

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2025 <Under Japanese GAAP>

August 5, 2024

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: Hiroyuki Ueshima, Representative Director and President

Contact: Kazuhiro Hanba, Executive Officer, General Manager, Corporate Management Department

TEL: +81-3-3665-3103

Start of distribution of dividends (scheduled): -

Supplementary documents of quarterly financial results: Yes

Quarterly investors' meeting: Yes

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

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2025

(April 1, 2024 to June 30, 2024)

(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 first quarter ended June 30, 2024	239,201	6.8	45,788	18.3	10,734	54.3	10,949	49.2	7,415	69.8
June 30, 2023	224,062	2.0	38,707	-3.0	6,955	-36.0	7,338	-36.4	4,367	-45.2

(Note) Comprehensive income

First quarter ended June 30, 2024: ¥21,409 million (44.0%)

First quarter ended June 30, 2023: ¥14,866 million (12.8% decrease)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
For the first quarter ended June 30, 2024	65.42	—
June 30, 2023	37.45	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2024	830,238	414,800	49.0	3,612.12
March 31, 2024	792,336	401,315	49.7	3,463.84

(Reference) Equity capital

As of June 30, 2024: ¥ 406,947 million

As of March 31, 2024: ¥ 394,064 million

2. Dividends

	Annual Dividends per Share				
	1Q	2Q	3Q	Fiscal year end	Annual
	Yen	Yen	Yen	Yen	Yen
For the year ended (or ending) March 2024	—	40.00	—	40.00	80.00
March 2025	—	—	—	—	—
March 2025 (forecast)	—	40.00	—	45.00	85.00

(Note) Revisions to the latest dividends forecast: No

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2025

(April 1, 2024 to March 31, 2025)

(% = year-on-year change)

	Net sales		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	%	Millions of yen	%	Yen
Full fiscal year	940,000	4.4	180,000	9.3	36,500	19.2	35,200	15.1	28,000	25.0	254.30

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

* Notes

(1) Significant changes in the scope of consolidation during the period: Yes

New: — (Company name:) Excluded: 1 (Company name: Nagase Specialty Materials NA LLC)

(Note) For details, please refer to 2. *Quarterly Consolidated Financial Statements and Notes*, (4) *Notes Related to Quarterly Consolidated Financial Statements (Changes in the scope of consolidation and application of the equity method)*, on P.12 of this document.

(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*, (4) *Notes Related to Quarterly Consolidated Financial Statements (Special Accounting Treatment Applied in the Preparation of Quarterly Consolidated Financial Statements)*, on P.12 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: 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

(Note) For details, please refer to 2. *Quarterly Consolidated Financial Statements and Notes*, (4) *Notes Related to Quarterly Consolidated Financial Statements (Change in Accounting Policy)*, on P.12 of this document.

(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)

June 30, 2024	114,908,285 shares	March 31, 2024	117,908,285 shares
---------------	--------------------	----------------	--------------------

ii. Number of treasury stock as of the fiscal period end

June 30, 2024	2,246,437 shares	March 31, 2024	4,143,115 shares
---------------	------------------	----------------	------------------

iii. Average number of shares during the period

June 30, 2024	113,344,753 shares	June 30, 2023	116,646,422 shares
---------------	--------------------	---------------	--------------------

(Note) The number of treasury shares as of the fiscal period end includes Company shares held by the Stock-Granting Trust for Directors (288,500 shares as of June 30, 2024). Treasury stock deducted from the calculation of the average number of shares during the period includes Company shares held by the Stock-Granting Trust for Directors (288,500 shares as of June 30, 2024).

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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.

Attachments

1. Qualitative Information	2
(1) Review of Business Performance	2
(2) Review of Financial Position	5
(3) Qualitative Information Related to Consolidated Earnings Forecasts	5
2. Quarterly Consolidated Financial Statements and Notes	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	8
Quarterly Consolidated Statements of Income	
Three-month periods ended June 30, 2024 and 2023	8
Quarterly Consolidated Statements of Comprehensive Income	
Three-month periods ended June 30, 2024 and 2023	9
(3) Quarterly Consolidated Statements of Cash Flows	10
(4) Notes Related to Quarterly Consolidated Financial Statements	12
(Assumption for Going Concern)	12
(Changes in the scope of consolidation and application of the equity method)	12
(Change in Accounting Policy)	12
(Significant Fluctuations in Shareholders' Equity)	12
(Special Accounting Treatment Applied in Preparing Quarterly Consolidated Financial Statements)	12
(Additional Information)	13
(Segment Information, etc.)	14

1. Qualitative Information

(1) Review of Business Performance

a. General Summary of Results

Despite expectations of monetary easing in the U.S., the outlook for the global economy remained uncertain during the first quarter of the current consolidated fiscal year. This uncertainty was due to the economic impact of the upcoming U.S. presidential election in the fall, concerns over corporate earnings in Japan due to rising interest rates and a stronger yen, and stagnation in the Chinese real estate market.

As an overview of the regions in which the NAGASE Group does business, the economy in Greater China has not yet recovered with the ongoing stagnation in the real estate market and weak consumer spending. The economy in the Americas is expected to continue to pick up in the near term due to strong consumer spending, capital investment, and housing investment. In ASEAN, the economy has been steady, mainly due to domestic and inbound demand. Downside factors in the Japanese economy include narrowing in the Japan-U.S. interest rate differential, wide fluctuations in exchange rates, and a sharp rise in the price of imported goods due to the weak yen. However, the economy should continue to recover with improved real wages, firm corporate capital investment, and continued inbound travel demand.

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

(Millions of yen)

	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024	Change	Change (%)
Net sales	224,062	239,201	15,138	6.8
Gross profit	38,707	45,788	7,080	18.3
Operating income	6,955	10,734	3,778	54.3
Ordinary income	7,338	10,949	3,611	49.2
Profit before income taxes	6,412	10,774	4,362	68.0
Profit attributable to owners of the parent	4,367	7,415	3,047	69.8

- All stages of profit for the first quarter of the current consolidated fiscal year increased partly due to the weakening yen.
- Operating income increased due to an increase in gross profit. For details, see *b. Segment Summary*.
- Profit attributable to owners of the parent increased ¥3.0 billion to ¥7.4 billion, mainly due to the decrease in loss on valuation of investment securities as well as the increase in operating income.

b. Segment Summary

The following describes performance by segment.

Note that as of October 1, 2023 of the previous consolidated fiscal year the categorizations for reportable segments have been partially amended. Year-on-year amounts and ratios for the cumulative first quarter of the previous consolidated fiscal year are calculated after rearranging reportable segment classifications to match those of the cumulative first quarter of the current consolidated fiscal year.

*For the details of the changes in business segmentation, please refer to *(Segment Information Etc.)* on P.14 of this document

As of the first quarter of the current consolidated fiscal year, we changed the method of allocating corporate expenses to more appropriately reflect the performance of reportable segments. Segment information in the table below for the first quarter of the previous consolidated fiscal year is based on the allocation method after the change.

Functional Materials

(Millions of yen)

	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024	Change	Change (%)
Net sales	36,439	40,581	4,142	11.4
Gross profit	6,407	8,827	2,420	37.8
Operating income	1,000	2,975	1,974	197.2

- Sales increased for coating materials mainly due to strong performance in the automobile industry
- Sales increased for raw materials for the electronics industry, including semiconductor-related products
- The digital print processing materials manufacturing business narrowed losses, mainly due to the suspension of production at the U.S. site
- Operating income increased due to an increase in gross profit

Advanced Materials & Processing

(Millions of yen)

	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024	Change	Change (%)
Net sales	48,560	53,503	4,943	10.2
Gross profit	5,483	6,588	1,104	20.1
Operating income	1,016	1,588	571	56.3

- Resin sales increased due to recovery in demand in the electrical and electronics industry, including office equipment and appliance
- Operating income increased due to an increase in gross profit

Electronics & Energy

(Millions of yen)

	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024	Change	Change (%)
Net sales	35,538	40,092	4,553	12.8
Gross profit	7,720	9,554	1,833	23.7
Operating income	1,781	2,770	989	55.5

- Sales of materials to the semiconductor industry increased due to a moderate market recovery
- Sales increased for materials for display applications due to higher demand
- Sales increased for formulated epoxy resins, mainly for server applications and mobile device applications
- Operating income increased due to an increase in gross profit

Mobility

(Millions of yen)

	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024	Change	Change (%)
Net sales	31,136	32,117	980	3.1
Gross profit	3,414	4,022	607	17.8
Operating income	660	988	327	49.7

- Sales increased for resins due to boosted global automobile production despite a decrease in production by Japanese customers in China
- 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)

	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024	Change	Change (%)
Net sales	72,386	72,861	475	0.7
Gross profit	15,636	16,888	1,251	8.0
Operating income	2,750	1,526	(1,223)	(44.5)

- Prinova Group's profitability recovered compared to the same period last year, when the food ingredients market was declining, and sales also increased
- Domestic sales of NAGASE Viita's cosmetics materials increased, while sales abroad decreased partly due to inventory adjustments
- Sales increased for pharmaceutical raw materials and intermediates
- Operating income decreased, despite higher gross profit, as personnel expense and other selling, general and administrative expenses increased at the Prinova Group

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, 2024)	First Quarter, Current Consolidated Fiscal Year (June 30, 2024)	Change	Change (%)
Current assets	542,470	571,854	29,385	5.4
Non-current assets	249,865	258,383	8,517	3.4
Net assets	792,336	830,238	37,902	4.8
Liabilities	391,021	415,437	24,416	6.2
Net assets	401,315	414,800	13,485	3.4
Shareholders' equity ratio (%)	49.7	49.0	+ 0.7 p	—

- Current assets increased due to an increase in accounts receivable and inventories, etc.
- Non-current assets increased due to an increase in property, plant and equipment and intangible fixed assets, and the fair values of investments in securities
- Liabilities increased mainly due to an increase in accounts payable, short-term loans and long-term loans
- 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 49.0%, down 0.7 points compared to 49.7% from the end of the prior consolidated fiscal year

b. Consolidated Cash Flows

(Millions of yen)

	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024
Cash flows from operating activities	15,894	(3,074)
Cash flows from investing activities	(4,002)	(8,202)
Cash flows from financing activities	(13,636)	3,344

- Although the Company recorded profit before income taxes of ¥10.7 billion, net cash used in operating activities was mainly the result of a decrease in cash of ¥4.5 billion in connection with an increase in working capital and ¥4.3 billion in income taxes paid.
- Net cash used in investing activities was mainly the result of cash outlays of ¥3.6 billion for the purchase of property, plant and equipment and ¥2.7 billion for net increase of time deposits
- Net cash provided by financing activities was mainly due to ¥7.0 billion in proceeds from long-term loans and a net increase of ¥6.4 billion in short-term loans. These amounts were offset in part by cash outlays of ¥4.5 billion, ¥3.3 billion, and ¥1.9 billion due to the payments of dividends, purchases of treasury stock, and repayments of long-term loans respectively.

(3) Qualitative Information Related to Consolidated Earnings Forecasts

We made no changes to the consolidated earnings forecast for the current fiscal year (April 1, 2024 to March 31, 2025) from the figures announced on May 8, 2024.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

		(Millions of yen)
	Prior Consolidated Fiscal Year (March 31, 2024)	First Quarter, Current Consolidated Fiscal Year (June 30, 2024)
ASSETS		
Current assets		
Cash and time deposits	59,410	58,395
Notes and accounts receivable and contract assets	321,126	333,353
Merchandise and finished goods	131,137	140,387
Work in process	2,594	2,667
Raw materials and supplies	14,259	16,540
Other	14,881	21,573
Less allowance for doubtful accounts	(940)	(1,062)
Total current assets	542,470	571,854
Non-current assets		
Property, plant and equipment	87,392	90,549
Intangible fixed assets		
Goodwill	27,884	28,274
Technology-based assets	2,761	2,367
Other	38,703	39,459
Total intangible fixed assets	69,349	70,101
Investments and other assets		
Investments in securities	76,225	79,071
Long-term loans receivable	326	693
Retirement benefit asset	6,217	6,261
Deferred tax assets	4,596	4,753
Other	5,935	7,117
Less allowance for doubtful accounts	(177)	(163)
Total investments and other assets	93,123	97,732
Total non-current assets	249,865	258,383
Total assets	792,336	830,238

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2024)	First Quarter, Current Consolidated Fiscal Year (June 30, 2024)
LIABILITIES		
Current liabilities		
Notes and accounts payable	156,352	166,026
Short-term loans	50,731	60,561
Current portion of long-term loans	6,946	5,050
Commercial paper	37,000	37,000
Current portion of bonds	10,000	10,000
Accrued income taxes	5,195	4,150
Accrued bonuses for employees	7,569	4,086
Accrued bonuses for directors	251	125
Other	28,628	31,460
Total current liabilities	302,675	318,462
Long-term liabilities		
Bonds	20,000	20,000
Long-term loans	27,533	34,938
Lease liabilities	12,492	12,875
Deferred tax liabilities	13,567	14,104
Retirement benefit liability	12,345	12,543
Provision for directors' stock benefit	60	133
Other	2,345	2,379
Total long-term liabilities	88,345	96,975
Total liabilities	391,021	415,437
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	9,348	9,348
Retained earnings	303,328	299,230
Less treasury stock, at cost	(9,543)	(5,954)
Total shareholders' equity	312,832	312,323
Accumulated other comprehensive income		
Net unrealized holding gain on securities	33,763	35,250
Deferred gain on hedges	119	172
Translation adjustments	44,846	57,315
Remeasurements of defined benefit plans	2,503	1,885
Total accumulated other comprehensive income	81,232	94,623
Non-controlling interests	7,250	7,853
Total net assets	401,315	414,800
Total liabilities and net assets	792,336	830,238

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

(Quarterly Consolidated Statements of Income)

Three-month periods ended June 30, 2024 and 2023

(Millions of yen)

	Three-month period ended June 30, 2023 (April 1, 2023 - June 30, 2023)	Three-month period ended June 30, 2024 (April 1, 2024 - June 30, 2024)
Net sales	224,062	239,201
Cost of sales	185,355	193,413
Gross profit	38,707	45,788
Selling, general and administrative expenses	31,751	35,053
Operating income	6,955	10,734
Non-operating income		
Interest income	49	208
Dividend income	689	720
Rent income	60	82
Equity in earnings of affiliates	79	181
Foreign exchange gains	450	30
Other	127	93
Total non-operating income	1,456	1,316
Non-operating expenses		
Interest expenses	961	908
Other	112	193
Total non-operating expenses	1,074	1,101
Ordinary income	7,338	10,949
Extraordinary gains		
Gain on sales of non-current assets	38	32
Gain on sales of investment securities	129	—
Subsidy income	228	—
Other	47	9
Total extraordinary gains	444	42
Extraordinary losses		
Loss on sales of non-current assets	0	10
Loss on disposal of non-current assets	451	24
Loss on sales of investment securities	21	—
Loss on valuation of investments securities	864	—
Loss on discontinued operations	31	182
Total extraordinary losses	1,369	217
Income before income taxes	6,412	10,774
Income taxes	1,870	3,174
Profit for the period	4,541	7,600
Profit attributable to non-controlling interests	174	185
Profit attributable to owners of the parent	4,367	7,415

(Quarterly Consolidated Statements of Comprehensive Income)

Three-month periods ended June 30, 2024 and 2023

(Millions of yen)

	Three-month period ended June 30, 2023 (April 1, 2023 - June 30, 2023)	Three-month period ended June 30, 2024 (April 1, 2024 - June 30, 2024)
Profit for the period	4,541	7,600
Other comprehensive income		
Net unrealized holding gain on securities	5,331	1,488
Deferred gain on hedges	303	53
Translation adjustments	4,216	12,559
Remeasurements of defined benefit plans	163	(617)
Share of other comprehensive gain of affiliates accounted for by the equity method	309	326
Total other comprehensive income	10,324	13,809
Comprehensive income	14,866	21,409
Comprehensive income attributable to:		
Shareholders of the parent	14,446	20,806
Non-controlling interests	420	602

(3) Quarterly Consolidated Statements of Cash Flows

Three-month periods ended June 30, 2024 and 2023

(Millions of yen)

	Three-month period ended June 30, 2023 (April 1, 2023 - June 30, 2023)	Three-month period ended June 30, 2024 (April 1, 2024 - June 30, 2024)
Operating activities		
Income before income taxes	6,412	10,774
Depreciation and amortization other than amortization of goodwill	3,306	3,793
Amortization of goodwill	638	677
Subsidy income	(228)	—
Share of gain of entities accounted for using equity method	(79)	(181)
Loss on discontinued operations	31	182
Increase (decrease) in retirement benefit liability	140	(728)
Decrease (increase) in retirement benefit asset	169	(837)
Interest and dividend income	(738)	(929)
Interest expenses	961	908
Exchange gain, net	(576)	(1,393)
Gain on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(108)	—
Loss on valuation of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	864	—
Decrease (increase) in notes and accounts receivable	1,364	(3,789)
Decrease (increase) in inventories	11,534	(5,366)
Increase in notes and accounts payable	2,412	4,565
Other	(5,902)	(6,463)
Subtotal	20,203	1,213
Interest and dividends received	836	1,044
Interest paid	(1,116)	(984)
Subsidy income	228	—
Income taxes paid	(4,256)	(4,346)
Net cash provided by (used in) operating activities	15,894	(3,074)
Investing activities		
Purchases of property, plant and equipment	(2,159)	(3,680)
Proceeds from sales of property, plant and equipment	43	60
Purchases of intangible fixed assets	(1,398)	(392)
Purchases of investments in securities	(251)	(76)
Proceeds from sales of investments in securities	214	—
Purchases of investments in capital	—	(9)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	(244)	—
Increase in short-term loans receivable included in other current assets	(303)	(117)
Decrease (increase) in time deposits, net	104	(2,791)
Other	(7)	(1,194)
Net cash used in investing activities	(4,002)	(8,202)

(Millions of yen)

	Three-month period ended June 30, 2023 (April 1, 2023 - June 30, 2023)	Three-month period ended June 30, 2024 (April 1, 2024 - June 30, 2024)
Financing activities		
(Decrease) increase in short-term loans, net	(10,495)	6,455
Increase in commercial paper, net	5,000	—
Proceeds from long-term loans	—	7,000
Repayments of long-term loans	(8)	(1,910)
Purchase of treasury stock	(3,290)	(3,361)
Cash dividends paid	(4,696)	(4,562)
Other	(145)	(276)
Net cash (used in) provided by financing activities	(13,636)	3,344
Effects of exchange rate changes on cash and cash equivalents	3,372	4,043
Net increase (decrease) in cash and cash equivalents	1,628	(3,888)
Cash and cash equivalents at beginning of the year	40,331	59,185
Cash and cash equivalents at end of the period	41,960	55,297

(4) Notes Related to Quarterly Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Changes in the scope of consolidation and application of the equity method)

Major changes in the scope of consolidation

(Decrease)

- Nagase Specialty Materials NA LLC (dissolved in an absorption-type merger, in which consolidated subsidiary Nagase America LLC was the surviving company, on April 1, 2024)

(Change in Accounting Policy)

(Application of Accounting Standard for Current Income Taxes)

The Company adopted the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; "Revised Accounting Standard 2022") beginning with the first quarter of the current consolidated fiscal year.

We recorded revisions related to the classification of income taxes (taxes on other comprehensive income) in accordance with the transitional treatment provided in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the proviso of Paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; "Revised Guidance 2022"). This change in accounting policy has no impact on our quarterly consolidated financial statements.

At the start of the first quarter of the current consolidated fiscal year, the Company adopted Revised Guidance 2022 to revise the treatment in the consolidated financial statements when tax deferrals are applied for gains or losses on the sale of subsidiary company shares, etc., between consolidated companies. We applied this change in accounting policy retrospectively, and we prepared all quarterly and year-end consolidated financial statements for the previous year on a retrospective basis. Deferred tax assets or liabilities are recorded on the financial statements of the company selling shares of the subsidiary in question for temporary differences related to gains or losses on the sale in question when recording the tax effects in cases where the gain or loss on the sale of subsidiary company shares, etc., between consolidated companies is deferred for tax purposes. In this case, we decided to reverse the deferred tax assets or deferred tax liabilities related to the temporary difference in question, rather than the past treatment in which the amount of deferred tax assets or deferred tax liabilities related to the temporary difference in question was not adjusted in the consolidated financial statements. This change in accounting policy has no impact on our quarterly consolidated financial statements.

(Significant Fluctuations in Shareholders' Equity)

Following a resolution by the Company's board of directors at a meeting held May 8, 2024, the Company acquired 1,103,300 shares of treasury stock in the cumulative first quarter of the current consolidated fiscal year, resulting in a ¥3,361 million increase in treasury stock. The Company also cancelled 3,000,000 shares of treasury stock on May 31, 2024, pursuant to a resolution by the Company's board of directors at a meeting held on the same date, resulting in a ¥6,951 million decrease in retained earnings and treasury stock.

As a result, retained earnings amounted to ¥299,230 million and treasury stock holdings amounted to ¥5,954 million as of the end of the consolidated first 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 first quarter, and multiplying profit before income taxes for the first 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.

(Additional Information)

(Stock-Based Compensation Plan)

Effective as of March 2023, the Company has adopted a stock-based compensation plan (“Plan”) for directors (excluding outside directors) and executive officers (collectively, “Eligible Individuals”). The purpose of the Plan is to establish a clear link between compensation for Eligible Individuals and Company performance and share value, as well as for Eligible Individuals to share the benefits and risks associated with fluctuations in NAGASE share price with shareholders. In this way, the NAGASE Group intends to raise awareness about contributing to improved business performance and increased corporate value over the medium to long term.

(1) Overview

The Plan is a stock-based compensation plan under which a trust ("Trust") established by monetary contribution from the Company acquires Company shares. The Company grants points to each Eligible Individual, and the Trust delivers the number of Company shares equivalent to the points earned by each Eligible Individual. In principle, said delivery is made at the time of the retirement the Eligible Individual.

(2) Company shares remaining in the Trust

Company shares remaining in the Trust are recorded as treasury stock under net assets in the balance sheet based on the carrying value in the Trust (excluding incidental expenses). The carrying value of said treasury stock as of the end of the consolidated first quarter was ¥612 million and the treasury stock in question amounted to 288,500 shares.

(Segment Information, etc.)

a. Segment Information

I Three-month period ended June 30, 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	36,439	48,560	35,538	31,136	72,386	224,062	0	224,062	-	-	224,062
Intersegment sales/transfers	197	169	922	852	197	2,340	1,837	4,177	-	(4,177)	-
Total	36,637	48,730	36,461	31,989	72,584	226,402	1,837	228,240	-	(4,177)	224,062
Segment income (loss)	1,000	1,016	1,781	660	2,750	7,210	92	7,302	(453)	106	6,955

(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 Three-month period ended June 30, 2024 (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	40,581	53,503	40,092	32,117	72,861	239,157	44	239,201	-	-	239,201
Intersegment sales/transfers	328	189	376	515	122	1,531	1,597	3,129	-	(3,129)	-
Total	40,909	53,693	40,469	32,632	72,983	240,688	1,641	242,330	-	(3,129)	239,201
Segment income	2,975	1,588	2,770	988	1,526	9,849	85	9,935	642	15407	10,734

(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 represents gains and losses not allocated to Reportable Segments or Others.
3. Adjustments are eliminations of intersegment transactions.
4. The sum of segment income Total, Corporate, and Adjustments is equivalent to operating income as presented in “Consolidated”.

2. Matters Related to Changes in Reportable Segments
(Change in Business Segments)

On October 1, 2023, the Company integrated its original 11 business departments into 7 to streamline business operations by expanding the scale and functions of each department. The integration of business departments resulted in the following changes to business segments.

The Color & Advanced Processing Department of the Advanced Materials & Processing segment was abolished and integrated into the Performance Chemicals Department of the Functional Materials segment, and the Polymers Global Account Department of the Advanced Materials & Processing segment.

Segment information for the first quarter of the previous fiscal year reflects this reclassification.

The following describes the major products and services handled by each reportable segment.

The Functional Materials segment is engaged in the sales of paints/inks, dyestuffs, pigments, additives, processed pigments, dispersing elements, functional pigments, thermal paper materials, toner and inkjet materials, materials for adhesives, urethane materials and auxiliary materials, plastic materials, plastic additives, industrial oil solutions, water processing raw materials, surfactant raw materials, fluorochemicals, encapsulant materials, 5G materials, silicone materials, environmental solutions and environment-related commercial products, sintered metal filters, conductive coatings, and more for the paints/inks, dye/additive, resins, urethane foam, organic synthesis, surfactants, electronics chemicals, digital print processing materials, communications equipment, water processing, metal processing, plastic and film processing, stationery, functional film and sheet, hygiene materials, and other industries.

The Advanced Materials & Processing Segment is engaged in the sales of thermoplastic resins, thermosetting resins, plastics products, resin molding tools/dies, and more for the plastic compounds, masterbatch, raw resin material, resin molding, appliance and office automation device, electronics, packaging material, daily commodities, household goods, construction material, and other industries.

The Electronics & Energy Segment is engaged in the sales of formulated epoxy resins, fluorine products, precision abrasives, semiconductor assembly materials and devices, adhesives and encapsulant materials, display panel components and devices, chemical management equipment for display manufacturing processes, low-temperature/vacuum equipment, liquid state analysis equipment, LEDs, 3D printing products, solar panels, and other products for the semiconductor, electronic component, AR/VR, environmental energy, 3D printing, heavy electrical and light electrical, HDD, automotive and aircraft, display, touch panel, housing, lighting, renewable energy, large-scale commercial facility, and other industries.

The Mobility Segment is engaged in the sales of plastic products in general, materials for secondary batteries, interior and exterior materials, materials for functional components, products for electrification, sensor components, in-vehicle electronics products, in-vehicle display-related components, self-driving-related products, and other products for the overall mobility industry and related industries.

The Life & Healthcare segment is engaged in the sale of pharmaceutical/agricultural chemicals and materials, research products, in vitro diagnostics, enzymes, food additives, food ingredients, sports nutrition products, nutrient premixes, additives for cosmetics, feeds, surfactants, and medical appliances for the pharmaceutical, food and beverage, cosmetics, agricultural, toiletries, and health care, and other industries. The segment offers radiation measurement and sleep measurement as one of its main services. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

(Change in Measurement Method for Segment Income (Loss))

As of the first quarter of the current consolidated fiscal year, we changed the method of allocating corporate expenses to more appropriately reflect the performance of reportable segments. Segment information in the table above for the first quarter of the previous consolidated fiscal year is based on the allocation method after the change.