

Consolidated Financial Statements for the Nine Months Ended December 31, 2024 <Under Japanese GAAP>

February 6, 2025

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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Start of distribution of dividends (scheduled): -

Supplementary documents of financial results: Yes

Holding of financial results briefing: Yes (for analysts and institutional investors)

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

1. Consolidated Results for the Nine Months Ended December 31, 2024 (April 1, 2024 to December 31, 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	%
Nine months ended December 31, 2024	718,044	5.9	137,411	13.1	31,002	34.7	30,700	32.4	21,712	20.6
December 31, 2023	677,732	-2.6	121,492	2.5	23,019	-16.1	23,179	-15.5	18,001	-10.2

(Note) Comprehensive income

For the nine months ended December 31, 2024: ¥24,949 million (37.7% decrease)

For the nine months ended December 31, 2023: ¥40,067 million (11.8% decrease)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
Nine months ended December 31, 2024	194.79		-	
December 31, 2023	156.19		-	

(2) Consolidated Financial Position

	Total assets		Net assets		Shareholders' equity ratio	Net assets per share
As of	Millions of yen		Millions of yen		%	Yen
December 31, 2024	813,207		399,110		48.1	3,609.26
March 31, 2024	792,336		401,315		49.7	3,463.84

(Reference) Equity capital

As of December 31, 2024: ¥391,478 million

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

2. Dividends

	Annual Dividends per Share				
	1Q	2Q	3Q	Fiscal year end	Annual
For the year ended (or ending)	Yen		Yen	Yen	Yen
March 2024	-	40.00	-	40.00	80.00
March 2025	-	45.00	-	-	-
March 2025 (forecast)	-	-	-	45.00	90.00

(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) Changes in major subsidiaries during the period: Yes

New: — (Company name:)

Excluded: 2 (Company names: Nagase Specialty Materials NA LLC, SOFIX 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.11 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.11 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 (Changes in Accounting Policy)*, on P.11 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)

December 31, 2024	114,908,285 shares	March 31, 2024	117,908,285 shares
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ii. Number of treasury stock as of the fiscal period end

December 31, 2024	6,443,125 shares	March 31, 2024	4,143,115 shares
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iii. Average number of shares during the period

December 31, 2024	111,467,485 shares	December 31, 2023	115,255,985 shares
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(Note) The number of treasury shares as of the fiscal period end includes Company shares held by the Stock-Granting Trust for Directors (282,400 shares as of December 31, 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 (285,450 shares for the period ended December 31, 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.

For matters related to earnings forecasts, please refer to 1. *Qualitative Information*, (3) *Qualitative Information Related to Consolidated Earnings Forecasts*, on P.4 of this document.

Attachments

1. Qualitative Information	2
(1) Review of Business Performance	2
(2) Review of Financial Position	4
(3) Qualitative Information Related to Consolidated Earnings Forecasts	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	7
Quarterly Consolidated Statements of Income	
Nine-month periods ended December 31, 2024 and 2023	7
Quarterly Consolidated Statements of Comprehensive Income	
Nine-month periods ended December 31, 2024 and 2023	8
(3) Quarterly Consolidated Statements of Cash Flows	9
(4) Notes Related to Quarterly Consolidated Financial Statements	11
(Assumption for Going Concern)	11
(Changes in the scope of consolidation and application of the equity method)	11
(Changes in Accounting Policy)	11
(Significant Fluctuations in Shareholders' Equity)	11
(Special Accounting Treatment Applied in the Preparation of Quarterly Consolidated Financial Statements)	11
(Additional Information)	12
(Segment Information, etc.)	13

1. Qualitative Information

(1) Review of Business Performance

a. General Summary of Results

The global economic outlook remained uncertain during the cumulative consolidated third quarter of the current fiscal year amid unstable global conditions. Such conditions included soaring resource prices and energy costs due to heightened geopolitical risks, as well as anticipated shifts in political and economic policies under the new U.S. administration.

Looking at the regions where the NAGASE Group operates, the outlook in Greater China remains uncertain as the economy continues to struggle due to prolonged stagnation in the real estate market and the lack of recovery in domestic demand and consumer spending. Economic conditions remain firm in the Americas, supported by policy rate cuts and a favorable income environment that sustain consumer spending. In ASEAN, the economy remains steady, mainly due to domestic and inbound demand. Corporate performance remains strong in Japan. The economy continues recovering gradually, with consumer sentiment expected to improve as real wages rise.

In this environment, earnings for the nine-month period ended December 31, 2024 are as follows.

	Nine-month period ended December 31, 2023	Nine-month period ended December 31, 2024	Change	Change (%)
Net sales	677,732	718,044	40,311	5.9
Gross profit	121,492	137,411	15,919	13.1
Operating income	23,019	31,002	7,982	34.7
Ordinary income	23,179	30,700	7,521	32.4
Profit before income taxes	25,722	32,221	6,499	25.3
Profit attributable to owners of the parent	18,001	21,712	3,710	20.6

- All profit stages increased partly due to yen depreciation.
- Operating income increased due to an increase in gross profit. For details, see *b. Segment Summary*.
- Profit attributable to owners of the parent increased by ¥3.7 billion to ¥21.7 billion despite recording a loss on discontinued operations related to the exit from the glass substrate thinning business in China, which was decided in fiscal year 2020, as well as a loss on valuation of investment securities. This increase was mainly due to higher operating income.

b. Segment Summary

The following describes performance by segment.

As of the first quarter of the current consolidated fiscal year, we changed the method of allocating corporate expenses to reflect the performance of reportable segments more appropriately.

Functional Materials

	Nine-month period ended December 31, 2023	Nine-month period ended December 31, 2024	Change	Change (%)
Net sales	109,707	116,682	6,974	6.4
Gross profit	20,568	24,969	4,401	21.4
Operating income	4,365	7,470	3,104	71.1

Gross profit increased mainly due to the following factors.

- Coating materials sales increased due to higher market prices, despite flat demand in automotive and architectural applications
- Sales increased for raw materials for semiconductor materials
- Losses narrowed in the color former business due to the suspension of production in the U.S. and the review of unprofitable transactions and streamlining of manufacturing bases in Japan

Operating income increased due to an increase in gross profit.

Advanced Materials & Processing

(Millions of yen)

	Nine-month period ended December 31, 2023	Nine-month period ended December 31, 2024	Change	Change (%)
Net sales	149,973	161,086	11,113	7.4
Gross profit	17,845	19,847	2,001	11.2
Operating income	4,198	5,448	1,249	29.8

Gross profit increased mainly due to the following factors.

- Resin sales increased due to recovery in demand in the electrical and electronics industry, including office automation equipment
- Sales of industrial hoses and civil engineering pipes increased at Totaku Industries, Inc.

Operating income increased due to an increase in gross profit.

Electronics & Energy

(Millions of yen)

	Nine-month period ended December 31, 2023	Nine-month period ended December 31, 2024	Change	Change (%)
Net sales	108,742	121,267	12,525	11.5
Gross profit	24,929	29,261	4,331	17.4
Operating income	6,349	8,857	2,507	39.5

Gross profit increased mainly due to the following factors.

- Sales of materials for high-end smartphones, tablets, and other electronic devices increased due to a recovery in demand
- Sales of materials for the semiconductors increased due to a moderate market recovery
- Sales of formulated epoxy resins of Nagase ChemteX increased due to strong demand for semiconductors used in AI servers

Operating income increased due to an increase in gross profit.

Mobility

(Millions of yen)

	Nine-month period ended December 31, 2023	Nine-month period ended December 31, 2024	Change	Change (%)
Net sales	100,210	100,379	168	0.2
Gross profit	11,532	12,756	1,224	10.6
Operating income	2,865	3,495	630	22.0

Gross profit increased mainly due to the following factors.

- Resin sales, which account for about half of gross profit, increased due to yen depreciation and rising market prices, despite a decline in automobile production volume
- 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, 2023	Nine-month period ended December 31, 2024	Change	Change (%)
Net sales	208,991	218,551	9,560	4.6
Gross profit	46,571	50,537	3,966	8.5
Operating income	5,967	3,114	(2,853)	(47.8)

Gross profit increased mainly due to the following factors.

- Sales increased for pharmaceutical raw materials and intermediates
- Sales of Nagase Viita increased overall due to strong sales of food ingredients, despite lower sales of cosmetic materials stemming from sluggish sales overseas
- The Prinova Group saw an increase in food ingredient sales and an improvement in gross profit margin compared to the same period last year, when market conditions were weak

Operating income decreased, despite an increase in gross profit, mainly due to higher selling, general and administrative expenses stemming from allowance for doubtful accounts and higher personnel expenses at the Prinova Group, which were recorded in the second quarter.

Others

No special matters to disclose.

(2) Review of Financial Position

a. Assets, Liabilities and Net Assets

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024	Change	Change (%)
Current assets	542,470	567,330	24,859	4.6
Non-current assets	249,865	245,877	(3,988)	(1.6)
Net assets	792,336	813,207	20,871	2.6
Liabilities	391,021	414,096	23,075	5.9
Net assets	401,315	399,110	(2,204)	(0.5)
Shareholders' equity ratio (%)	49.7	48.1	(1.6)p	—

- Current assets increased due to an increase in accounts receivable and inventories
- Non-current assets decreased due to a decrease in intangible fixed assets and sales of investments in securities despite an increase in property, plant and equipment
- Liabilities increased due to an increase in accounts payable and new long-term loans and new bond issuances despite a decrease due to the repayment of commercial paper and short-term loans
- Net assets decreased due to purchases of treasury stock and payments of dividends despite the recording of quarterly profit attributable to owners of the parent and an increase in translation adjustments
- As a result, the Company recorded a shareholders' equity ratio of 48.1%, down 1.6 points compared to 49.7% from the end of the prior consolidated fiscal year

b. Consolidated Cash Flows

(Millions of yen)

	Nine-month period ended December 31, 2023	Nine-month period ended December 31, 2024
Cash flows from operating activities	57,933	21,410
Cash flows from investing activities	(7,954)	(7,054)
Cash flows from financing activities	(40,539)	(17,703)

- Net cash provided by operating activities was mainly the result of ¥32.2 billion income before income taxes and ¥11.4 billion due to depreciation and amortization, offset in part by a ¥11.1 billion decrease in cash due to an increase in working capital, and ¥11.5 billion in income taxes paid
- Net cash used in investing activities was mainly the result of cash outlays of ¥9.4 billion for the purchase of property, plant and equipment and ¥1.8 billion for the purchase of intangible assets, offset in part by ¥3.2 billion in proceeds from the sales of investments in securities
- Net cash used in financing activities was mainly the result of ¥19.0 billion net decrease in commercial papers, cash outlays of ¥17.0 billion due to purchases of treasury stock and ¥10.0 billion due to redemption of bonds, and ¥9.5 billion in dividend payments, offset in part by proceeds from ¥32.0 billion of long-term loans and ¥20.0 billion of bond issuances.

(3) Qualitative Information Related to Consolidated Earnings Forecasts

The full-year consolidated earnings forecast for the current consolidated fiscal year (April 1, 2024 to March 31, 2025) remains unchanged from the figures announced on May 8, 2024. In addition, there is no change to the earnings forecast by segment announced on November 6, 2024.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
ASSETS		
Current assets		
Cash and time deposits	59,410	60,806
Notes and accounts receivable and contract assets	321,126	336,117
Merchandise and finished goods	131,137	136,935
Work in process	2,594	2,881
Raw materials and supplies	14,259	15,291
Other	14,881	17,308
Less allowance for doubtful accounts	(940)	(2,010)
Total current assets	542,470	567,330
Non-current assets		
Property, plant and equipment	87,392	89,153
Intangible fixed assets		
Goodwill	27,884	26,125
Technology-based assets	2,761	1,579
Other	38,703	37,138
Total intangible fixed assets	69,349	64,844
Investments and other assets		
Investments in securities	76,225	73,763
Long-term loans receivable	326	1,331
Retirement benefit asset	6,217	6,346
Deferred tax assets	4,596	4,863
Other	5,935	5,735
Less allowance for doubtful accounts	(177)	(161)
Total investments and other assets	93,123	91,879
Total non-current assets	249,865	245,877
Total assets	792,336	813,207

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
LIABILITIES		
Current liabilities		
Notes and accounts payable	156,352	163,367
Short-term loans	50,731	46,573
Current portion of long-term loans	6,946	51
Commercial paper	37,000	18,000
Current portion of bonds	10,000	—
Accrued income taxes	5,195	5,436
Accrued bonuses for employees	7,569	5,485
Accrued bonuses for directors	251	261
Other	28,628	36,395
Total current liabilities	302,675	275,570
Long-term liabilities		
Bonds	20,000	40,000
Long-term loans	27,533	59,828
Lease liabilities	12,492	11,519
Deferred tax liabilities	13,567	11,849
Retirement benefit liability	12,345	12,829
Provision for directors' stock benefit	60	89
Other	2,345	2,409
Total long-term liabilities	88,345	138,525
Total liabilities	391,021	414,096
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	9,348	9,348
Retained earnings	303,328	308,435
Less treasury stock, at cost	(9,543)	(19,579)
Total shareholders' equity	312,832	307,903
Accumulated other comprehensive income		
Net unrealized holding gain on securities	33,763	32,012
Deferred gain on hedges	119	201
Translation adjustments	44,846	50,709
Remeasurements of defined benefit plans	2,503	651
Total accumulated other comprehensive income	81,232	83,574
Non-controlling interests	7,250	7,632
Total net assets	401,315	399,110
Total liabilities and net assets	792,336	813,207

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

Nine-month periods ended December 31, 2024 and 2023

(Millions of yen)

	Nine-month period ended December 31, 2023 (April 1, 2023 - December 31, 2023)	Nine-month period ended December 31, 2024 (April 1, 2024 - December 31, 2024)
Net sales	677,732	718,044
Cost of sales	556,240	580,632
Gross profit	121,492	137,411
Selling, general and administrative expenses	98,472	106,409
Operating income	23,019	31,002
Non-operating income		
Interest income	352	799
Dividend income	1,418	1,816
Rent income	178	241
Equity in earnings of affiliates	400	804
Foreign exchange gains	629	—
Other	530	249
Total non-operating income	3,510	3,911
Non-operating expenses		
Interest expenses	2,841	2,788
Foreign exchange losses	—	457
Other	509	966
Total non-operating expenses	3,350	4,213
Ordinary income	23,179	30,700
Extraordinary gains		
Gain on sales of non-current assets	76	2,172
Gain on sales of investment securities	3,013	2,789
Gain on liquidation of subsidiaries and affiliates	—	73
Subsidy income	507	258
Other	45	9
Total extraordinary gains	3,642	5,303
Extraordinary losses		
Loss on sales of non-current assets	29	151
Loss on disposal of non-current assets	885	457
Loss on sales of investment securities	21	18
Loss on valuation of investment securities	9	1,014
Loss on sales of investments in capital of subsidiaries and affiliates	—	107
Loss on discontinued operations	152	2,033
Total extraordinary losses	1,099	3,781
Income before income taxes	25,722	32,221
Income taxes	7,382	9,930
Profit for the period	18,339	22,291
Profit attributable to non-controlling interests	337	578
Profit attributable to owners of the parent	18,001	21,712

(Quarterly Consolidated Statements of Comprehensive Income)

Nine-month periods ended December 31, 2024 and 2023

(Millions of yen)

	Nine-month period ended December 31, 2023 (April 1, 2023 - December 31, 2023)	Nine-month period ended December 31, 2024 (April 1, 2024 - December 31, 2024)
Profit for the period	18,339	22,291
Other comprehensive income		
Net unrealized holding gain (loss) on securities	3,267	(1,746)
Deferred gain on hedges	91	87
Translation adjustments	17,448	6,020
Remeasurements of defined benefit plans	500	(1,851)
Share of other comprehensive gain of affiliates accounted for by the equity method	419	148
Total other comprehensive income	21,728	2,658
Comprehensive income	40,067	24,949
Comprehensive income attributable to:		
Shareholders of the parent	39,161	24,093
Non-controlling interests	905	855

(3) Quarterly Consolidated Statements of Cash Flows

Nine-month periods ended December 31, 2024 and 2023

(Millions of yen)

	Nine-month period ended December 31, 2023 (April 1, 2023 - December 31, 2023)	Nine-month period ended December 31, 2024 (April 1, 2024 - December 31, 2024)
Operating activities		
Income before income taxes	25,722	32,221
Depreciation and amortization other than amortization of goodwill	10,222	11,487
Amortization of goodwill	1,955	2,040
Subsidy income	(507)	(258)
Share of gain of entities accounted for using equity method	(400)	(804)
Loss on discontinued operations	152	2,033
Increase in retirement benefit liability	186	148
Decrease (increase) in retirement benefit asset	416	(2,511)
Interest and dividend income	(1,770)	(2,616)
Interest expenses	2,841	2,788
Exchange gain, net	(1,138)	(778)
Gain on sales of property, plant and equipment, net	(46)	(2,020)
Gain on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(2,992)	(2,770)
Loss on valuation of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	9	1,014
Increase in notes and accounts receivable	(11,657)	(10,209)
Decrease (increase) in inventories	30,653	(4,876)
Increase in notes and accounts payable	11,609	3,974
Other	448	3,581
Subtotal	65,705	32,444
Interest and dividends received	1,937	3,017
Interest paid	(2,990)	(2,794)
Proceeds from subsidy income	507	258
Income taxes paid	(7,226)	(11,515)
Net cash provided by operating activities	57,933	21,410
Investing activities		
Purchases of property, plant and equipment	(8,573)	(9,417)
Proceeds from sales of property, plant and equipment	584	2,421
Purchases of intangible fixed assets	(3,184)	(1,839)
Purchases of investments in securities	(520)	(785)
Proceeds from sales of investments in securities	4,068	3,279
Purchases of investments in capital	(204)	—
Proceeds from sales of investments in capital	—	256
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	(244)	—
(Increase) decrease in short-term loans receivable included in other current assets, net	(300)	312
Decrease (increase) in time deposits, net	377	(166)
Other	40	(1,116)
Net cash used in investing activities	(7,954)	(7,054)

(Millions of yen)

	Nine-month period ended December 31, 2023 (April 1, 2023 - December 31, 2023)	Nine-month period ended December 31, 2024 (April 1, 2024 - December 31, 2024)
Financing activities		
Decrease in short-term loans, net	(20,139)	(6,117)
Increase (decrease) in commercial paper, net	4,000	(19,000)
Proceeds from long-term loans	—	32,037
Repayments of long-term loans	(45)	(6,930)
Proceeds from issuance of bonds	—	20,000
Redemption of bonds	—	(10,000)
Purchase of treasury stock	(8,000)	(17,018)
Cash dividends paid	(9,281)	(9,557)
Cash dividends paid to non-controlling interests	(603)	(474)
Payments for purchases of shares of subsidiaries not resulting in change in scope of consolidation	(6,016)	—
Other	(452)	(642)
Net cash used in financing activities	(40,539)	(17,703)
Effects of exchange rate changes on cash and cash equivalents	3,276	4,591
Net increase in cash and cash equivalents	12,715	1,243
Cash and cash equivalents at beginning of the year	40,331	59,185
Cash and cash equivalents at end of the period	53,047	60,429

(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)
- SOFIX LLC (liquidated on December 3, 2024)

Major changes in the scope of application of the equity method
(Decrease)

- Wuxi Chenghong Electronic Chemicals Co., LTD (Due to the partial sale of investment capital on December 11, 2024)

(Changes 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 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 Board of Directors at a meeting held May 8, 2024, the Company acquired 3,217,700 shares of treasury stock in the cumulative third quarter of the current consolidated fiscal year, resulting in a ¥9,999 million increase in treasury stock. The Company also canceled 3,000,000 shares of treasury stock on May 31, 2024, pursuant to a resolution by the Board of Directors at a meeting held on the same date, resulting in a ¥6,951 million decrease in retained earnings and treasury stock. Following a resolution by the Board of Directors at a meeting held on November 6, 2024, the Company also acquired 2,088,300 shares of treasury stock through an off-auction share repurchase transaction (ToSTNeT-3) on the Tokyo Stock Exchange on November 13, 2024, resulting in a ¥6,999 million increase in treasury stock.

As a result, retained earnings amounted to ¥308,435 million and treasury stock holdings amounted to ¥19,579 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 cumulative 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.

(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 of 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 and number of said treasury stock amounted to ¥612 million and 288,500 shares at the end of the previous fiscal year and ¥599 million and 282,400 shares at the end of the third quarter of the current consolidated fiscal year.

(Segment Information, etc.)

a. Segment Information

I Nine-month period ended December 31, 2023 (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	109,707	149,973	108,742	100,210	208,991	677,625	106	677,732	—	—	677,732
Intersegment sales/transfers	1,573	524	2,388	2,243	353	7,083	5,562	12,646	—	(12,646)	—
Total	111,281	150,498	111,130	102,454	209,345	684,709	5,669	690,378	—	(12,646)	677,732
Segment income (loss)	4,365	4,198	6,349	2,865	5,967	23,746	186	23,933	(1,411)	498	23,019

(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, 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	116,682	161,086	121,267	100,379	218,551	717,967	76	718,044	—	—	718,044
Intersegment sales/transfers	891	582	1,713	1,550	376	5,113	5,198	10,312	—	(10,312)	—
Total	117,573	161,669	122,980	101,930	218,928	723,081	5,274	728,356	—	(10,312)	718,044
Segment income	7,470	5,448	8,857	3,495	3,114	28,386	250	28,636	1,818	546	31,002

(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 Segment

(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 reflect the performance of reportable segments more appropriately. Segment information in the table above for the nine-month period ended December 31, 2023 is based on the allocation method after the change.