

FYE March 2022 Third Quarter

# Financial Highlights

NAGASE&CO.,LTD.  
February 9, 2022

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# Consolidated statements income

- ▶ Gross profit
  - Higher profit in all segments, with all stages of profit below gross profit once again reaching record highs for the cumulative third quarter after achieving the same in the second quarter
  - In particular, the automobile-related business, resins and electronics-related businesses, as well as the Prinova Group's nutrition-related business performed well
- ▶ Operating income
  - Income greatly increased year-on-year with increases in gross profit; the economic impact of the COVID-19 epidemic had been significant in the same period of the previous year
- ▶ Profit attributable to owners of the parent
  - Income increased due to significant income increase in stages up to ordinary income despite decrease in gain on sales of cross-shareholdings

100 millions of yen

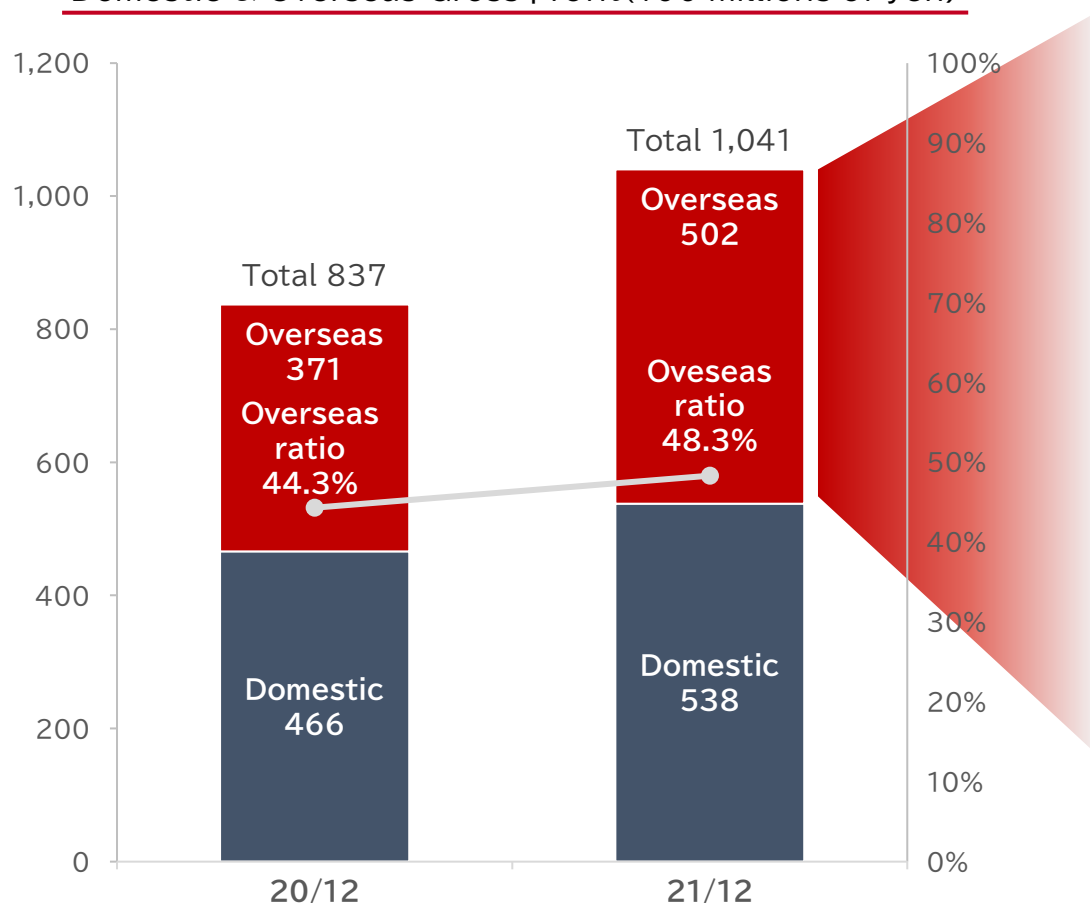
	20/12	21/12	Change	Vs.PY	Forecast (Full year)	Achievement
<b>Sales</b>	4,539	5,741	+ 1,201	126%	—	—
<b>Gross profit</b>	837	1,041	+ 203	124%	1,300	80%
<b>&lt;GP ratio&gt;</b>	18.4%	18.1%	(0.3pt)	—	—	—
<b>SG&amp;A expenses</b>	676	759	+ 83	112%	1,000	—
<b>Operating income</b>	160	281	+ 120	175%	300	94%
<b>Ordinary income</b>	171	301	+ 130	176%	310	97%
<b>Profit attributable to owners of the parent</b>	165	222	+ 56	134%	225	99%
US\$ Exchange rate (period average)	@ 106.1	@ 111.1	@ 5.0	Weak yen	@109.5	
RMB Exchange rate (period average)	@ 15.4	@ 17.3	@ 1.8	Weak yen	@16.9	

※ Offset to sales and cost of sales from application of revenue recognition standards: Dec. 2020, -¥150.5 billion; Dec. 2021, -¥181.7 billion  
 ※ Impact from foreign exchange: Gross profit, +¥2,000 million; Operating income, +¥600 million

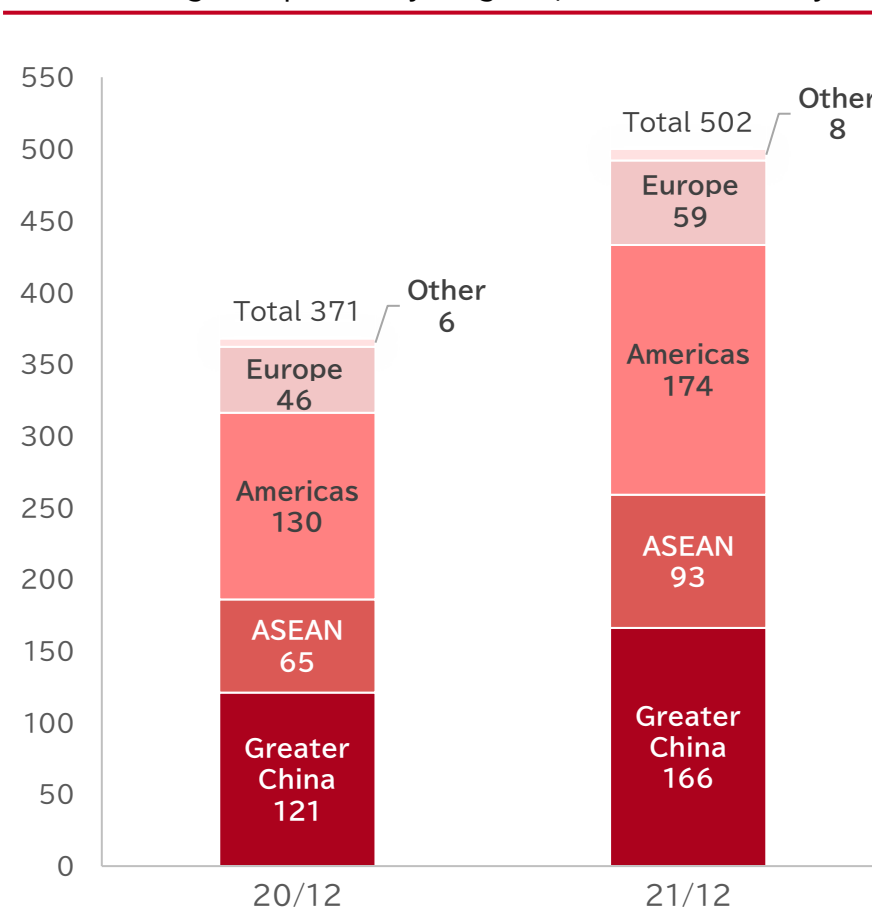
# Gross Profit By Region

- ▶ Higher profit both domestic and overseas
- ▶ Domestic : In particular, the automobile-related business and electronics-related business for mobile devices/displays performed well
- ▶ Overseas: The resins business, mainly for office equipment, appliances, and video game devices and focused on Greater China and ASEAN, and the nutrition-related business in Europe and the Americas performed well

Domestic & Overseas Gross profit(100 millions of yen)



Overseas gross profit By Region(100 millions of yen)



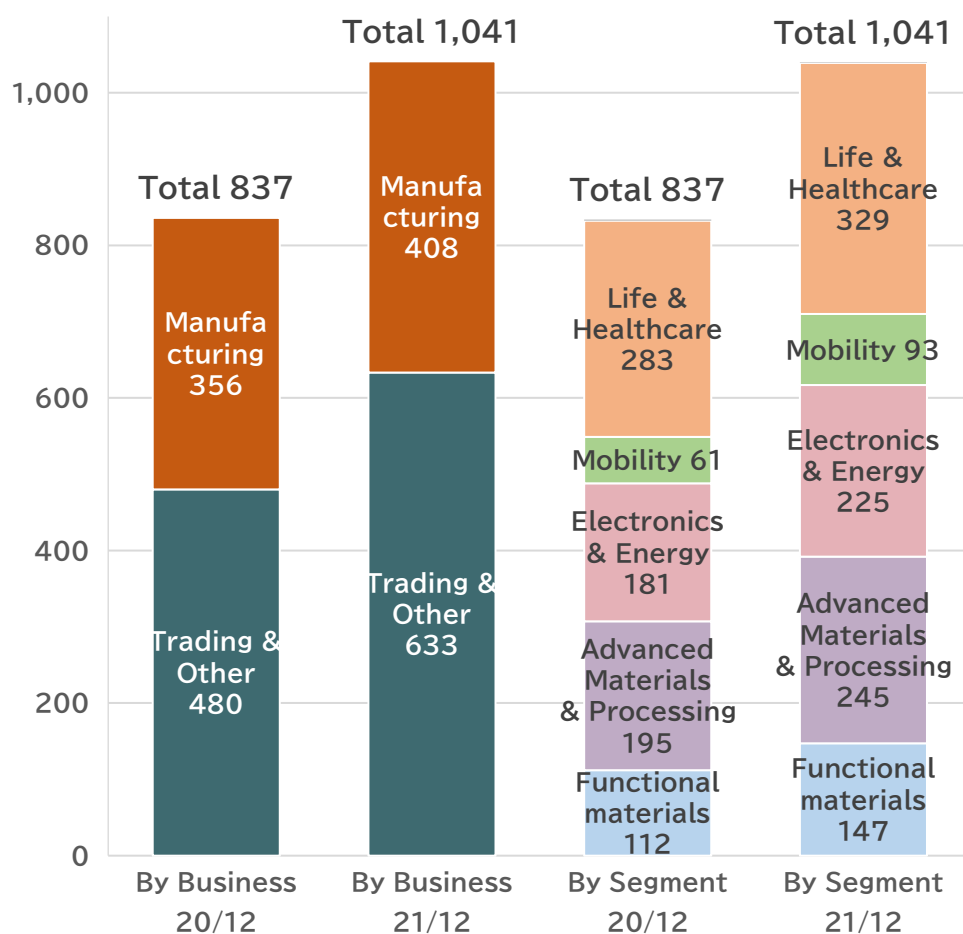
※From FYE March 2022, the usual overseas net sales per-destination region have been replaced by per-region information for gross profit, aggregated for each location of consolidated

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

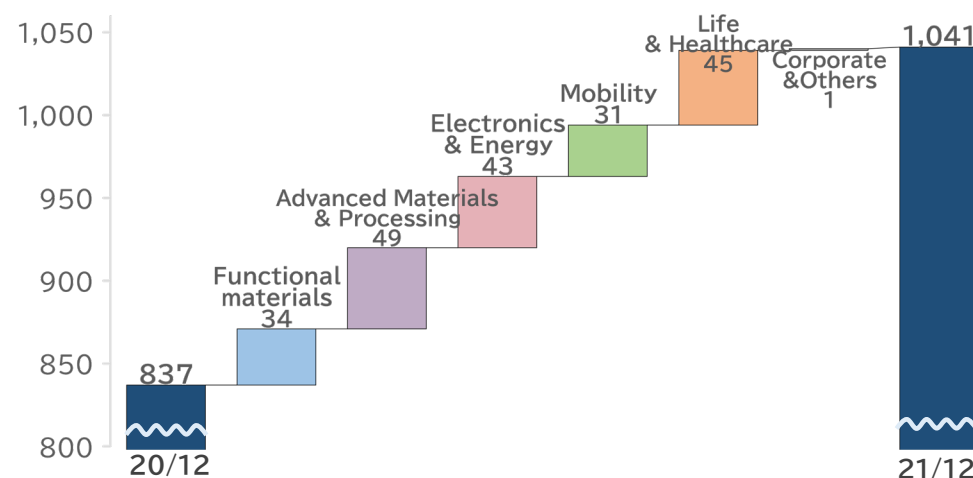
# Gross Profit By Business & Segment

- ▶ Higher profits in all segments, with a cumulative third quarter gross profits reaching record highs
  - ▶ Advanced Materials & Processing: Profitability improved due to strong demand in the resins business and rising market conditions
  - ▶ Life & Healthcare: Profits increased due to strong performance in the Prinova Group's nutrition-related business and strong sales of cosmetics-related materials
- ※Comparison information for segment values reflects impact from business segmentation changes implemented on April 1, 2021.

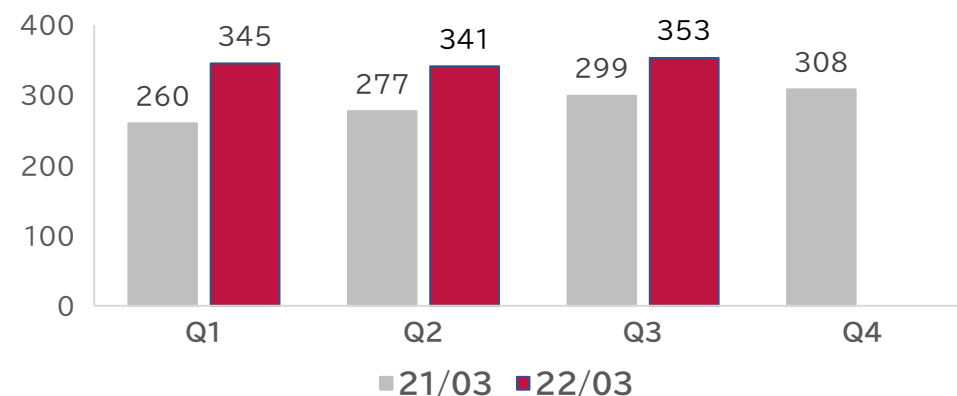
Gross Profit By Business & Segment (100 millions of yen)



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



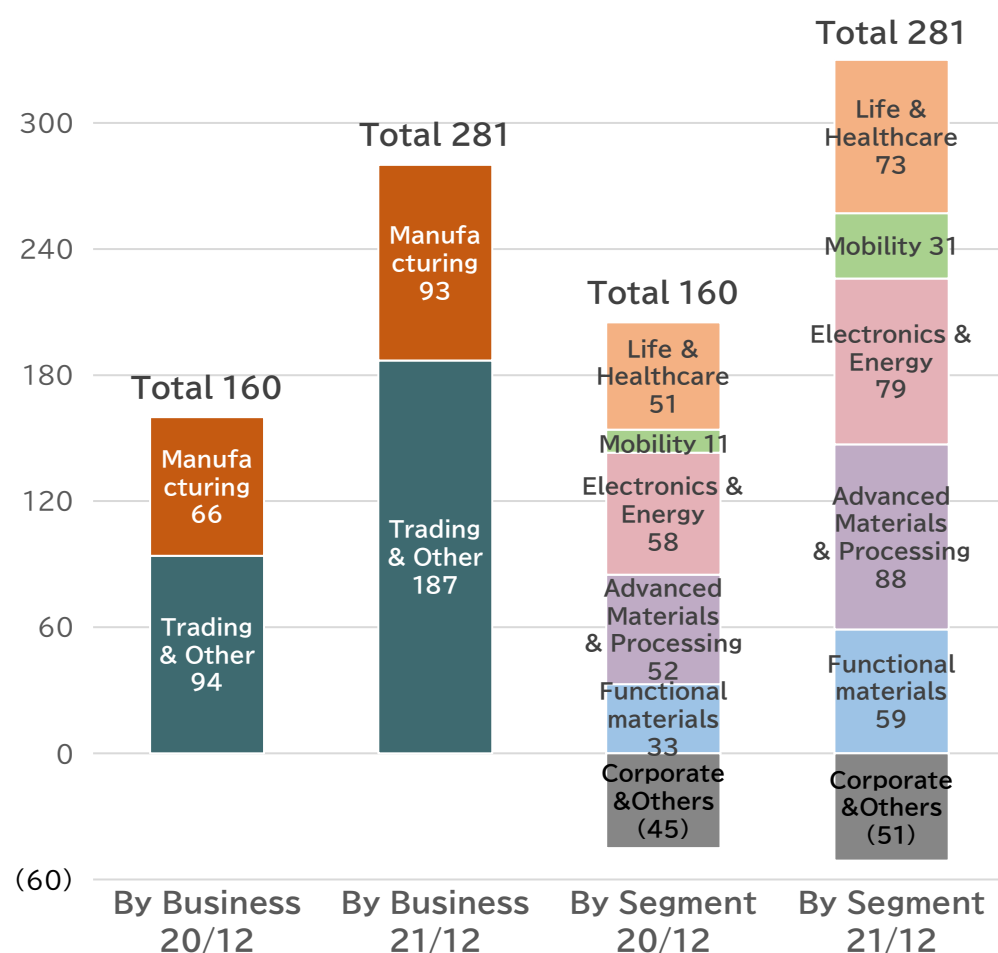
History of Gross Profit(100 millions of yen)



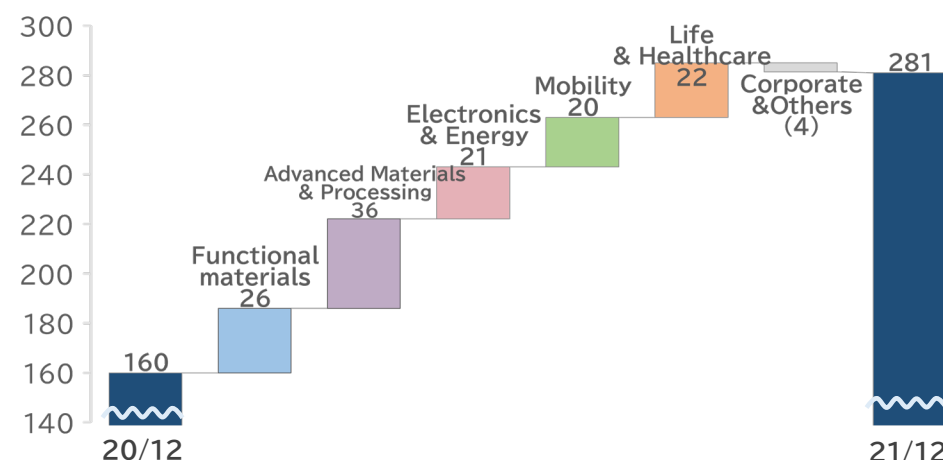
# Operating Income by Business & Segment

- ▶ Due to higher gross profit across all business segments, operating income reached a new record high for a cumulative consolidated third quarter
- ▶ we continue to invest for sustainable future growth, including in DX-related areas
- ▶ Operating income ratio decreased for the third quarter versus the first and second quarters due to increased general and administrative expenses and other factors

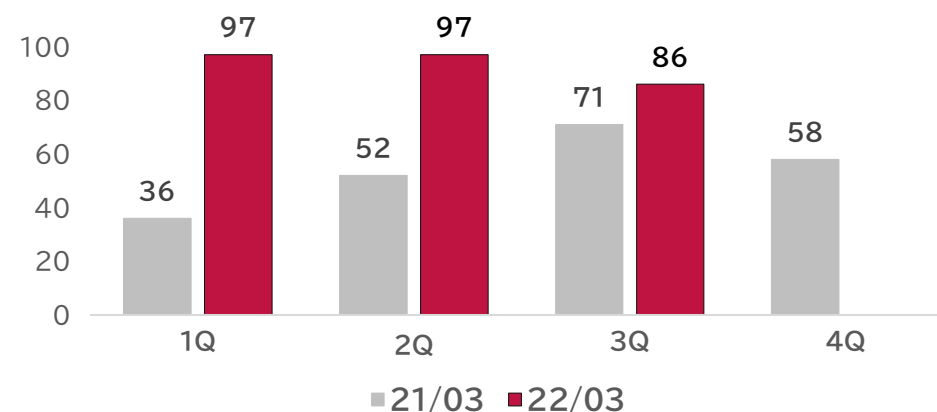
Operating Income by Business & Segment(100 millions of yen)



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



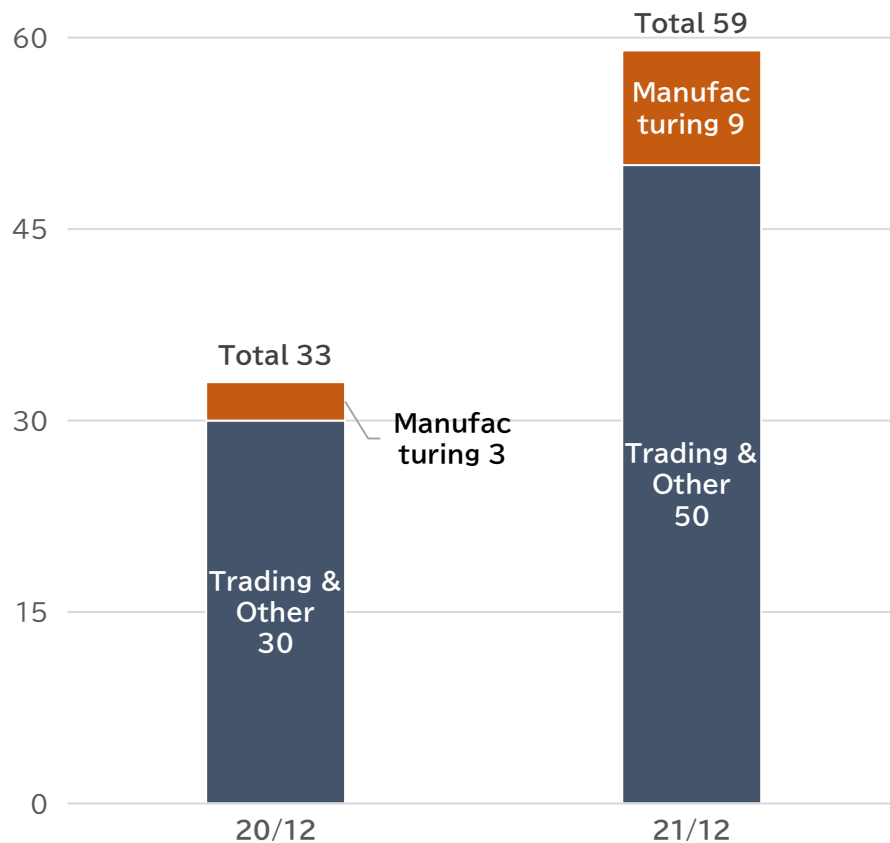
History of Operating Income(100 millions of yen)



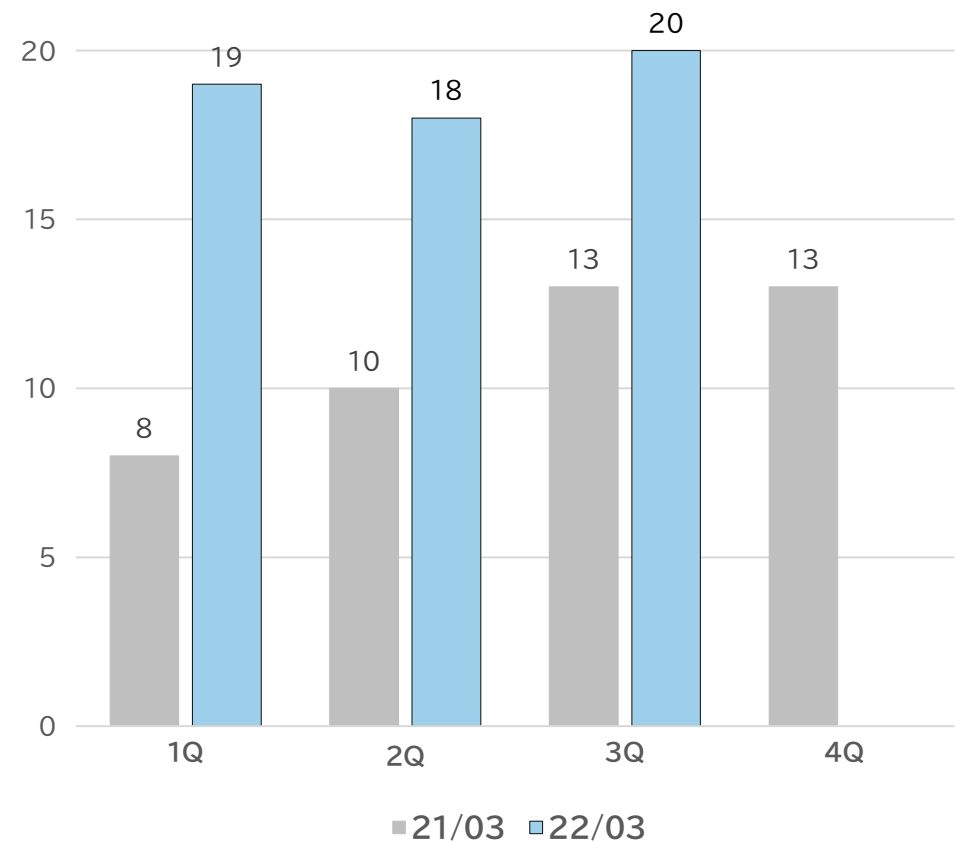
# Functional Materials Segment Operating Income Overview

- ▶ Raw materials sales increased for coating and urethane raw materials as well as those related to industrial oil solutions and plastic materials, driven by an increase in automotive production
- ▶ Sales trended strong in areas like electronics chemicals for the electronics industry, such as for semiconductor-related products
- ▶ Profits increased year-on-year; the economic impact of the COVID-19 epidemic had been significant in the same period of the previous year, primarily in the automobile-related business

Operating income by business(100 millions of yen)



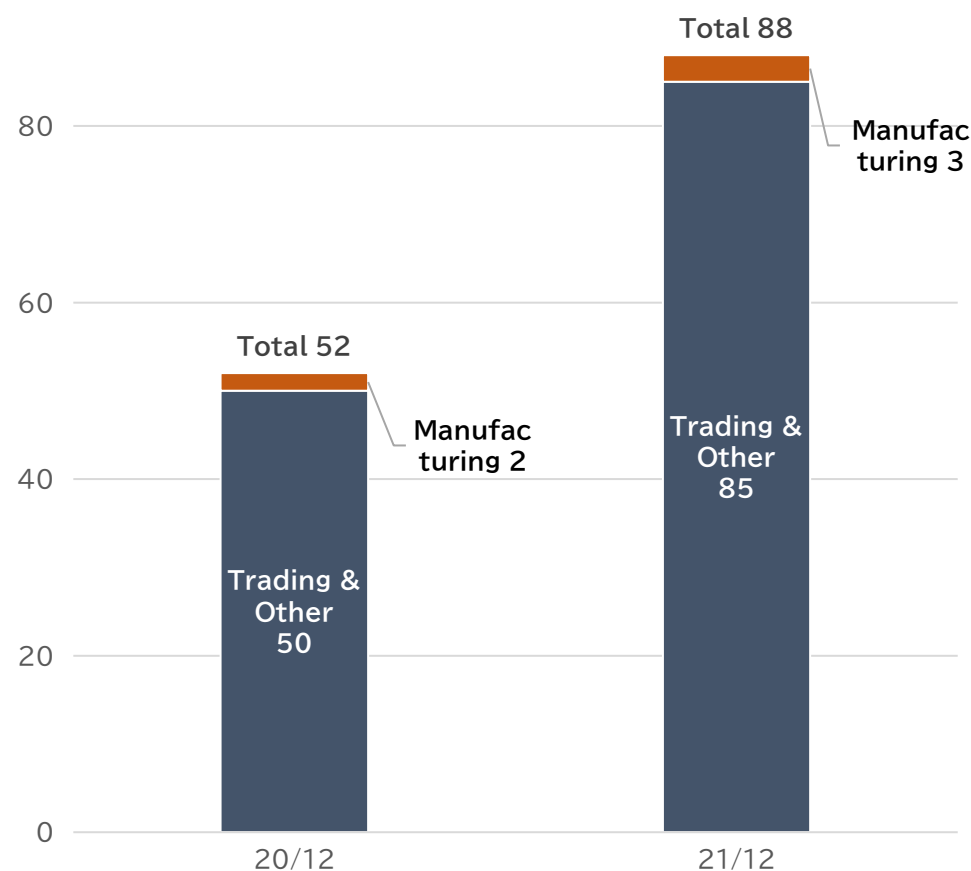
History of operating income (100 millions of yen)



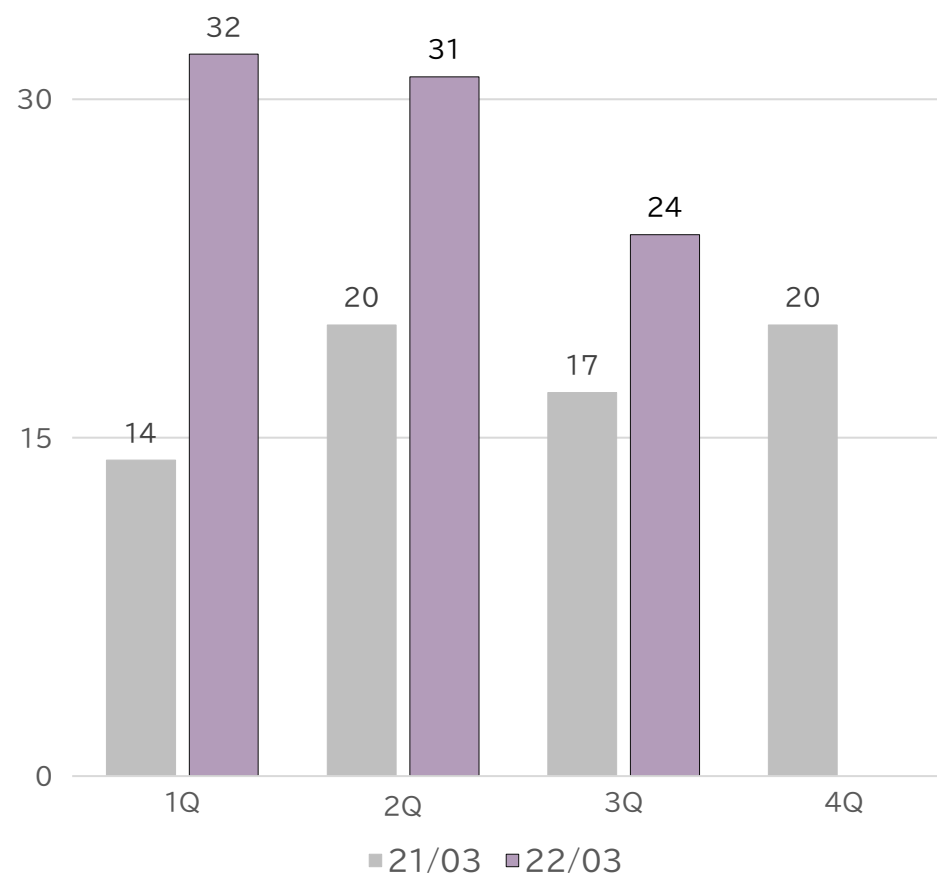
# Advanced material & Processing Segment Operating Income Overview

- ▶ The resins business, mainly in products for the office equipment, appliance, and video game device industry, performed well thanks to increased demand in Japan and overseas, primarily in China, as well as rising market conditions
- ▶ Digital print processing materials sales continued to be sluggish due to impact from declining market conditions from the second half of the previous fiscal year
- ▶ Profits increased significantly year-on-year thanks to strong demand in the resins business both domestically and overseas, as well as improvement on profitability from rising market conditions

Operating income by business (100 millions of yen)



History of operating income (100 millions of yen)

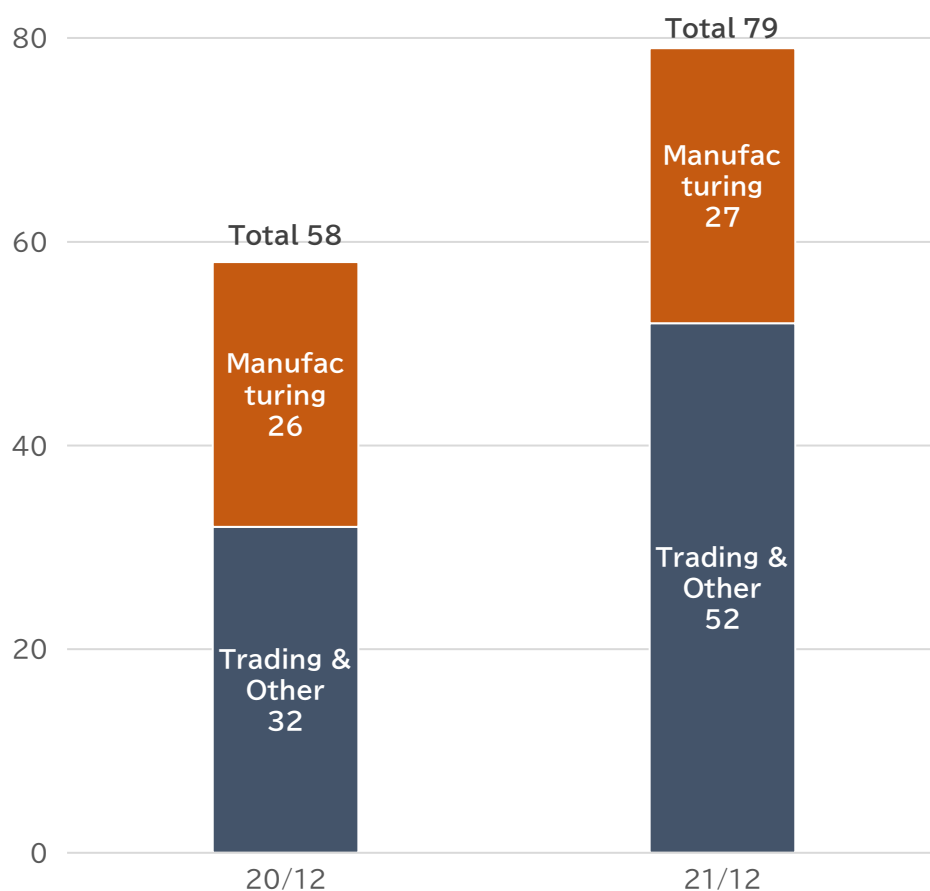




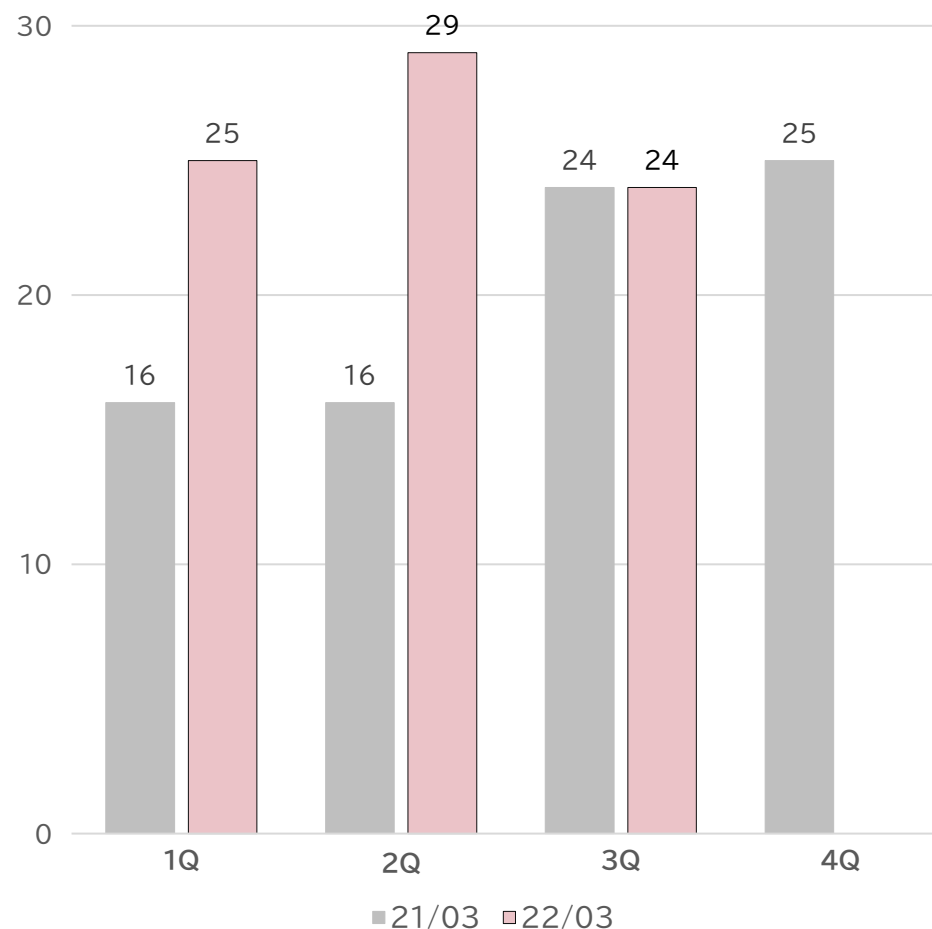
# Electronics & Energy Segment Operating Income Overview

- ▶ Sales increased for display-related materials and precision processing-related materials for semiconductors
- ▶ Sales of formulated epoxy resins-related products increased, primarily for mobile devices and semiconductors
- ▶ Establishing a structure for next-generation communications-related business, aiming for medium- to long-term growth despite upfront development costs

Operating income by business(100 millions of yen)



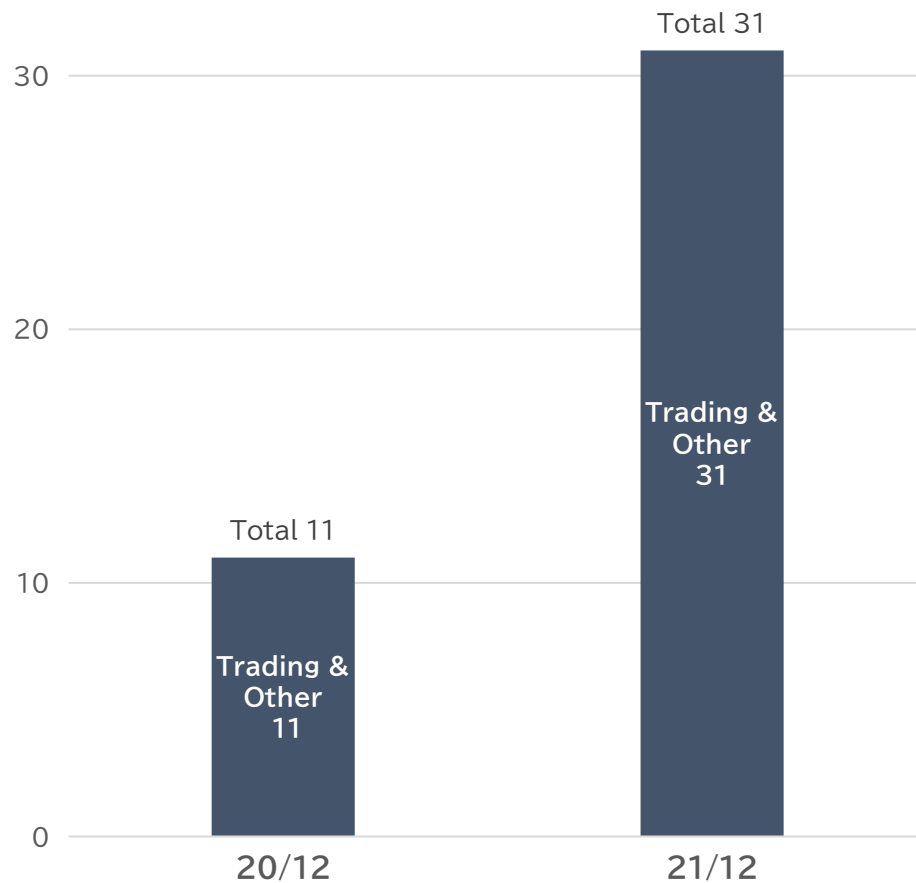
History of operating income (100 millions of yen)



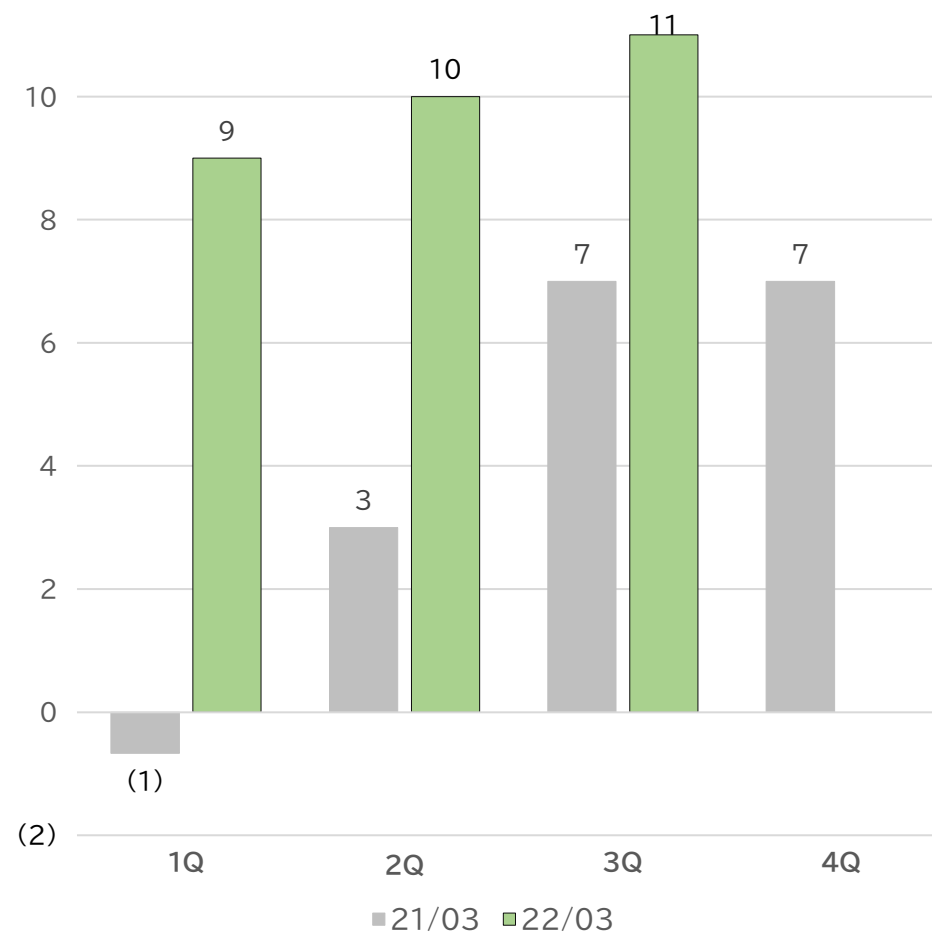
# Mobility Segment Operating Income Overview

- ▶ Sales increased in the resins business domestically and overseas, primarily in ASEAN, and profitability increased thanks to rising market conditions
- ▶ Sales increased in functional materials and functional components for interior and exterior fittings and electrification
- ▶ Profits increased significantly year-on-year amid recovery in automotive production

Operating income by business(100 millions of yen)



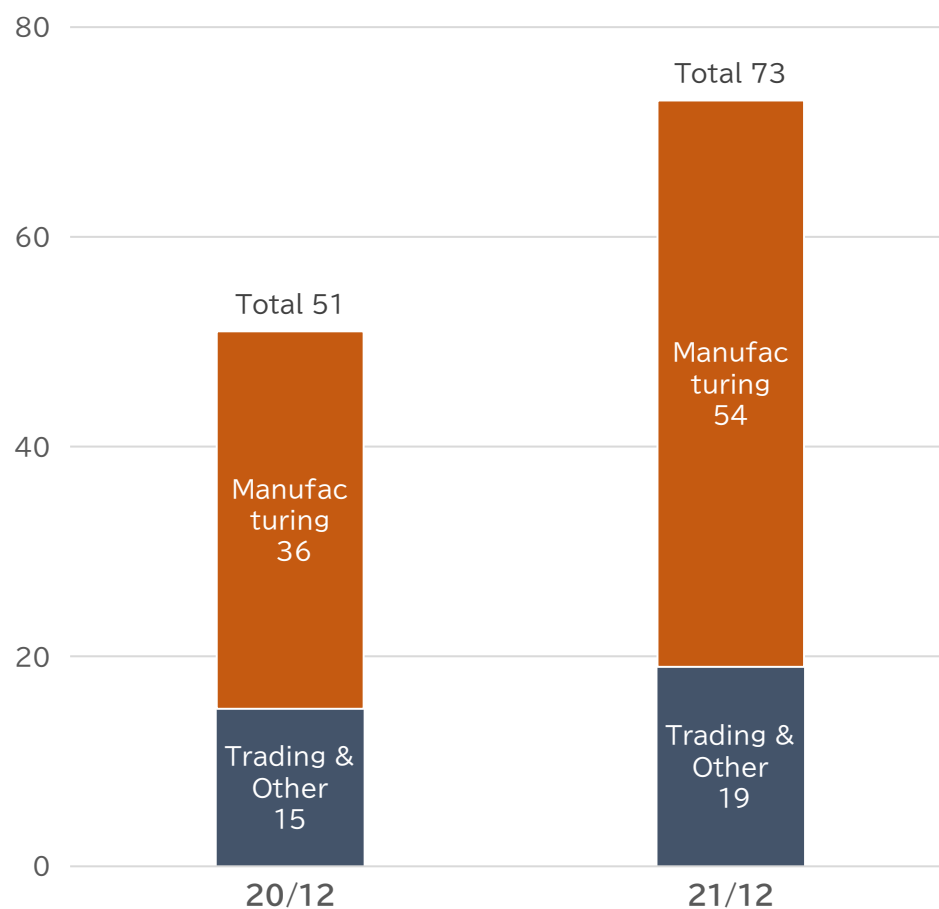
History of operating income (100 millions of yen)



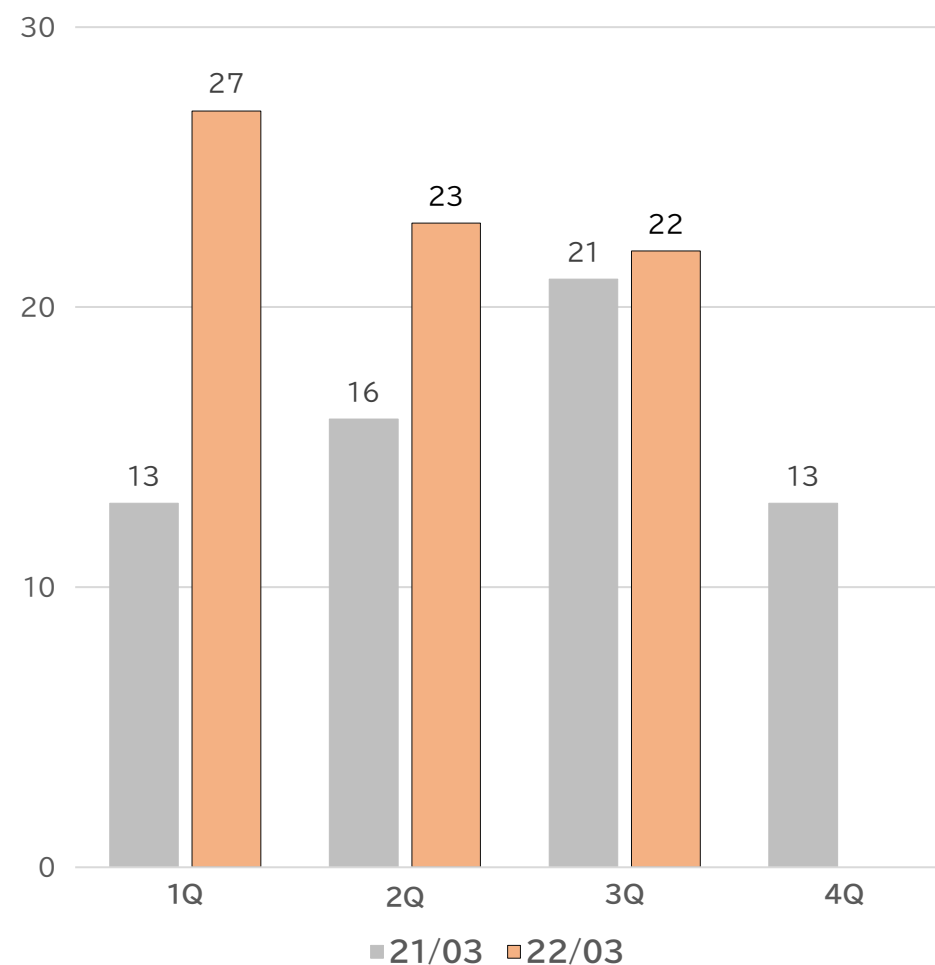
# Life & Healthcare Segment Operating Income Overview

- ▶ Materials sales, manufacturing, and processing all trended strongly in the nutrition-related business, primarily focused on the Prinova Group
- ▶ Sales increased related to food materials, primarily TREHA™, in cosmetics materials, primarily AA2G™, and related to pharmaceutical raw materials and intermediates
- ▶ Profits increased significantly year-on-year; the economic impact of the COVID-19 epidemic had been significant in the same period of the previous year, primarily in food materials and cosmetics-related material

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



# State of Major Manufacturing Subsidiaries

- ▶ Nagase ChemteX Corporation: Profits increased with strong sales related to formulated epoxy resins primarily for mobile devices and semiconductors, as well as for products like photolithography materials for displays
- ▶ Hayashibara Co., Ltd.: Profits increased with demand for the TREHA™ food material and with recovery in demand for the AA2G™ cosmetics material
- ▶ Prinova Group: Profits increased with continued strong sales of nutrition materials thanks to U.S. economic recovery as well as with recovery of manufacturing and processing

		100 millions of yen			
		20/12	21/12	Change	Vs.PY
Nagase ChemteX Corporation	Sales	188	221	33	118%
	Gross profit	59	69	10	117%
	Operating income	24	32	7	129%
Hayashibara Co.,Ltd.	Sales	179	200	21	112%
	Gross profit	75	81	6	108%
	Operating income	32	34	2	108%
	Goodwill amortization etc.	23	23	-	100%
	Operating income after amortization burden	9	11	2	128%
Prinova Group	Sales	656	857	201	131%
	Gross profit	125	160	34	128%
	Operating income	37	55	17	148%
	Goodwill amortization etc.	14	14	0	101%
	Operating income after amortization burden	22	40	17	179%

# Consolidated Balance Sheets

- ▶ Current assets: Accounts receivable and inventories increased due to favorable performance (working capital increased)
- ▶ Net assets : Shareholders' equity increased due to booking profit from the quarter despite purchases of treasury stock, payments of dividends, and decline in market value of investments in securities
- ▶ Net D/E ratio: Increased to 0.31 with increase in short-term borrowings due to demand for funds from increased working capital

100 millions of yen

	21/03	21/12	Change	Details
Total Current Assets	4,017	4,863	846	
(Cash&deposits)	492	488	(4)	
(Notes&account Receivable)	2,425	2,890	464	
(Inventories)	972	1,359	387	
Total non-current assets	2,388	2,389	0	
(Investments in security)	937	894	(42)	
Total assets	6,405	7,253	847	
Current Liab.	2,061	2,882	821	Short-term loans/CP+414、 Current Portion of Bonds+100
Non-current Liab.	960	821	(138)	
Total Liab.	3,021	3,704	682	
Shareholders' equity	2,847	2,961	113	Purchase of treasury stock(49)
Accum. Other Comprehensive Income	449	482	33	Translation adjustment+74、 Appraisal Loss on Investment Securities(38)
Non-controlling interest	87	104	17	
Total net assets	3,384	3,548	164	
Working capital	2,198	2,741		
Shareholders' equity ratio	51.5%	47.5%		
NET D/E ratio	0.23	0.31		

# FYE March 2022 Earnings Projection

- ▶ Overall consolidated earnings for the cumulative third quarter showed significant income increases versus the same period of the previous year, due to increased profitability in the resins business thanks to rising market conditions, as well as strong performance in the Prinova Group's nutrition-related business and in the electronics-related business
- ▶ We expect that earnings levels will exceed the revised forecast announced in the first quarter, particularly focusing on the resins business, automobile-related business and electronics-related business
- ▶ We expect earnings for the full year to exceed the forecast announced in the first quarter of FYE March 2022, despite forecasting a decline in profitability in the resins business in the fourth quarter and an increase in general and administrative expenses amid strong earnings (another upward revision of the full-year earnings forecast following the first quarter)

100 millions of yen					
	21/03 Actual	22/03 Previous forecast	22/03 Revised forecast	Change	Percent Change
<b>Gross profit</b>	1,146	1,300	1,380	80	6.2%
<b>SG&amp;A expenses</b>	926	1,000	1,030	30	3.0%
<b>Operating income</b>	219	300	350	50	16.7%
<b>Ordinary income</b>	228	310	365	55	17.7%
<b>Profit attributable to owners of the parent</b>	188	225	250	25	11.1%
US\$ Exchange rate (period average)	@ 106.1	@ 109.5	@ 111.9		
RMB Exchange rate (period average)	@ 15.7	@ 16.9	@ 17.4		

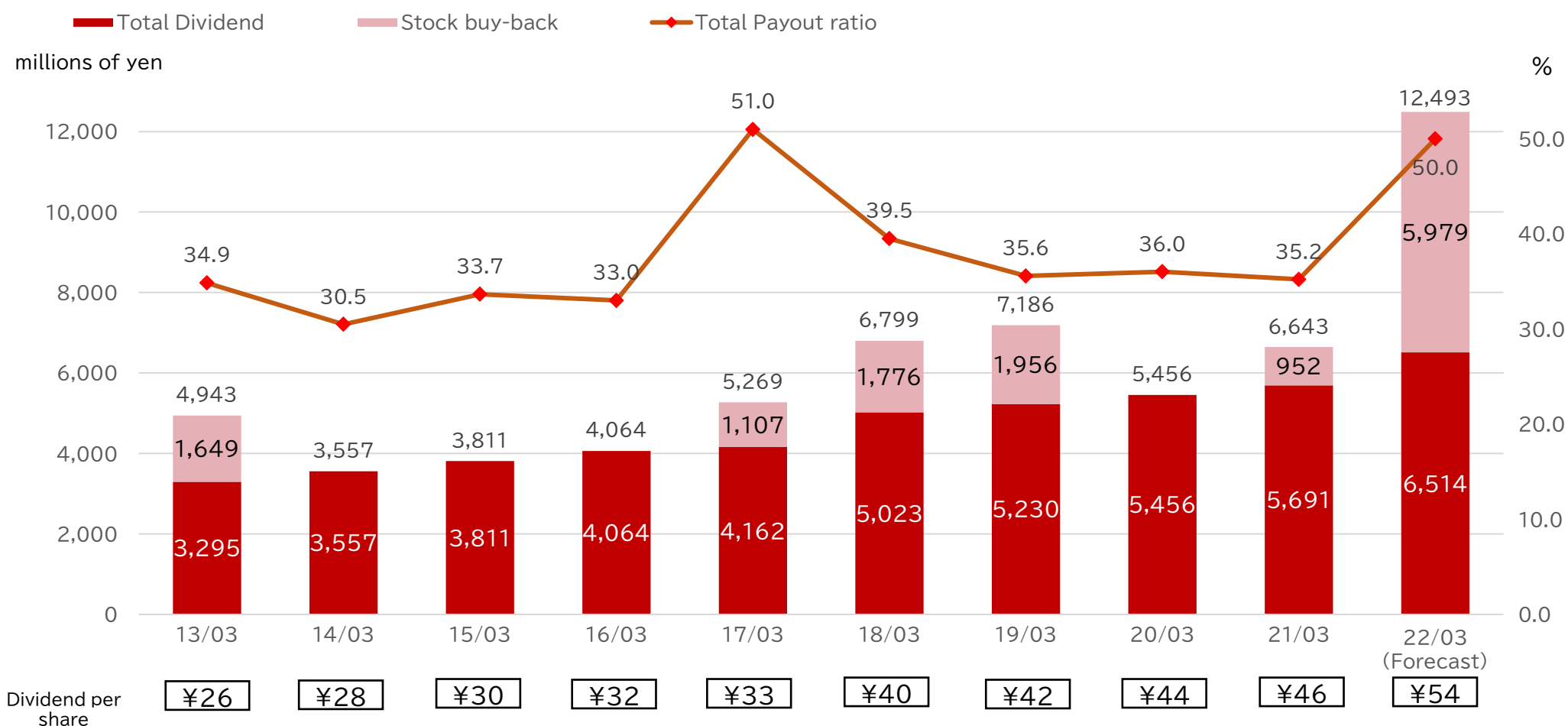
# FYE March 2022 Earnings Projection(By segment)

- ▶ In our full-year forecast for the resins business, we expect earnings to be higher than the previous forecast despite the current slowdown caused by degrading market conditions
- ▶ The electronics-related and automobile-related businesses also trend above the previous forecast, thanks mainly to increased demand for digital devices due to lifestyle changes
- ▶ We expect that operating income for the full year will mark significantly higher record highs (previous high: ¥25.2 billion in FYE March 2019) despite an expected increase in general and administrative expenses due to strong business performance in the fourth quarter and declining profitability in the resins business in the Advanced Materials & Processing Segment

		100 millions of yen			
		21/3 Actual	22/03 Previous forecast	22/03 Revised forecast	Change Percent Change
Functional materials	Gross profit	155	177	195	18 10.2%
	Operating income	47	66	78	12 18.2%
Advanced Materials & Processing	Gross profit	268	295	319	24 8.1%
	Operating income	73	96	108	12 12.5%
Electronics & Energy	Gross profit	255	274	298	24 8.8%
	Operating income	84	88	100	12 13.6%
Mobility	Gross profit	89	112	124	12 10.7%
	Operating income	18	34	41	7 20.6%
Life & Healthcare	Gross profit	374	437	439	2 0.5%
	Operating income	65	93	93	— —
Corporate&Others	Gross profit	1	5	5	— —
	Operating income	(68)	(77)	(70)	7 —
Total	Gross profit	1,146	1,300	1,380	80 6.2%
	Operating income	219	300	350	50 16.7%

# Shareholder Returns

- ▶ Increasing year-end dividend forecast in response to strong earnings performance exceeding initial expectations (adding a special dividend of ¥6, with a year-end dividend of ¥30, resulting in a full-year dividend including interim dividends of ¥54 per share)
- ▶ Completed repurchases of treasury stock of ¥6 billion as resolved in February 2021; resolved a new repurchase of ¥6 billion of treasury stock (planned repurchase period: February 2022 to February 2023)



※ 18/03 year-end dividend include a special dividend of ¥5 per share.

※ 22/03 year-end dividend will include a special dividend of ¥6 per share.

※ 22/03 year-end dividend to be submitted for approval to the 107th general meeting of shareholders scheduled for June 2022.





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

These presentation materials contain projections based on forward-looking assumptions, forecasts, and plans as of February 9, 2022. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.