

# FYE March 2023 Third Quarter Financial Highlights

**NAGASE&CO.,LTD.**

February 8, 2023

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# Consolidated statements income

▶ Gross profit

- Overall profit increased, despite lower gross profit margin due to lower profitability at certain manufacturing subsidiaries, etc.

▶ Operating income

- Profit decreased due to an increase in selling, general and administrative expenses in connection with higher distribution costs and increased activities

▶ Profit Attributable to owners of the parent

- Income decreased due to the decrease in ordinary income stemming from higher interest expenses, etc.

100 millions of yen

	21/12	22/12	Change	Vs.PY	Forecast	Achievement
<b>Sales</b>	5,741	6,956	+ 1,215	121%	—	—
<b>Gross profit</b>	1,041	1,184	+ 143	114%	1,590	75%
<GP ratio>	18.1%	17.0%	(1.1pt)	—	—	—
<b>SG&amp;A expenses</b>	759	910	+ 150	120%	1,210	—
<b>Operating income</b>	281	274	(7)	97%	380	72%
<b>Ordinary income</b>	301	274	(27)	91%	390	70%
<b>Profit Attributable to owners of the parent</b>	222	200	(21)	90%	285	70%
US\$ Exchange rate (period average)	@ 111.1	@ 136.5	@ 25.4	Weak yen	@140.0	
RMB Exchange rate (period average)	@ 17.3	@ 19.9	@ 2.6	Weak yen	@20.0	

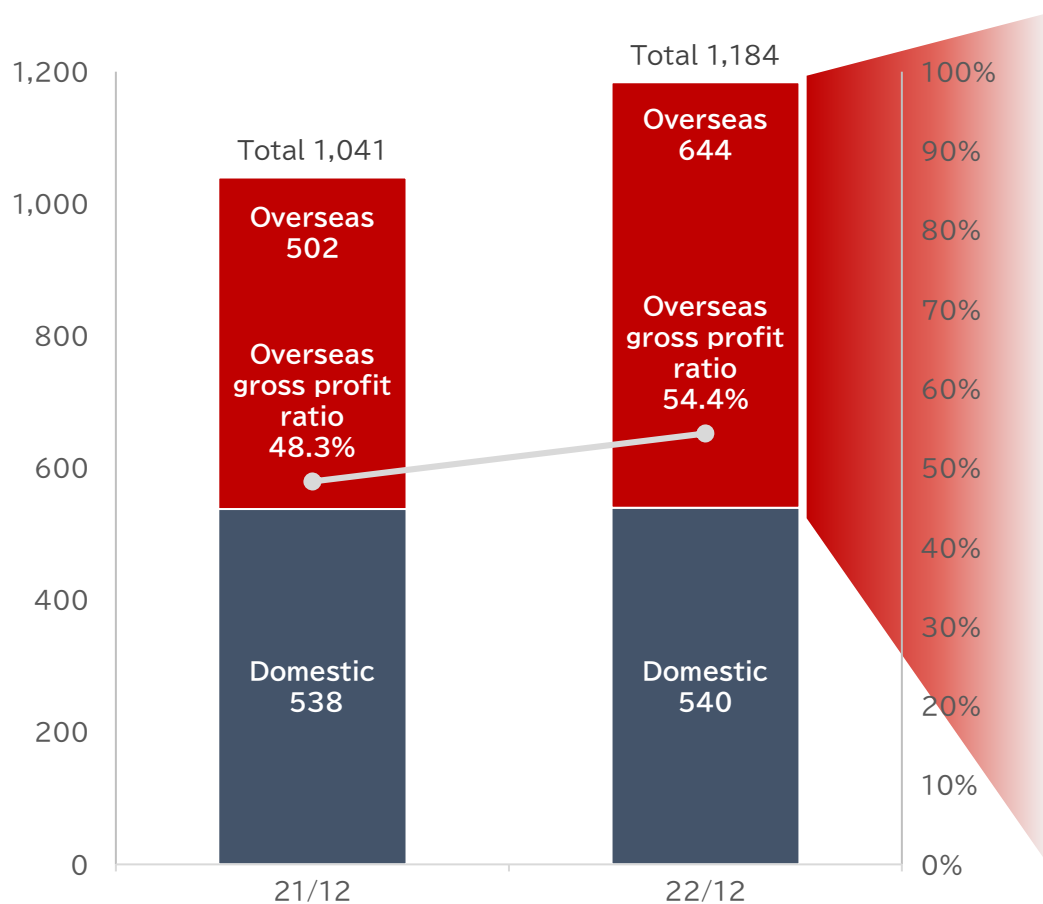
※ Offset to sales and cost of sales from revenue recognition standards: December 2021, -¥181.7 billion; December 2022, -¥203.8 billion

※ Impact from foreign exchange: Gross profit, +¥9.6 billion; Operating income, +¥2.6 billion

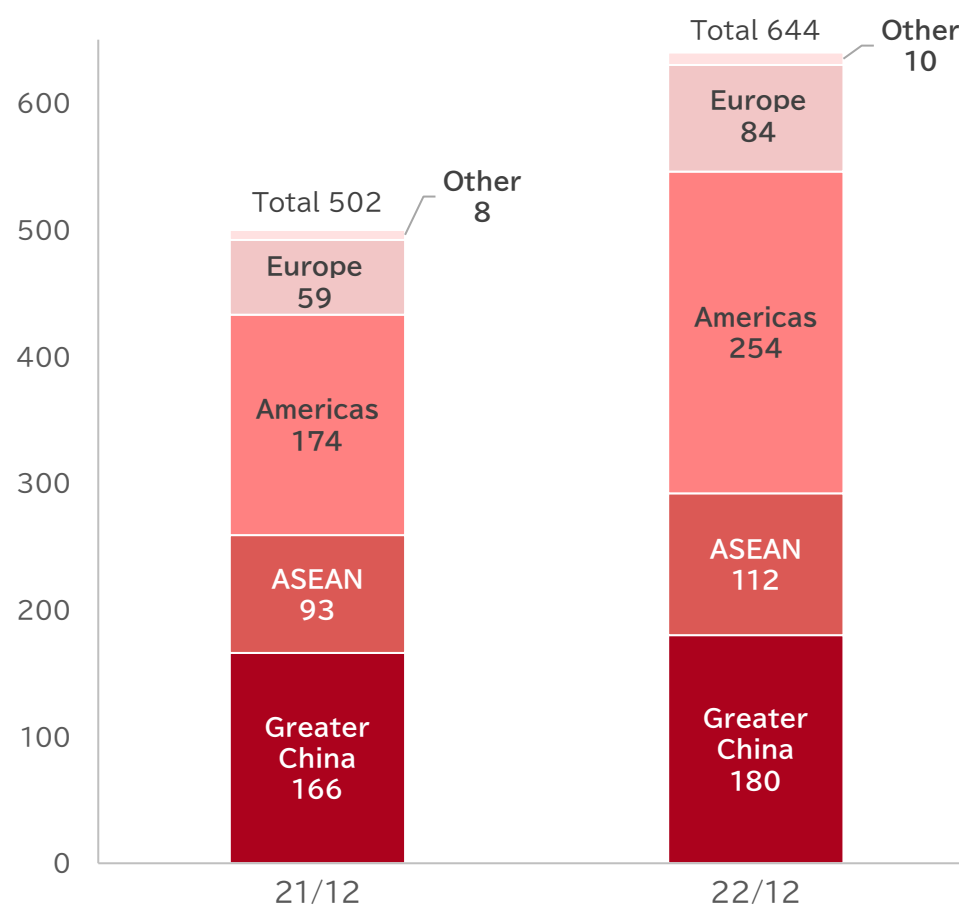
# Gross Profit By Region

- ▶ Higher profit both domestic and overseas
- ▶ Profit increased due to higher sales of raw materials and materials to the semiconductor industry in Japan and overseas
- ▶ Profit increased significantly in the Americas and Europe due to expansion in the Prinova Group businesses
- ▶ Profit increased in Greater China, despite the lockdowns, due to the weaker yen

Domestic & Overseas Gross profit(100 millions of yen)



Overseas gross profit By Region(100 millions of yen)

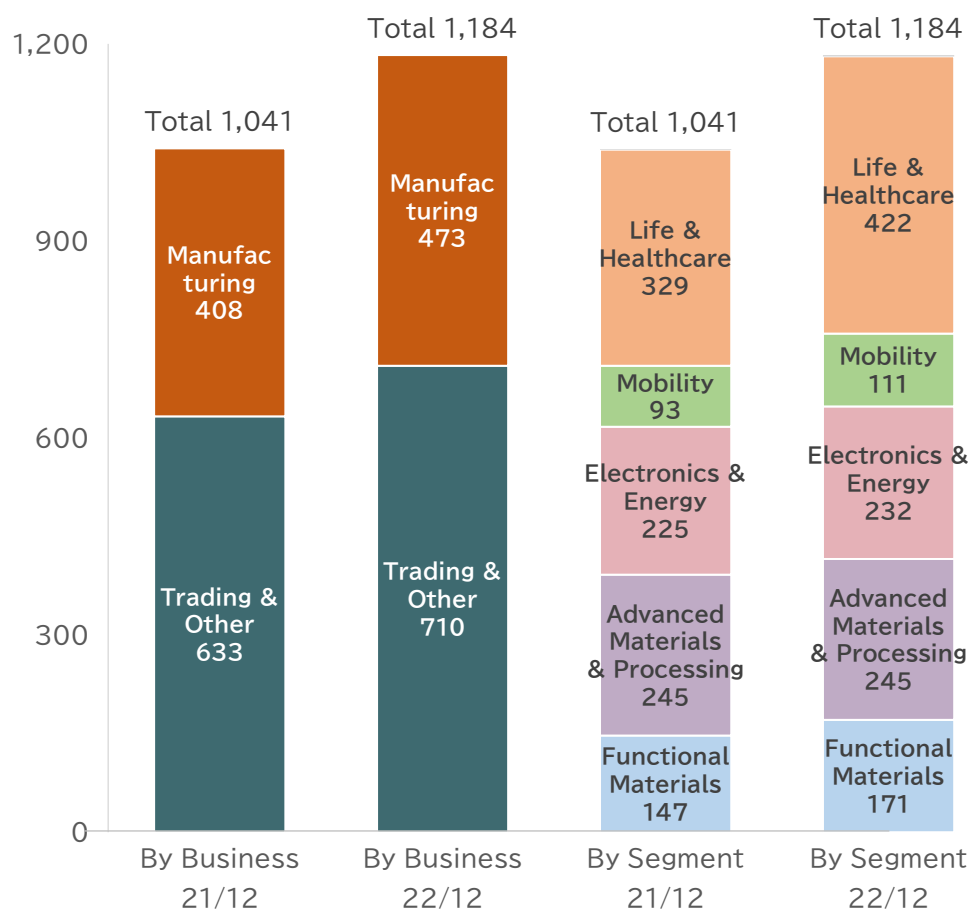


※Domestic figures under Domestic & Overseas Gross Profit include inter-regional adjustments

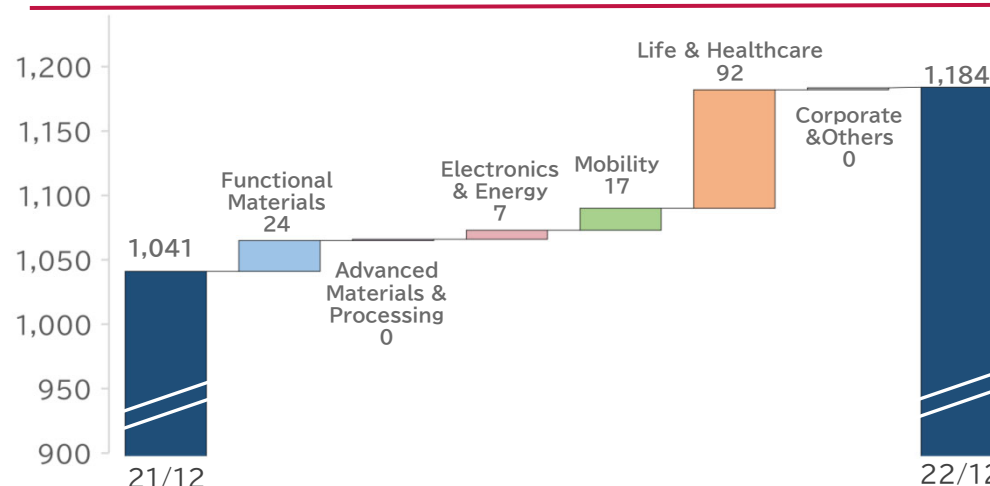
# Gross Profit By Business & Segment

- ▶ General increase in sales in Functional Materials, including sales of coating and urethane raw materials, as well as sales of raw materials for semiconductor-related products and other electronics industry products
- ▶ Advanced Materials & Processing performance remained unchanged due to the weaker yen, even while profitability decreased due to lower sales volume for resins and a reactionary decline from higher profit margins year on year due to soaring market prices
- ▶ Electronics & Energy sales increased for materials used in semiconductors
- ▶ Life & Healthcare recorded an increase in food ingredients business in the Prinova Group

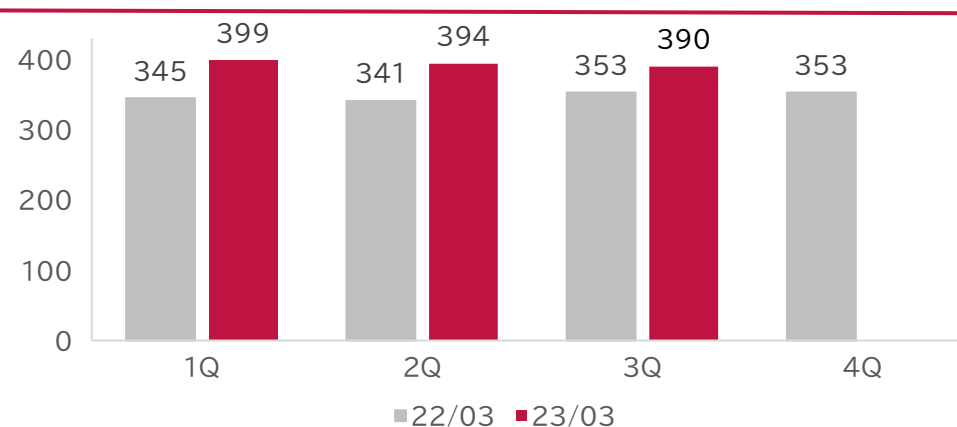
Gross Profit By Business & Segment (100 millions of yen)



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



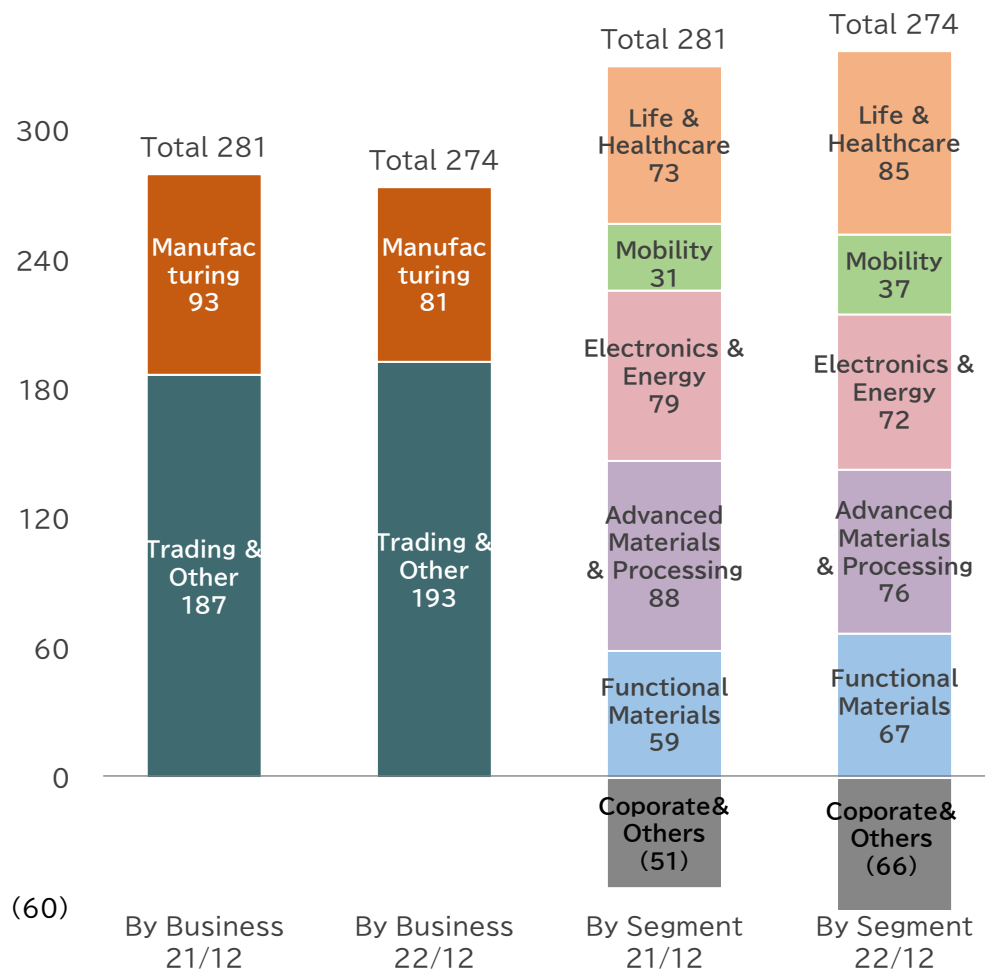
History of Gross Profit(100 millions of yen)



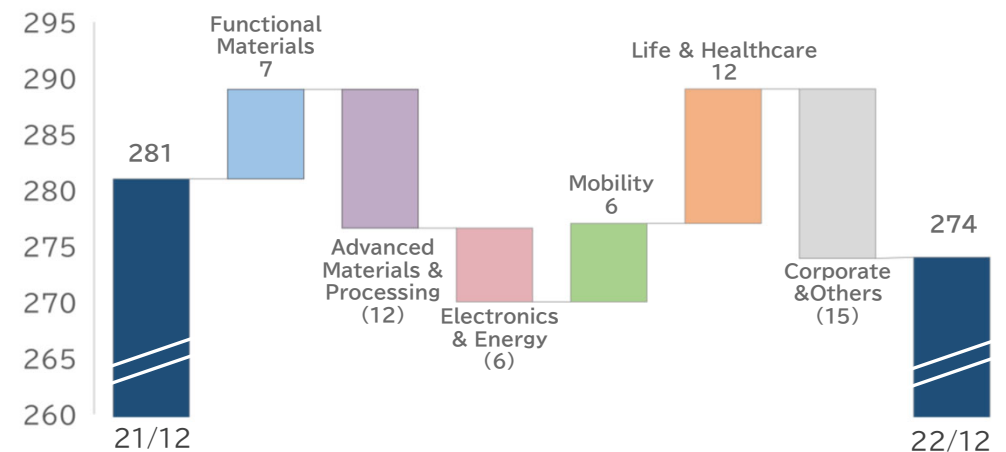
# Operating Income by Business & Segment

- ▶ Profit decreased overall due to an increase in selling, general and administrative expenses in connection with higher distribution costs and increased activities
- ▶ Advanced Materials & Processing recorded lower profit, partly due to a reactionary decline from the stemming from increased profit ratios in connection with soaring market conditions in the year-ago period, as well as higher selling, general and administrative expenses
- ▶ Life & Healthcare profit increased especially due to strong performance of food ingredients sales in the Prinova Group
- ▶ We continue to invest for sustainable future growth, including in DX-related areas

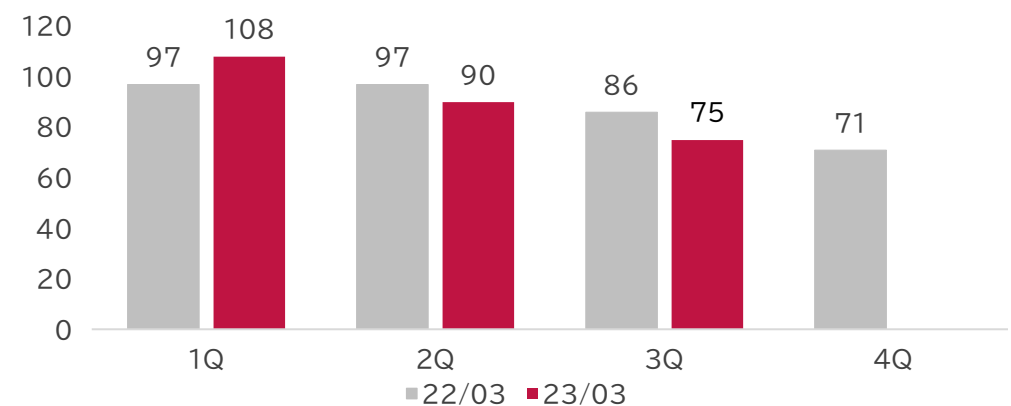
Operating Income by Business & Segment(100 millions of yen)



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



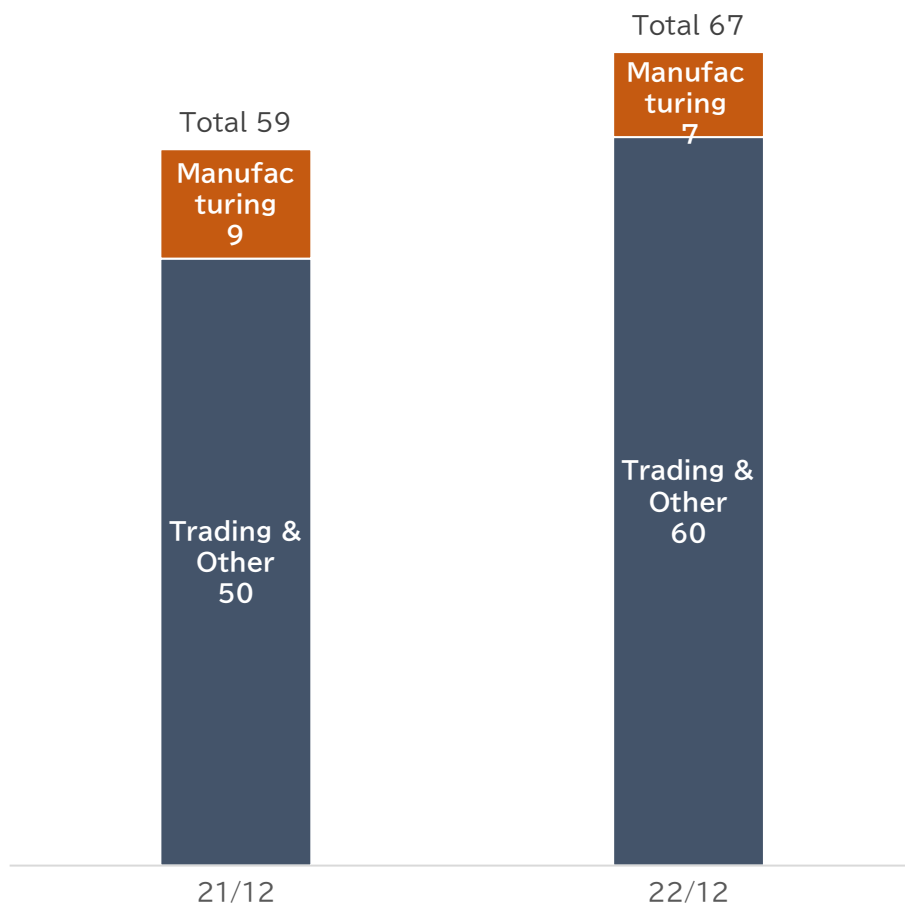
History of Operating Income(100 millions of yen)



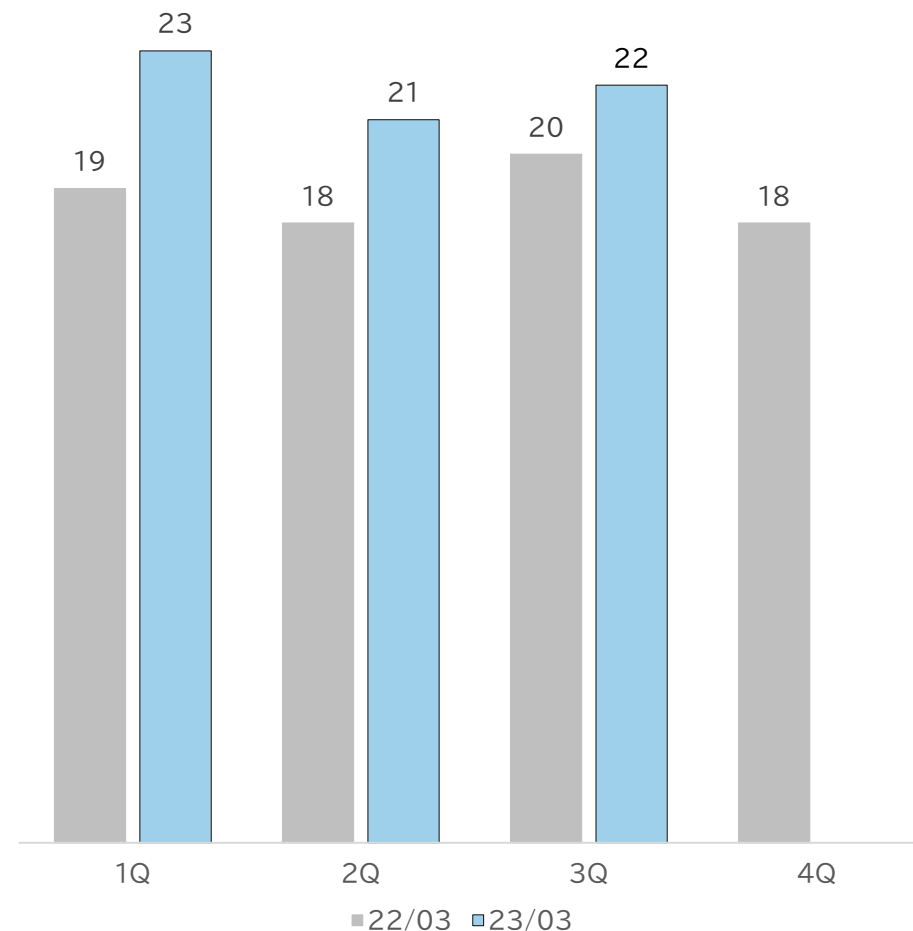
# Functional Materials Segment Operating Income Overview

- ▶ Sales of coating and urethane raw materials for the automobile and other industries increased, due in part to soaring market prices and the weaker yen
- ▶ Sales increased 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
- ▶ Performance remained strong overall, and profit increased year on year

Operating income by business(100 millions of yen)



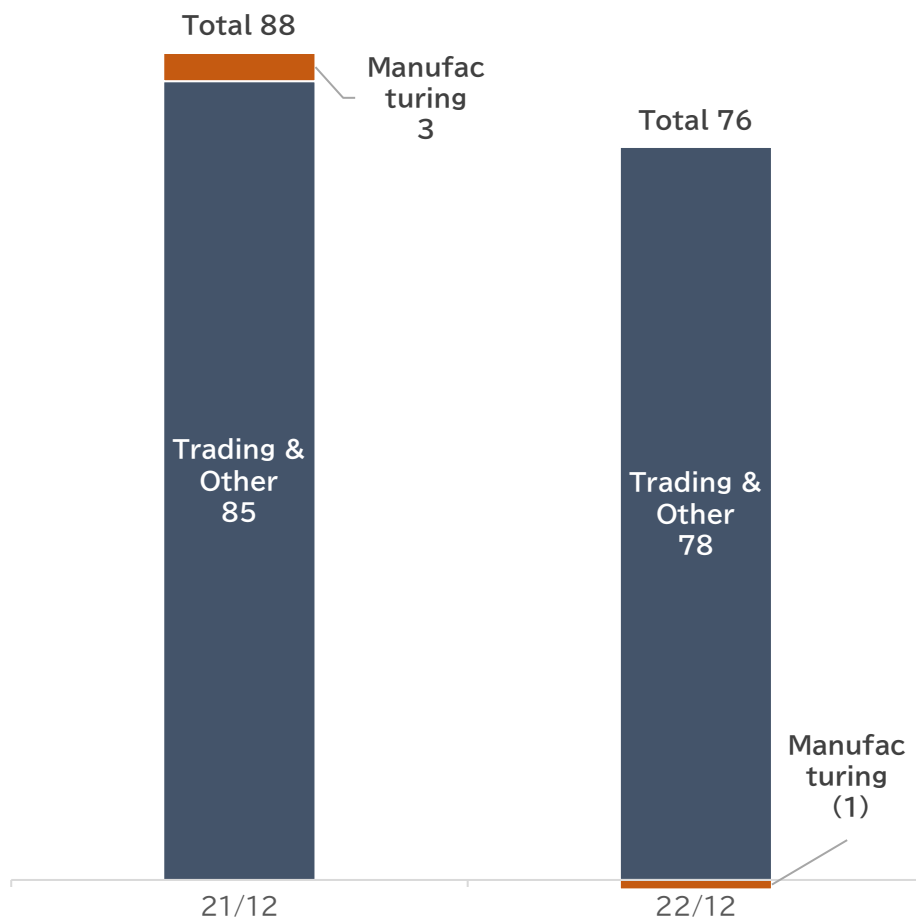
History of operating income (100 millions of yen)



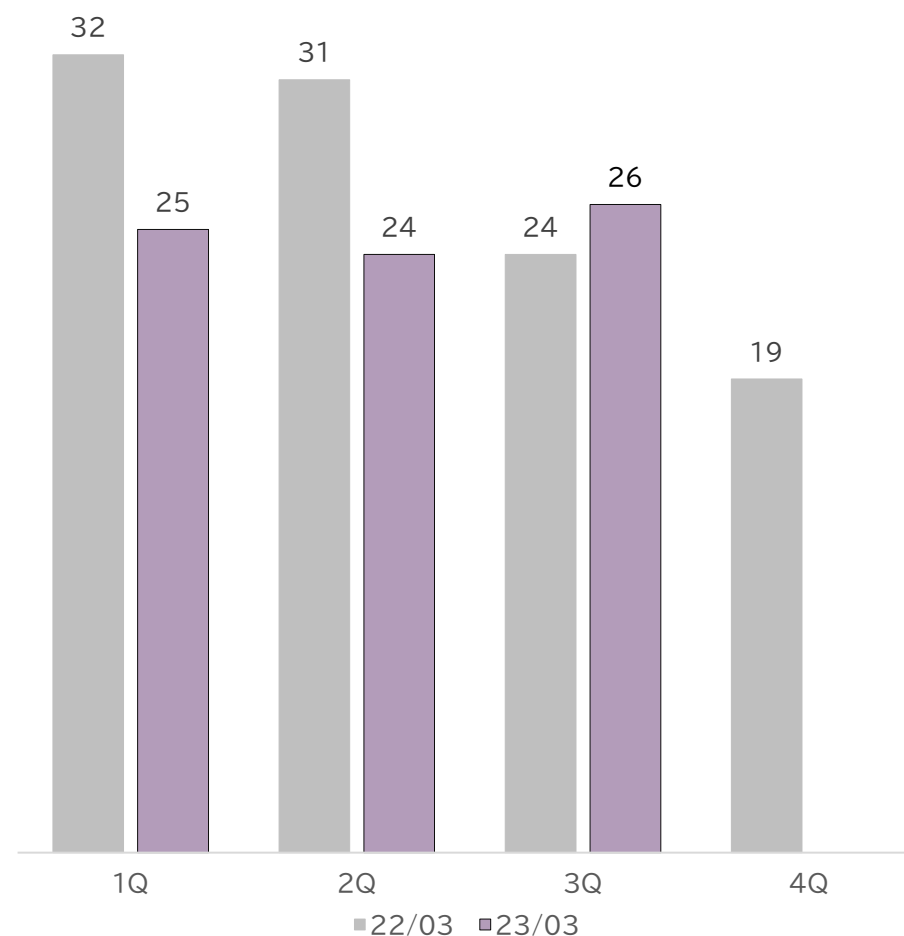
# Advanced Materials & Processing Segment Operating Income Overview

- ▶ Despite the impact of the weak yen on resin sales to the office equipment, appliance, and video game device market, profitability decreased due to a reactionary decline stemming from increased profit ratios in connection with soaring market conditions in the year-ago period
- ▶ Sales of digital print processing materials continued to be weak in manufacturing businesses
- ▶ Profit was lower year on year due to a decrease in resin sales, lower profitability in manufacturing businesses, and an increase in selling, general and administrative expenses

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)

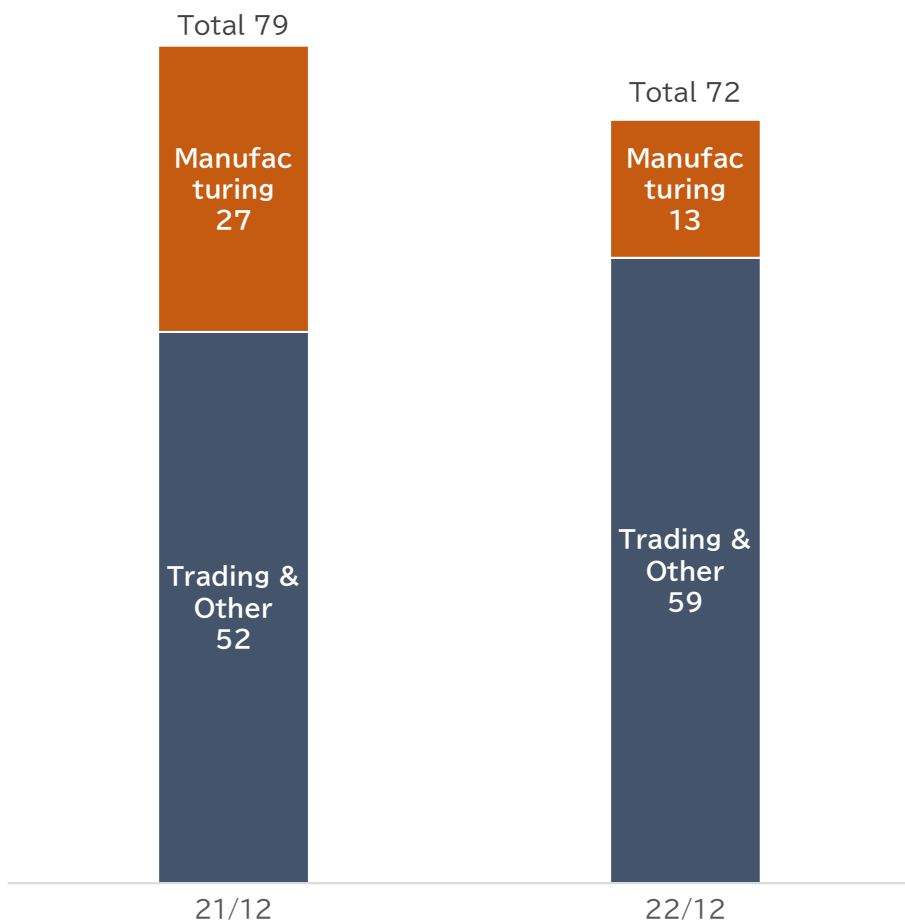




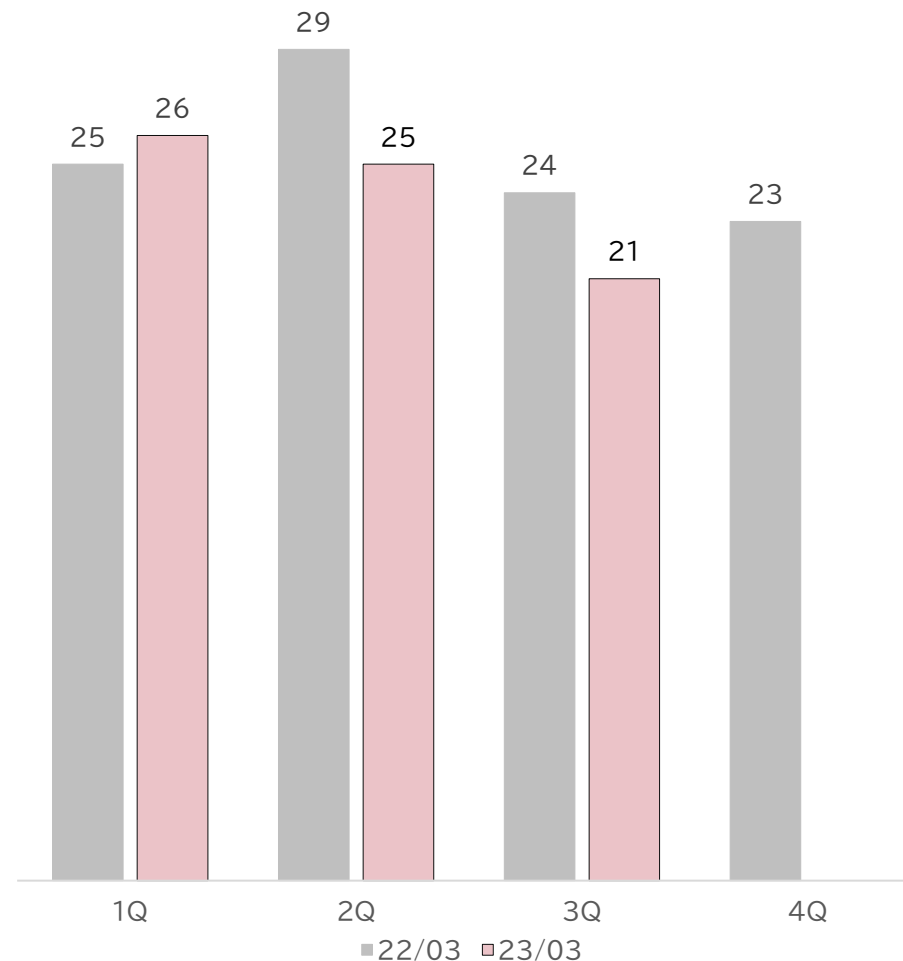
# Electronics & Energy Segment Operating Income Overview

- ▶ Sales increased for materials for semiconductors
- ▶ Sales of formulated epoxy resins was strong for semiconductor applications, but slow for mobile devices
- ▶ Profit decreased year on year due to the significant impact of weak sales in manufacturing businesses in connection with formulated epoxy resin-related products for mobile devices

Operating income by business(100 millions of yen)



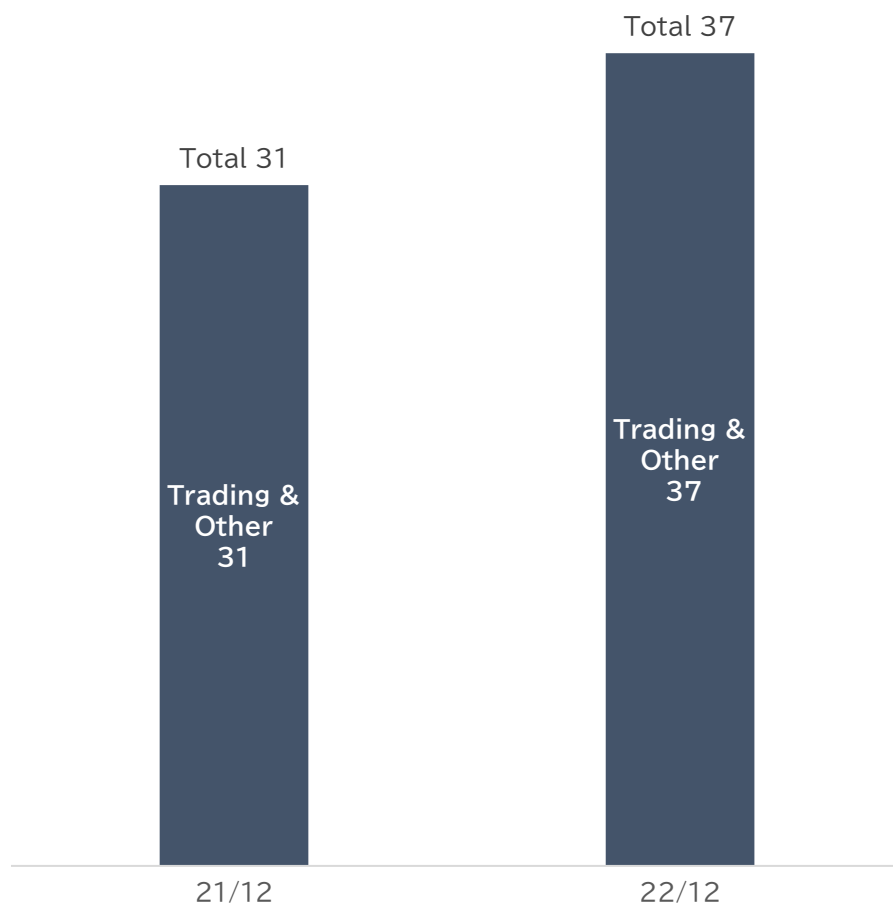
History of operating income (100 millions of yen)



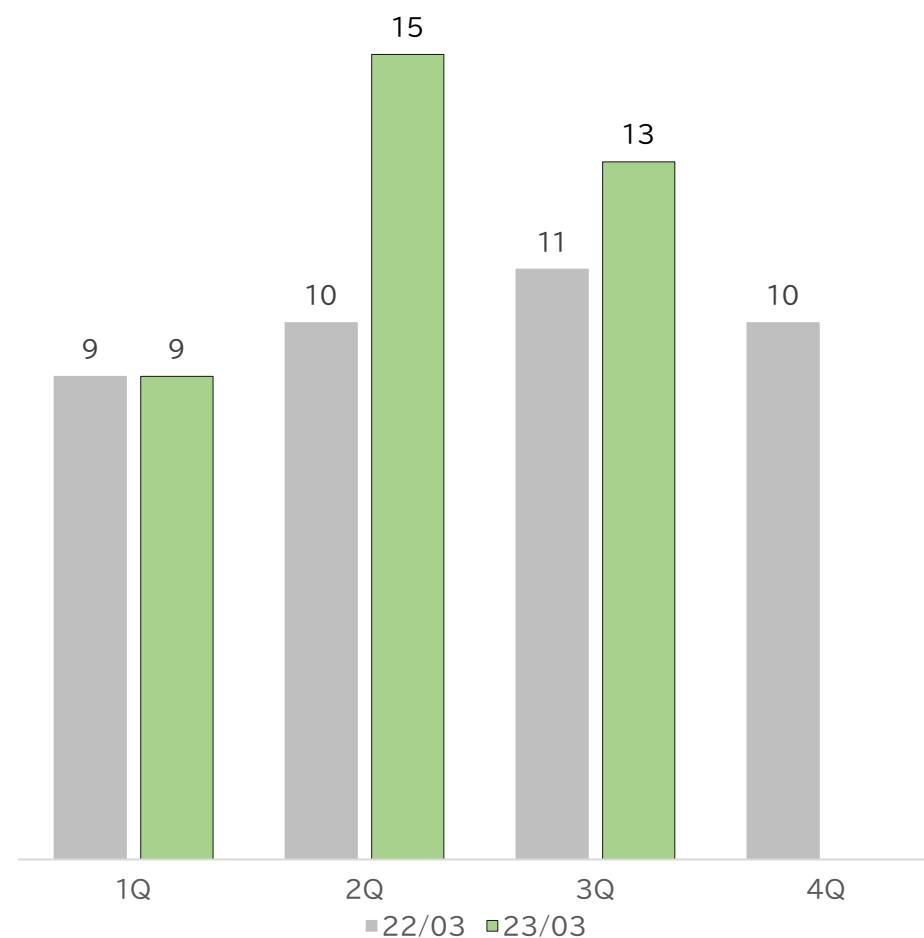
# Mobility Segment Operating Income Overview

- ▶ Sales increased for resins, mainly due to an increase in automobile production and the impact of the weakening yen
- ▶ Sales increased in functional materials and functional components for interior and exterior fittings and electrification
- ▶ Profit increased year on year due to generally strong sales

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



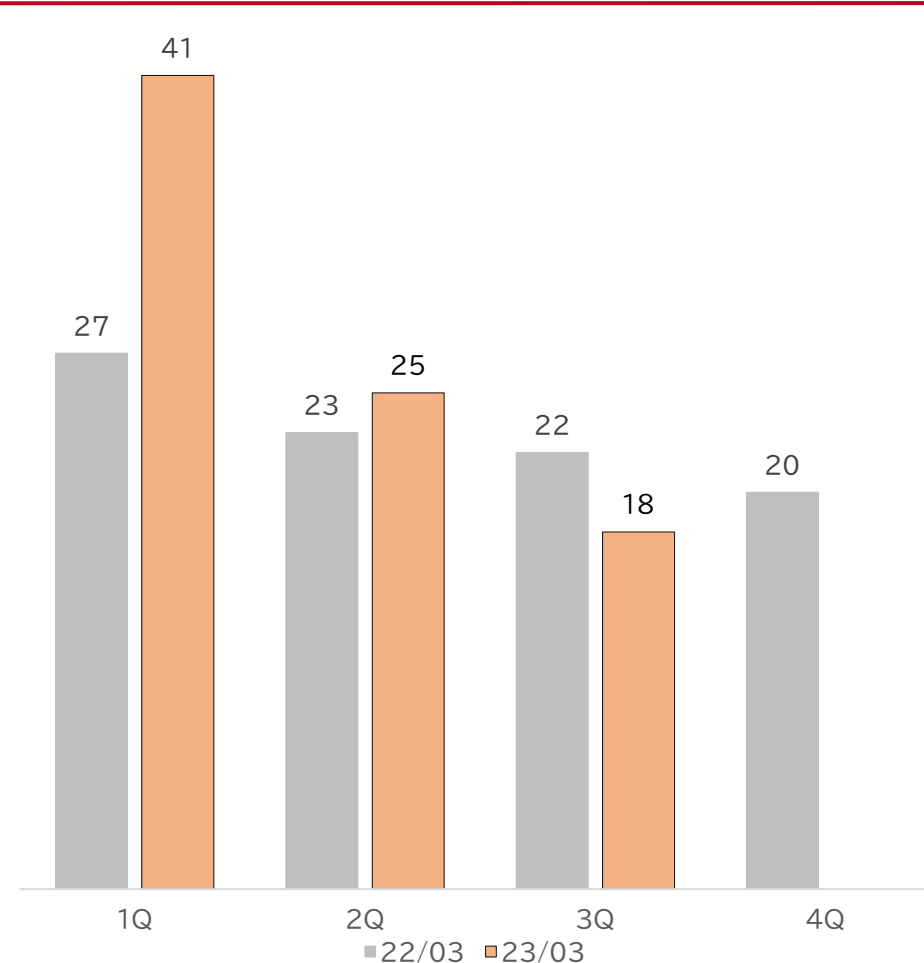
# Life & Healthcare Segment Operating Income Overview

- ▶ Prinova Group sales of food ingredients were particularly strong in the first quarter, and remained strong overall in the second quarter and later, despite some adjustments in supply and demand
- ▶ Prinova Group manufacturing and processing business profitability declined due to increased costs associated with the start up of a new plant
- ▶ Hayashibara sales of food ingredients (mainly TREHA™) increased; however, sales of cosmetics materials (mainly AA2G™) decreased due to lower demand overseas and other factors
- ▶ Profit Increased year on year due to Prinova Group profit growth

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, despite strong semiconductor-related sales, due to weak sales of formulated epoxy resins for use in mobile devices
- ▶ Hayashibara: Lower profit due to lower sales of cosmetic material AA2G™ and lower profitability of food material TREHA™, stemming from higher raw materials and energy prices
- ▶ Prinova Group: Higher profit due to ongoing strong materials sales, even as manufacturing and processing business profitability declined due in part to costs associated with the start up of a new plant

		100 millions of yen			
		21/12	22/12	Change	Vs.PY
Nagase ChemteX Corporation	Sales	221	195	(25)	88%
	Gross profit	69	52	(16)	76%
	Operating income	32	13	(19)	41%
Hayashibara Co.,Ltd.	Sales	200	212	11	106%
	Gross profit	81	79	(2)	98%
	Operating income	34	29	(4)	86%
	Goodwill amortization etc.	23	23	-	100%
	Operating income after amortization burden	11	6	(4)	59%
Prinova Group	Sales	857	1,453	596	169%
	Gross profit	160	242	82	152%
	Operating income	55	70	15	128%
	Goodwill amortization etc.	14	17	2	118%
	Operating income after amortization burden	40	53	12	132%

# Consolidated Balance Sheets

- ▶ Current assets: Working capital remained high due to strong overall sales, but inventories peaked at the end of September 2022
- ▶ Net assets: Increase, despite dividend payments and share buyback, due to profit for the period and an increase in foreign currency translation adjustments due to the weaker yen
- ▶ NET D/E ratio: Increased to 0.40 times due to an increase in interest-bearing debt resulting from higher demand for cash in connection with an increase in working capital

100 millions of yen

	22/03	22/12	Change	Details
Total Current Assets	5,142	5,682	539	
(Cash&deposits)	542	439	(102)	
(Trade account receivable)	2,898	3,240	341	
(Inventories)	1,575	1,826	251	
Total non-current assets	2,254	2,332	77	
(Investments in security)	756	711	(44)	
Total assets	7,397	8,014	617	
Current Liab.	3,078	3,225	146	Short-term loans/CP+258, Current Portion of Bonds(100)
(Trade account payable)	1,490	1,587	97	
Non-current Liab.	767	916	148	Corporate Bonds+100
Total Liab.	3,846	4,141	295	
Shareholders' equity	2,988	3,068	80	
Accum. Other Comprehensive Income	454	694	240	Translation adjustment+266, Appraisal Loss on Investment Securities(26)
Non-controlling interest	108	109	0	
Total net assets	3,550	3,872	321	
Working capital	2,983	3,479	495	
Shareholders' equity ratio	46.5%	47.0%	0.5%	
NET D/E ratio	0.33	0.40	0.07	

# FYE March 2023 Earnings Projection (No Change)

- ▶ We reviewed full-year forecasts and rate assumptions at the time of our second quarter earnings announcement, but we did not make any revisions for the third quarter
- ▶ In addition to crude oil prices and related chemical market conditions, we expect utility costs such as electricity and gas to remain high
- ▶ Formulated epoxy resin sales declined due to lower demand for mobile devices, and we do not expect performance to recover for the full year
- ▶ The automotive-related business remained strong as a whole, but Prinova Group performance is slowing due to economic sluggishness, and certain semiconductor-related products are entering an adjustment phase
- ▶ While the business environment remains uncertain and challenging, we will continue to aim for a second consecutive year of record profits

100 millions of yen

	22/03 Actual	23/03 Forecast	Change	Vs.PY
<b>Gross profit</b>	1,394	1,590	195	114%
<b>SG&amp;A expenses</b>	1,042	1,210	167	116%
<b>Operating income</b>	352	380	27	108%
<b>Ordinary income</b>	364	390	25	107%
<b>Profit attributable to owners of the parent</b>	259	285	25	110%
US\$ Exchange rate (period average)	@ 112.4	@ 140.0		
RMB Exchange rate (period average)	@ 17.5	@ 20.0		

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

## FYE March 2023 Earnings Projection By segment (No Change)

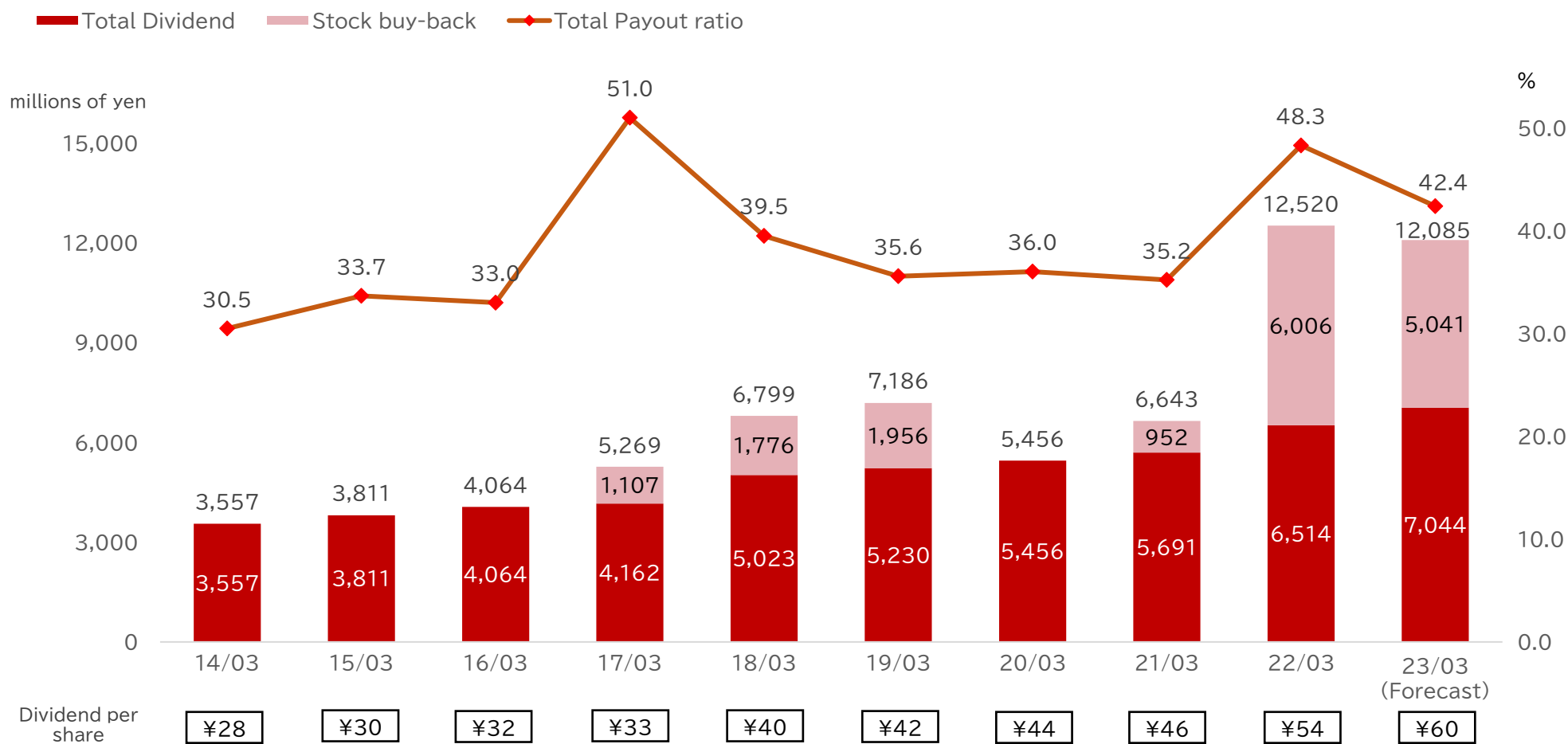
- ▶ We modified our breakdown of segment profits at the time of our second quarter earnings announcement, but we did not make any revisions for the third quarter
- ▶ With the yen strengthening more than expected in the second quarter, we expect foreign exchange effects to have a negative impact on profits, mainly in Life & Healthcare, of which the Prinova Group is a consolidated entity
- ▶ We expect Functional Materials and Mobility sales to remain strong overall
- ▶ We expect sales of formulated epoxy resin sales for mobile devices in Electronics & Energy to be sluggish, while certain semiconductor-related products are entering an adjustment phase
- ▶ Life & Healthcare slowed due to lower profitability in manufacturing businesses caused by higher labor costs in the Prinova Group and softening market conditions caused by the economic slowdown
- ▶ The business environment remains uncertain and challenging despite some differences among businesses, we aim to achieve record-high profits for a second consecutive fiscal year

100 millions of yen

		22/03 Actual	23/03 Forecast (22/09 Revised)	Change	Vs.PY
Functional Materials	Gross profit	198	229	30	116%
	Operating income	78	95	16	121%
Advanced Materials & Processing	Gross profit	323	330	6	102%
	Operating income	108	105	(3)	97%
Electronics & Energy	Gross profit	297	310	12	104%
	Operating income	102	103	0	100%
Mobility	Gross profit	127	149	21	117%
	Operating income	41	55	13	133%
Life & Healthcare	Gross profit	447	571	123	128%
	Operating income	94	117	22	124%
Corporate&Others	Gross profit	1	1	(0)	84%
	Operating income	(72)	(95)	(22)	—
Total	Gross profit	1,394	1,590	195	114%
	Operating income	352	380	27	108%

# Shareholder Returns

- ▶ We plan to pay an interim dividend of ¥30 per share and a year-end dividend of ¥30 per share for an annual dividend of ¥60 per share for fiscal 2022 (expected 13th consecutive fiscal year of dividend increases)
- ▶ The repurchase of ¥6 billion in treasury stock, resolved in February 2022, is on schedule (The cumulative total to ¥5.5 billion as of December 31, 2022)



※ 23/03 year-end dividend to be submitted for approval to the 108th general meeting of shareholders scheduled for June 2023.





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

These presentation materials contain projections based on forward-looking assumptions, forecasts, and plans as of February 8, 2023. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.