

## Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2023 <Under Japanese GAAP>

February 8, 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): February 10, 2023

Start of distribution of dividends (scheduled): -

Supplementary documents of quarterly financial results: Yes

Quarterly investors' meeting: No

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

### 1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2023

(April 1, 2022 to December 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	%
For the third quarter ended										
December 31, 2022	695,680	21.2	118,476	13.8	27,438	-2.5	27,445	-9.0	20,037	-9.9
December 31, 2021	574,139	26.5	104,107	24.4	28,151	75.2	30,170	75.8	22,230	34.3

(Note) Comprehensive income

Third quarter ended December 31, 2022: ¥45,427 million (66.1%)

Third quarter ended December 31, 2021: ¥27,354 million (9.1% decrease)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
For the third quarter ended				
December 31, 2022	168.78		-	
December 31, 2021	182.40		-	

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2022	801,429	387,236	47.0	3,199.33
March 31, 2022	739,720	355,092	46.5	2,868.22

(Reference) Equity capital

As of December 31, 2022: ¥ 376,319 million

As of March 31, 2022: ¥ 344,261 million

### 2. Dividends

	Annual Dividends per Share				
	1Q	2Q	3Q	Fiscal year end	Annual
For the year ended (or ending)	Yen				
March 2022	-	24.00	-	30.00	54.00
March 2023	-	30.00	-		
March 2023 (forecast)				30.00	60.00

(Note) Revisions to the latest dividends forecast: No

### 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

(Note) Revisions to the latest consolidated earnings forecast: No

#### \* 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*, (3) *Notes Related to Quarterly Consolidated Financial Statements (Special Accounting Treatment Applied in the Preparation of Quarterly Consolidated Financial Statements)*, on P.10 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: No
- 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)

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

December 31, 2022	3,283,731 shares	March 31, 2022	881,767 shares
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iii. Average number of shares during the period

December 31, 2022	118,717,386 shares	December 31, 2021	121,878,419 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.

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

While the turmoil in global logistics began resolving gradually, continued monetary tightening policies in the U.S. and other countries during the cumulative consolidated third quarter increased the sense of caution regarding slowdowns in the global economy.

As an overview of the regions in which our group does business, economic activity slowed in Greater China under zero-COVID policies, and infections spread rapidly after the lifting of the policy, resulting in a weakening economy in the region. In the Americas, consumer price inflation slowed; however, concerns remained of an economic slowdown due to rising corporate costs caused by continued interest rate hikes, as well as reticence related to housing and capital investment. In ASEAN, both domestic and foreign demand rose steadily due to the normalization of economic activities in the wake of relaxed activity restrictions. In Japan, we are seeing a correction in exchange rates in response to foreign exchange intervention by the government and the Bank of Japan and revisions in monetary easing measures. However, the outlook remains uncertain due to the global economic downturn and continued high resource prices that may depress the Japanese economy.

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

(Millions of yen)

	Nine-month period ended December 31, 2021	Nine-month period ended December 31, 2022	Change	Change (%)
Net sales	574,139	695,680	121,541	21.2
Gross profit	104,107	118,476	14,369	13.8
Operating income	28,151	27,438	(713)	(2.5)
Ordinary income	30,170	27,445	(2,725)	(9.0)
Profit before income taxes	31,831	27,822	(4,008)	(12.6)
Profit attributable to owners of the parent	22,230	20,037	(2,193)	(9.9)

- Despite the weakening of the yen, operating income fell, mainly due to a decline in gross profit margin and an increase in selling, general and administrative expenses.
- In terms of segment performance, the Life & Healthcare segment recorded a significant increase in profit, driven by the Prinova Group, while the Functional Materials and Mobility segments also recorded strong results. In contrast, the Advanced Materials & Processing and Electronics & Energy segments recorded a decline in profits. For details, see *b. Segment Summary*.
- Profit attributable to owners of the parent decreased ¥2.1 billion to ¥20.0 billion, mainly due to the decrease in operating income. Higher interest expenses resulting from an increase in borrowings stemming from an increase in working capital and higher interest rates also contributed to this result.

## b. Segment Summary

The following describes performance by segment.

### Functional Materials

(Millions of yen)

	Nine-month period ended December 31, 2021	Nine-month period ended December 31, 2022	Change	Change (%)
Net sales	74,412	85,871	11,458	15.4
Gross profit	14,721	17,183	2,461	16.7
Operating income	5,956	6,751	794	13.3

- Sales increased for coating and urethane raw materials, due in part to soaring market prices and the weakening of the yen
- Sales increased for raw materials for industrial oil solutions and resins
- Sales increased for raw materials for the electronics industry, including semiconductor-related products
- Operating income increased due to an increase in gross profit

### Advanced Materials & Processing

(Millions of yen)

	Nine-month period ended December 31, 2021	Nine-month period ended December 31, 2022	Change	Change (%)
Net sales	191,861	204,480	12,619	6.6
Gross profit	24,539	24,553	13	0.1
Operating income	8,894	7,654	(1,240)	(13.9)

- Despite the positive impact of the weak yen on sales, profitability decreased for resin sales to the office equipment, appliance, and video game device market due to a reactionary decline stemming from increased profit ratios in connection with soaring market conditions in the year-ago period
- Sales trended strong in areas like dyes and additives, and resins for industrial and packaging applications
- Sales decreased for conductive materials and digital print processing materials
- Operating income decreased due to higher selling, general and administrative expenses

### Electronics & Energy

(Millions of yen)

	Nine-month period ended December 31, 2021	Nine-month period ended December 31, 2022	Change	Change (%)
Net sales	95,643	103,826	8,183	8.6
Gross profit	22,531	23,275	743	3.3
Operating income	7,945	7,287	(657)	(8.3)

- Sales increased for materials related to semiconductors
- Sales of photolithography materials for displays were slow
- Sales of formulated epoxy resins were strong for semiconductor applications, but slow for mobile devices
- Although gross profit increased, operating income decreased due to higher selling, general and administrative expenses

### Mobility

(Millions of yen)

	Nine-month period ended December 31, 2021	Nine-month period ended December 31, 2022	Change	Change (%)
Net sales	73,890	96,551	22,660	30.7
Gross profit	9,321	11,113	1,792	19.2
Operating income	3,109	3,797	688	22.1

- Sales increased for resins due to the boosted automobile production and the weaker yen, etc.
- Sales increased for functional materials and functional components for interior and exterior fittings and electrification
- Operating income increased due to an increase in gross profit

### Life & Healthcare

(Millions of yen)

	Nine-month period ended December 31, 2021	Nine-month period ended December 31, 2022	Change	Change (%)
Net sales	138,150	204,886	66,736	48.3
Gross profit	32,915	42,214	9,299	28.3
Operating income	7,365	8,580	1,214	16.5

- Prinova Group performance remained firm as a whole, due in part to particularly strong sales of food materials in the first half of the year.
- Sales increased for Hayashibara's food materials, primarily TREHA™, while sales of cosmetics materials, primarily for AA2G™, decreased due to lower demand, mainly overseas
- Sales increased for pharmaceutical raw materials and intermediates
- Operating income increased due to an increase in gross profit

### 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, 2022)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2022)	Change	Change (%)
Current assets	514,286	568,214	53,927	10.5
Non-current assets	225,434	233,215	7,780	3.5
Net assets	739,720	801,429	61,708	8.3
Liabilities	384,628	414,192	29,563	7.7
Net assets	355,092	387,236	32,144	9.1
Shareholders' equity ratio (%)	46.5	47.0	+ 0.5 p	—

- Current assets increased mainly due to an increase in inventories and accounts receivable, despite a decrease in cash and deposits
- Non-current assets increased slightly due to an increase in property, plant and equipment and intangible fixed assets, despite a decrease from sales of investments in securities
- Liabilities increased mainly due to an increase in commercial paper and accounts payable
- 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 47.0%, up 0.5 points compared to 46.5% from the end of the prior consolidated fiscal year

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

We made no changes to the consolidated earnings forecast for the current fiscal year (April 1, 2022 to March 31, 2023) from the figures announced on May 10, 2022. We have also made no changes to segment earnings forecasts from those announced on November 4, 2022.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2022)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2022)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	54,211	43,956
Notes and accounts receivable	289,862	324,014
Merchandise and finished goods	142,590	163,578
Work in process	2,401	2,521
Raw materials and supplies	12,533	16,594
Other	13,935	18,792
Less allowance for doubtful accounts	(1,248)	(1,243)
Total current assets	514,286	568,214
Non-current assets		
Property, plant and equipment	72,554	75,626
Intangible fixed assets		
Goodwill	29,492	30,742
Technology-based assets	5,912	4,731
Other	29,664	38,470
Total intangible fixed assets	65,070	73,944
Investments and other assets		
Investments in securities	75,600	71,128
Long-term loans receivable	24	17
Retirement benefit asset	3,139	3,393
Deferred tax assets	3,572	3,540
Other	5,583	5,662
Less allowance for doubtful accounts	(112)	(98)
Total investments and other assets	87,809	83,644
Total non-current assets	225,434	233,215
Total assets	739,720	801,429



(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2022)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2022)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	149,036	158,791
Short-term loans	73,121	70,977
Current portion of long-term loans	8,752	4,055
Commercial paper	25,000	53,000
Current portion of bonds	10,000	—
Accrued income taxes	7,100	2,827
Accrued bonuses for employees	7,648	5,344
Accrued bonuses for directors	497	291
Other	26,678	27,232
Total current liabilities	307,836	322,519
Long-term liabilities		
Bonds	20,000	30,000
Long-term loans	28,244	33,669
Deferred tax liabilities	12,310	8,920
Retirement benefit liability	13,238	13,330
Other	2,998	5,752
Total long-term liabilities	76,791	91,672
Total liabilities	384,628	414,192
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,639	10,636
Retained earnings	280,015	292,668
Less treasury stock, at cost	(1,534)	(6,154)
Total shareholders' equity	298,820	306,849
Accumulated other comprehensive income		
Net unrealized holding gain on securities	31,732	29,115
Deferred gain on hedges	178	34
Translation adjustments	13,690	40,345
Remeasurements of defined benefit plans	(161)	(25)
Total accumulated other comprehensive income	45,441	69,469
Non-controlling interests	10,830	10,917
Total net assets	355,092	387,236
Total liabilities and net assets	739,720	801,429

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

### (Quarterly Consolidated Statements of Income)

Nine-month periods ended December 31, 2022 and 2021

(Millions of yen)

	Nine-month period ended December 31, 2021 (April 1, 2021 – December 31, 2021)	Nine-month period ended December 31, 2022 (April 1, 2022 – December 31, 2022)
Net sales	574,139	695,680
Cost of sales	470,031	577,204
Gross profit	104,107	118,476
Selling, general and administrative expenses	75,955	91,038
Operating income	28,151	27,438
Non-operating income		
Interest income	108	74
Dividend income	1,240	1,401
Rent income	206	184
Equity in earnings of affiliates	118	402
Foreign exchange gains	964	115
Other	561	332
Total non-operating income	3,199	2,510
Non-operating expenses		
Interest expenses	861	2,144
Other	319	359
Total non-operating expenses	1,181	2,503
Ordinary income	30,170	27,445
Extraordinary gains		
Gain on sales of non-current assets	12	140
Gain on sales of investment securities	2,324	2,617
Gain on sales of shares of subsidiaries and affiliates	—	52
Gain on sales of investments in capital of subsidiaries and affiliates	42	—
Other	304	1
Total extraordinary gains	2,684	2,812
Extraordinary losses		
Loss on sales of non-current assets	176	38
Loss on disposal of non-current assets	407	487
Loss on sales of investment securities	6	7
Loss on valuation of investment securities	171	1,349
Loss on sales of shares of subsidiaries and affiliates	59	466
Other	201	85
Total extraordinary losses	1,023	2,435
Income before income taxes	31,831	27,822
Income taxes	8,544	7,193
Profit for the period	23,286	20,628
Profit attributable to non-controlling interests	1,056	591
Profit attributable to owners of the parent	22,230	20,037

**(Quarterly Consolidated Statements of Comprehensive Income)**

Nine-month periods ended December 31, 2022 and 2021

(Millions of yen)

	Nine-month period ended December 31, 2021 (April 1, 2021 – December 31, 2021)	Nine-month period ended December 31, 2022 (April 1, 2022 – December 31, 2022)
Profit for the period	23,286	20,628
Other comprehensive income		
Net unrealized holding loss on securities	(3,849)	(2,606)
Deferred loss on hedges	(33)	(144)
Translation adjustments	7,919	26,944
Remeasurements of defined benefit plans	(208)	135
Share of other comprehensive income of affiliates accounted for by the equity method	240	468
Total other comprehensive income	4,067	24,798
Comprehensive income	27,354	45,427
Comprehensive income attributable to:		
Shareholders of the parent	25,596	44,065
Non-controlling interests	1,758	1,361

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

#### **(Assumption for Going Concern)**

No matters to report.

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

Following a resolution by the Company's board of directors at a meeting held February 9, 2022, the Company acquired 2,401,600 shares of treasury stock in the cumulative third quarter of the current consolidated fiscal year. As a result, treasury stock increased by ¥4,619 million, with treasury stock holdings of ¥6,154 million as of the end of the consolidated third 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 third quarter, and multiplying profit before income taxes for the third 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.

**(Segment Information, etc.)**

**Segment Information**

I Nine-month period ended December 31, 2021 (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	74,412	191,861	95,643	73,890	138,150	573,958	180	574,139	—	—	574,139
Intersegment sales/transfers	528	570	1,789	1,752	333	4,974	3,443	8,418	—	(8,418)	—
Total	74,940	192,431	97,433	75,643	138,483	578,933	3,624	582,557	—	(8,418)	574,139
Segment income (loss)	5,956	8,894	7,945	3,109	7,365	33,271	139	33,411	(5,517)	258	28,151

(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 Nine-month period ended December 31, 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	85,871	204,480	103,826	96,551	204,886	695,616	64	695,680	—	—	695,680
Intersegment sales/transfers	692	594	3,058	1,602	369	6,317	5,427	11,744	—	(11,744)	—
Total	86,563	205,074	106,885	98,153	205,255	701,933	5,491	707,425	—	(11,744)	695,680
Segment income (loss)	6,751	7,654	7,287	3,797	8,580	34,071	114	34,185	(7,058)	311	27,438

(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”.

**(Significant Subsequent Events)**

(Cancellation of Treasury Stock)

At a meeting held February 8, 2023, the Company's board of directors resolved to cancel treasury stock based on the provisions of Article 178 of the Companies Act.

a. Class of shares to be canceled	Common shares
b. Number of shares to be canceled	3,000,000 shares (Equivalent to 2.48% of outstanding shares, including treasury stock)
c. Effective date of the cancellation	February 28, 2023

\*Reference: Total number of shares issued and outstanding after the cancellation 117,908,285 shares