

# FY2023

## Financial Briefing

FY2023 Results and FY2024 Earnings Projections

### NAGASE&CO.,LTD.

Stock exchange listing : Tokyo (Prime Market)

Code number : 8012

May 24, 2024

# Delivering next.

“Next” connects us to the future.



# Executive Summary

## FY2023 Results

- ➡ The Prinova Group reported lower earnings due to lower food ingredient market prices and prior costs at the Utah plant
- ➡ The color former business reported an operating loss, mainly due to declines in demand and market conditions
- ➡ Resin sales declined due to declines in global demand and market conditions
- ➡ Sales were strong for Nagase ChemteX-formulated epoxy resin used in high-end server applications
- ➡ Nagase Viita (former Hayashibara) passed on the prices of utilities and other costs and posted increased sales of functional materials for cosmetics and foods

## FY2024 Earnings Projections

- ➡ We expect to improve profitability through ROIC management and increase gross profit margin from 18.3% to 19.1%. We also expect to post a record-high operating profit.
- ➡ We will reallocate resources among regions in our trading function. We will invest resources in regions with high growth potential.
- ➡ We expect to produce results in the semiconductor manufacturing process of the chemical recovery and recycling business, as well as expand business for power semiconductors.

## Medium-Term Management Plan ACE 2.0

- Steady implementation of QUICK WIN
- Decision to change Shareholder Returns policy (100% total return ratio in FY2024, FY2025)

# Business Environment by Segment



Industry	FY2023 Trends		FY2024 Trends		Segment
Coatings	Gradual recovery in automotive applications, but sluggish construction-related applications		Automotive applications to remain strong, but generally flat overall		Functional Materials
Color Formers	Demand remained weak and market conditions declined further		Oversupply to continue while market conditions remain sluggish		
Semiconductors	High-end applications performed well despite slow market recovery		Moderate recovery, full-scale recovery in the second half of the fiscal year, with sales of high-end applications to continue strong		
Display	Sluggish shipments of smartphones, etc., throughout the fiscal year		Demand to recover year on year		Electronics & Energy
Smartphones	Sluggish shipments throughout the year		Expected growth year on year		
OA and Games	Resin market conditions declined due to sluggish global demand		Overall demand and resin market conditions to make a moderate recovery		Advanced Materials & Processing
Automobiles	The Japanese automotive-related industry in China was sluggish, while sales in Japan were steady due to a recovery in the semiconductor shortage		Moderate recovery in automobile production to continue		Mobility
Medical	Sluggish overall industry performance		Demand to increase while sales of raw materials decrease due to patent expiration of brand-name drugs, etc.		Life & Healthcare
Cosmetics	Demand increased due to the end of the COVID-19 pandemic		Overall demand to continue to recover		
Food	Demand began recovering in the second half of the year, despite lower demand in the U.S. market and weak market conditions		Demand in the U.S. market to continue to recover		

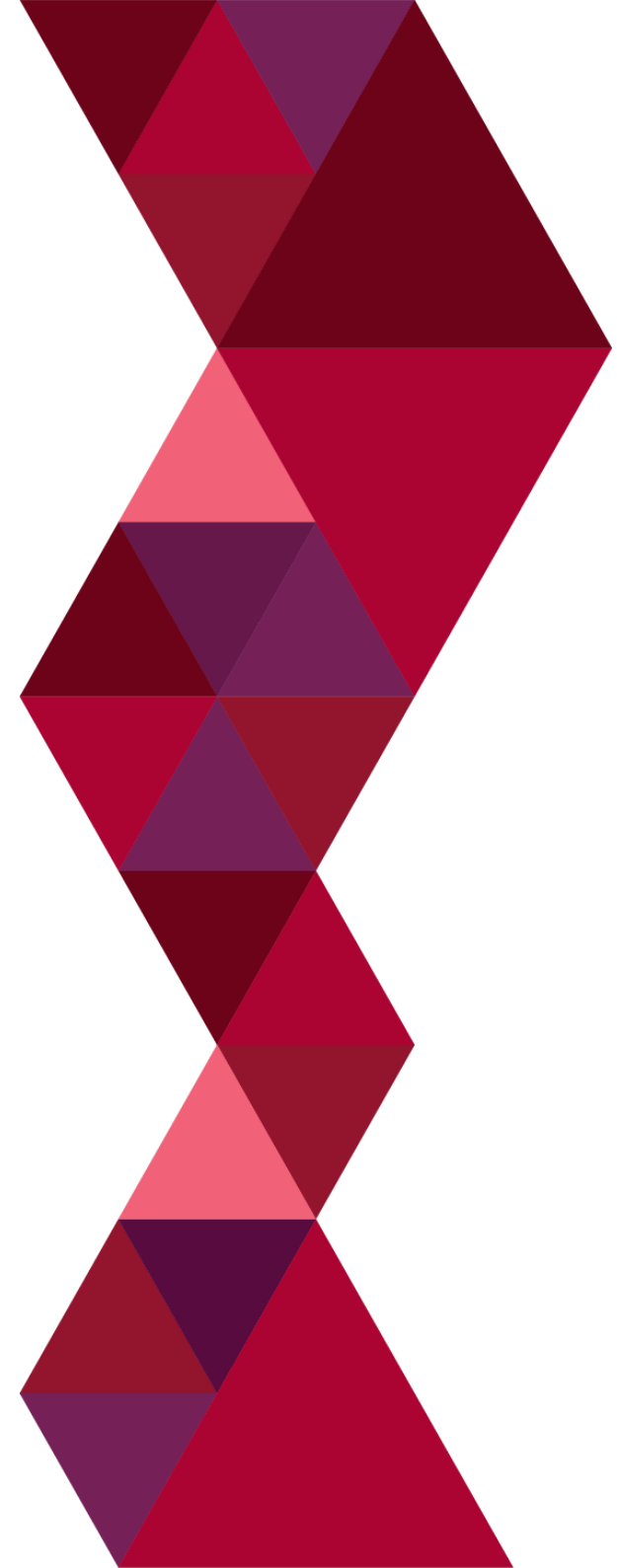
\*Based on the business environment of the Nagase Group, excluding one-time losses, etc. (Forecasts may not be consistent with general industry trends)

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# FY2023 Results and FY2024 Earnings Projections





# Consolidated statements income

- ▶ Gross profit increased due to strong performance of high-profit manufacturing subsidiaries; however, operating income decreased due to increases in personnel expenses and other selling, general and administrative expenses
- ▶ Net income decreased with the decrease in ordinary income, despite decreases in loss on securities and impairment loss.
- ▶ Overall performance was in line with the full-year forecast

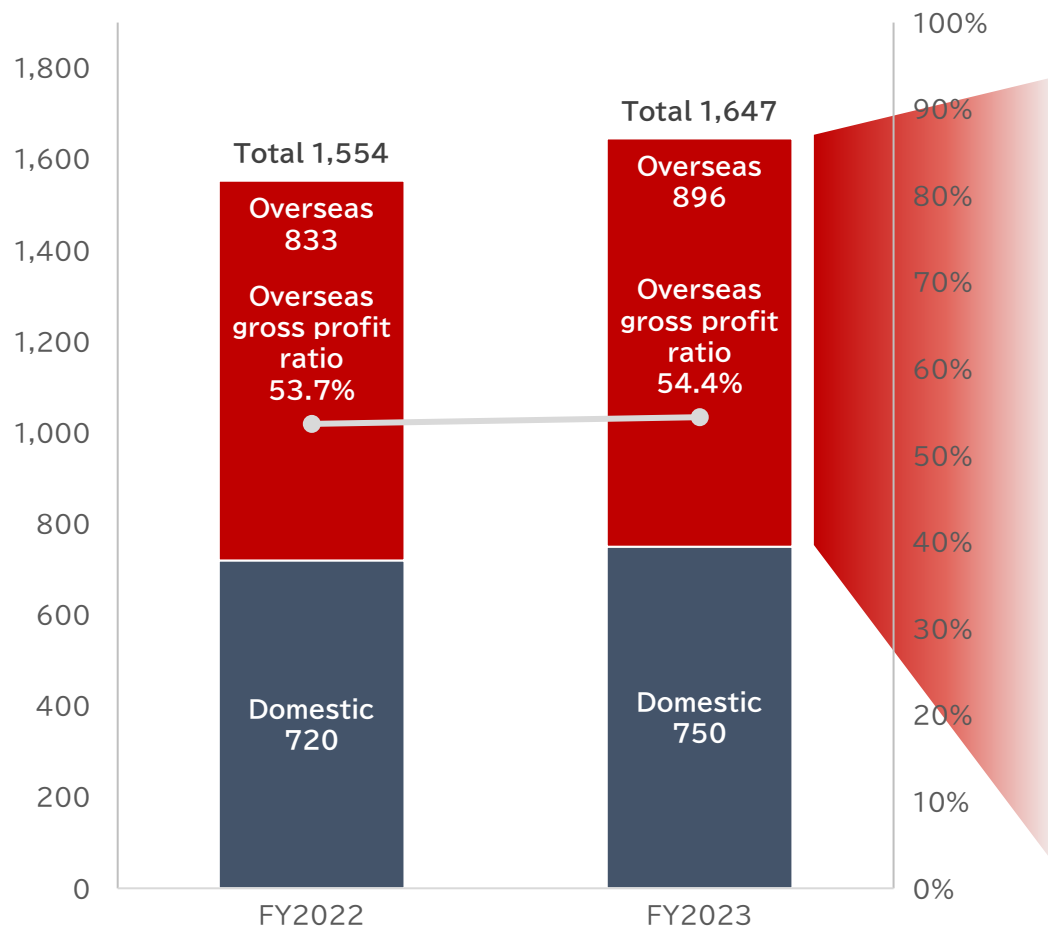
100 millions of yen						
	FY2022	FY2023	Change	Vs.PY	Forecast	Forecast Comparison
<b>Sales</b>	9,128	9,001	(127)	99%	9,000	100%
<b>Gross profit</b>	1,554	1,647	93	106%	1,630	101%
<b>&lt;GP ratio&gt;</b>	17.0%	18.3%	1.3ppt	—	18.1%	—
<b>SG&amp;A expenses</b>	1,220	1,341	120	110%	1,330	—
<b>Operating income</b>	333	306	(27)	92%	300	102%
<b>Ordinary income</b>	325	305	(19)	94%	290	105%
<b>Profit Attributable to owners of the parent</b>	236	224	(12)	95%	225	100%
US\$ Exchange rate (period average)	@ 135.5	@ 144.6	@ 9.1	Weak yen	@ 143.0	
RMB Exchange rate (period average)	@ 19.7	@ 20.1	@ 0.4	Weak yen	@ 20.0	

- ※ Offset to sales and cost of sales from revenue recognition standards: FY2022 -¥268.9 billion, FY2023 -¥272.3 billion
- ※ Impact from foreign exchange: Gross profit, +¥5 billion; Operating income, +¥0.9 billion

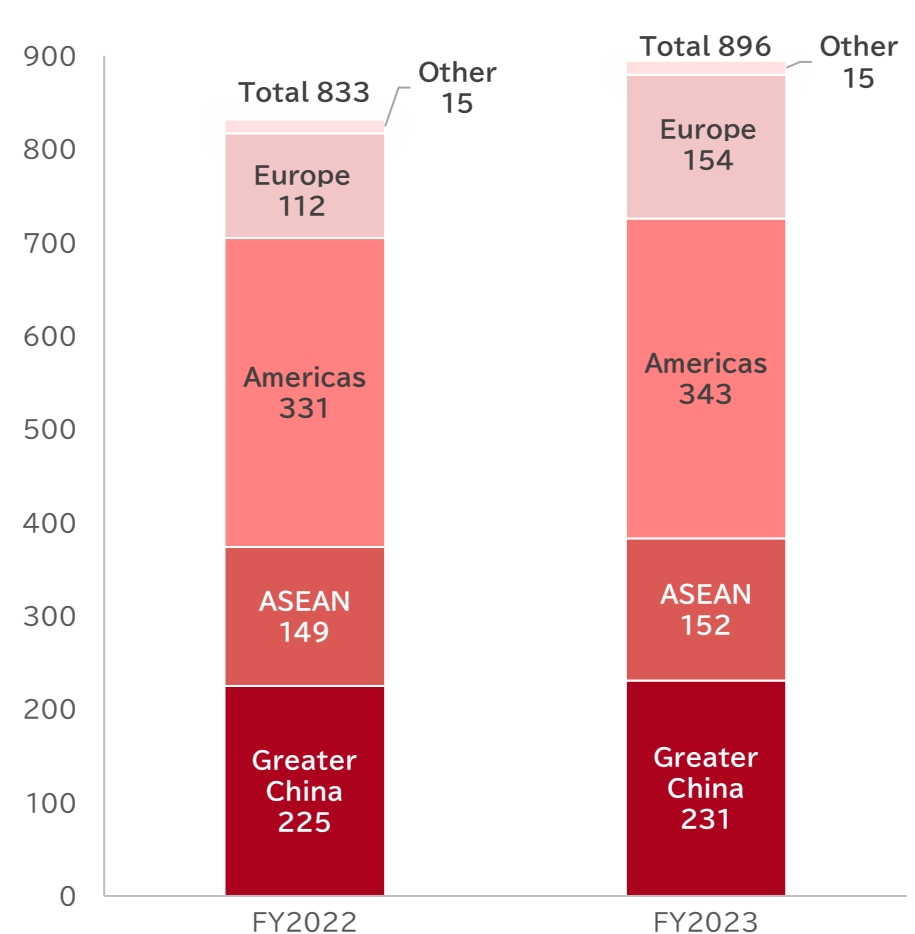
# Gross Profit By Region

- ▶ Higher profit both domestic and overseas
- ▶ Increase in domestic business sales, mainly due to higher sales of cosmetic materials and formulated epoxy resins
- ▶ Overseas profit increased due to the impact of the weaker yen and strong performance in the food ingredient business in Europe

Domestic & Overseas Gross profit(100 millions of yen)



Overseas gross profit By Region(100 millions of yen)

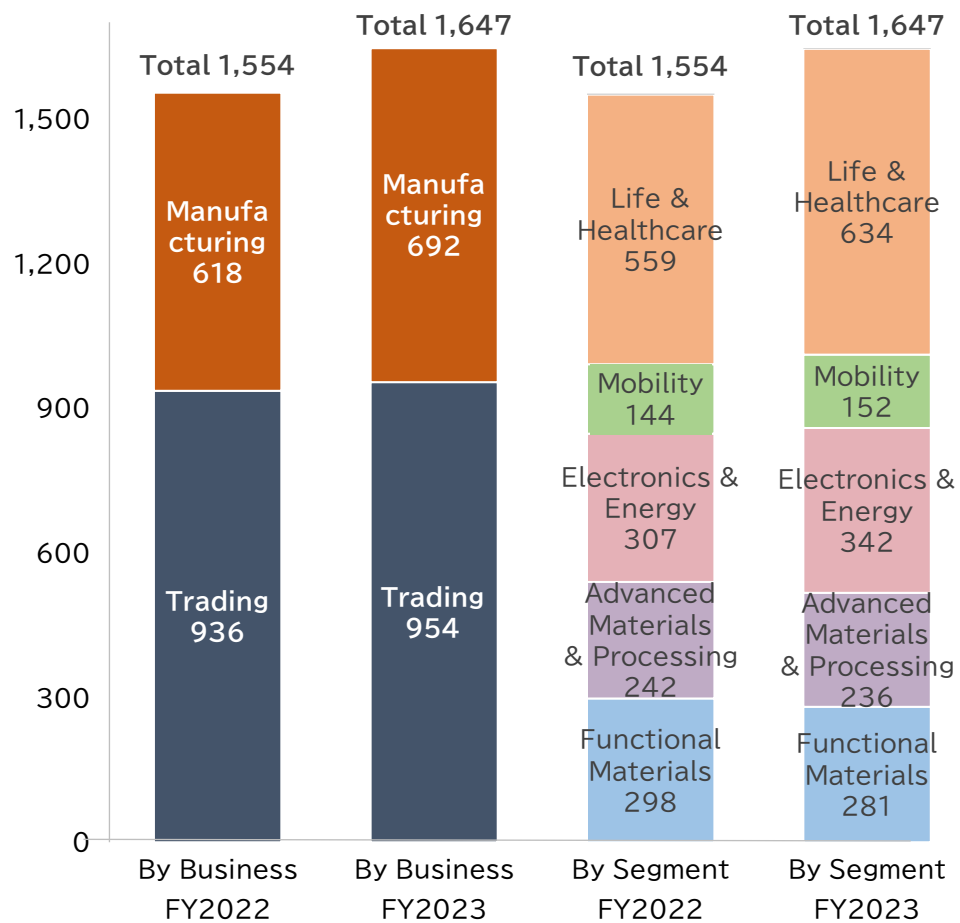


※Domestic figures under Domestic & Overseas Gross Profit include inter-regional adjustments

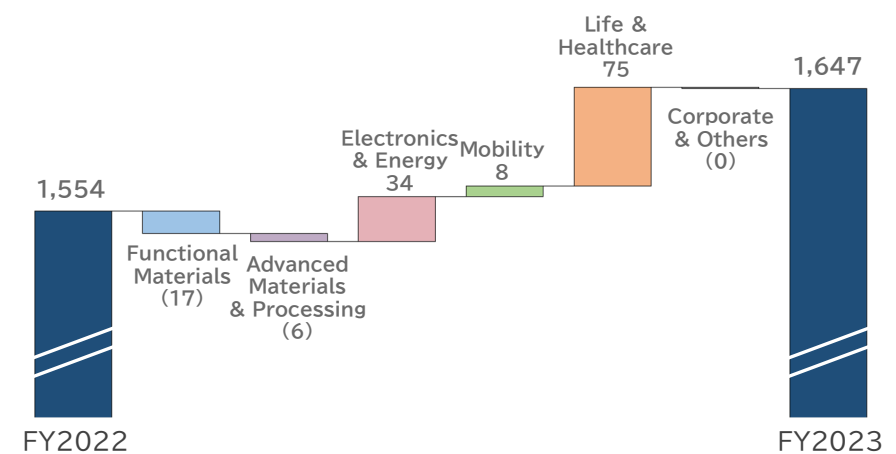
# Gross Profit By Business & Segment

- ▶ Functional Materials saw a decline in sales of coating materials and raw materials for semiconductor-related and other materials for the electronics industry, as well as weakening profitability in the digital print processing materials manufacturing business
- ▶ Advanced Materials & Processing posted lower sales due to decreased demand for resin sales in the office equipment, appliance, and video game device market, as well as the impact of inventory adjustments by customers
- ▶ Overall profits in Electronics & Energy increased due to increased sales of raw materials for semiconductor-related products and formulated epoxy resins for semiconductor- and mobile device products
- ▶ In Life & Healthcare, sales of food ingredients, cosmetic ingredients, and pharmaceutical raw materials increased

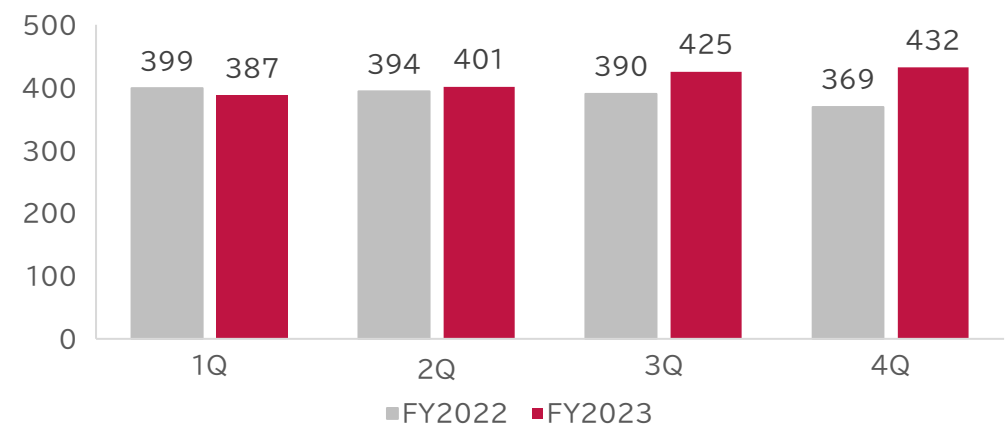
Gross Profit By Business & Segment (100 millions of yen)



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



History of Gross Profit (100 millions of yen)

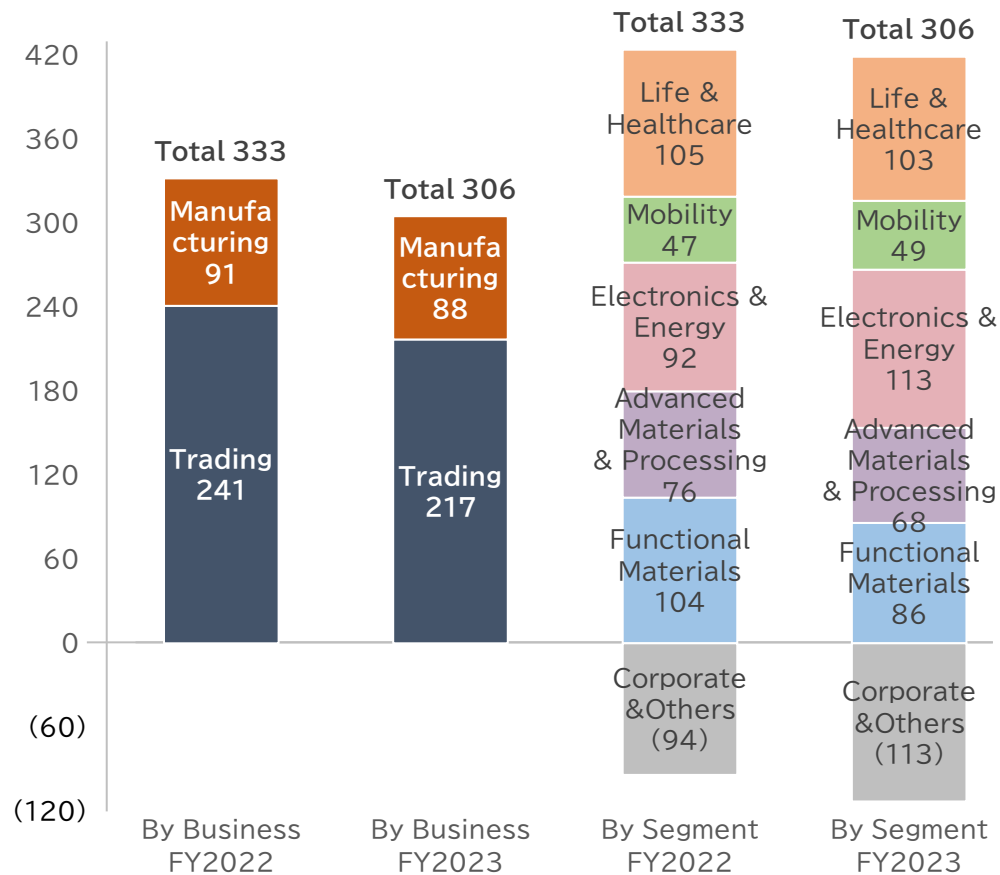




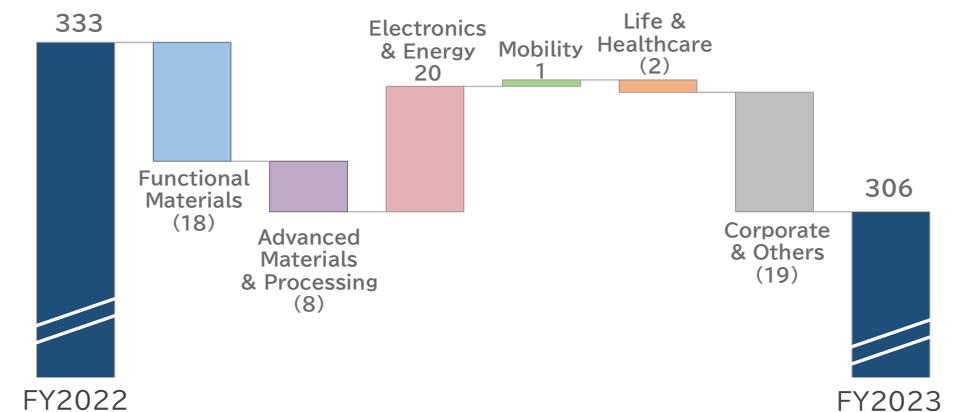
# Operating Income by Business & Segment

- ▶ Functional Materials and Advanced Materials & Processing posted lower operating income due to a decrease in gross profit
- ▶ Electronics & Energy posted higher operating income with increased gross profit
- ▶ Life & Healthcare recorded higher gross profit; however, weaker profitability at the Prinova Group, increased personnel expense, other selling, general and administrative expenses, and a delay in the profit contribution of the Utah plant caused a decrease in operating income
- ▶ Corporate & Others reflected higher expenses, mainly due to the beginning of amortization for intangible assets (enterprise system and DX investments), an increase in amortization expenses for accounting-based retirement benefit actuarial differences, and other factors

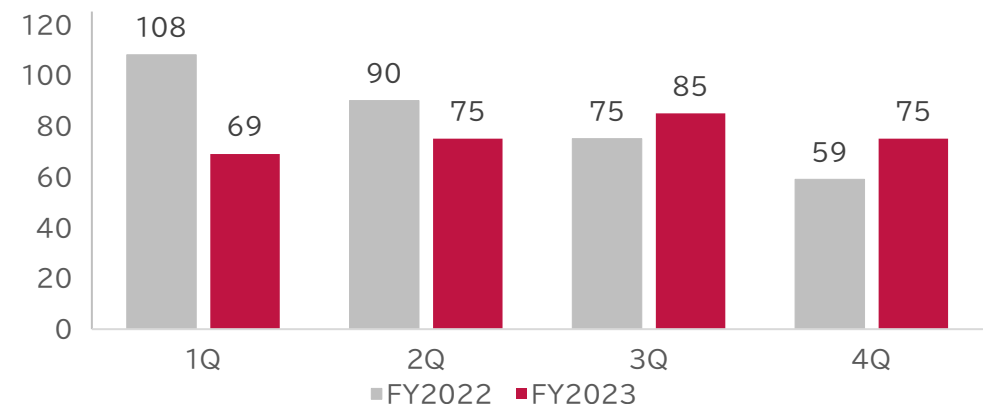
Operating Income by Business & Segment(100 millions of yen)



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



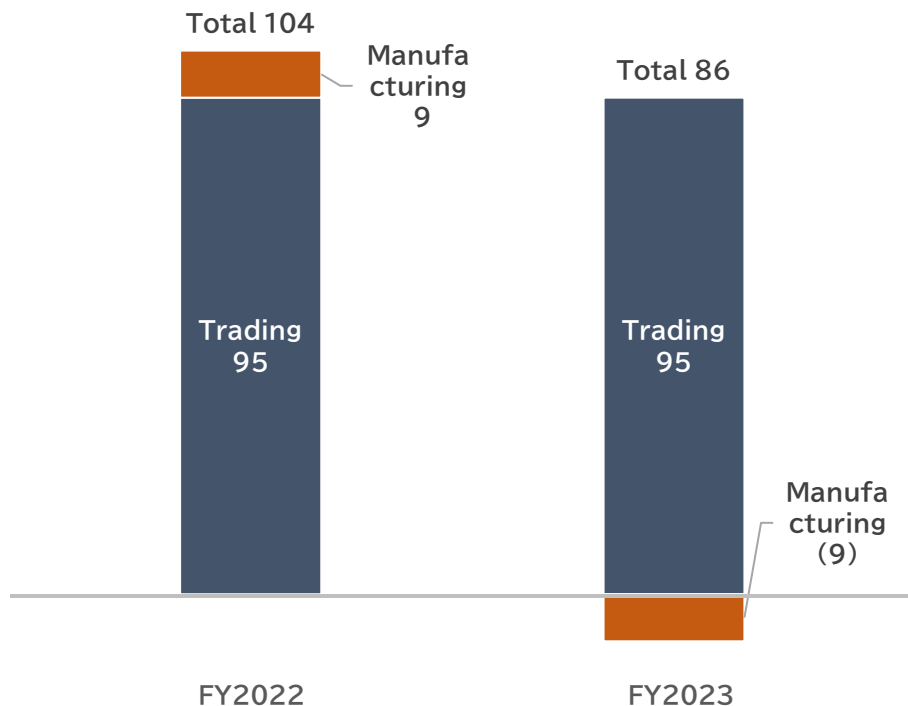
History of Operating Income(100 millions of yen)



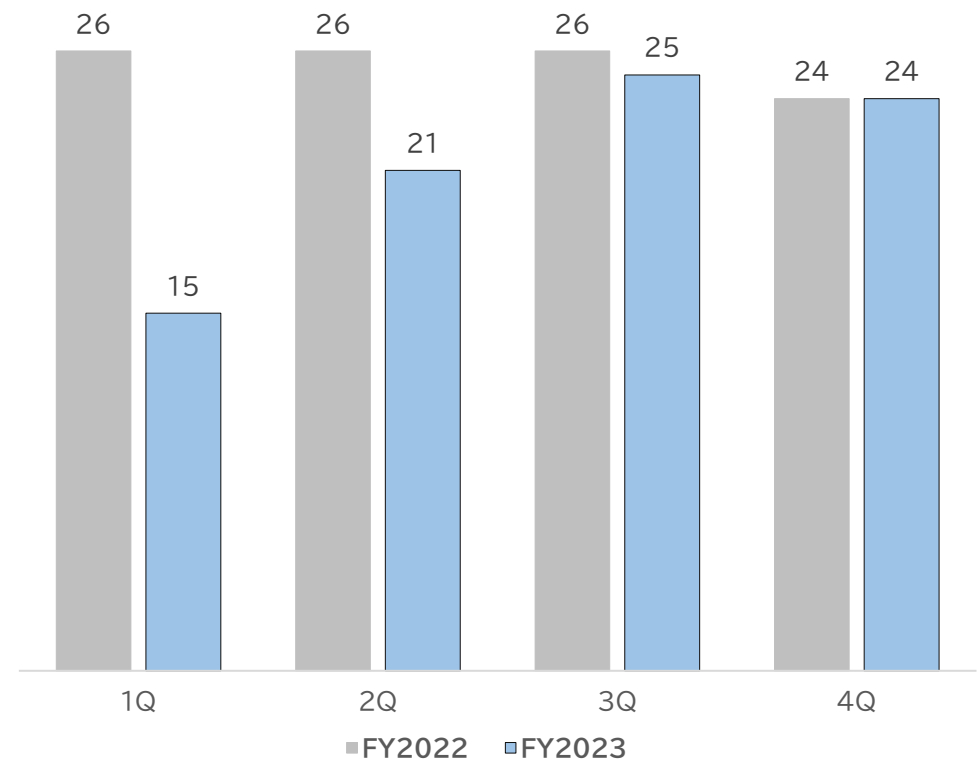
# Functional Materials Segment Operating Income Overview

- ▶ Overall sales of coating materials decreased due to sluggish sales for mainly architectural applications, despite a recovery in applications for the automobile and other industries
- ▶ Sales decreased for raw materials for the electronics industry, including semiconductor-related products
- ▶ The manufacturing business related to digital print processing materials posted lower sales and a decline in profitability, resulting in an operating loss
- ▶ Profits decreased due to customer inventory adjustments, mainly in the first half, and weak profitability in the manufacturing business

Operating income by business(100 millions of yen)



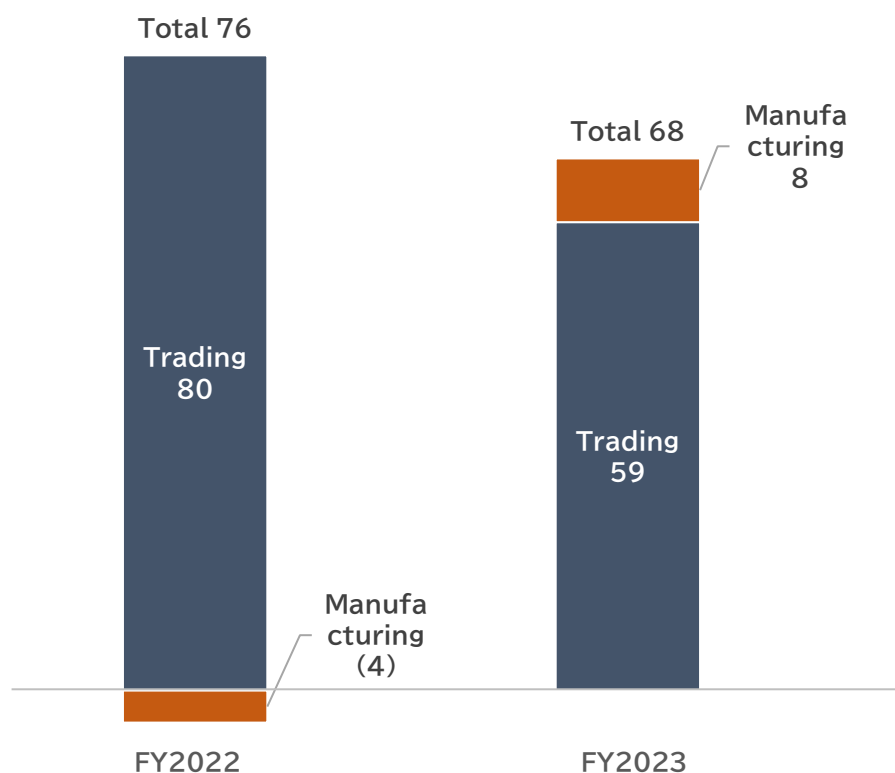
History of operating income (100 millions of yen)



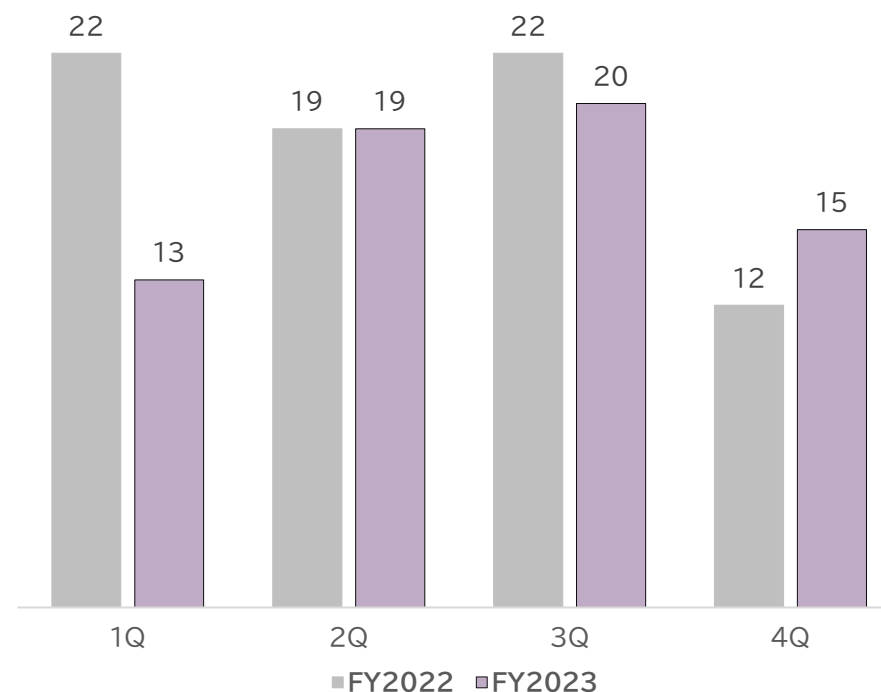
# Advanced Materials & Processing Segment Operating Income Overview

- ▶ Lower profit due to decreased demand for resin sales in the office equipment, appliance, and video game device market, as well as the impact of inventory adjustments by customers
- ▶ The manufacturing business returned to profit overall due to strong sales of resin mold products, as well as a decrease in expenses compared to the previous year, when we recorded impairment losses for certain subsidiaries
- ▶ Overall, the sluggish sale of resins had significant effects and profit decreased

Operating income by business(100 millions of yen)



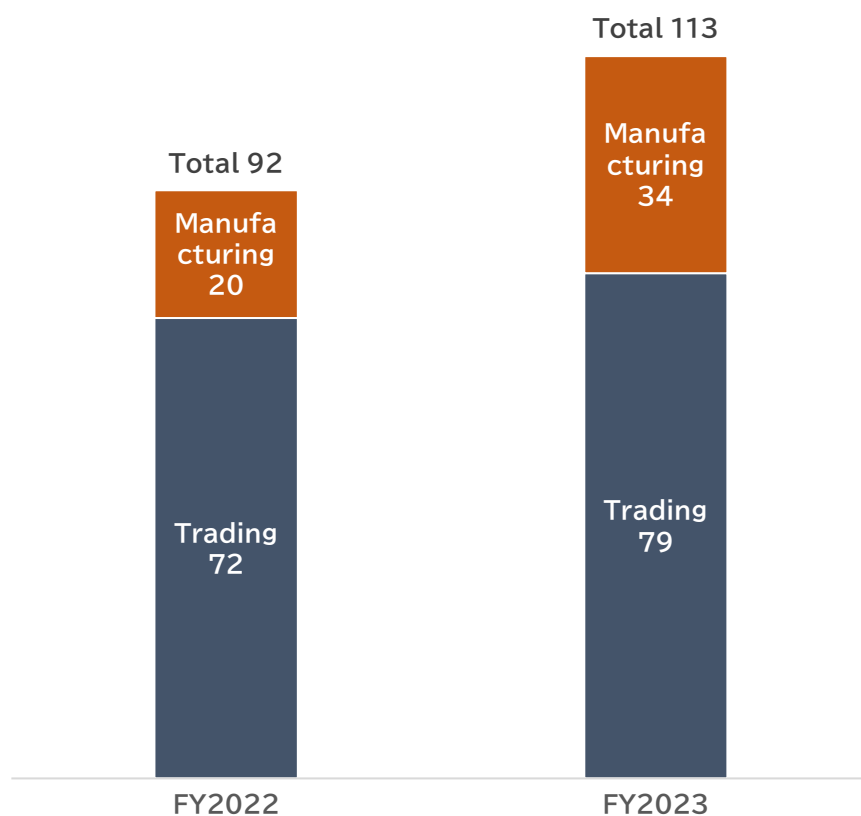
History of operating income (100 millions of yen)



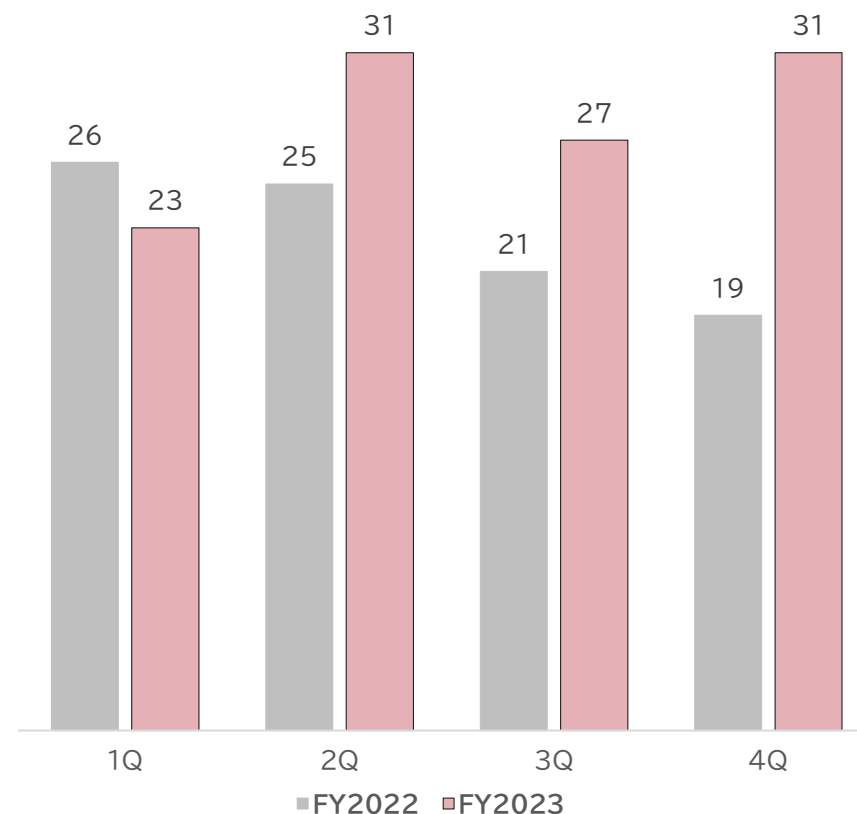
# Electronics & Energy Segment Operating Income Overview

- ▶ Despite weakening semiconductor market conditions, sales of materials to the semiconductor industry increased due to growth in product sales
- ▶ Sales of formulated epoxy resins increased mainly for high-end server applications and mobile device applications
- ▶ Profit rose overall with strong sales of formulated epoxy resins

Operating income by business(100 millions of yen)



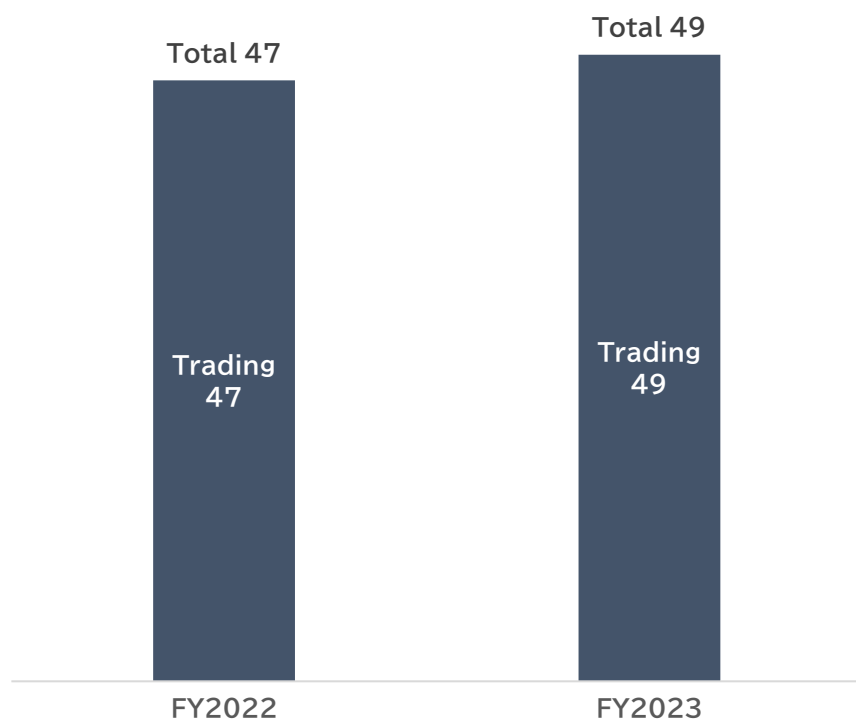
History of operating income (100 millions of yen)



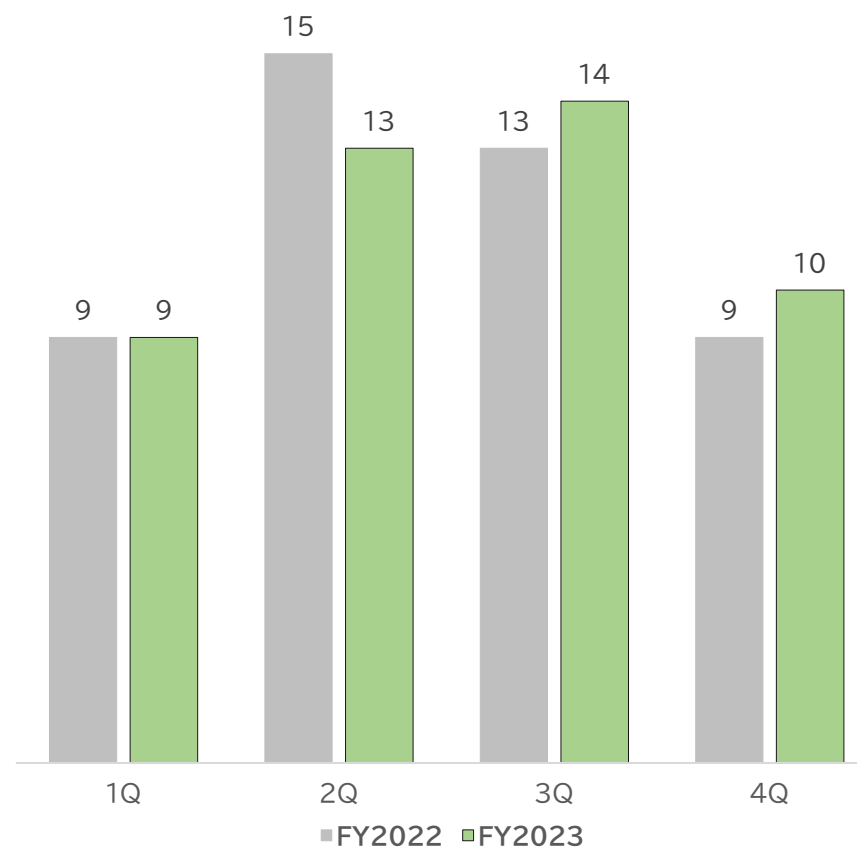
# Mobility Segment Operating Income Overview

- ▶ Sales increased for resins, mainly due to an increase in automobile production and expanded market share to existing customers
- ▶ Sales increased in functional materials and functional components for interior and exterior fittings and electrification
- ▶ Higher profit due to increased gross profit

Operating income by business(100 millions of yen)



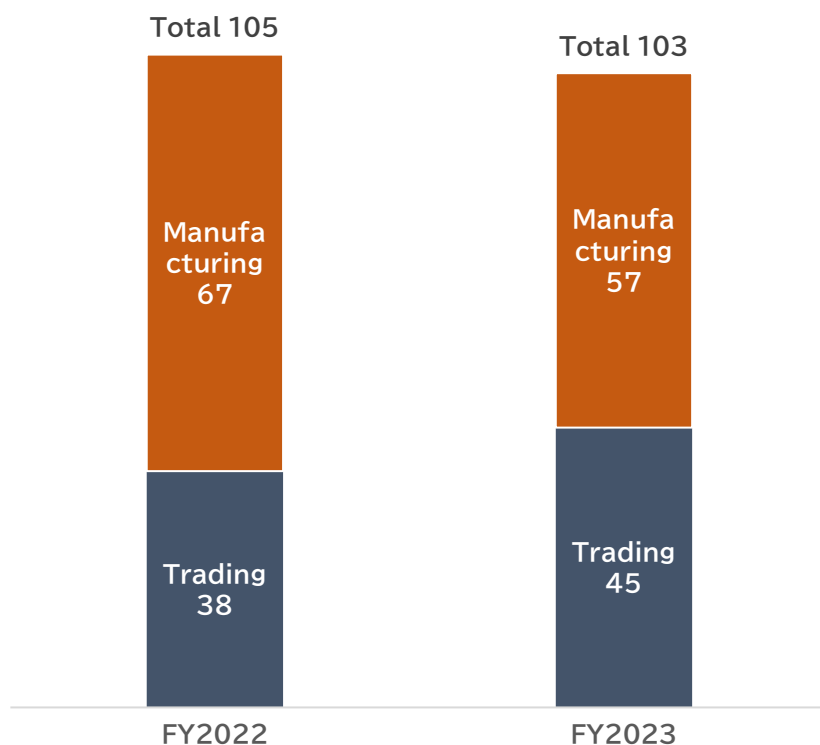
History of operating income (100 millions of yen)



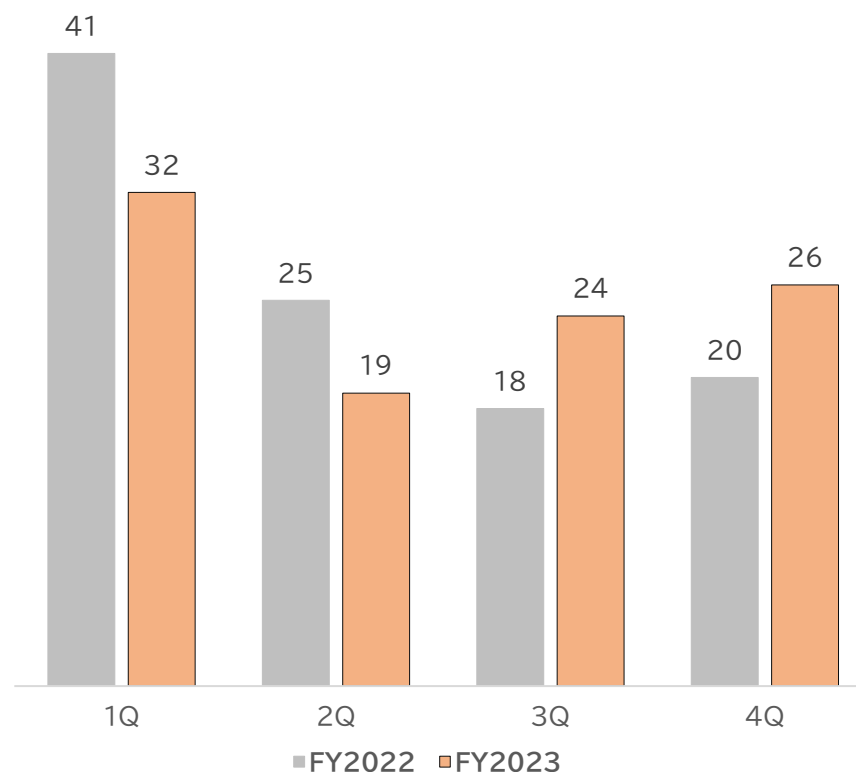
# Life & Healthcare Segment Operating Income Overview

- ▶ Overall Prinova Group sales increased mainly due to operations of the plant in Utah
- ▶ Nagase Viita (formerly Hayashibara) posted increased sales, mainly for cosmetic material
- ▶ Although we recorded higher gross profit, profits decreased due to increased personnel and other general, and administrative expenses at the Prinova Group, and a delay in the profit contribution of the Utah plant

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)





# State of Major Manufacturing Subsidiaries

- ▶ Nagase ChemteX : Despite the transfer of the biochemicals business to Nagase Viita, profit rose due to increased sales of highly profitable formulated epoxy resins
- ▶ Nagase Viita : Profits increased due to progress made to pass on the soaring prices of raw materials and utilities, as well as strong sales of cosmetic material stemming from a recovery in demand
- ▶ Prinova Group : Despite increased sales in manufacturing, profit declined due to increased personnel and other general, and administrative expenses and a delay in the profit contribution of the Utah plant

100 millions of yen

		FY2022	FY2023	Change	Vs.PY	Forecast	Forecast Comparison
Nagase ChemteX Corporation	Sales	253	251	(2)	99%	247	101%
	Gross profit	68	75	7	111%	77	98%
	<Profit ratio>	26.9%	30.1%	3.2ppt	-	31.1%	-
	Operating income	18	22	4	124%	24	91%
Nagase Viita Co., Ltd. (Formerly Hayashibara Co.,Ltd.)	Sales	281	344	62	122%	347	99%
	Gross profit	103	126	22	122%	128	98%
	<Profit ratio>	36.8%	36.7%	(0.1ppt)	-	37.0%	-
	Operating income	37	52	14	137%	52	100%
	Goodwill amortization etc. Operating income after amortization burden	30 7	30 21	- 14	100% 298%	30 21	100% 100%
Prinova Group	Sales	1,927	1,934	7	100%	1,943	100%
	Gross profit	312	358	45	115%	355	101%
	<Profit ratio>	16.2%	18.5%	2.3ppt	-	18.3%	-
	Operating income	80	60	(20)	75%	62	98%
	Goodwill amortization etc. Operating income after amortization burden	24 56	25 34	1 (21)	107% 62%	25 36	100% 96%

# Consolidated Balance Sheets

- ▶ Inventory reductions progressed and working capital decreased
- ▶ Net assets increased ¥22.9 billion compared with the end of the previous fiscal year due to internal reserves, valuation difference on available-for-sale securities, and an increase in translation adjustments and accumulated other comprehensive income

100 millions of yen

	23/03	24/03	Change	Details
Total Current Assets	5,301	5,424	123	
(Cash&deposits)	408	594	185	
(Trade account receivable)	3,021	3,211	190	
(Inventories)	1,697	1,479	(217)	
Total non-current assets	2,325	2,498	173	
(Investments in security)	697	762	64	
Total assets	7,626	7,923	296	
Current Liab.	2,862	3,026	164	Current portion of bonds+100 Current portion of long-term loans+58, Short-term loans/CP -163
(Trade account payable)	1,404	1,563	159	
Non-current Liab.	980	883	(97)	Deferred tax liab.+32, Lease liabilities +27, Bonds -100, Long-term loans -51
Total Liab.	3,843	3,910	67	
Shareholders' equity	3,090	3,128	37	
Accum. Other Comprehensive Income	586	812	226	Translation adjustments +144, Net unrealized holding gain on securities +48, Remeasurements of defined benefit plans +32
Non-controlling interest	107	72	(34)	
Total net assets	3,783	4,013	229	
Working capital	3,313	3,127	(186)	
Shareholders' equity ratio	48.2%	49.7%	1.5ppt	
NET D/E ratio	0.38	0.27	(0.10)	

# Consolidated Cash Flows

- ▶ Operating CF : Net proceeds of ¥72.9 billion, mainly due to strong operating activities, as well as a decrease in working capital stemming from inventory reductions
- ▶ Investing CF : Net cash used of ¥11.6 billion, despite proceeds from sales of investment securities, etc., mainly due to the purchase of property, plant and equipment
- ▶ Financing CF : Net cash used of ¥48.0 billion, mainly due to a decrease in short-term loans and commercial paper, dividend payments, and share buybacks

	100 millions of yen	
	FY2022	FY2023
Operating CF	94	729
Investing CF	(80)	(116)
Free CF	13	613
Financing CF	(172)	(480)
Effects of exchange rate	30	55
Net increase / decrease in cash and cash equivalents	(128)	188
Depreciation of tangible and intangible assets	149	166
Fixed asset investment	(173)	(188)
Increase / decrease in working capital	(200)	330

# FY2024 Earnings Projection

- ▶ We expect to increase manufacturing earnings in our semiconductor-related and food-related businesses
  - ▶ We expect trading business resin sales to recover, while the automobile-related business should also see firm performance
  - ▶ We expect selling, general and administrative expenses to increase overall with business growth, and other factors, even though the amortization expense of retirement benefit actuarial differences will decrease
- (Retirement benefit actuarial differences: Approximately ¥0.9 billion expense in fiscal 2023 and approximately ¥3.5 billion income in fiscal 2024)

	100 millions of yen			
	FY2023 Results	FY2024 Forecast	Change	Vs.PY
<b>Sales</b>	9,001	9,400	398	104%
<b>Gross profit</b>	1,647	1,800	152	109%
<b>&lt;GP ratio&gt;</b>	18.3%	19.1%	0.8ppt	—
<b>SG&amp;A expenses</b>	1,341	1,435	93	107%
<b>Operating income</b>	306	365	58	119%
<b>Ordinary income</b>	305	352	46	115%
<b>Profit attributable to owners of the parent</b>	224	280	55	125%
US\$ Exchange rate (period average)	@ 144.6	@ 148.0	@ 3.4	Weak yen
RMB Exchange rate (period average)	@ 20.1	@ 20.0	@ 0.1	Strong yen

# FY2024 Earnings Projection By segment—Before Corporate & Others allocation—

- ▶ Functional Materials recorded higher sales and profit, mainly due to increased automobile-related sales and lower losses in the digital print processing materials-related manufacturing business
- ▶ Advanced Materials & Processing sales and profit rose, mainly due to increased sales of resin for office equipment and video game device applications in the electric and electronic industries
- ▶ Electronics & Energy sales and profit increased, mainly due to increased sales of Nagase ChemteX formulated epoxy resin for semiconductors used in high-end server applications
- ▶ Mobility sales and profit increased due to higher sales of resins, functional materials, and functional components, stemming from increased global production volume
- ▶ Life & Healthcare sales and profit increased, mainly due to a recovery in Prinova Group food-ingredient profitability, which recovered from a market low point, and increased food product and cosmetic material sales at Nagase Viita

		100 millions of yen			
		FY2023 Actual	FY2024 Forecast	Change	Vs.PY
Functional Materials	Sales	1,468	1,550	81	106%
	Gross profit	281	306	24	109%
	<Profit ratio>	19.2%	19.7%	0.6ppt	-
	Operating income	86	105	18	122%
Advanced Materials & Processing	Sales	1,985	2,072	86	104%
	Gross profit	236	248	11	105%
	<Profit ratio>	11.9%	12.0%	0.1ppt	-
	Operating income	68	77	8	113%
Electronics & Energy	Sales	1,447	1,493	45	103%
	Gross profit	342	377	34	110%
	<Profit ratio>	23.6%	25.3%	1.6ppt	-
	Operating income	113	124	10	109%
Mobility	Sales	1,321	1,387	65	105%
	Gross profit	152	160	7	105%
	<Profit ratio>	11.5%	11.5%	0.0ppt	-
	Operating income	49	51	1	103%
Life & Healthcare	Sales	2,777	2,897	119	104%
	Gross profit	634	710	75	112%
	<Profit ratio>	22.8%	24.5%	1.7ppt	-
	Operating income	103	125	21	121%
Corporate & Others	Sales	1	1	(0)	68%
	Gross profit	0	(1)	(1)	-
	Operating income	(113)	(117)	(3)	-
Total	Sales	9,001	9,400	398	104%
	Gross profit	1,647	1,800	152	109%
	<Profit ratio>	18.3%	19.1%	0.8ppt	-
	Operating income	306	365	58	119%

# FY2024 Earnings Projection By segment—After Corporate & Others allocation—

- ▶ In FY2024, the Company began allocating company-wide shared expenses, excluding a portion of Nagase non-consolidated expenses, to business units under Corporate & Others
- ▶ We are allocating company-wide shared expenses, shifting to a system that enables a more realistic understanding of the profitability of each business unit

		100 millions of yen			
		FY2023 Actual	FY2024 Forecast	Change	Vs.PY
Functional Materials	Sales	1,468	1,550	81	106%
	Gross profit	281	306	24	109%
	<Profit ratio>	19.2%	19.7%	0.6ppt	-
	Operating income(After allocation)	61	68	6	110%
Advanced Materials & Processing	Sales	1,985	2,072	86	104%
	Gross profit	236	248	11	105%
	<Profit ratio>	11.9%	12.0%	0.1ppt	-
	Operating income(After allocation)	53	55	1	104%
Electronics & Energy	Sales	1,447	1,493	45	103%
	Gross profit	342	377	34	110%
	<Profit ratio>	23.6%	25.3%	1.6ppt	-
	Operating income(After allocation)	88	86	(2)	97%
Mobility	Sales	1,321	1,387	65	105%
	Gross profit	152	160	7	105%
	<Profit ratio>	11.5%	11.5%	0.0ppt	-
	Operating income(After allocation)	36	32	(4)	89%
Life & Healthcare	Sales	2,777	2,897	119	104%
	Gross profit	634	710	75	112%
	<Profit ratio>	22.8%	24.5%	1.7ppt	-
	Operating income(After allocation)	80	94	13	117%
Corporate & Others	Sales	1	1	(0)	68%
	Gross profit	0	(1)	(1)	-
	Operating income(After allocation)	(13)	30	43	-
Total	Sales	9,001	9,400	398	104%
	Gross profit	1,647	1,800	152	109%
	<Profit ratio>	18.3%	19.1%	0.8ppt	-
	Operating income	306	365	58	119%



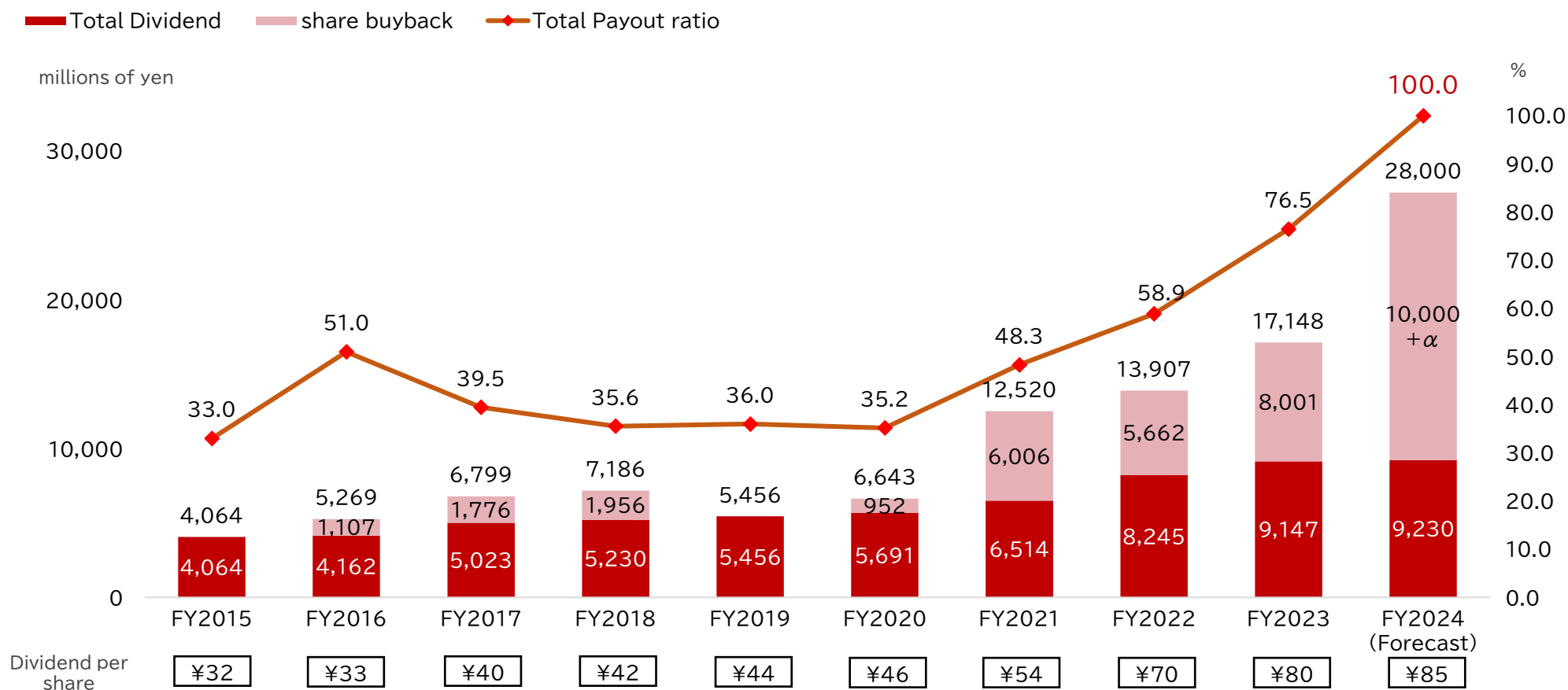
# FY2024 Earnings Projection By Major Manufacturing Subsidiaries

- ▶ Nagase ChemteX : We expect higher sales and profit, mainly due to strong formulated epoxy resin-related sales for semiconductors used in high-end servers
- ▶ Nagase Viita : We expect higher sales and profit, mainly due to increased sales of food ingredients for the domestic market and higher cosmetic material sales
- ▶ Prinova Group : We expect an increase in sales and profit stemming from a recovery in profitability as the falling food ingredients market recovers from a bottom during the period and productivity at the Utah plant improves

		100 millions of yen			
		FY2023 Actual	FY2024 Forecast	Change	Vs.PY
Nagase ChemteX Corporation	Sales	251	261	10	104%
	Gross profit	75	80	4	106%
	<Profit ratio>	30.1%	30.7%	0.5ppt	-
	Operating income	22	26	4	119%
Nagase Viita Co., Ltd.	Sales	344	369	25	107%
	Gross profit	126	140	13	111%
	<Profit ratio>	36.7%	37.9%	1.2ppt	-
	Operating income	52	57	5	110%
	Goodwill amortization etc.	30	29	(1)	97%
	Operating income after amortization burden	21	27	6	128%
Prinova Group	Sales	1,934	2,091	156	108%
	Gross profit	358	421	63	118%
	<Profit ratio>	18.5%	20.2%	1.6ppt	-
	Operating income	60	81	20	134%
	Goodwill amortization etc.	25	27	1	105%
	Operating income after amortization burden	34	54	19	156%

# Shareholder Returns

- ▶ We plan to pay an interim dividend of ¥40 per share and a year-end dividend of ¥45 per share for an annual dividend of ¥85 per share for fiscal 2024 (expected 15th consecutive fiscal year of dividend increases)
- ▶ We changed our policy for Shareholder Returns compared with **ACE 2.0**, establishing a **total return ratio of 100%** for fiscal years 2024 and 2025 (no change in policy regarding continuing dividend increases)
- ▶ We resolved to repurchase 10 billion yen of treasury stock in May 2024 based on the above policy (scheduled for May to October 2024) \*Additional returns after November are to be resolved separately



※ FY2023 year-end dividend to be submitted for approval to the 109th general meeting of shareholders scheduled for June 2024.



■Inquiries:

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

■NAGASE Group Investor Relations Website:

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

These presentation materials contain projections based on forward-looking assumptions, forecasts, and plans as of May 24, 2024  
Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.