

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2022
<Under Japanese GAAP>

May 10, 2022

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: Kenji Asakura, Representative Director and President

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

TEL: +81-3-3665-3103

Annual general meeting of stockholders (scheduled): June 20, 2022

Start of distribution of dividends (scheduled): June 21, 2022

Securities report filing (scheduled): June 21, 2022

Supplementary documents: Yes

Investors' meeting: Yes

(Note: Amounts have been rounded down to the nearest million yen.)

1. Consolidated Results for the Fiscal Year Ended March 31, 2022

(April 1, 2021 to March 31, 2022)

(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	%
FYE March 2022	780,557	24.8	139,494	21.7	35,263	60.9	36,497	59.7	25,939	37.8
FYE March 2021	625,245	—	114,600	9.2	21,916	14.3	22,854	19.8	18,829	24.3

(Notes) 1. Comprehensive income FYE March 2022: ¥28,608 million (10.3% decrease)

FYE March 2021: ¥31,887 million (790.7%)

2. At the beginning of the fiscal year ended March 2022, the Company adopted the *Accounting Standard for Revenue Recognition* (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020). Results for the fiscal year ended March 2021 reflect a retroactive application of this accounting standard. As a result, net sales affected by this retroactive application do not show the year-on-year rate of change in the fiscal year ended March 2021.

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
FYE March 2022	213.46	—	7.7	5.3	4.5
FYE March 2021	151.91	—	5.9	3.7	3.5

(Reference) Equity in earnings of affiliates FYE March 2022: (¥1,031) million

FYE March 2021: (¥327) million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FYE March 2022	739,720	355,092	46.5	2,868.22
FYE March 2021	640,587	338,431	51.5	2,670.09

(Reference) Equity capital FYE March 2022: ¥344,261 million

FYE March 2021: ¥329,687 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FYE March 2022	(17,776)	(7,664)	27,282	53,336
FYE March 2021	20,391	2,643	(25,866)	48,553

2. Dividends

	Annual Dividends per Share					Total dividends paid (full fiscal year)	Payout ratio (consolidated)	Dividends/ net assets (consolidated)
	1Q	2Q	3Q	Fiscal year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FYE March 2021	–	22.00	–	24.00	46.00	5,691	30.3	1.8
FYE March 2022	–	24.00	–	30.00	54.00	6,514	25.1	1.9
FYE March 2023 (forecast)	–	30.00	–	30.00	60.00		24.7	

(Note) A year-end dividend for FYE March 2022 includes regular dividend of ¥24 per share and special dividend of ¥6 per share.

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% = year-on-year change)

	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	%	Yen
Full fiscal year	159,000	14.0	38,000	7.8	39,000	6.9	28,500	9.9	241.35

* 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) 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

(3) Number of shares issued and outstanding (common stock)

i. Number of shares issued and outstanding as of the fiscal period end (including treasury stock)

March 31, 2022	120,908,285 shares	March 31, 2021	124,408,285 shares
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ii. Number of treasury stock as of the fiscal period end

March 31, 2022	881,767 shares	March 31, 2021	933,995 shares
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iii. Average number of shares during the period

March 31, 2022	121,522,286 shares	March 31, 2021	123,955,784 shares
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*** These consolidated financial statements are not subject to audit by an independent audit corporation**

* 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.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
ASSETS		
Current assets		
Cash and time deposits	49,254	54,211
Notes and accounts receivable	242,558	289,862
Merchandise and finished goods	88,130	142,590
Work in process	1,654	2,401
Raw materials and supplies	7,457	12,533
Other	13,259	13,935
Less allowance for doubtful accounts	(563)	(1,248)
Total current assets	401,751	514,286
Non-current assets		
Property, plant and equipment		
Buildings and structures	59,327	61,430
Accumulated depreciation	(34,422)	(36,003)
Buildings and structures (net)	24,905	25,427
Machinery, equipment and vehicles	64,956	64,794
Accumulated depreciation	(47,962)	(47,271)
Machinery, equipment and vehicles (net)	16,993	17,523
Land	20,054	20,398
Other	28,074	30,318
Accumulated depreciation	(19,131)	(21,112)
Other (net)	8,943	9,205
Total property, plant and equipment	70,896	72,554
Intangible fixed assets		
Goodwill	30,216	29,492
Technology-based assets	7,488	5,912
Other	26,893	29,664
Total intangible fixed assets	64,598	65,070
Investments and other assets		
Investments in securities	93,719	75,600
Long-term loans receivable	211	24
Retirement benefit asset	2,929	3,139
Deferred tax assets	1,903	3,572
Other	4,689	5,583
Less allowance for doubtful accounts	(112)	(112)
Total investments and other assets	103,340	87,809
Total non-current assets	238,835	225,434
Total assets	640,587	739,720

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
LIABILITIES		
Current liabilities		
Notes and accounts payable	119,941	149,036
Short-term loans	33,050	73,121
Current portion of long-term loans	12,025	8,752
Commercial paper	8,000	25,000
Current portion of bonds	-	10,000
Accrued income taxes	3,565	7,100
Accrued bonuses for employees	6,042	7,648
Accrued bonuses for directors	203	497
Other	23,310	26,678
Total current liabilities	206,139	307,836
Long-term liabilities		
Bonds	30,000	20,000
Long-term loans	34,514	28,244
Deferred tax liabilities	16,077	12,310
Retirement benefit liability	13,292	13,238
Other	2,131	2,998
Total long-term liabilities	96,016	76,791
Total liabilities	302,155	384,628
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,646	10,639
Retained earnings	265,920	280,015
Less treasury stock, at cost	(1,503)	(1,534)
Total shareholders' equity	284,763	298,820
Accumulated other comprehensive income		
Net unrealized holding gain on securities	43,576	31,732
Deferred gain on hedges	72	178
Translation adjustments	1,006	13,690
Remeasurements of defined benefit plans	268	(161)
Total accumulated other comprehensive income	44,924	45,441
Non-controlling interests	8,743	10,830
Total net assets	338,431	355,092
Total liabilities and net assets	640,587	739,720

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

(Consolidated Statements of Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2020 - March 31, 2021)	Current Consolidated Fiscal Year (April 1, 2021 - March 31, 2022)
Net sales	625,245	780,557
Cost of sales	510,645	641,062
Gross profit	114,600	139,494
Selling, general and administrative expenses		
Selling expenses	14,877	19,907
Employee salaries and allowances	30,828	33,977
Provision for accrued bonuses for employees	3,609	4,522
Provision for accrued bonuses for directors	175	287
Depreciation and amortization other than amortization of goodwill	6,558	6,716
Retirement benefit expenses	1,936	769
Provision for retirement benefits for directors	19	42
Allowance for doubtful accounts	(62)	612
Amortization of goodwill	2,344	2,478
Other	32,396	34,918
Total selling, general and administrative expenses	92,683	104,231
Operating income	21,916	35,263
Non-operating income		
Interest income	149	156
Dividend income	1,163	1,395
Rent income	263	272
Foreign exchange gains	417	1,283
Other	766	822
Total non-operating income	2,759	3,929
Non-operating expenses		
Interest expenses	1,064	1,176
Equity in losses of affiliates	327	1,031
Other	430	486
Total non-operating expenses	1,821	2,695
Ordinary income	22,854	36,497
Extraordinary gains		
Gain on sales of non-current assets	86	16
Gain on receipt of donated non-current assets	-	719
Gain on sales of investment securities	5,774	7,037
Gain on sales of shares of subsidiaries and affiliates	2,657	-
Gain on sales of investments in capital of subsidiaries and affiliates	-	314
Subsidy income	163	75
Other	51	229
Total extraordinary gains	8,733	8,392
Extraordinary losses		
Loss on sales of non-current assets	23	177
Loss on disposal of non-current assets	92	453
Loss on impairment of fixed assets	1,824	2,974
Loss on sales of investment securities	10	6
Loss on valuation of investments securities	155	1,436
Loss on sales of shares of subsidiaries and affiliates	1	59
Other	206	224
Total extraordinary losses	2,314	5,333
Income before income taxes	29,272	39,557
Income taxes - current	7,851	12,826
Income taxes - deferred	1,775	(141)
Total income taxes	9,626	12,684
Profit for the period	19,646	26,872
Profit attributable to non-controlling interests	816	932
Profit attributable to owners of the parent	18,829	25,939

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2020 - March 31, 2021)	Current Consolidated Fiscal Year (April 1, 2021 - March 31, 2022)
Profit for the period	19,646	26,872
Other comprehensive income		
Net unrealized holding gain (loss) on securities	10,945	(11,844)
Deferred gain on hedges	69	106
Translation adjustments	7	13,623
Remeasurements of defined benefit plans	963	(430)
Share of other comprehensive gain of affiliates accounted for by the equity method	254	282
Total other comprehensive income	12,241	1,736
Comprehensive income	31,887	28,608
Comprehensive income attributable to:		
Shareholders of the parent	30,774	26,482
Non-controlling interests	1,112	2,126

(3) Consolidated Statements of Changes in Shareholders' Equity

Prior Consolidated Fiscal Year (April 1, 2020 - March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance, beginning of period	9,699	10,646	257,067	(5,071)	272,342
Changes					
Cash dividends			(5,456)		(5,456)
Profit attributable to owners of the parent			18,829		18,829
Purchase of treasury stock				(952)	(952)
Disposal of treasury stock		0		0	0
Cancellation of treasury stock		(0)	(4,520)	4,520	-
Equity transactions with non-controlling interests		(0)			(0)
Changes other than shareholders' equity accounts (net)					
Total changes	-	(0)	8,852	3,568	12,420
Balance, end of period	9,699	10,646	265,920	(1,503)	284,763

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, beginning of period	32,618	3	1,051	(694)	32,979	7,921	313,243
Changes							
Cash dividends							(5,456)
Profit attributable to owners of the parent							18,829
Purchase of treasury stock							(952)
Disposal of treasury stock							0
Cancellation of treasury stock							-
Equity transactions with non-controlling interests							(0)
Changes other than shareholders' equity accounts (net)	10,957	69	(45)	963	11,944	822	12,767
Total changes	10,957	69	(45)	963	11,944	822	25,188
Balance, end of period	43,576	72	1,006	268	44,924	8,743	338,431

Current Consolidated Fiscal Year (April 1, 2021 - March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance, beginning of period	9,699	10,646	265,920	(1,503)	284,763
Changes					
Cash dividends			(5,876)		(5,876)
Profit attributable to owners of the parent			25,939		25,939
Purchase of treasury stock				(6,006)	(6,006)
Disposal of treasury stock		0		0	0
Cancellation of treasury stock		(0)	(5,975)	5,975	-
Equity transactions with non-controlling interests		(0)			(0)
Changes in scope of consolidation		(6)			(6)
Changes in scope of equity affiliates			7		7
Changes other than shareholders' equity accounts (net)					
Total changes	-	(6)	14,094	(30)	14,057
Balance, end of period	9,699	10,639	280,015	(1,534)	298,820

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, beginning of period	43,576	72	1,006	268	44,924	8,743	338,431
Changes							
Cash dividends							(5,876)
Profit attributable to owners of the parent							25,939
Purchase of treasury stock							(6,006)
Disposal of treasury stock							0
Cancellation of treasury stock							-
Equity transactions with non-controlling interests							(0)
Changes in scope of consolidation							(6)
Changes in scope of equity affiliates							7
Changes other than shareholders' equity accounts (net)	(11,843)	106	12,684	(430)	516	2,086	2,603
Total changes	(11,843)	106	12,684	(430)	516	2,086	16,661
Balance, end of period	31,732	178	13,690	(161)	45,441	10,830	355,092

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2020 - March 31, 2021)	Current Consolidated Fiscal Year (April 1, 2021 - March 31, 2022)
Operating Activities		
Income before income taxes	29,272	39,557
Depreciation and amortization other than amortization of goodwill	11,008	11,216
Loss on impairment of fixed assets	1,824	2,974
Amortization of goodwill	2,344	2,478
Subsidy income	(163)	(75)
Share of loss of entities accounted for using equity method	327	1,031
Increase (decrease) in retirement benefit liability	1,395	(599)
Increase in retirement benefit asset	(1,174)	(869)
Interest and dividend income	(1,312)	(1,551)
Interest expenses	1,064	1,176
Exchange gain, net	(24)	(778)
Gain on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(8,419)	(7,285)
Loss on valuation of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	155	1,436
Increase in notes and accounts receivable	(17,641)	(34,234)
Increase in inventories	(1,034)	(49,346)
Increase in notes and accounts payable	8,623	20,465
Other	2,544	4,859
Subtotal	28,797	(9,544)
Interest and dividends received	1,950	1,926
Interest paid	(1,067)	(1,202)
Income taxes paid	(9,288)	(8,956)
Net cash provided by (used in) operating activities	20,391	(17,776)
Investing activities		
Purchases of property, plant and equipment	(8,864)	(8,830)
Proceeds from sales of property, plant and equipment	448	326
Purchases of intangible fixed assets included in other assets	(704)	(1,624)
Purchases of investments in securities	(3,260)	(1,317)
Proceeds from sales of investments in securities	6,027	7,736
Purchases of investments in capital	(47)	-
Proceeds from sales of investments in capital	57	890
Purchases of shares of subsidiaries resulting in change in scope of consolidation	-	(3,848)
Proceeds from sales of shares of subsidiaries resulting in change of scope of consolidation	8,010	587
Decrease (increase) in short-term loans receivable included in other current assets, net	319	(83)
Decrease (increase) in time deposits, net	290	(137)
Proceeds from subsidy income	163	75
Payments of leasehold and guarantee deposits	-	(1,352)
Other	202	(86)
Net cash provided by (used in) investing activities	2,643	(7,664)

	(Millions of yen)	
	Prior Consolidated Fiscal Year (April 1, 2020 - March 31, 2021)	Current Consolidated Fiscal Year (April 1, 2021 - March 31, 2022)
Financing activities		
Increase in short-term loans, net	658	33,325
(Decrease) increase in commercial paper, net	(22,000)	17,000
Proceeds from long-term loans	4,350	1,900
Repayments of long-term loans	(1,891)	(12,039)
Purchase of treasury stock	(952)	(6,006)
Cash dividends paid	(5,456)	(5,876)
Cash dividends paid to non-controlling interests	(290)	(543)
Other	(285)	(477)
Net cash (used in) provided by financing activities	(25,866)	27,282
Effects of exchange rate changes on cash and cash equivalents	913	2,942
Net (decrease) increase in cash and cash equivalents	(1,918)	4,783
Cash and cash equivalents at beginning of the year	50,471	48,553
Cash and cash equivalents, at end of the period	48,553	53,336