

FYE March 2023 Second Quarter Financial Briefing

NAGASE&CO.,LTD.

November 25, 2022

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FYE March 2023 Second Quarter Results and FYE March 2023 Earnings Projection

Consolidated statements income

▶ Gross profit

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

▶ Operating income

- Selling, general and administrative expenses increased due to higher logistics costs and increased activities; however, the increase in gross profit exceeded this increase in expenses, resulting in higher operating income

▶ Profit attributable to owners of the parent

- Recorded record-high operating income for a first half and a Q2 profit that is a record high for any quarter

100 millions of yen

	21/09	22/09	Change	Vs.PY	Forecast (Full year)	Achievement
Sales	3,737	4,555	+ 817	122%	—	—
Gross profit	687	793	+ 106	115%	1,590	50%
<GP ratio>	18.4%	17.4%	(1.0pt)	—	—	—
SG&A expenses	492	594	+ 102	121%	1,210	—
Operating income	194	198	+ 3	102%	380	52%
Ordinary income	204	202	(1)	99%	390	52%
Profit Attributable to owners of the parent	146	155	+ 9	107%	285	55%
US\$ Exchange rate (period average)	@ 109.8	@ 134.0	@ 24.2	Weak yen	@120.0	
RMB Exchange rate (period average)	@ 17.0	@ 19.9	@ 2.9	Weak yen	@18.5	

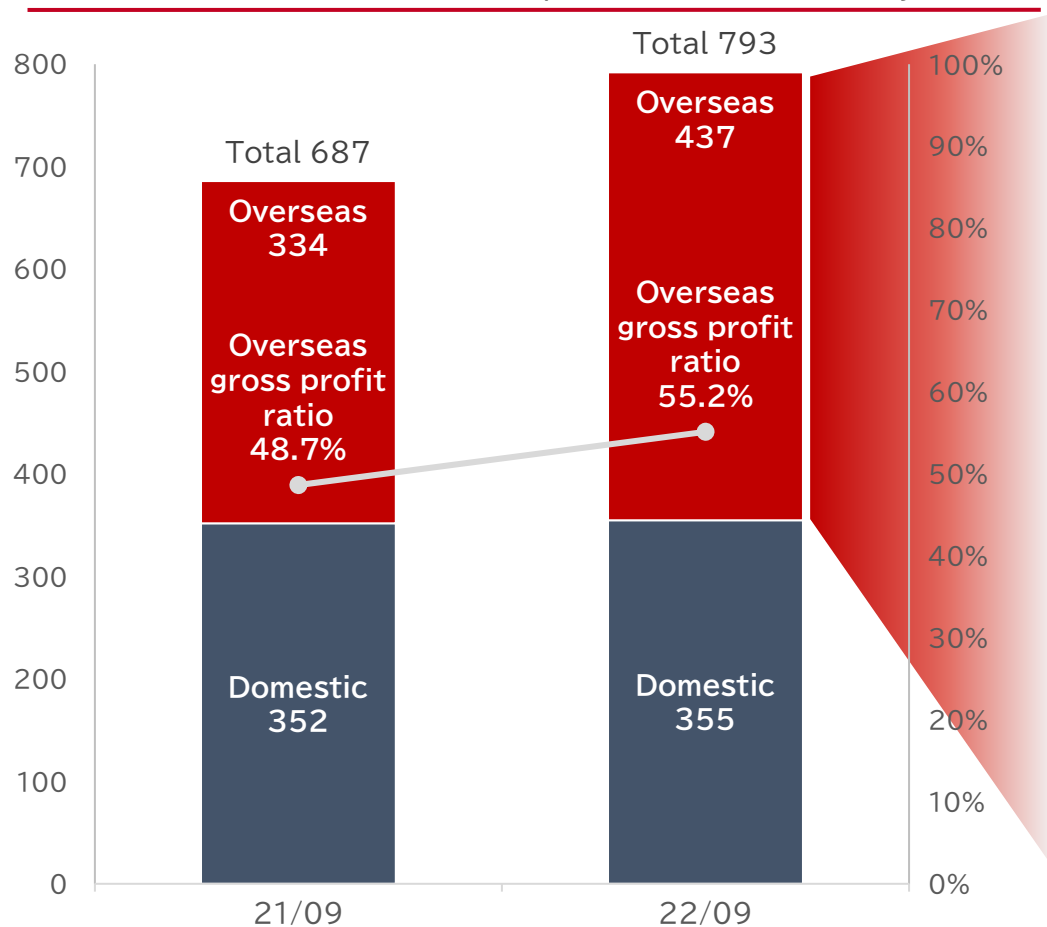
※ Offset to sales and cost of sales from revenue recognition standards: September 2021, -¥117.1 billion; September 2022, -¥133 billion

※ Impact from foreign exchange: Gross profit, +¥6 billion; Operating income, +¥1.9 billion

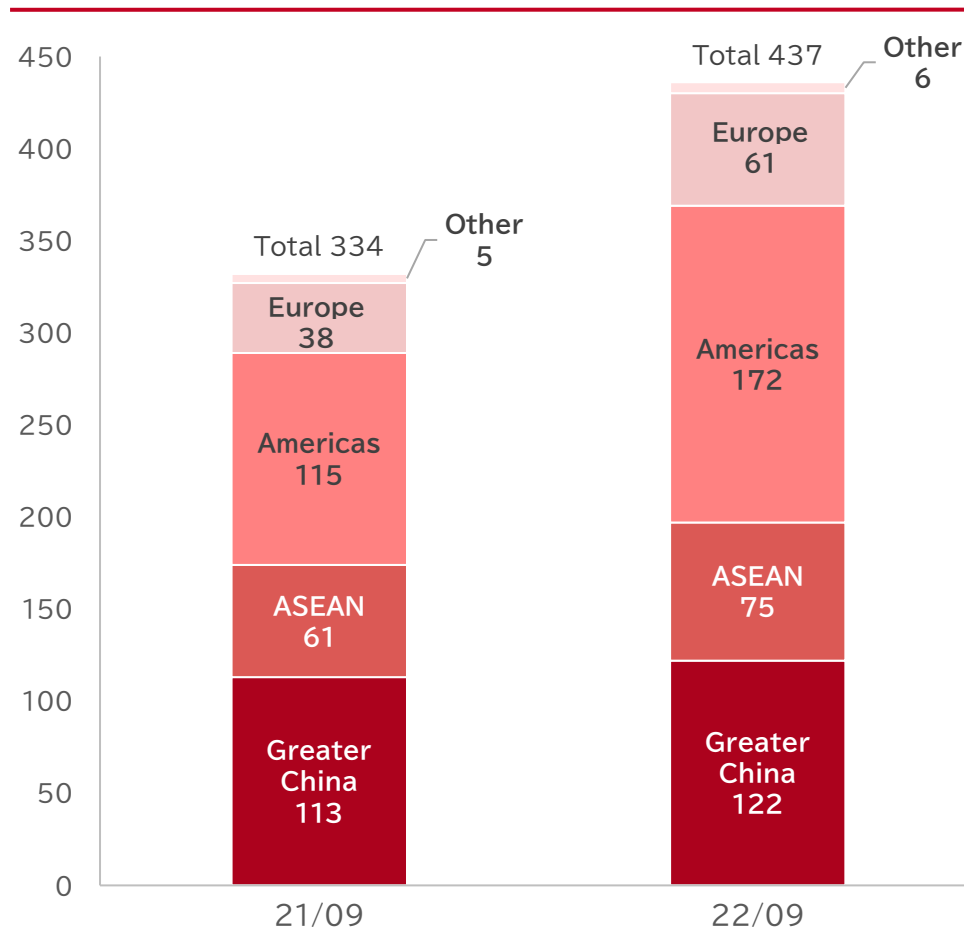
Gross Profit By Region

- ▶ Higher profit both domestic and overseas
- ▶ Profit increased in Japan and overseas due to increased raw materials sales to the semiconductor industry
- ▶ Significant increase in profits in the Americas and Europe due to strong Prinova Group performance
- ▶ Despite the impact of lockdowns in Greater China, profits rose due to the effect of the weaker yen

Domestic & Overseas Gross profit(100 millions of yen)



Overseas gross profit By Region(100 millions of yen)

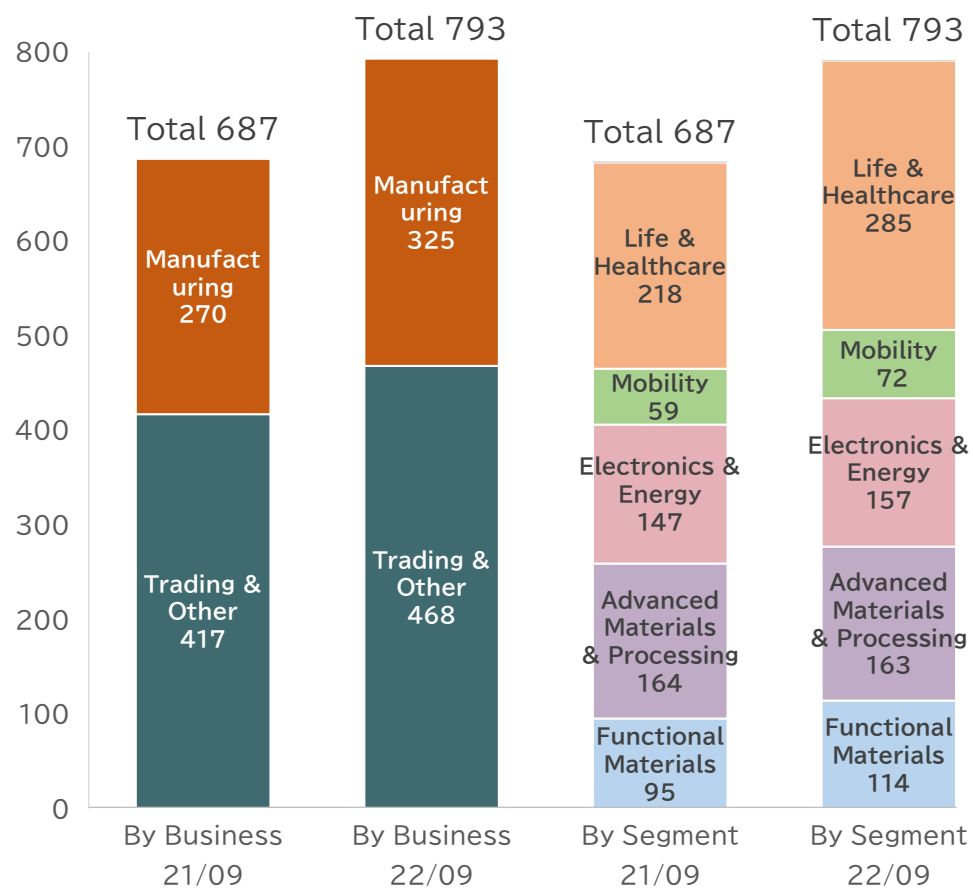


※Domestic figures under Domestic & Overseas Gross Profit include inter-regional adjustments

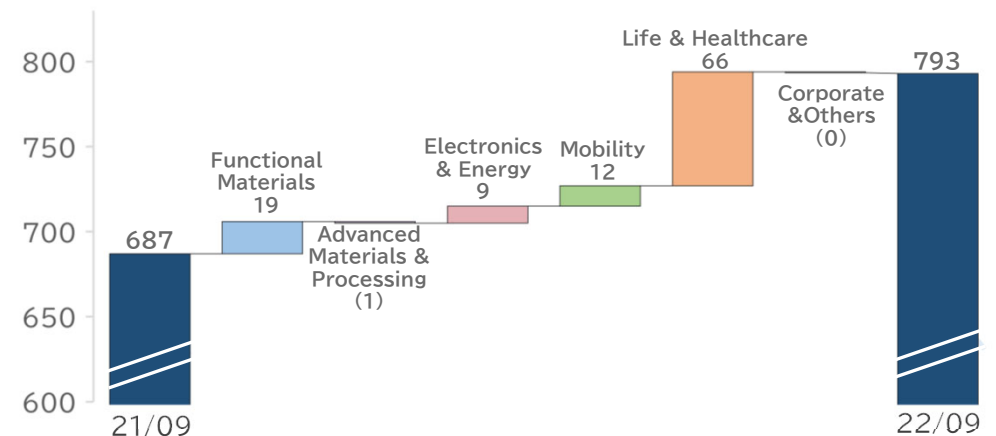
Gross Profit By Business & Segment

- ▶ **Functional Materials:** Sales increased for semiconductor-related products and other areas of the electronics industry
- ▶ Profit decreased in part due to lower profitability in Advanced Materials & Processing, despite the positive impact of the weak yen, as sales volume of resins declined and the segment experienced a reactionary decline stemming from increased profit ratios in connection with soaring market conditions in the year-ago period
- ▶ **Electronics & Energy:** Sales increased for materials used in semiconductor applications
- ▶ **Life & Healthcare:** Sales were strong for food ingredients and manufacturing and processing in the Prinova Group

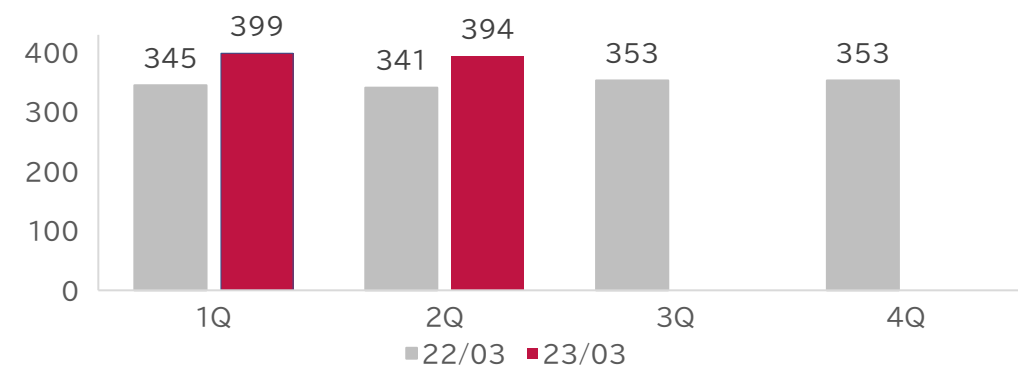
Gross Profit By Business & Segment (100 millions of yen)



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



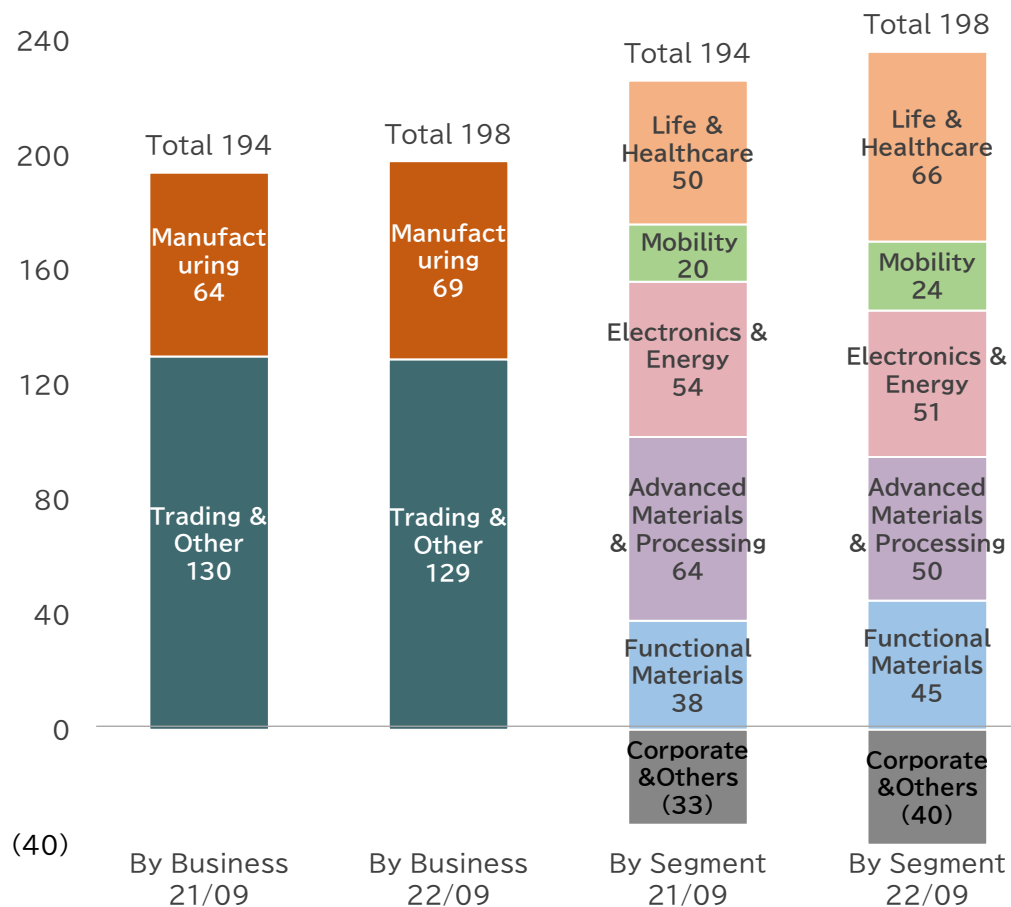
History of Gross Profit (100 millions of yen)



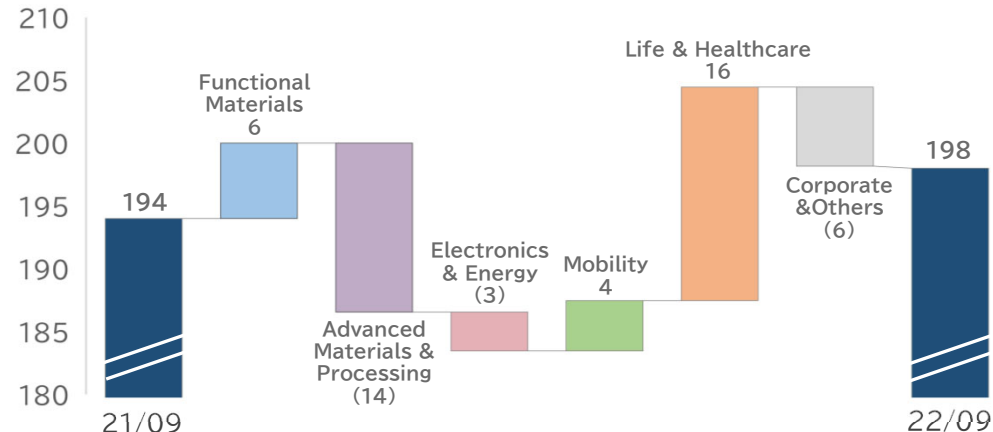
Operating Income by Business & Segment

- ▶ Selling, general and administrative expenses increased due to higher logistics costs and increased activities; however, the increase in gross profit exceeded this increase in expenses
- ▶ 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 business recorded a significant increase in profit due to strong sales of food ingredients by the Prinova Group
- ▶ We continue to invest for sustainable future growth, including in DX-related areas

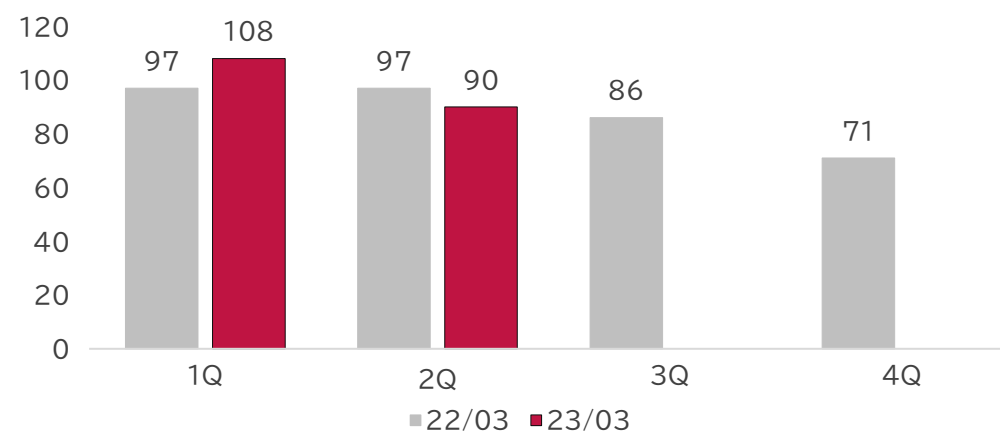
Operating Income by Business & Segment(100 millions of yen)



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



History of Operating Income(100 millions of yen)

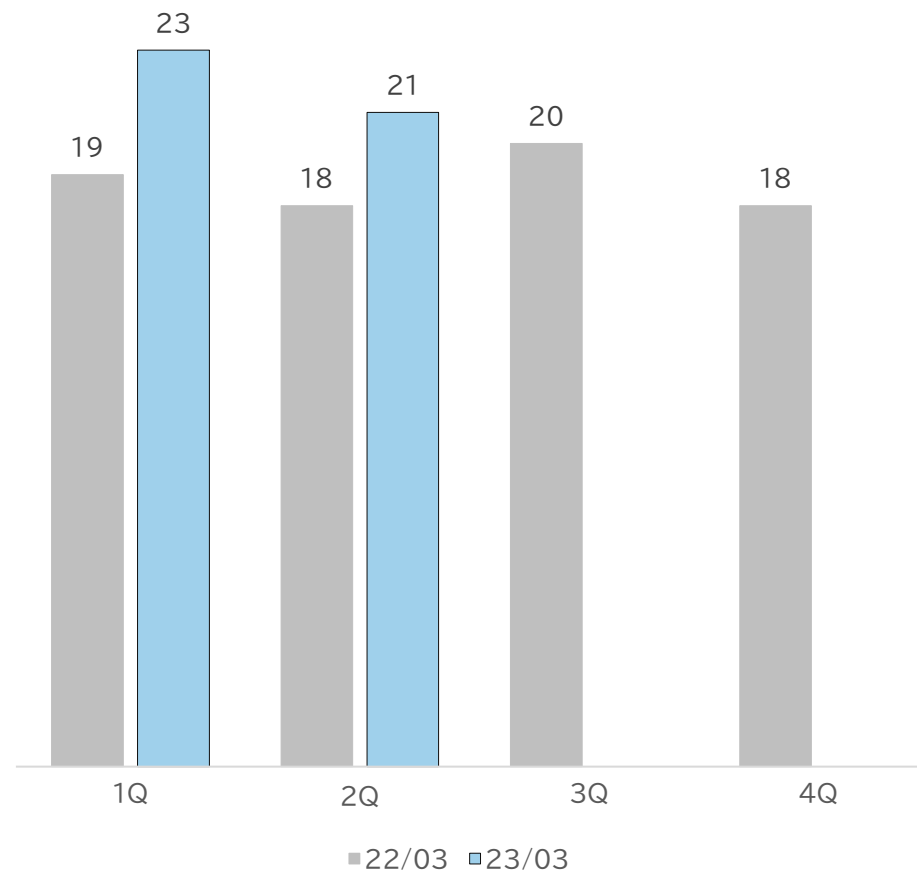
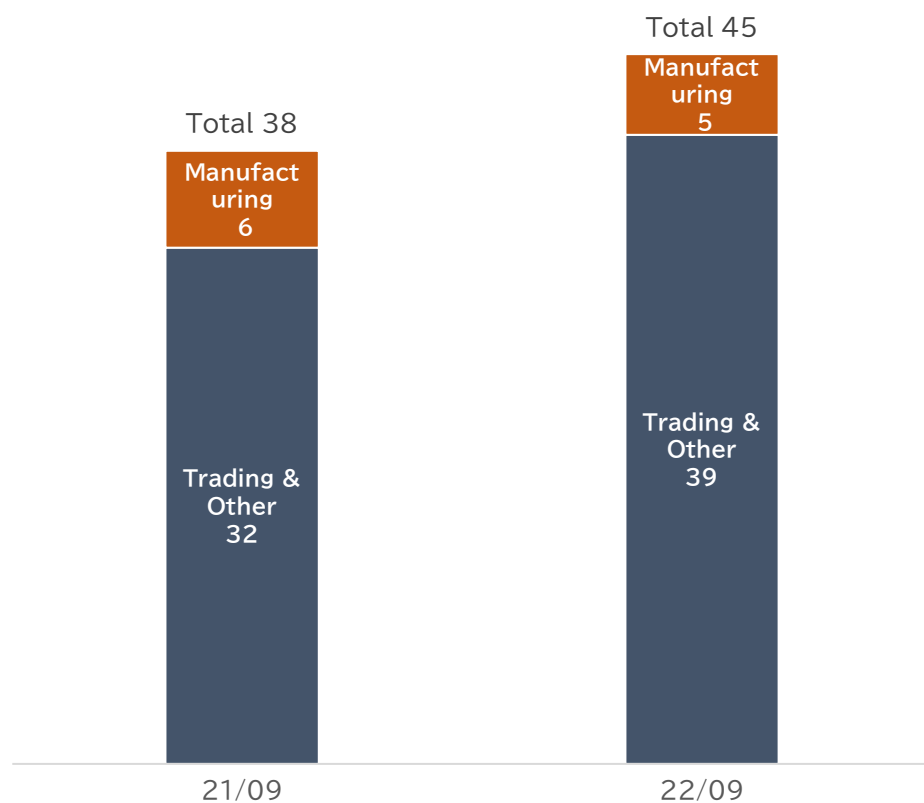


Functional Materials Segment Operating Income Overview

- ▶ Overall increase in profit due to soaring market prices and the weakening of the yen
- ▶ Increased sales of coating and urethane raw materials to the automobile and other industries
- ▶ Increased sales of raw materials for the semiconductor-related products and other areas in the electronics industry, as well as sales related to industrial oil solutions and epoxy resins

Operating income by business(100 millions of yen)

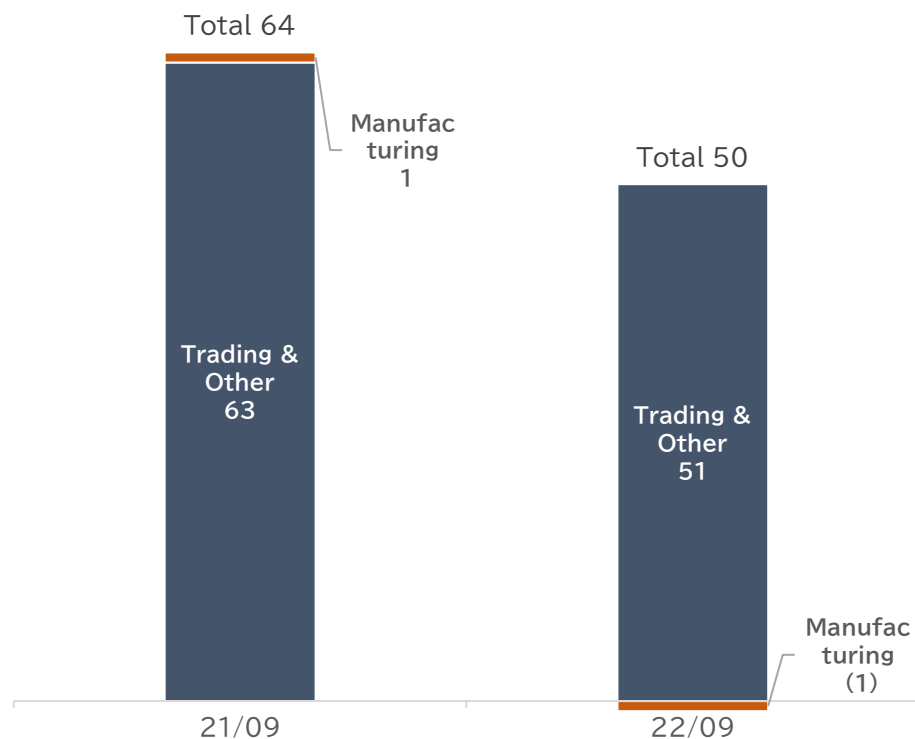
History of operating income (100 millions of yen)



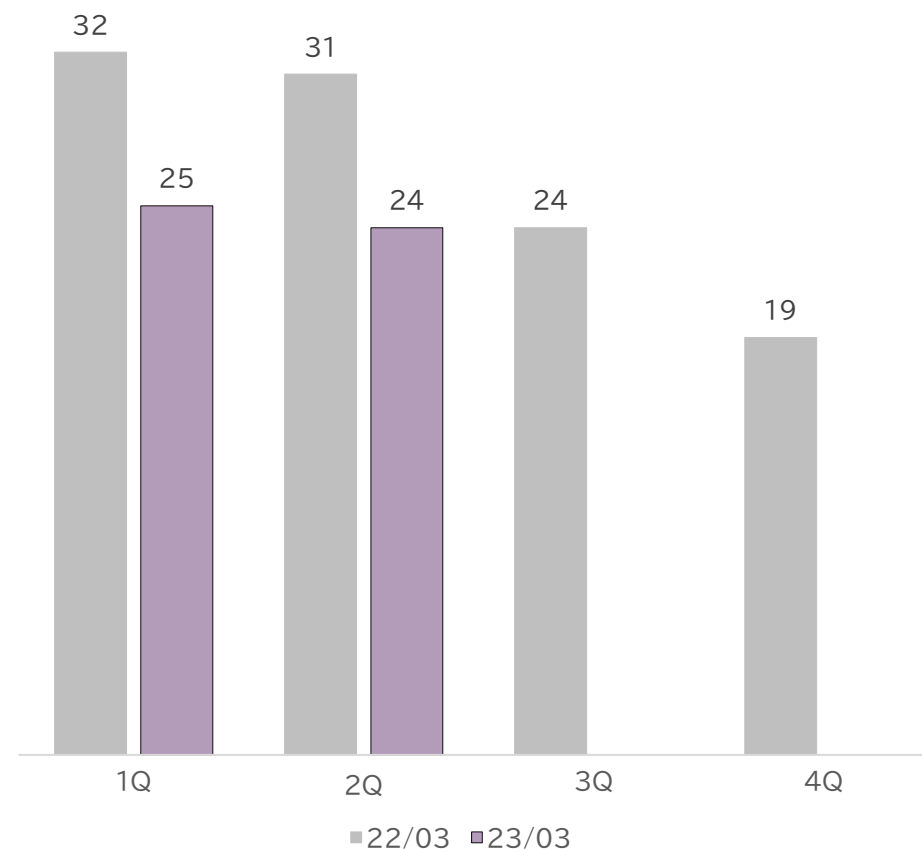
Advanced Material & Processing Segment Operating Income Overview

- ▶ 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
- ▶ Digital print processing materials sales were weak due to sluggish demand
- ▶ Profit decreased year on year due to lower profitability and an increase in selling, general and administrative expenses, etc.

Operating income by business(100 millions of yen)



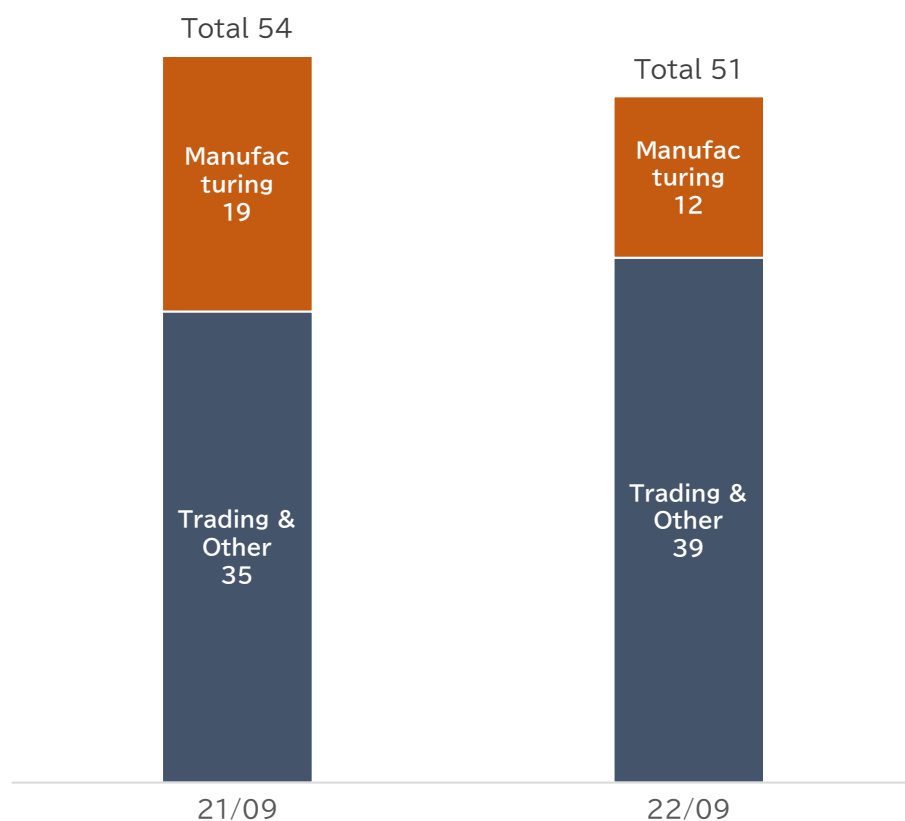
History of operating income (100 millions of yen)



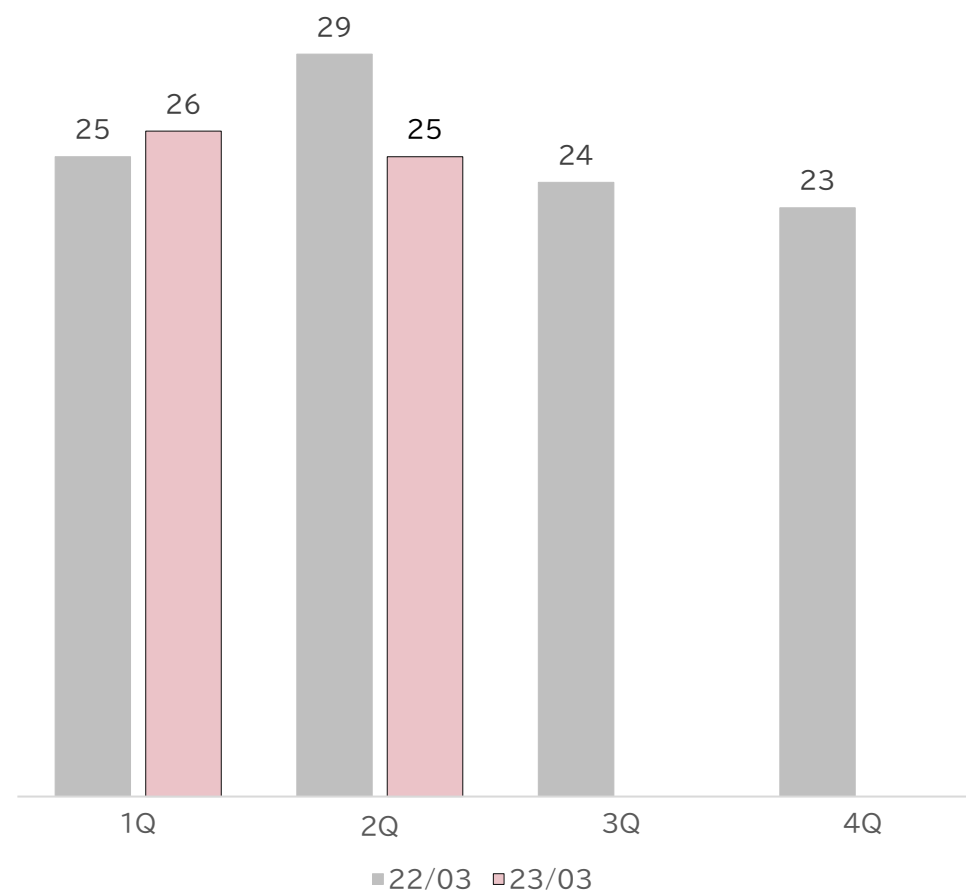
Electronics & Energy Segment Operating Income Overview

- ▶ Sales increased in Japan, China, Taiwan, and Korea for materials used in semiconductors applications
- ▶ Sales of formulated epoxy resins was strong for semiconductor applications, but slow for mobile devices
- ▶ Profit decreased year on year due to weak performance in our manufacturing divisions

Operating income by business(100 millions of yen)



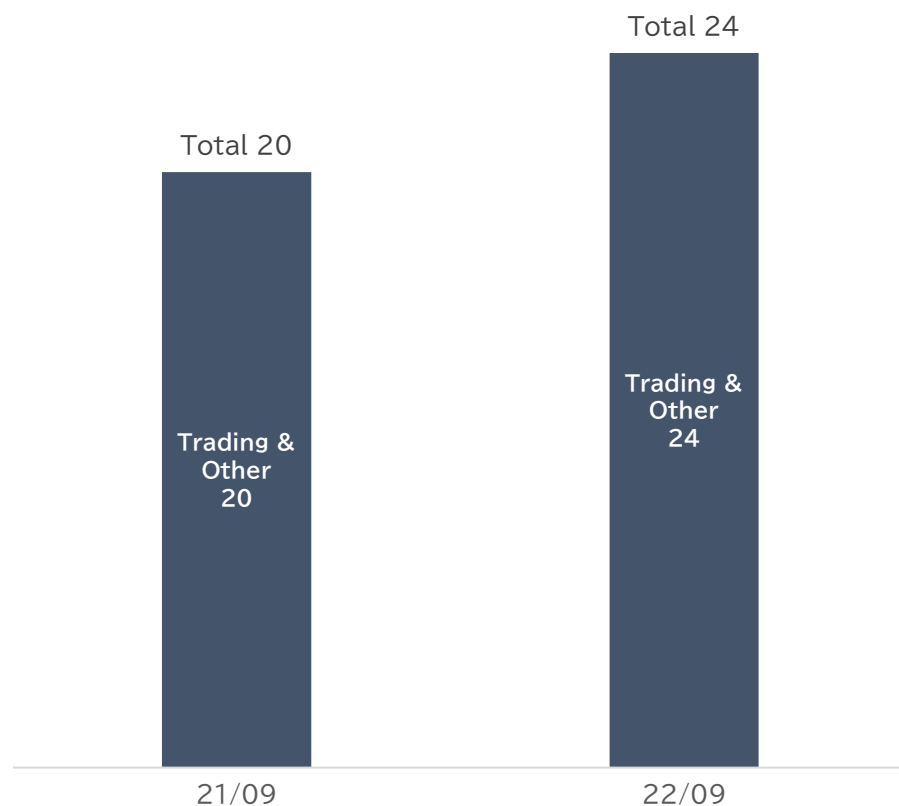
History of operating income (100 millions of yen)



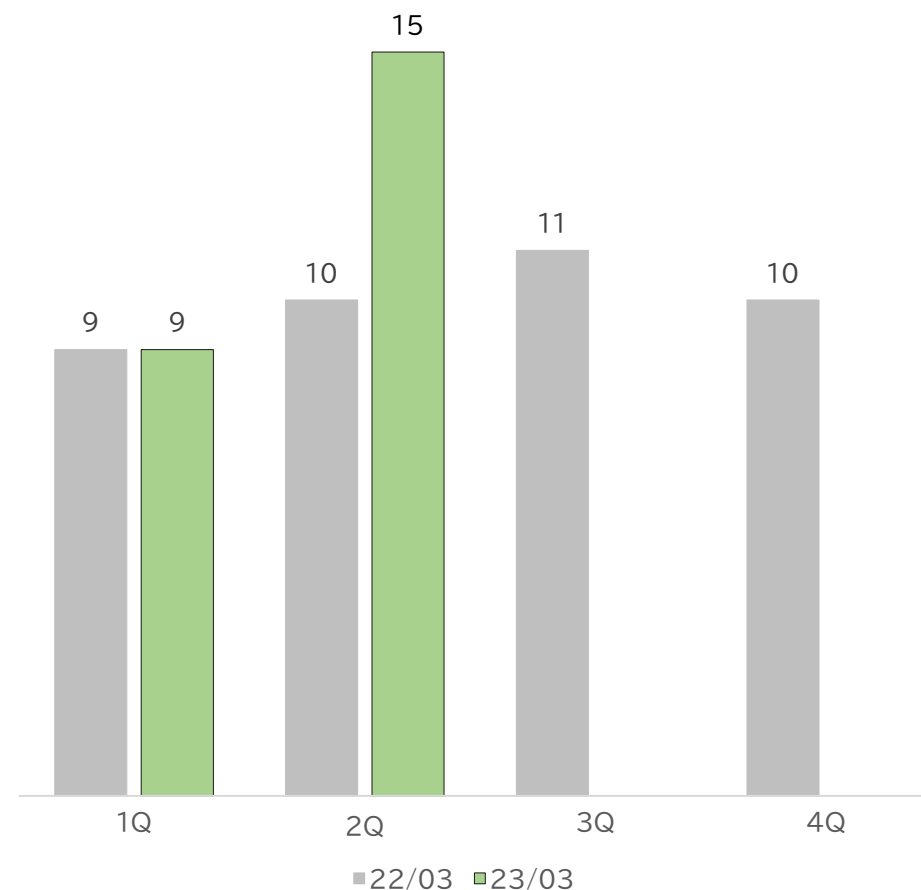
Mobility Segment Operating Income Overview

- ▶ Resin sales were strong in Japan and overseas, despite semiconductor shortages and the lockdowns in Shanghai
- ▶ Sales increased in functional materials and functional components for EV interior and exterior fittings and electrification
- ▶ Profit increased year on year due to strong sales as described above

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



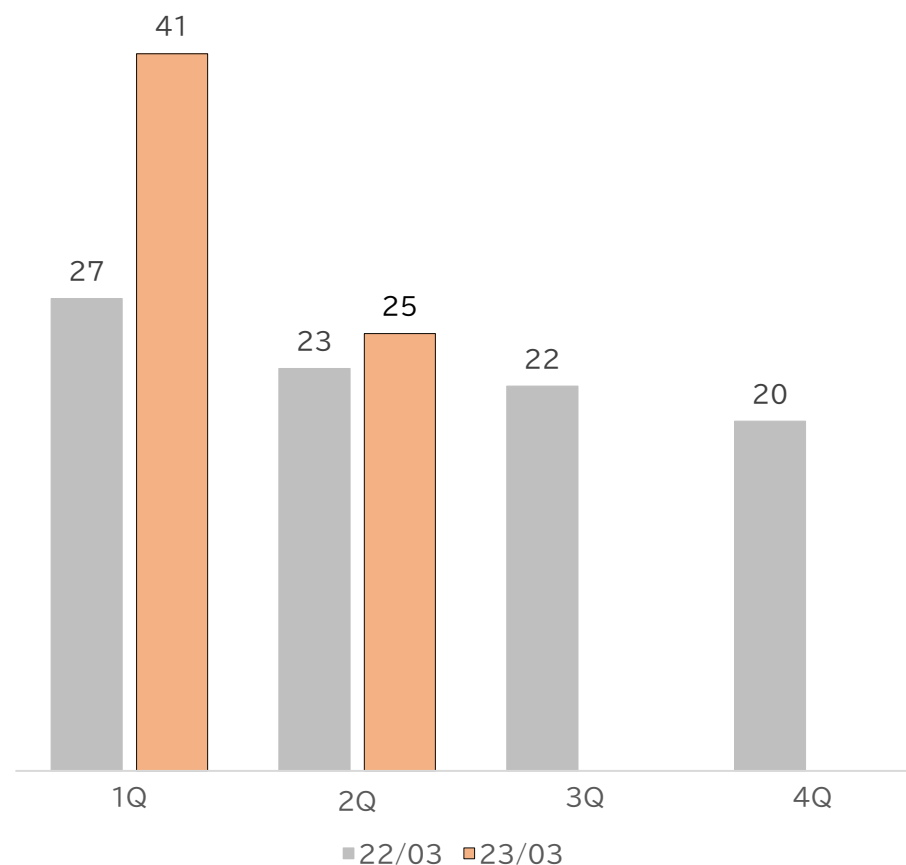
Life & Healthcare Segment Operating Income Overview

- ▶ Prinova Group sales of food ingredients were particularly strong in the first quarter due to increased demand and sales of high-margin products in response to supply chain disruptions; performance remained strong overall through the second quarter, despite certain supply-demand adjustments performance remained
- ▶ Hayashibara sales of food ingredients (mainly TREHA™) and pharmaceutical raw materials increased; however, sales of cosmetics materials (mainly AA2G™) decreased due to lower demand
- ▶ In addition, Pharmaceutical product-related business performance was also strong, contributing to higher profit year on year

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 higher sales of nutrition-related materials stemming from increased demand, as well as improved profitability

100 millions of yen

		21/09	22/09	Change	Vs.PY
Nagase ChemteX Corporation	Sales	146	135	(10)	93%
	Gross profit	47	38	(9)	80%
	Operating income	23	11	(12)	49%
Hayashibara Co.,Ltd.	Sales	130	138	8	107%
	Gross profit	54	53	(0)	98%
	Operating income	23	20	(2)	87%
	Goodwill amortization etc.	15	15	-	100%
	Operating income after amortization burden	7	4	(2)	62%
Prinova Group	Sales	557	950	392	170%
	Gross profit	106	166	60	157%
	Operating income	37	57	20	153%
	Goodwill amortization etc.	9	11	1	114%
	Operating income after amortization burden	27	46	18	167%

Consolidated Balance Sheets

- ▶ Current assets: Increase in working capital due to overall strong performance
- ▶ 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 0.41 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	22/09	Change	Details
Total Current Assets	5,142	5,677	534	
(Cash&deposits)	542	461	(80)	
(Trade account receivable)	2,898	3,164	266	
(Inventories)	1,575	1,864	289	
Total non-current assets	2,254	2,341	87	
(Investments in security)	756	724	(31)	
Total assets	7,397	8,019	622	
Current Liab.	3,078	3,285	207	Short-term loans/CP+310, Current Portion of Bonds(100)
(Trade account payable)	1,490	1,523	33	
Non-current Liab.	767	897	129	Corporate Bonds+100
Total Liab.	3,846	4,182	336	
Shareholders' equity	2,988	3,073	85	
Accum. Other Comprehensive Income	454	652	197	Translation adjustment+218, Appraisal Loss on Investment Securities(25)
Non-controlling interest	108	111	2	
Total net assets	3,550	3,836	285	
Working capital	2,983	3,505	522	
Shareholders' equity ratio	46.5%	46.5%	(0.0%)	
NET D/E ratio	0.33	0.41	0.09	

Consolidated Cash Flows

- ▶ Operating CF : Net cash used of ¥17.9 billion as working capital increased due to strong business performance
- ▶ Investing CF : Net cash used of ¥5.9 billion due to purchases of property, plant and equipment, etc., offset in part by proceeds from sales of investments in securities
- ▶ Financing CF : Net cash provided of ¥11.5 billion, mainly due to an increase in interest-bearing debt in connection with an increase in working capital, offset in part by payments of dividends and purchases of treasury stock

	100 millions of yen	
	21/09	22/09
Operating CF	(136)	(179)
Investing CF	(49)	(59)
Free CF	(185)	(239)
Financing CF	144	115
Effects of exchange rate changes on cash and cash equivalents	3	47
Net change in cash and cash equivalents	(38)	(76)
Depreciation and amortization of tangible and intangible assets	68	71
Fixed asset investment	(75)	(83)
Change in working capital	(327)	(295)

FYE March 2023 Earnings Projection

- ▶ Although the yen weakened compared to our initial forecast, we maintain our full-year earnings forecast unchanged, reflecting following circumstances (we expect to record record-high earnings for a second consecutive year)
- ▶ We expect to see continued growth, with semiconductor-related products and automobile-related businesses performing solidly, even as we forecast food-related product to slow down compared to the first half due to economic sluggishness
- ▶ In addition to crude oil prices and related chemical market conditions, we expect utility costs such as electricity and gas to remain high
- ▶ The sales decrease for formulated epoxy resins-related products caused by lower demand for mobile devices is not expected to recover in full-year results

100 millions of yen

	22/03 Actual	23/03 Forecast	Change	Vs.PY
Gross profit	1,394	1,590	195	114%
SG&A expenses	1,042	1,210	167	116%
Operating income	352	380	27	108%
Ordinary income	364	390	25	107%
Profit attributable to owners of the parent	259	285	25	110%
US\$ Exchange rate (period average)	@ 112.4	@ 140.0	(@120.0 ⇒ @140.0)	
RMB Exchange rate (period average)	@ 17.5	@ 20.0	(@18.5 ⇒ @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

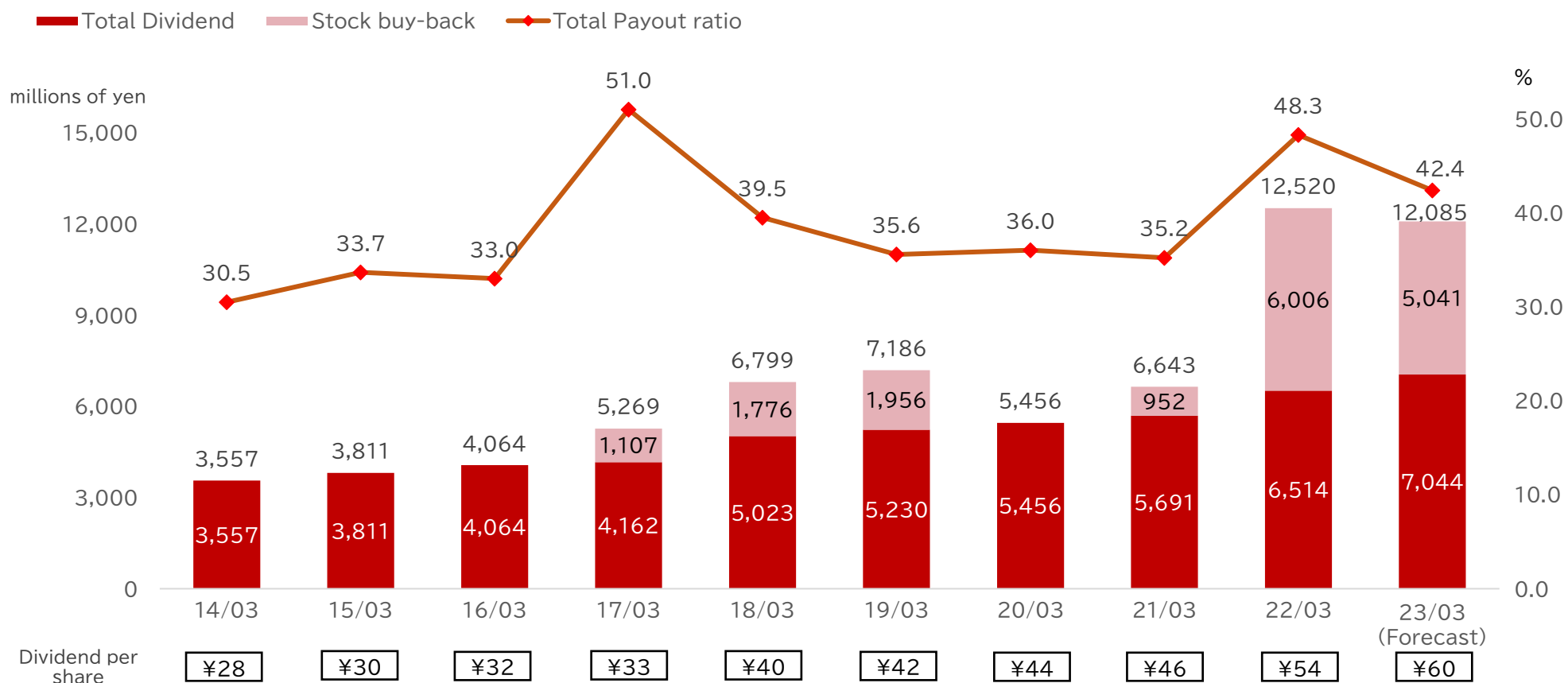
- ▶ We revised our forecast for Functional Materials upward, mainly due to strong sales of electronics chemicals for semiconductor-related industries and improved profitability resulting from market conditions and foreign exchange rate fluctuations
- ▶ We revised our forecast downward for Advanced Materials & Processing, mainly due to weaker-than-expected performance in the resins business, which was affected by the Shanghai lockdowns, etc.
- ▶ We revised our forecast downward for Electronics & Energy, which should see firm performance for semiconductor-related products, but weak sales of formulated epoxy resins, mainly due to a decline in demand for mobile devices
- ▶ We revised our forecast upward for Mobility, mainly due to improved profitability in response to market conditions and foreign exchange rates, as well as an increase in market share of Functional Materials and components for EVs
- ▶ We revised our forecast for Life & Healthcare upward, mainly due to the Prinova Group nutrition-related business performing better than expected in the first half, including an increase in market share

100 millions of yen

		22/03 Actual	23/03 Previous forecast	23/03 Revised forecast	Change	Percentage change
Functional Materials	Gross profit	198	221	229	8	3.6%
	Operating income	78	83	95	12	14.5%
Advanced Materials & Processing	Gross profit	323	343	330	(13)	(3.8%)
	Operating income	108	117	105	(12)	(10.3%)
Electronics & Energy	Gross profit	297	325	310	(15)	(4.6%)
	Operating income	102	115	103	(12)	(10.4%)
Mobility	Gross profit	127	142	149	7	4.9%
	Operating income	41	44	55	11	25.0%
Life & Healthcare	Gross profit	447	557	571	14	2.5%
	Operating income	94	112	117	5	4.5%
Corporate & Others	Gross profit	1	2	1	(1)	(50.0%)
	Operating income	(72)	(91)	(95)	(4)	—
Total	Gross profit	1,394	1,590	1,590	—	—
	Operating income	352	380	380	—	—

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 (We repurchased the cumulative total to ¥4.6 billion as of October 31, 2022)



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

Medium-Term Management Plan **ACE 2.0**

ACE 2.0 Non-Financial Targets (KPIs)

Initiatives Toward Solving Materialities

Employee Engagement



-KPI-

Engagement survey implementation rate and scores

Initiatives to Achieve Targets

- ▶ Conducted FY2022 engagement survey
- ▶ Encouraged two-way dialogue through various combinations of participants
Director x Manager, President x Employee, Female Director x Female Employee
- ▶ Adopted Activity-Based Workplace (ABW)
With the relocation of the Tokyo head office, we engaged in work-style innovation to allow employees the choice of where to work in the office

Carbon Neutrality



-KPI-

Greenhouse gas emissions reductions (Scope 1,2 basis)

- ▶ Conducted activities as an endorsing company of the GX League
Participated in working group discussions related to low-carbon/carbon-free materials
- ▶ Participated in a METI-led storage battery CFP calculation trial project
Participated in CFP calculations of the storage battery supply chain as a component supplier; acquired new expertise on CFP data linkage
- ▶ Participated in the Green × Digital Consortium*
Participated in private/corporate discussions on the CO₂ Visualization Framework; contributed to the establishment of rules
- ▶ Began proof-of-concept tests related to the creation of forest credits

*Led by Japan Electronics and Information Technology Industries Association (JEITA)

Accelerating *Zeroboard* Expansion in Japan and Southeast Asia

Partnered with Zeroboard Inc. to support decarbonization management in Thailand

Visualizing GHG emissions in Thailand to decarbonize supply chain partners and overseas manufacturing sites

Supporting the future of decarbonization management throughout Asia

Formed business alliance with Vietnamese logistics startup LOGIVAN VIETNAM

TECHNOLOGY COMPANY

- Working in collaboration with Logivan, operator of an inter-corporate logistics platform, to foster logistics efficiencies and reduce GHG emissions in Vietnam through DX
- Pursuing optimal solutions for GHG emissions reduction through collaboration with zeroboard



Selected as a Constituent of the FTSE Blossom Japan Index for the First Time

- Of the ESG indexes used by GPIF, NAGASE has already been selected as a constituent of the FTSE Blossom Japan Sector Relative Index, MSCI Japan Empowering Women (WIN) Select Index, and the S&P/JPX Carbon Efficient Index
- With this selection, we have been included in four of the five domestic stock ESG indices used by GPIF



FTSE Blossom
Japan

Medium-Term Management Plan **ACE 2.0** Numerical Targets

Our Policy to Pursuit of Quality Remains Unchanged as We Review Our KGIs and KPIs

▶ Increase profitability

- We expect to record two consecutive years of record-high profits in FY2021 and FY2022
- Despite certain external factors, businesses in focus areas (food, semiconductors, etc.) are growing faster than expected

▶ Improve capital efficiency

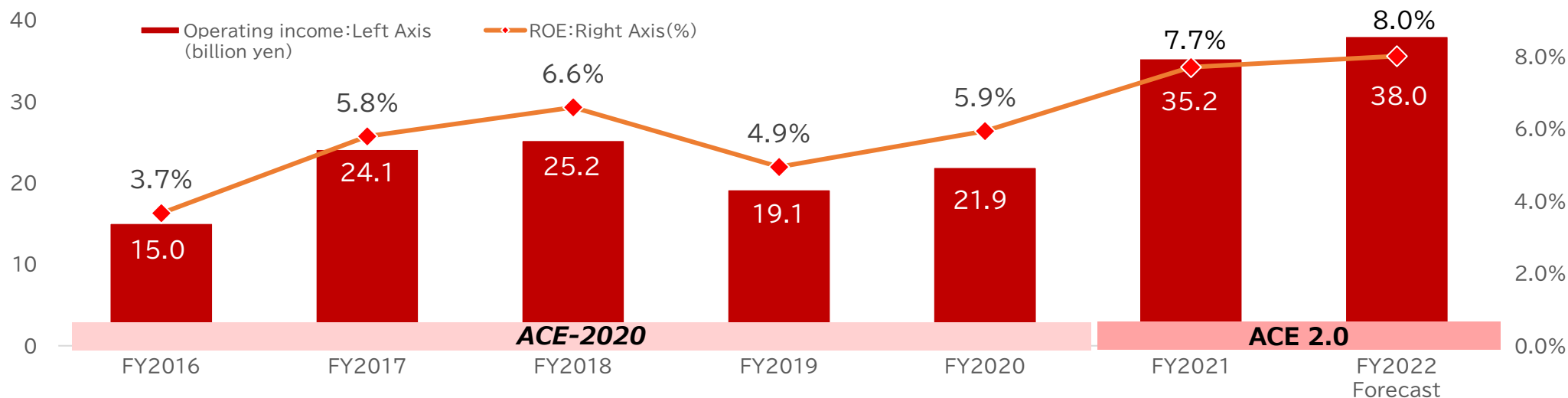
- We expect ROE to be close to the target level for the second consecutive fiscal year

(ACE 2.0 KGI)

Measures	Indicators	FY2021 Actual	FY2022 Forecast	FY2025 Plan
Increased profitability	Operating income	35.2 billion yen	38.0 billion yen	35.0 billion yen
Improvement in capital efficiency	ROE	7.7%	Approximately 8.0%	8.0% or Greater

At the same time, we are still in the process of portfolio replacement and creating businesses that solve social and environmental issues are still

(Operating income and ROE)



Appendix

ACE 2.0 Basic Policies

Become a true “Business designer”

ACE 2.0 “Pursuit of Quality”

With a mindset focused on Accountability (A), Commitment (C) and Efficiency (E), and to enable its sustained growth,
NAGASE will work to give concrete shape (business, mechanisms, culture)
 (Pursuit)
 to the aspirations expected by all of its stakeholders.
 (Quality)

Reform of Profit Structure

Create a profit base toward the Ideal NAGASE

- (1) Pursuit of profitability and efficiency**
 - Implement a company-wide asset replacement and reallocation of resources
- (2) Strengthen existing businesses**
 - Expand business opportunities through globalization
 - Improve productivity of manufacturing businesses and expand value-added through technical innovation
- (3) Create sustainable businesses (N-Sustainable business)**

Reform of Corporate Culture

Mindset toward the Ideal NAGASE

- (1) Pursuit of economic and social value**
 - Fostering a sustainability mindset, and rigorous monitoring of financial and non-financial indicators
- (2) Pursue efficiency**
 - Deepen awareness of capital efficiency
 - Improve productivity of core operations
- (3) Strengthen human resources to drive reforms**

Functions supporting reforms

- (1) Accelerate DX further**
- (2) Promote sustainability**
- (3) Strengthen corporate functions**

Quantitative Goals

“Pursuit of Quality” Key Goal Indicators (KGIs)

Measures	Indicators	FY2020	FY2025*
Improvement in capital efficiency	ROE	5.9%	8.0% or greater
Increased profitability	Operating Income	21.9 billion yen	35.0 billion yen

* FY2025 assumptions: 1 US\$= 108.7 yen, 1 RMB = 15.6 yen

Key Performance Indicators (KPIs) for achieving the “Pursuit of Quality”

Measures	Measures	Indicators	FY2020	FY2025
Reform of Profit Structure	Company-wide asset replacement and reallocation of resources	Growth investments*1	—	150.0 billion yen or more*2
		Secure 10% of company-wide invested capital and reinvest in focus and develop areas	—	10% or more
	Create “N-Sustainable businesses”	Operating Income	—	5.0 billion yen or more*3
	Improve productivity of manufacturing and expand value-added through technical innovation	Manufacturing business operating income*4	13.8 billion yen*5	20.0 billion yen or more
Reform of Corporate Culture	Improve productivity of core operations	Ratio of gross profit to general administrative expenses*6	57.1%*7	52.1%
	Deepen awareness of capital efficiency	Net DE ratio	0.23 times	0.5 times or less
Functions supporting reforms	Accelerate DX further	Invested capital (including expenses)*8	2.4 billion yen	10.0 billion yen*2

*1 N-Sustainable investment, new business investment, DX-related investment, R&D expense, working capital

*2 5-year cumulative figure

*3 Figure based on internal management

*4 Simple sum calculation

*5 Manufacturing classifications were reviewed, and Prinova Group reclassified as a manufacturing business from FY2021; FY2020 results shown are also based on that reclassification.

*6 Excludes R&D expense, amortization of goodwill and other acquisition-related intangible assets, and profit and loss due to amortization of actuarial differences

*7 Average figure for past five years (FY2016-FY2020)

*8 Five-year cumulative total of 10.0 billion yen in DX-related investments is included in growth investments of 150.0 billion yen



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

These presentation materials contain projections based on forward-looking assumptions, forecasts, and plans as of November 25, 2022. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.