

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

November 4, 2022

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: Kenji Asakura, Representative Director and President

Contact: Yoshihisa Shimizu, Executive Officer, General Manager, Corporate Management Department

TEL: +81-3-3665-3103

Filing of quarterly report (scheduled): November 10, 2022

Start of distribution of dividends (scheduled): December 5, 2022

Supplementary documents of quarterly financial results: Yes

Quarterly investors' meeting: Yes (for analysts and institutional investors)

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

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

(April 1, 2022 to September 30, 2022)

(1) Consolidated Operating Results

(% = year-on-year change)

	Net sales		Gross profit		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the second quarter ended										
September 30, 2022	455,549	21.9	79,383	15.5	19,891	2.0	20,284	-0.9	15,594	6.6
September 30, 2021	373,762	30.5	68,734	27.8	19,499	118.2	20,467	111.2	14,622	43.5

(Note) Comprehensive income

Second quarter ended September 30, 2022: ¥36,815 million (106.3%)

Second quarter ended September 30, 2021: ¥17,849 million (11.6% decrease)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
For the second quarter ended				
September 30, 2022	130.95		-	
September 30, 2021	119.57		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2022	801,956	383,661	46.5	3,148.87
March 31, 2022	739,720	355,092	46.5	2,868.22

(Reference) Equity capital

As of September 30, 2022: ¥ 372,557 million

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

2. Dividends

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

(Note) Revisions to the latest dividends forecast: No

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023

(April 1, 2022 to March 31, 2023)

(% = year-on-year change)

	Gross profit		Operating income		Ordinary income		Profit attributable to owners of the parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	159,000	14.0	38,000	7.8	39,000	6.9	28,500	9.9	241.35

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

* Notes

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): No

New: — (Company name:) Excluded: — (Company name:)

(2) Application of special accounting methods to the preparation of quarterly financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

- i. Changes in accordance with revisions to accounting and other standards: No
- ii. Changes in items other than (i) above: No
- iii. Changes in accounting estimates: No
- iv. Restatement of prior period financial statements after error corrections: No

(4) Number of shares issued and outstanding (common stock)

i. Number of shares issued and outstanding as of the fiscal period end (including treasury stock)

September 30, 2022	120,908,285 shares	March 31, 2022	120,908,285 shares
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ii. Number of treasury stock as of the fiscal period end

September 30, 2022	2,593,465 shares	March 31, 2022	881,767 shares
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iii. Average number of shares during the period

September 30, 2022	119,089,430 shares	September 30, 2021	122,298,419 shares
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* Quarterly financial statements are not subject to quarterly review.

* Cautionary Statement with Respect to Forecasts of Consolidated Business Results

The earnings forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts.

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2022)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2022)
ASSETS		
Current assets		
Cash and time deposits	54,211	46,124
Notes and accounts receivable	289,862	316,472
Merchandise and finished goods	142,590	169,152
Work in process	2,401	2,134
Raw materials and supplies	12,533	15,177
Other	13,935	19,945
Less allowance for doubtful accounts	(1,248)	(1,247)
Total current assets	514,286	567,760
Non-current assets		
Property, plant and equipment	72,554	77,121
Intangible fixed assets		
Goodwill	29,492	30,959
Technology-based assets	5,912	5,125
Other	29,664	35,815
Total intangible fixed assets	65,070	71,899
Investments and other assets		
Investments in securities	75,600	72,459
Long-term loans receivable	24	19
Retirement benefit asset	3,139	3,338
Deferred tax assets	3,572	3,572
Other	5,583	5,892
Less allowance for doubtful accounts	(112)	(108)
Total investments and other assets	87,809	85,174
Total non-current assets	225,434	234,196
Total assets	739,720	801,956

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2022)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2022)
LIABILITIES		
Current liabilities		
Notes and accounts payable	149,036	152,353
Short-term loans	73,121	90,138
Current portion of long-term loans	8,752	8,348
Commercial paper	25,000	39,000
Current portion of bonds	10,000	—
Accrued income taxes	7,100	3,456
Accrued bonuses for employees	7,648	7,323
Accrued bonuses for directors	497	241
Other	26,678	27,732
Total current liabilities	307,836	328,592
Long-term liabilities		
Bonds	20,000	30,000
Long-term loans	28,244	29,223
Deferred tax liabilities	12,310	11,265
Retirement benefit liability	13,238	13,517
Other	2,998	5,695
Total long-term liabilities	76,791	89,702
Total liabilities	384,628	418,295
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,639	10,639
Retained earnings	280,015	291,775
Less treasury stock, at cost	(1,534)	(4,761)
Total shareholders' equity	298,820	307,353
Accumulated other comprehensive income		
Net unrealized holding gain on securities	31,732	29,170
Deferred gain on hedges	178	542
Translation adjustments	13,690	35,562
Remeasurements of defined benefit plans	(161)	(71)
Total accumulated other comprehensive income	45,441	65,204
Non-controlling interests	10,830	11,104
Total net assets	355,092	383,661
Total liabilities and net assets	739,720	801,956

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

(Quarterly Consolidated Statements of Income)

Six-month periods ended September 30, 2022 and 2021

(Millions of yen)

	Six-month period ended September 30, 2021 (April 1, 2021 - September 30, 2021)	Six-month period ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Net sales	373,762	455,549
Cost of sales	305,027	376,166
Gross profit	68,734	79,383
Selling, general and administrative expenses	49,234	59,491
Operating income	19,499	19,891
Non-operating income		
Interest income	76	57
Dividend income	725	831
Rent income	139	124
Equity in earnings of affiliates	12	165
Foreign exchange gains	524	449
Other	248	212
Total non-operating income	1,727	1,841
Non-operating expenses		
Interest expenses	565	1,207
Other	194	240
Total non-operating expenses	760	1,448
Ordinary income	20,467	20,284
Extraordinary gains		
Gain on sales of non-current assets	11	127
Gain on sales of investment securities	1,457	1,335
Other	271	1
Total extraordinary gains	1,740	1,465
Extraordinary losses		
Loss on sales of non-current assets	173	28
Loss on disposal of non-current assets	359	205
Loss on sales of investment securities	—	7
Loss on valuation of investment securities	173	457
Loss on sales of shares of subsidiaries and affiliates	59	—
Other	163	23
Total extraordinary losses	930	722
Income before income taxes	21,276	21,027
Income taxes	5,776	5,000
Profit for the period	15,500	16,026
Profit attributable to non-controlling interests	877	431
Profit attributable to owners of the parent	14,622	15,594

(Quarterly Consolidated Statements of Comprehensive Income)

Six-month periods ended September 30, 2022 and 2021

(Millions of yen)

	Six-month period ended September 30, 2021 (April 1, 2021 - September 30, 2021)	Six-month period ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Profit for the period	15,500	16,026
Other comprehensive income		
Net unrealized holding loss on securities	(2,588)	(2,552)
Deferred (loss) gain on hedges	(19)	363
Translation adjustments	5,040	22,155
Remeasurements of defined benefit plans	(139)	90
Share of other comprehensive income of affiliates accounted for by the equity method	56	731
Total other comprehensive income	2,349	20,789
Comprehensive income	17,849	36,815
Comprehensive income attributable to:		
Shareholders of the parent	16,568	35,358
Non-controlling interests	1,280	1,457

(3) Quarterly Consolidated Statements of Cash Flows

Six-month periods ended September 30, 2022 and 2021

(Millions of yen)

	Six-month period ended September 30, 2021 (April 1, 2021 - September 30, 2021)	Six-month period ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Operating activities		
Income before income taxes	21,276	21,027
Depreciation and amortization other than amortization of goodwill	5,598	5,895
Amortization of goodwill	1,243	1,246
Increase in retirement benefit liability	77	379
Increase in retirement benefit asset	(435)	(27)
Interest and dividend income	(802)	(889)
Interest expenses	565	1,207
Exchange gain, net	(259)	(2,823)
Gain on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(1,398)	(1,327)
Increase in notes and accounts receivable	(16,541)	(11,298)
Increase in inventories	(22,765)	(11,960)
Increase (decrease) in notes and accounts payable	6,507	(6,307)
Other	(2,406)	(3,880)
Subtotal	(9,339)	(8,758)
Interest and dividends received	894	1,073
Interest paid	(588)	(1,156)
Income taxes paid	(4,591)	(9,140)
Net cash provided by (used in) operating activities	(13,625)	(17,982)
Investing activities		
Purchases of property, plant and equipment	(4,778)	(5,725)
Proceeds from sales of property, plant and equipment	304	495
Purchases of intangible fixed assets	(657)	(2,370)
Purchases of investments in securities	(741)	(228)
Proceeds from sales of investments in securities	1,613	1,651
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	587	—
Increase in short-term loans receivable included in other current assets	(14)	(601)
(Increase) decrease in time deposits, net	(251)	239
Payments of leasehold and guarantee deposits	(1,352)	—
Other	342	550
Net cash used in investing activities	(4,947)	(5,987)
Financing activities		
Increase in short-term loans, net	16,727	6,389
Increase in commercial paper, net	10,000	14,000
Proceeds from long-term loans	1,900	—
Repayments of long-term loans	(6,931)	(529)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	—	(10,000)
Purchase of treasury stock	(3,543)	(3,227)
Cash dividends paid	(2,963)	(3,600)
Cash dividends paid to non-controlling interests	(543)	(1,133)
Other	(228)	(347)
Net cash provided by financing activities	14,417	11,550
Effects of exchange rate changes on cash and cash equivalents	352	4,754
Net decrease in cash and cash equivalents	(3,803)	(7,664)
Cash and cash equivalents at beginning of the year	48,553	53,336
Decrease in cash and cash equivalents resulting from changes in fiscal year-end of consolidated subsidiaries	—	(204)
Cash and cash equivalents at end of the period	44,749	45,467