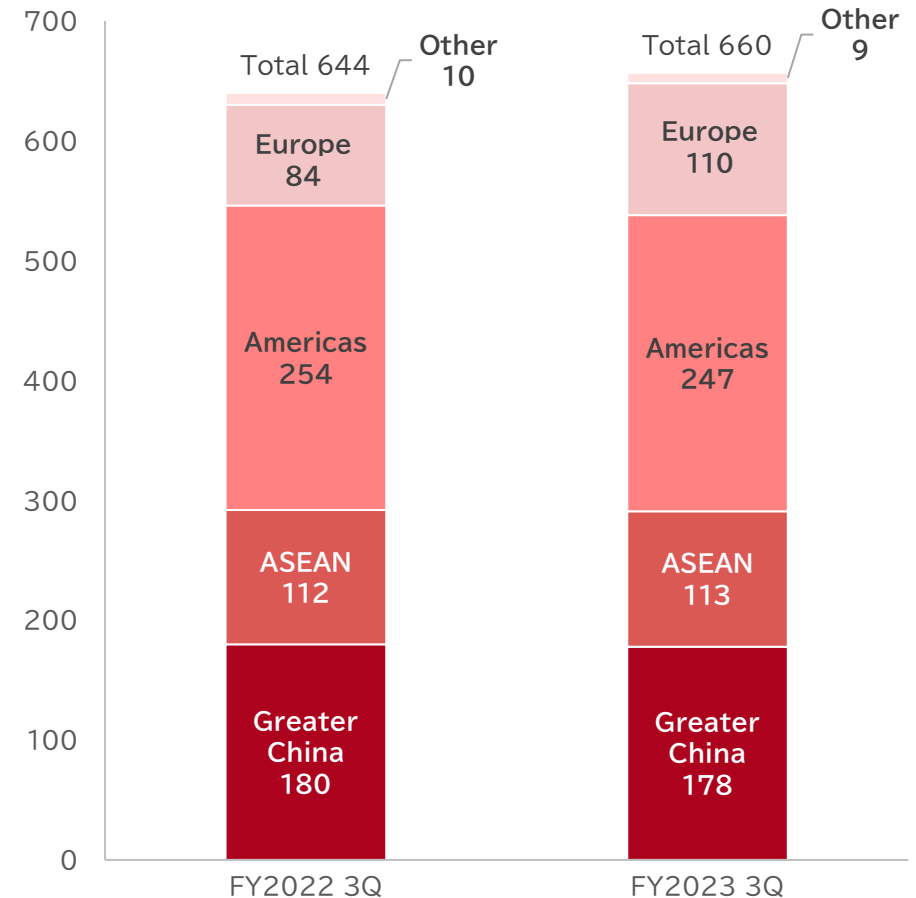
# Gross Profit By Region

- ▶ Higher profit both domestic and overseas
- ▶ Increase in domestic business sales, mainly due to higher sales of cosmetic materials and formulated epoxy resins
- ▶ Overseas profit increased due to the impact of the weaker yen and recovery in profitability of food ingredient business in Europe

Domestic & Overseas Gross profit(100 millions of yen)



Overseas gross profit By Region(100 millions of yen)

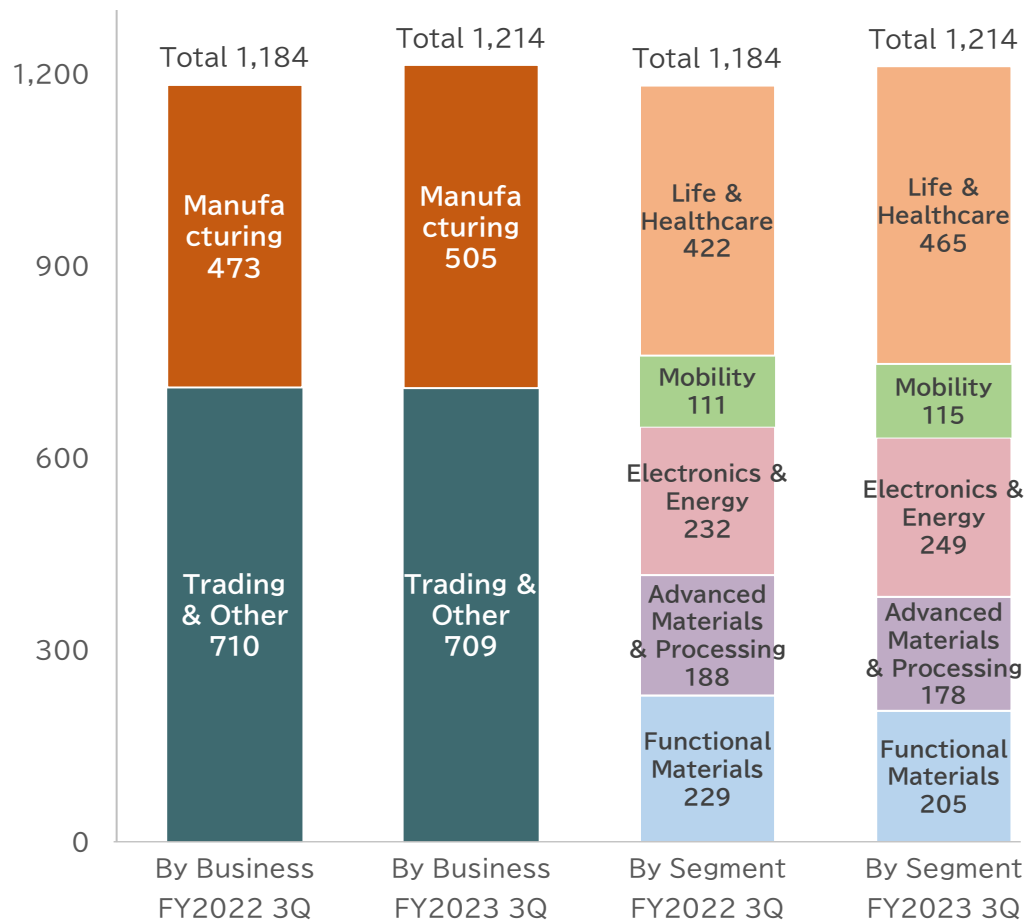


※Domestic figures under Domestic & Overseas Gross Profit include inter-regional adjustments

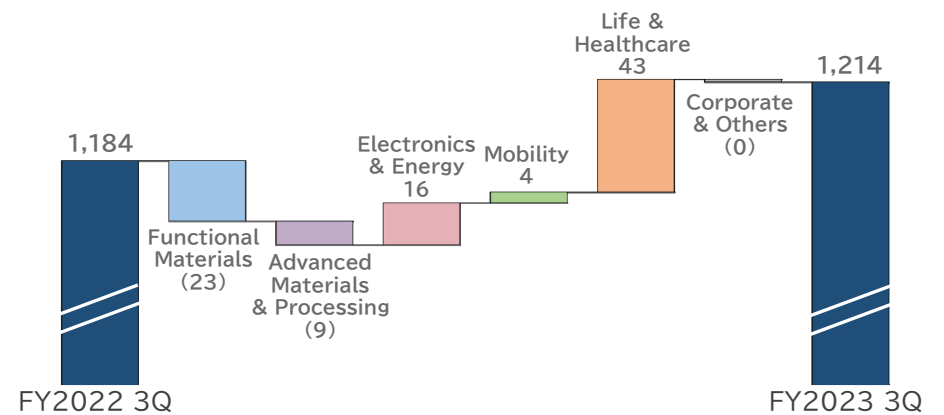
# Gross Profit By Business & Segment

- ▶ Functional Materials sales declined due to lower sales of coating materials and raw materials for semiconductor-related and other materials for the electronics industry, as well as lower profitability in the digital print processing materials manufacturing business
- ▶ 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
- ▶ Overall profits in Electronics & Energy increased due to increased sales of raw materials for semiconductor-related products and formulated epoxy resins for semiconductor- and mobile device products
- ▶ In Life & Healthcare, sales of food ingredients, cosmetic ingredients, and pharmaceutical raw materials increased

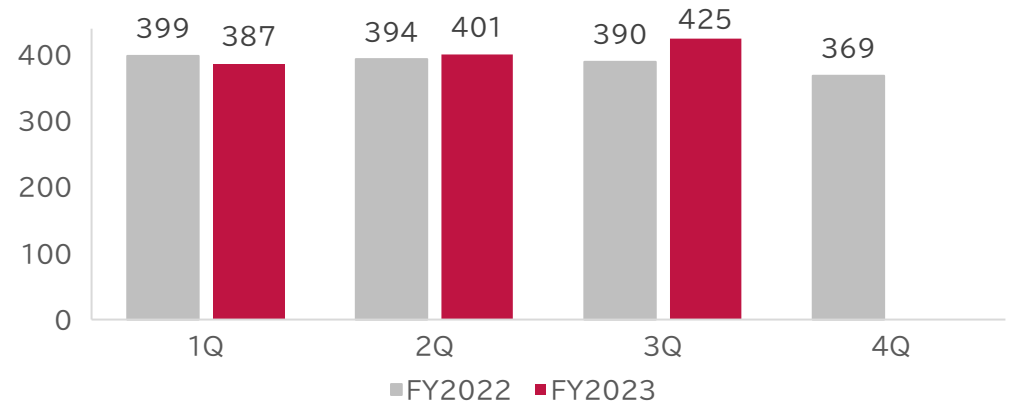
Gross Profit By Business & Segment (100 millions of yen)



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



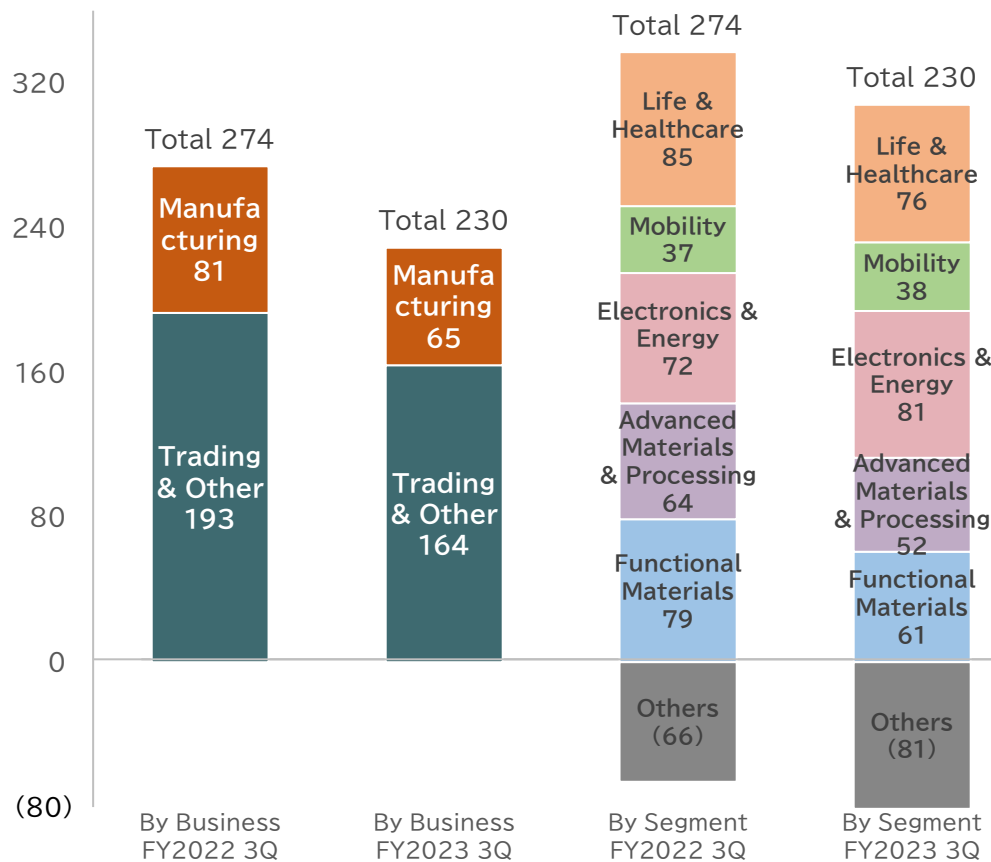
History of Gross Profit(100 millions of yen)



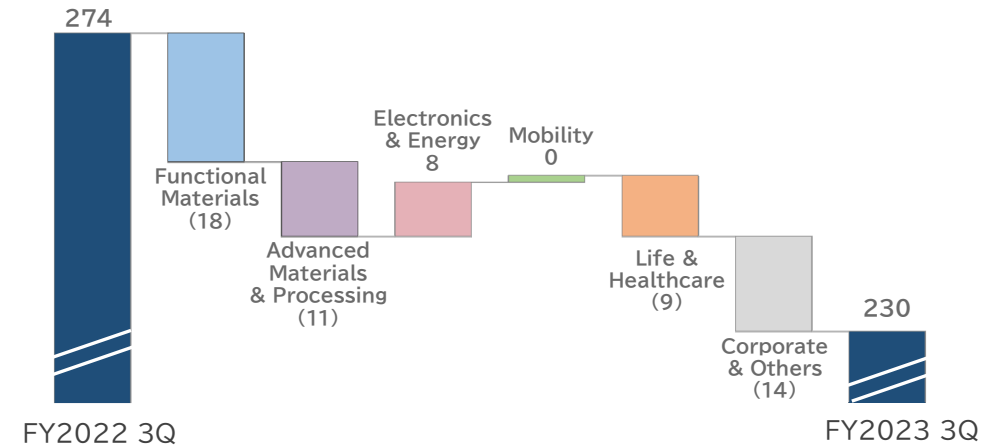
# Operating Income by Business & Segment

- ▶ Functional Materials and Advanced Materials & Processing posted lower operating income due to a decrease in gross profit
- ▶ Electronics & Energy posted higher operating income with increased gross profit
- ▶ Life & Healthcare recorded higher gross profit; however, weaker profitability at the Prinova Group, increased personnel expense, 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

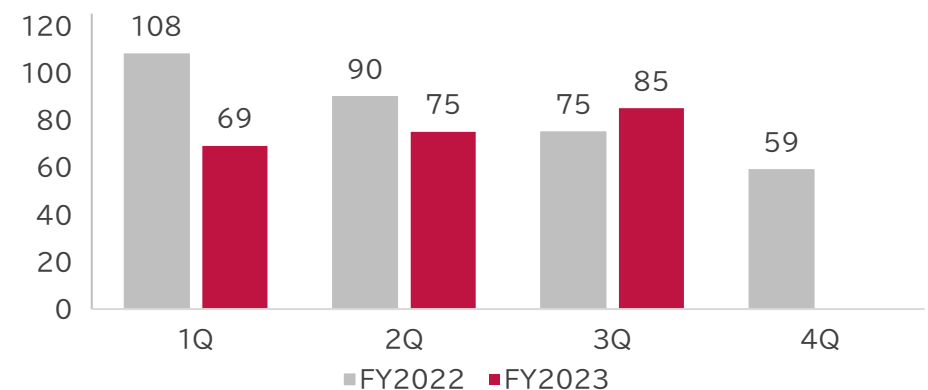
Operating Income by Business & Segment (100 millions of yen)



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



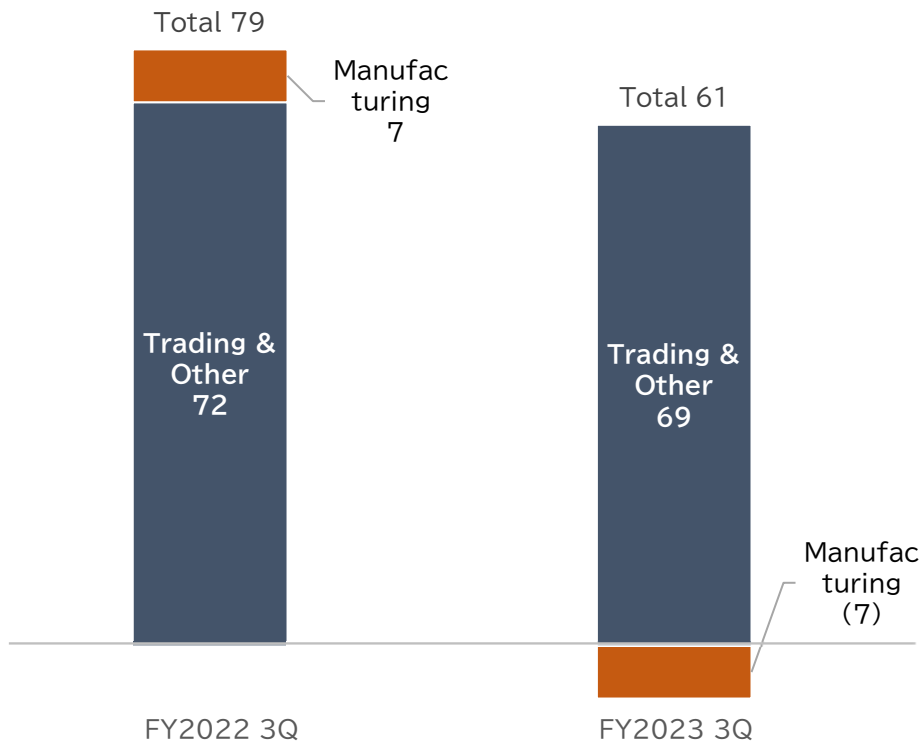
History of Operating Income (100 millions of yen)



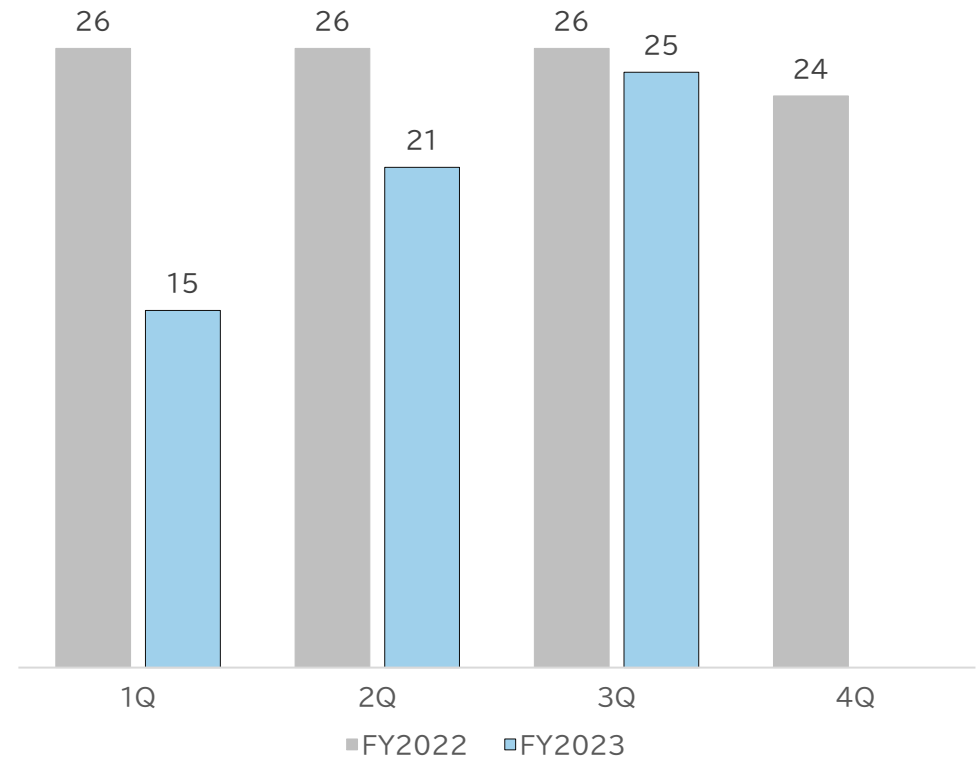
# Functional Materials Segment Operating Income Overview

- ▶ Overall sales of coating materials decreased due to sluggish sales for mainly architectural applications, despite a recovery in applications for the automobile and other industries
- ▶ Sales decreased for raw materials for the electronics industry, including semiconductor-related products
- ▶ Sales of digital print processing materials were lower, as was profitability in the manufacturing business
- ▶ Profits decreased year on year due to customer inventory adjustments and weak profitability in the manufacturing business

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)

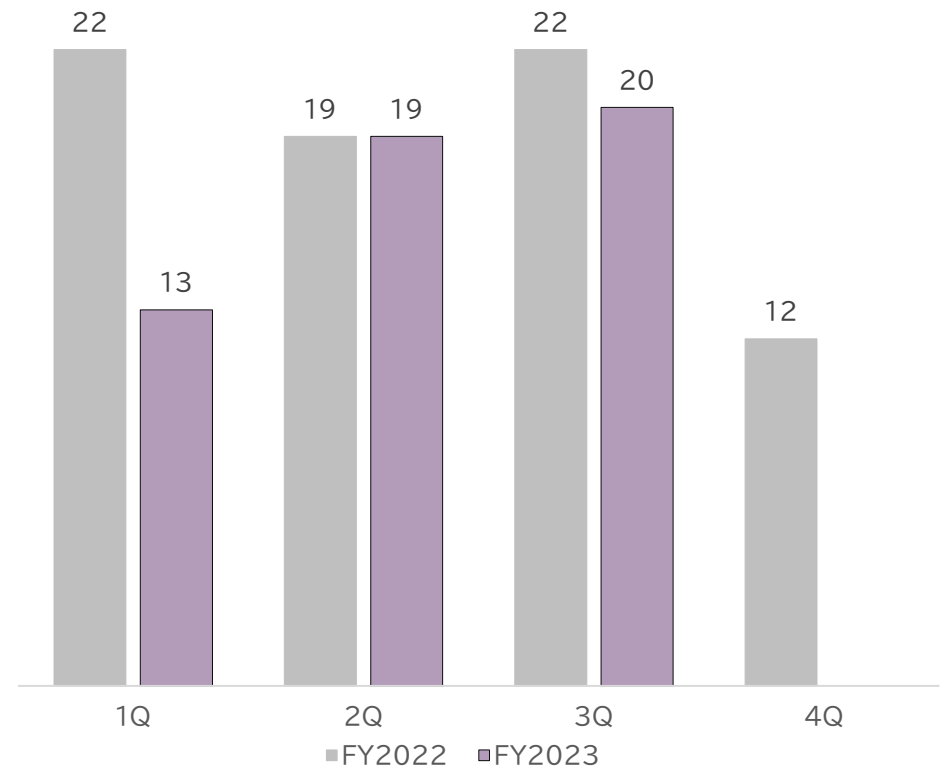
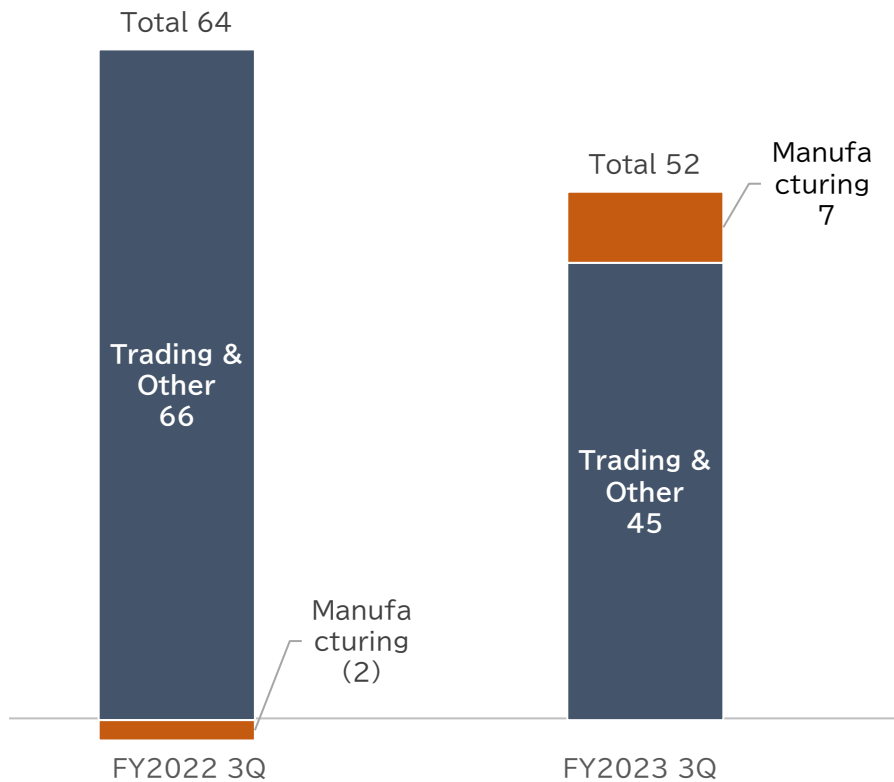


# Advanced Materials & Processing Segment Operating Income Overview

- ▶ 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
- ▶ The manufacturing business returned to profit due to lower expenses from impairment losses recorded at certain subsidiaries in the previous fiscal year, as well as strong sales
- ▶ Overall, the sluggish sale of resins had significant effects and profit decreased year on year

Operating income by business(100 millions of yen)

History of operating income (100 millions of yen)

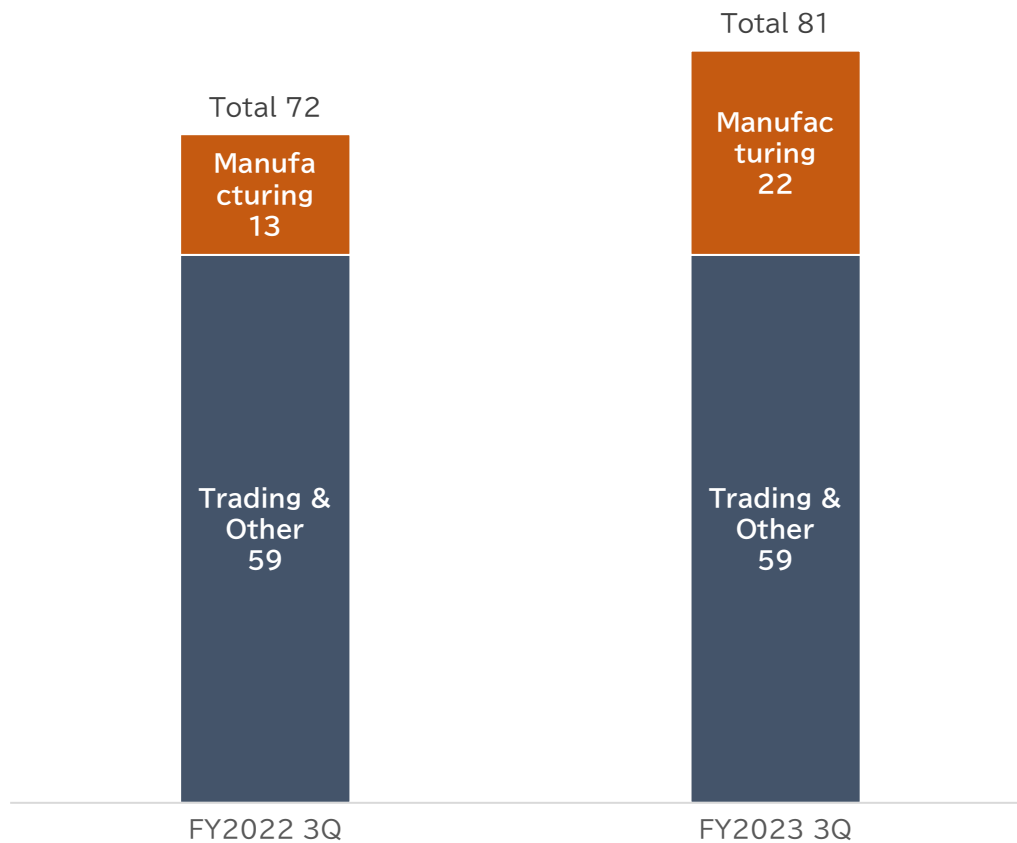




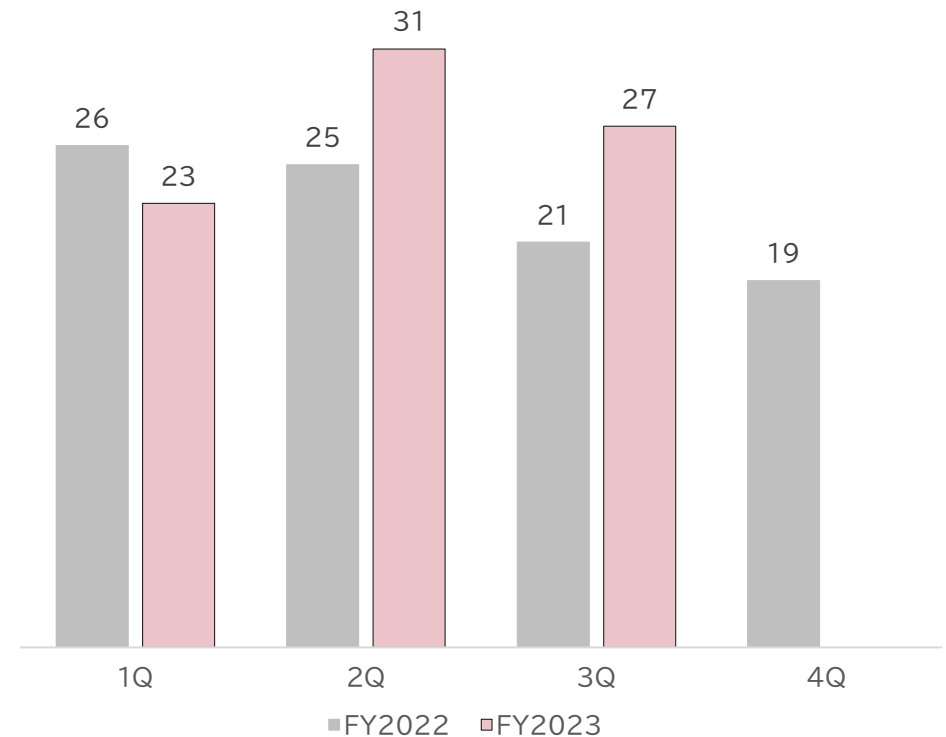
# Electronics & Energy Segment Operating Income Overview

- ▶ 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 mainly for server applications and mobile device applications
- ▶ Profit rose overall year on year with strong sales of formulated epoxy resins

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



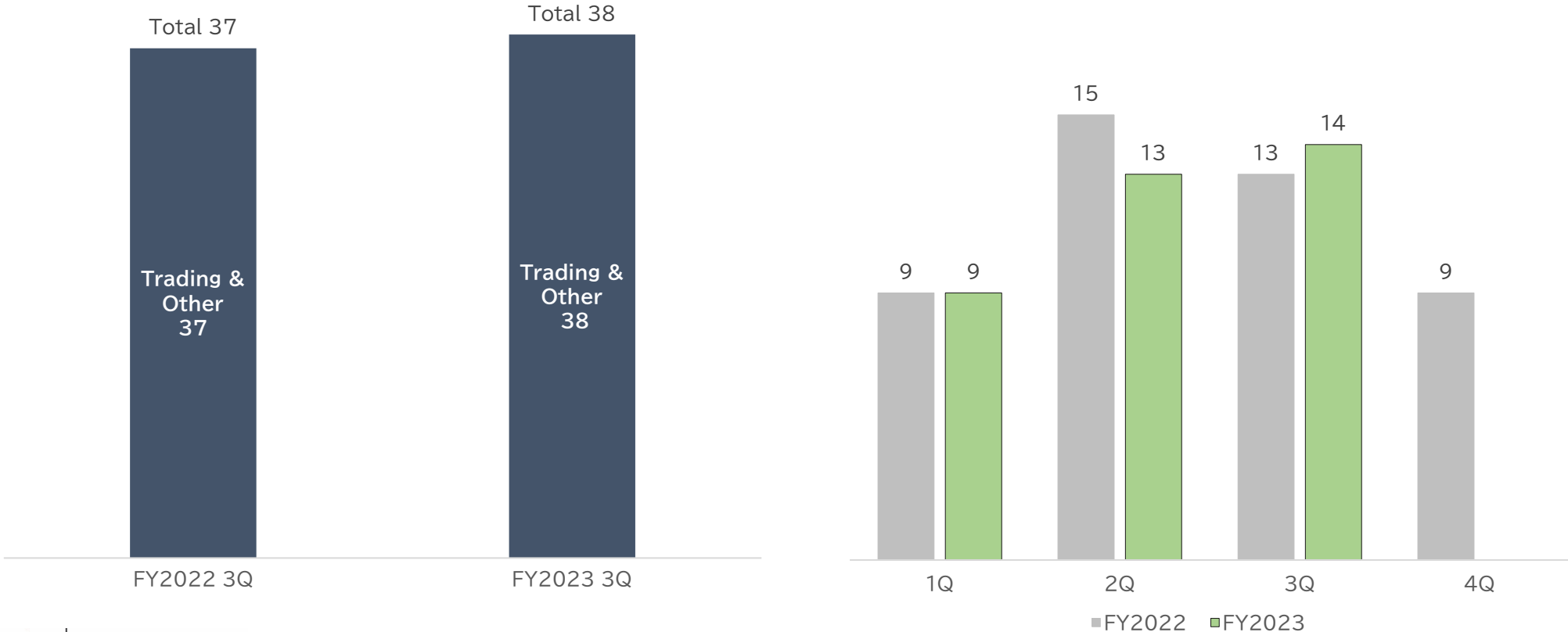
■ FY2022 ■ FY2023

# Mobility Segment Operating Income Overview

- ▶ Sales increased for resins, mainly due to an increase in automobile production and expanded market share to existing customers
- ▶ 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)

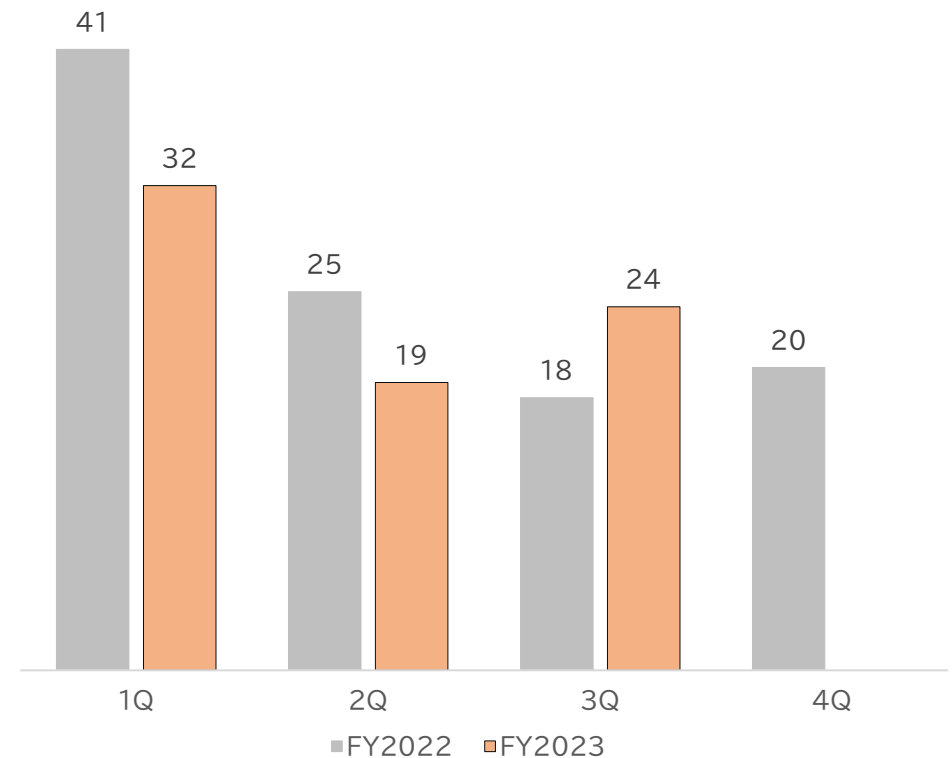
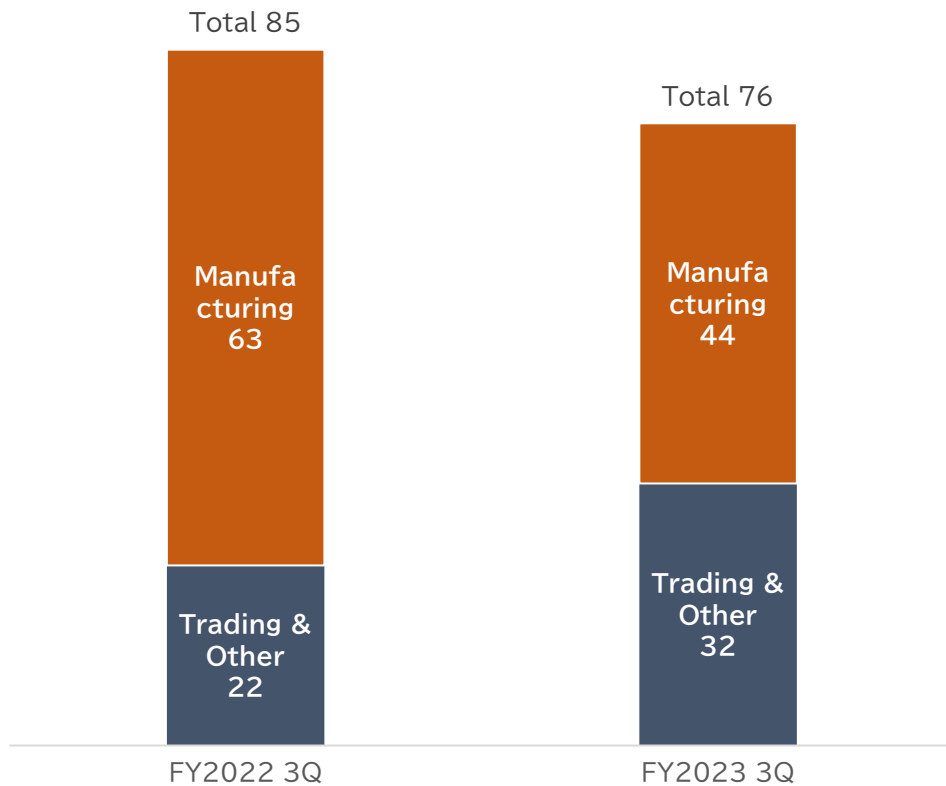


# Life & Healthcare Segment Operating Income Overview

- ▶ Overall Prinova Group sales increased mainly due to operations of the new plant in Utah
- ▶ Hayashibara posted increased sales, mainly in cosmetic material
- ▶ Although we recorded higher gross profit, profits decreased year on year due to increased personnel and other general, and administrative expenses at the Prinova Group, 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)



■FY2022 ■FY2023

# State of Major Manufacturing Subsidiaries

- ▶ Nagase ChemteX : Despite the transfer of the biochemicals business to Hayashibara, profit rose due to increased sales of highly profitable formulated epoxy resins
- ▶ Hayashibara : Profits increased due to progress made to pass on the soaring prices of raw materials and utilities, as well as strong sales of cosmetic material stemming from a recovery in demand
- ▶ Prinova Group : Despite increased sales in manufacturing, profit declined due to increased personnel and other general, and administrative expenses and a delay in the profit contribution of the new Utah plant

100 millions of yen

		FY2022 3Q	FY2023 3Q	Change	Vs.PY	Forecast	Achievement
Nagase ChemteX Corporation	Sales	195	189	(6)	97%	247	76%
	Gross profit	52	58	5	111%	77	76%
	Operating income	13	21	8	164%	24	87%
Hayashibara Co.,Ltd.	Sales	212	259	47	122%	347	75%
	Gross profit	79	95	16	120%	128	74%
	Operating income	29	40	10	136%	52	78%
	Goodwill amortization etc.	23	23	-	100%	30	75%
	Operating income after amortization burden	6	17	10	255%	21	83%
Prinova Group	Sales	1,453	1,454	1	100%	1,943	75%
	Gross profit	242	261	18	108%	355	74%
	Operating income	70	43	(27)	62%	62	70%
	Goodwill amortization etc.	17	18	1	108%	25	74%
	Operating income after amortization burden	53	24	(28)	46%	36	68%

# Consolidated Balance Sheets

- ▶ Current assets : Decrease due to reduced inventories
- ▶ 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	23/12	Change	Details
Total Current Assets	5,301	5,423	122	
(Cash&deposits)	408	532	123	
(Trade account receivable)	3,021	3,224	203	
(Inventories)	1,697	1,486	(210)	
Total non-current assets	2,325	2,460	134	
(Investments in security)	697	746	48	
<b>Total assets</b>	<b>7,626</b>	<b>7,883</b>	<b>256</b>	
Current Liab.	2,862	2,965	103	Current portion of long-term loans+68, Short-term loans/CP(123)
(Trade account payable)	1,404	1,570	165	
Non-current Liab.	980	966	(14)	Lease liabilities+33, Deferred tax liabilities+12, Long-term loans (65)
<b>Total Liab.</b>	<b>3,843</b>	<b>3,932</b>	<b>89</b>	
Shareholders' equity	3,090	3,085	(5)	
Accum. Other Comprehensive Income	586	797	211	Translation adjustments+172, Net unrealized holding gain on securities+32
Non-controlling interest	107	68	(38)	
<b>Total net assets</b>	<b>3,783</b>	<b>3,951</b>	<b>167</b>	
Working capital	3,313	3,140	(173)	
Shareholders' equity ratio	48.2%	49.3%	1.0ppt	
NET D/E ratio	0.38	0.30	(0.07)	

# FY2023 Earnings Projection(No Change)

- ▶ Although sales decreased due to sluggish resin sales, we expect gross profit to increase due to improved profitability of manufacturing subsidiaries and strong segment sales
- ▶ Overall, selling, general, and administrative (SG&A) expenses exceeded the increase in gross profit due to prior expenses for the new Prinova Group plant in Utah
- ▶ We expect to land close to our original forecast, with no major changes made to the assumptions in the revised FY2023 projections announced in November 2023

100 millions of yen

	FY2022 Results	FY2023 Forecast	Change	Vs.PY
<b>Sales</b>	9,128	9,000	(128)	99%
<b>Gross profit</b>	1,554	1,630	75	105%
<b>&lt;GP ratio&gt;</b>	17.0%	18.1%	1.1ppt	
<b>SG&amp;A expenses</b>	1,220	1,330	109	109%
<b>Operating income</b>	333	300	(33)	90%
<b>Ordinary income</b>	325	290	(35)	89%
<b>Profit attributable to owners of the parent</b>	236	225	(11)	95%
US\$ Exchange rate (period average)	@ 135.5	@ 143.0	@ 7.5	Weak yen
RMB Exchange rate (period average)	@ 19.7	@ 20.0	@ 0.3	Weak yen

# FY2023 Earnings Projection By segment(No Change)

- ▶ Sales and profits decreased in Functional Materials due to lower sales of coating materials and raw materials for semiconductor-related and other materials for the electronics industry, as well as deteriorating profitability in the digital print processing materials business
- ▶ Although profitability improved for manufacturing subsidiaries, overall Advanced Materials & Processing sales and income decreased due to lower sales of resins in the office equipment, appliance, and video game device market
- ▶ Electronics & Energy sales and profits increased due to improved profitability from increased sales of high-profit products such as the Nagase ChemteX formulated epoxy resins
- ▶ Despite delayed profit contribution from the new Prinova Group Utah plant, sales and income in Life & Healthcare increased due to a recovery in the profitability of Hayashibara, as well as increased sales of pharmaceutical raw materials and intermediates
- ▶ We continue to invest for sustainable future growth, including in DX-related areas

		100 millions of yen			
		FY2022 Actual	FY2023 forecast	Change	Percent Change
Functional Materials	Sales	1,561	1,540	(21)	99%
	Gross profit	298	275	(23)	92%
	Operating income	104	83	(21)	79%
Advanced Materials & Processing	Sales	2,209	1,970	(239)	89%
	Gross profit	242	236	(6)	97%
	Operating income	76	69	(7)	90%
Electronics & Energy	Sales	1,369	1,390	20	101%
	Gross profit	307	335	27	109%
	Operating income	92	111	18	120%
Mobility	Sales	1,255	1,299	43	103%
	Gross profit	144	149	4	103%
	Operating income	47	48	0	100%
Life & Healthcare	Sales	2,731	2,800	68	103%
	Gross profit	559	634	74	113%
	Operating income	105	108	2	102%
Corporate & Others	Sales	0	1	0	122%
	Gross profit	1	1	0	62%
	Operating income	(94)	(119)	(24)	—
Total	Sales	9,128	9,000	(128)	99%
	Gross profit	1,554	1,630	75	105%
	Operating income	333	300	(33)	90%

\*Effective from October 1, 2023, NAGASE has changed the method of classifying its business segments, and the figures for the previous fiscal year have been reclassified to reflect this change

# FY2023 Earnings Projection By Major Manufacturing Subsidiaries (No Changed)

- ▶ Nagase ChemteX : While sales of highly profitable formulated epoxy resins were strong, sales decreased while profits increased mainly due to the transfer of the biochemicals business
- ▶ Hayashibara : Operating income increased mainly due to the completion of price revisions stemming from soaring raw material and utility prices, as well as strong sales of cosmetic materials
- ▶ Prinova Group : Although we expect gross profit to increase due to operations of the new plant in Utah, operating income decreased, partly due to delayed profit contribution from the plant and increases in personnel and other general and administrative expenses

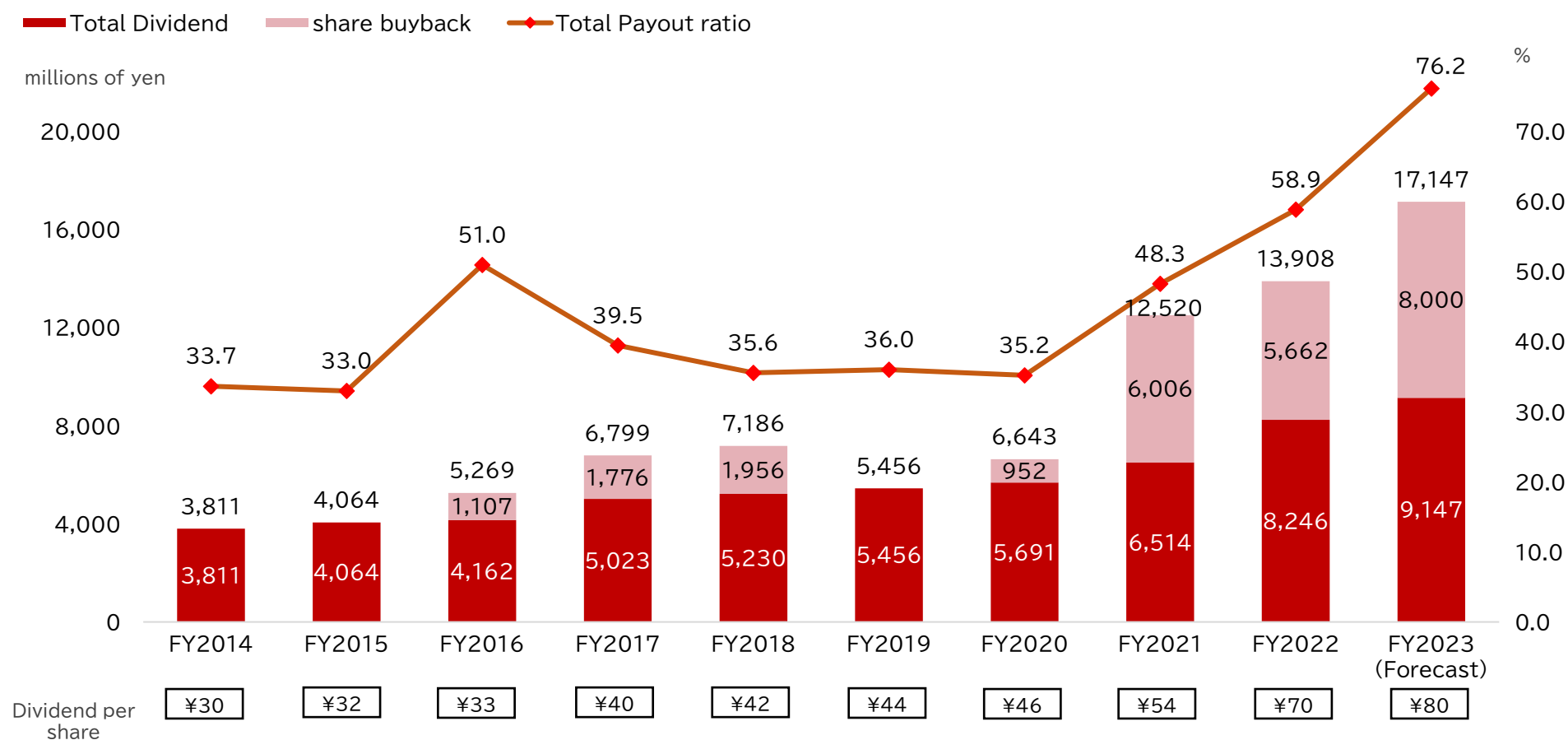
100 millions of yen

		FY2022 Actual	FY2023 Forecast	Change	Vs.PY
Nagase ChemteX Corporation	Sales	253	247	(6)	98%
	Gross profit	68	77	8	113%
	Operating income	18	24	6	136%
Hayashibara Co.,Ltd.	Sales	281	347	66	124%
	Gross profit	103	128	25	124%
	Operating income	37	52	14	137%
	Goodwill amortization etc.	30	30	-	100%
	Operating income after amortization burden	7	21	14	298%
Prinova Group	Sales	1,927	1,943	15	101%
	Gross profit	312	355	42	114%
	Operating income	80	62	(18)	77%
	Goodwill amortization etc.	24	25	1	106%
	Operating income after amortization burden	56	36	(20)	64%



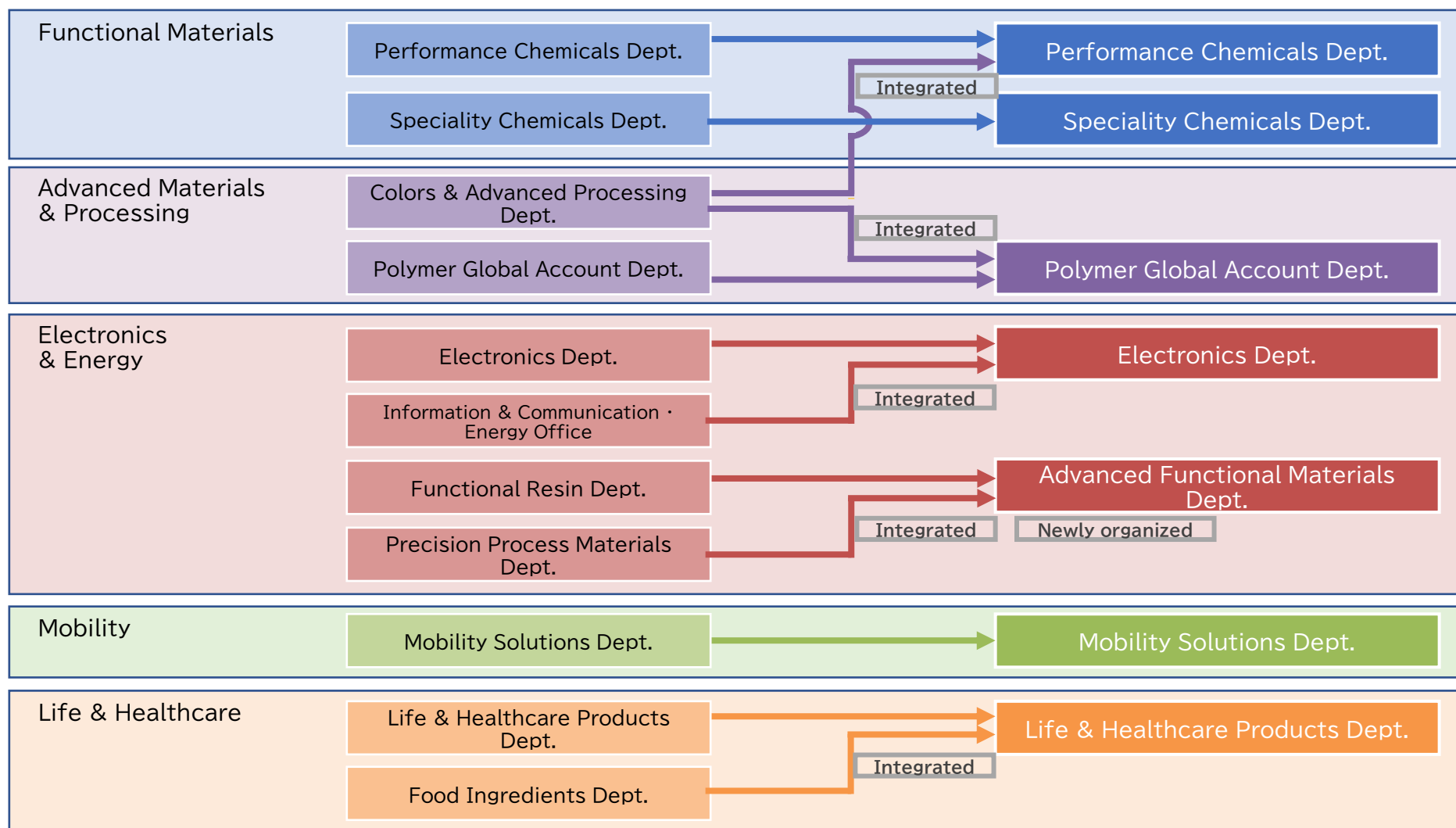
# Shareholder Returns

- ▶ 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)
- ▶ The repurchase of ¥8 billion in treasury stock, resolved in May 2023, was completed in December
- ▶ We expect the total payout ratio for fiscal 2023 to be 76%, 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.

# Remarks: Changes to business segment classification (implemented on October 1, 2023)



# **NAGASE** | **Delivering next.**

## ■Inquiries:

<https://www.nagase.co.jp/english/contact/ir/>

## ■NAGASE Group Investor Relations Website:

<https://www.nagase.co.jp/english/ir/>

These presentation materials contain projections based on forward-looking assumptions, forecasts, and plans as of February 6, 2024. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.