

FYE March 2022 First Quarter

# Financial Highlights

NAGASE&CO.,LTD.

August 4,2021

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# Consolidated statements income

- ▶ Gross profit
  - Higher profit in all segments, with all stages of profit below gross profit reaching record highs for the first quarter
  - In particular, the automobile-related business, resins and electronics-related businesses, and the Prinova Group's nutrition-related business performed well
- ▶ Operating income
  - Income greatly increased year-on-year; 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 increase up to ordinary income despite decrease in gain on sales of cross-shareholdings

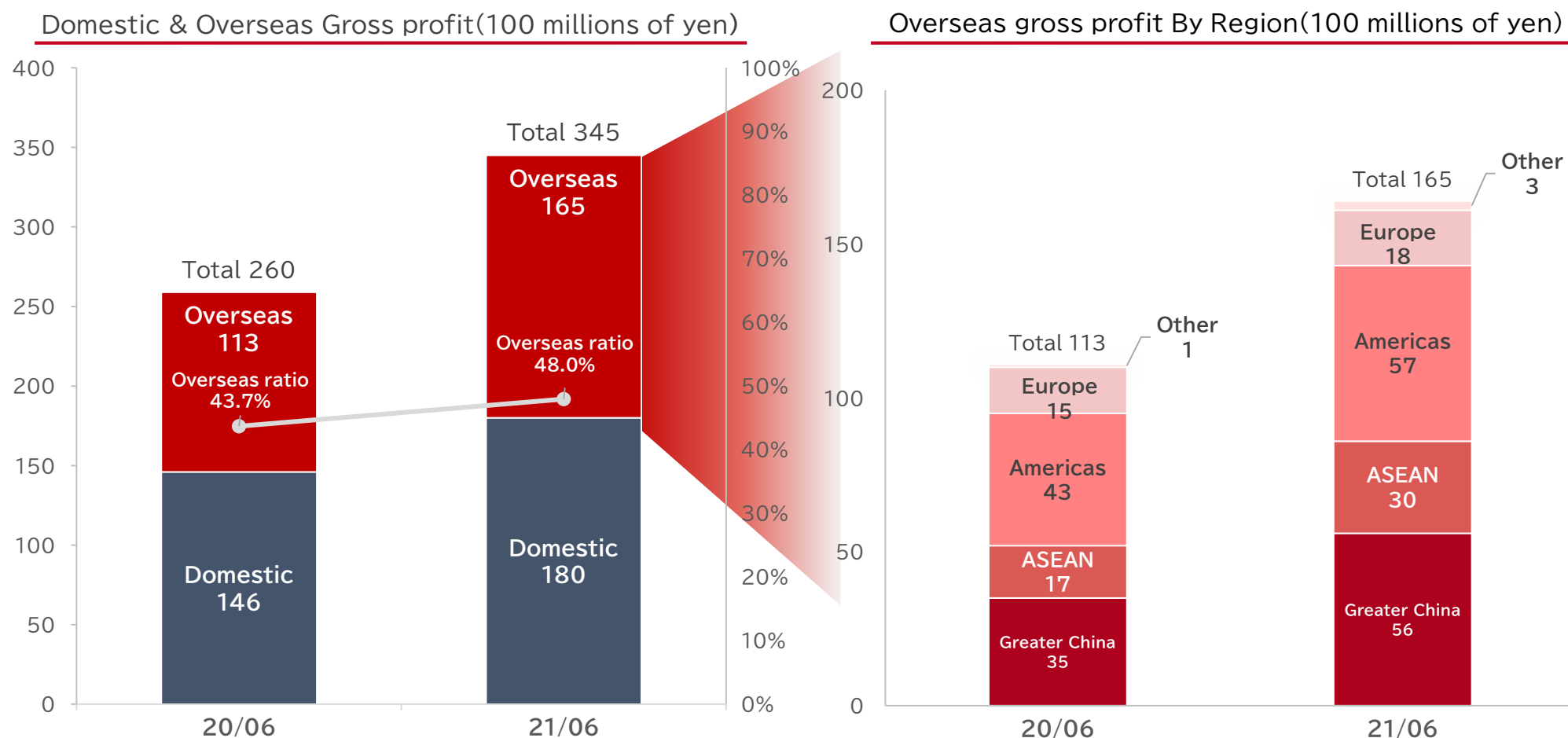
100 millions of yen

	20/06	21/06	Change	Vs.PY	Forecast (Full year)	Achievement
<b>S a l e s</b>	1,346	1,843	+ 497	137%	—	—
<b>Gross profit</b>	260	345	+ 85	133%	1,200	29%
<b>&lt;GP ratio&gt;</b>	19.4%	18.8%	(0.6pt)	—	—	—
<b>S G &amp; A e x p e n s e s</b>	223	248	+ 24	111%	970	—
<b>Operating i n c o m e</b>	36	97	+ 60	265%	230	42%
<b>Ordinary i n c o m e</b>	42	106	+ 64	252%	240	44%
<b>Profit attributable to owners of the p a r e n t</b>	68	71	+ 3	105%	180	39%
US\$ Exchange rate (period average)	@ 107.6	@ 109.5	@ 1.9	Weak yen	@104.0	
RMB Exchange rate (period average)	@ 15.2	@ 16.9	@ 1.7	Weak yen	@15.4	

※ Offset to sales and cost of sales from application of revenue recognition standards: June 2020, -¥45.9 billion; June 2021, -¥58.5 billion  
 ※ Impact from foreign exchange: Gross profit, +¥400 million; Operating income, +¥100 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



※From FYE March 2022, the usual overseas net sales per-destination region have been replaced by per-region information for gross profit, aggregated for each location of consolidated

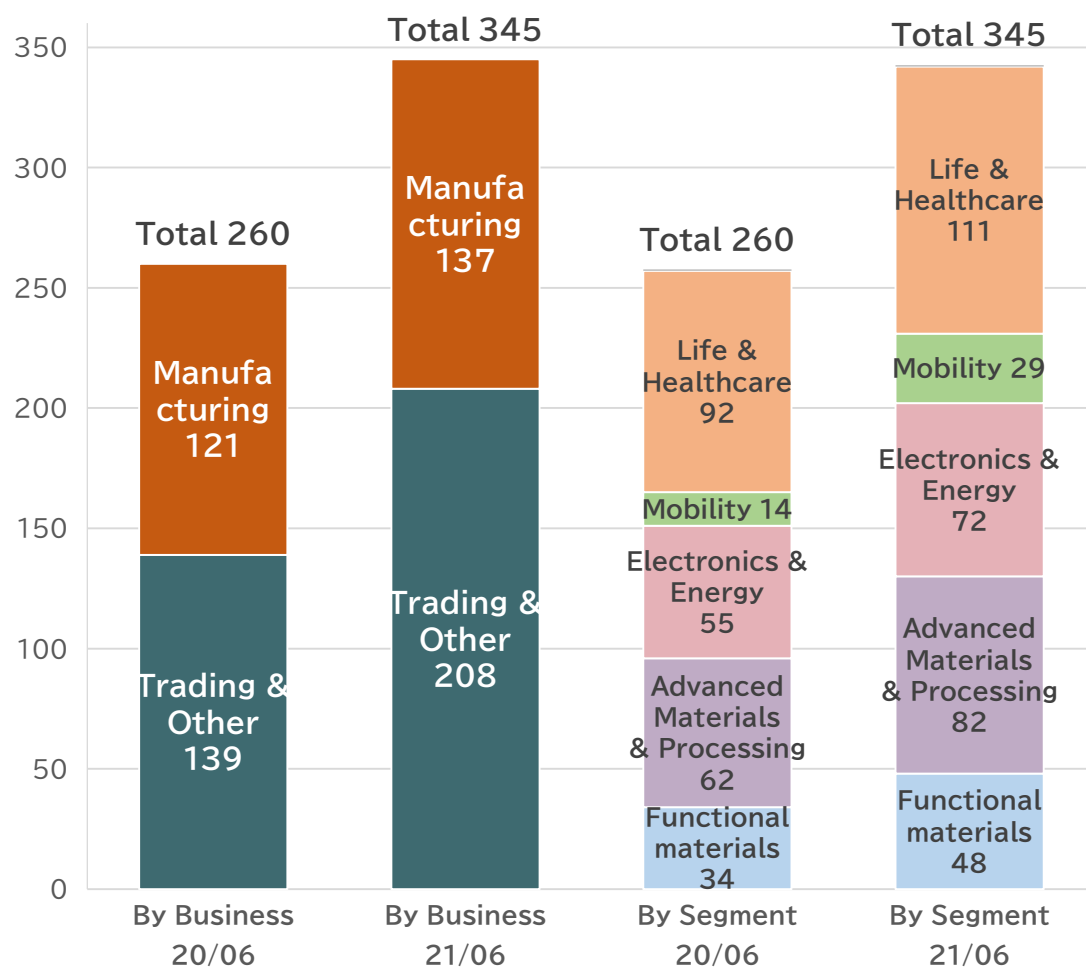
※Domestic figures under Domestic & Overseas Gross Profit include inter-regional adjustments

# Gross Profit By Business & Segment

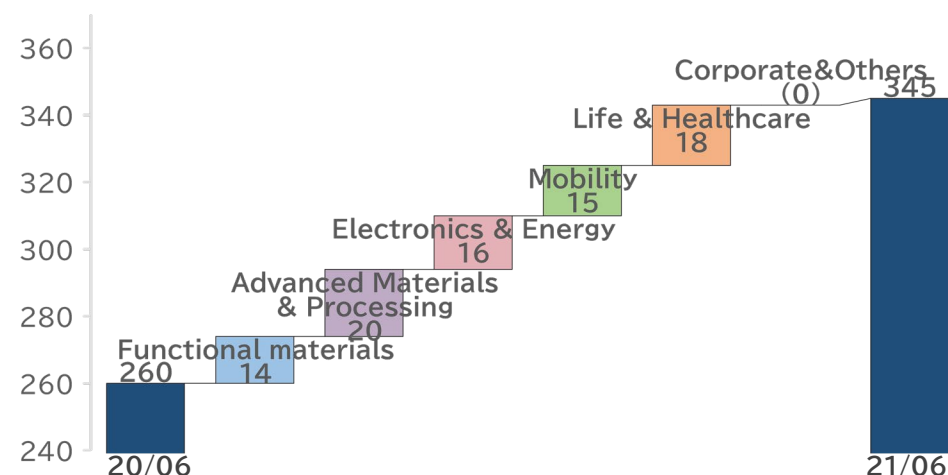
- ▶ Higher profits in all segments, with quarterly gross profits reaching record highs
- ▶ Advanced Materials & Processing: Profitability improved due to strong demand in the resins business and rising market conditions
- ▶ Life & Healthcare: Profits increased due to strong performance in the Prinova 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.

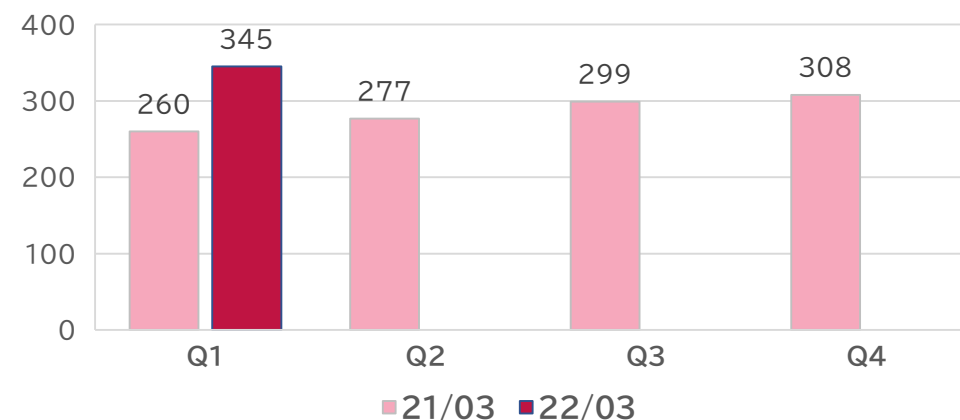
Gross Profit By Business & Segment (100 millions of yen)



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



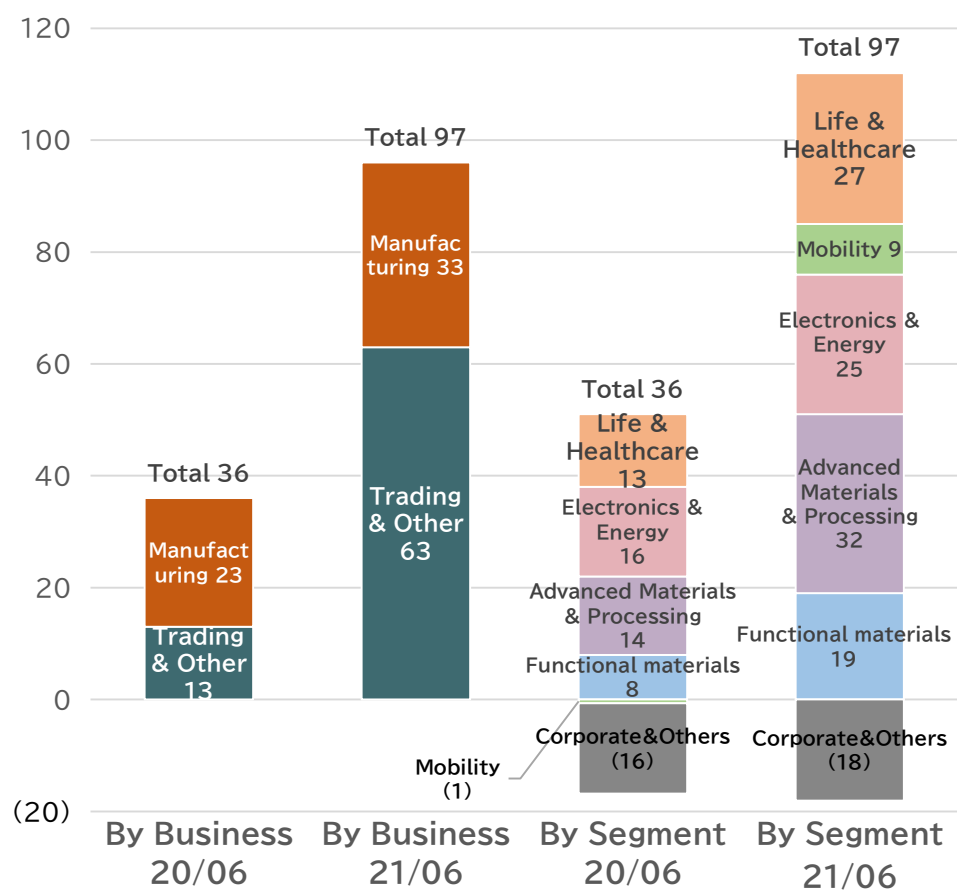
History of Gross Profit (100 millions of yen)



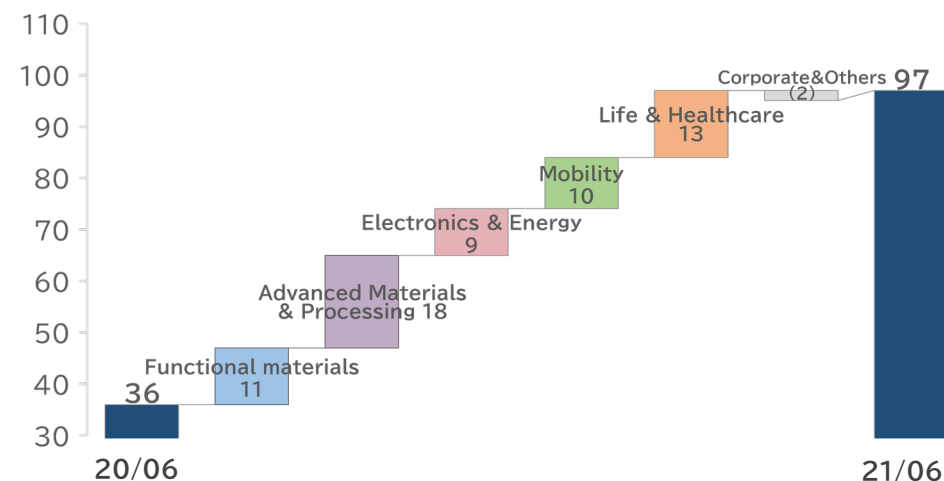
# Operating Income by Business & Segment

- ▶ Quarterly operating income reached record highs as well with increases in gross profit in all business segments
- ▶ we continue to invest for sustainable future growth, including in DX-related areas

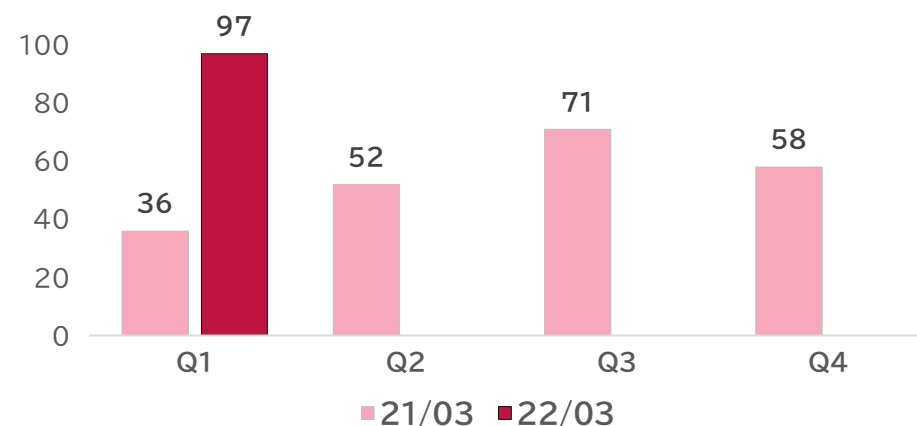
Operating Income by Business & Segment(100 millions of yen)



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



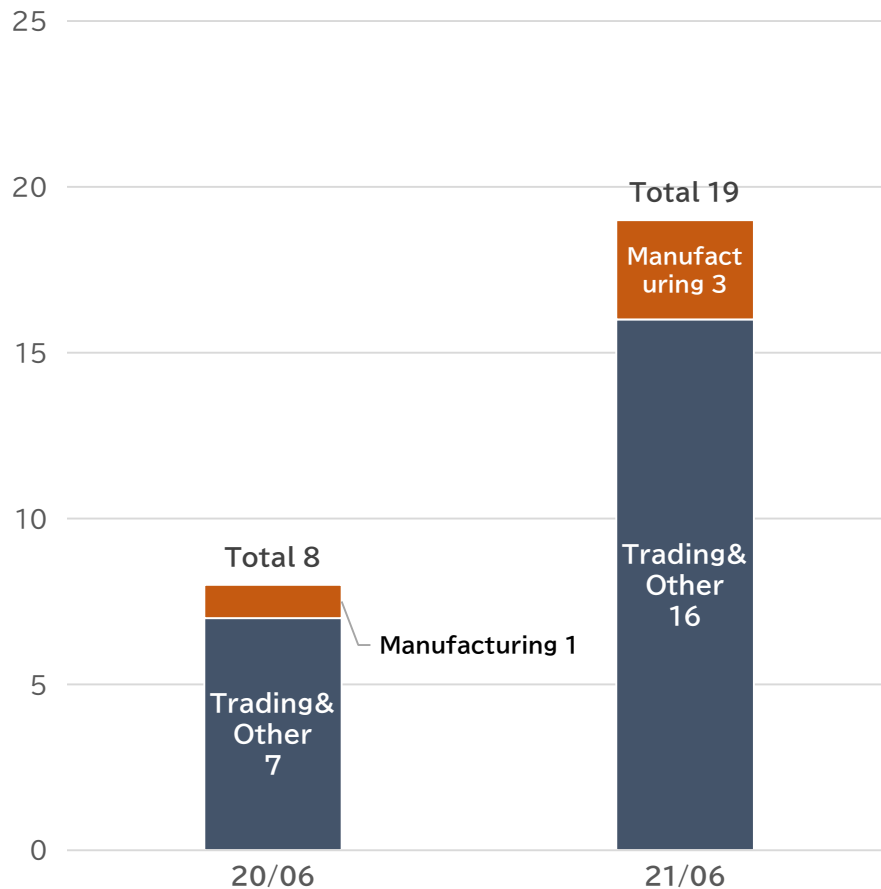
History of Operating Income(100 millions of yen)



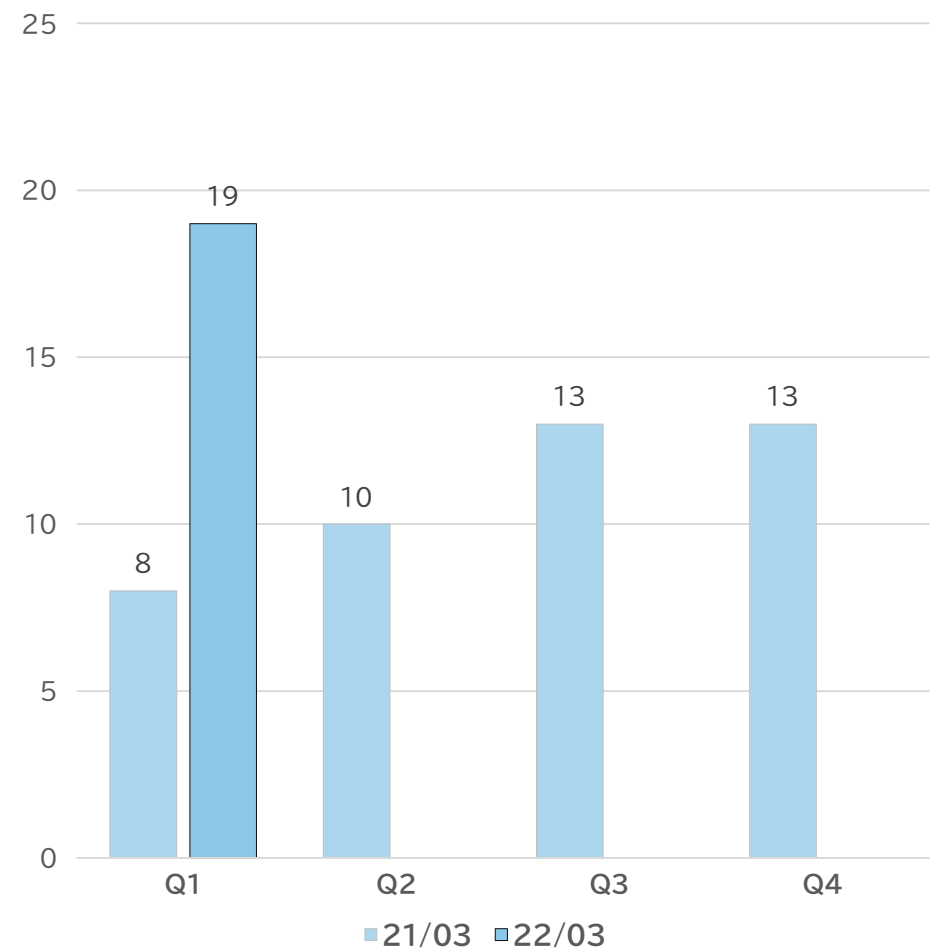
# Functional Materials Segment Operating Income Overview

- ▶ 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)



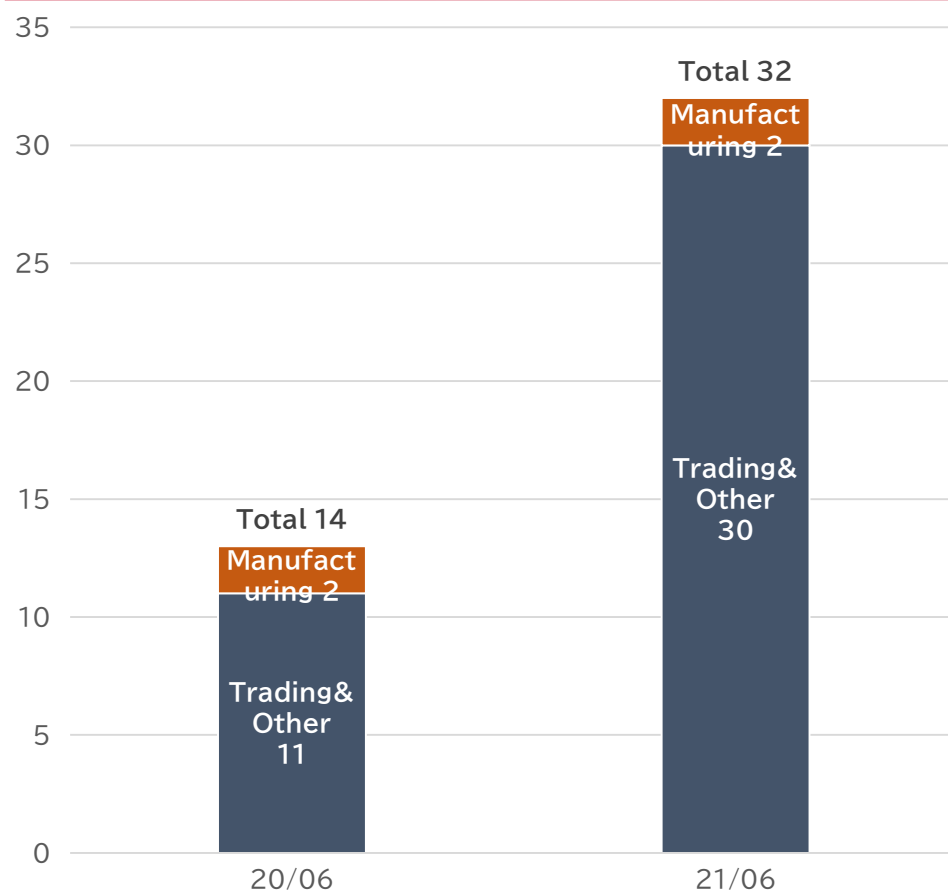
History of operating income (100 millions of yen)



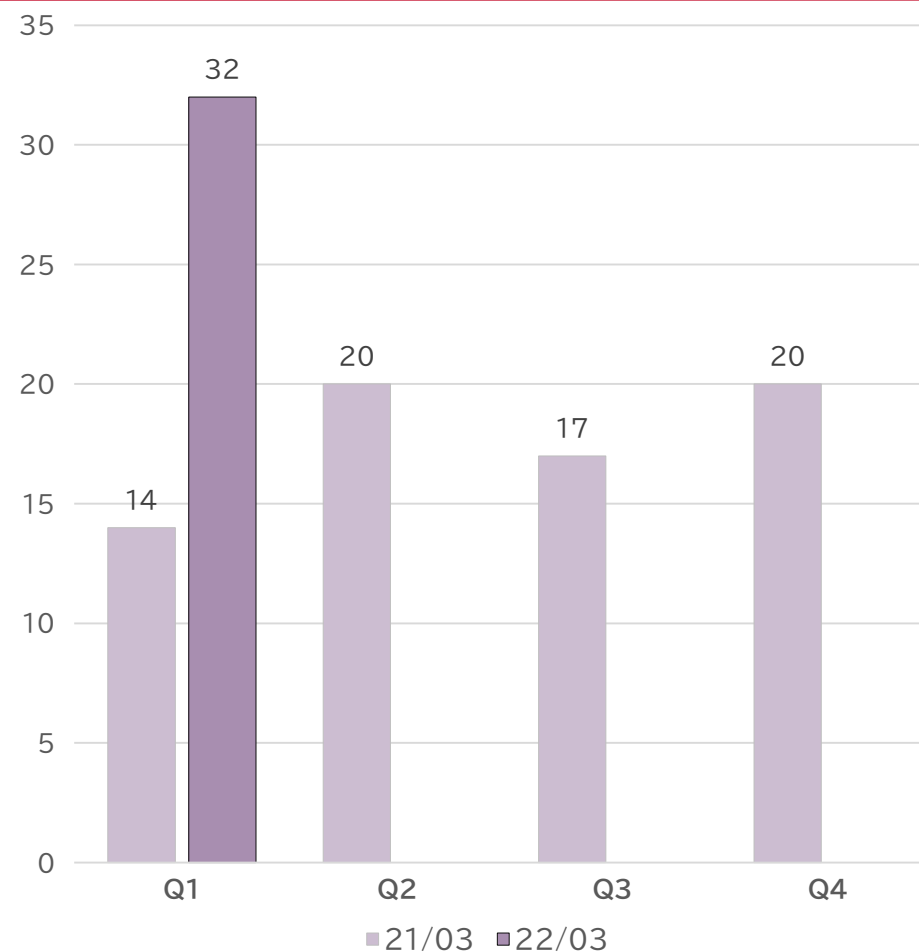
# Advanced material & Processing Segment Operating Income Overview

- ▶ 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)

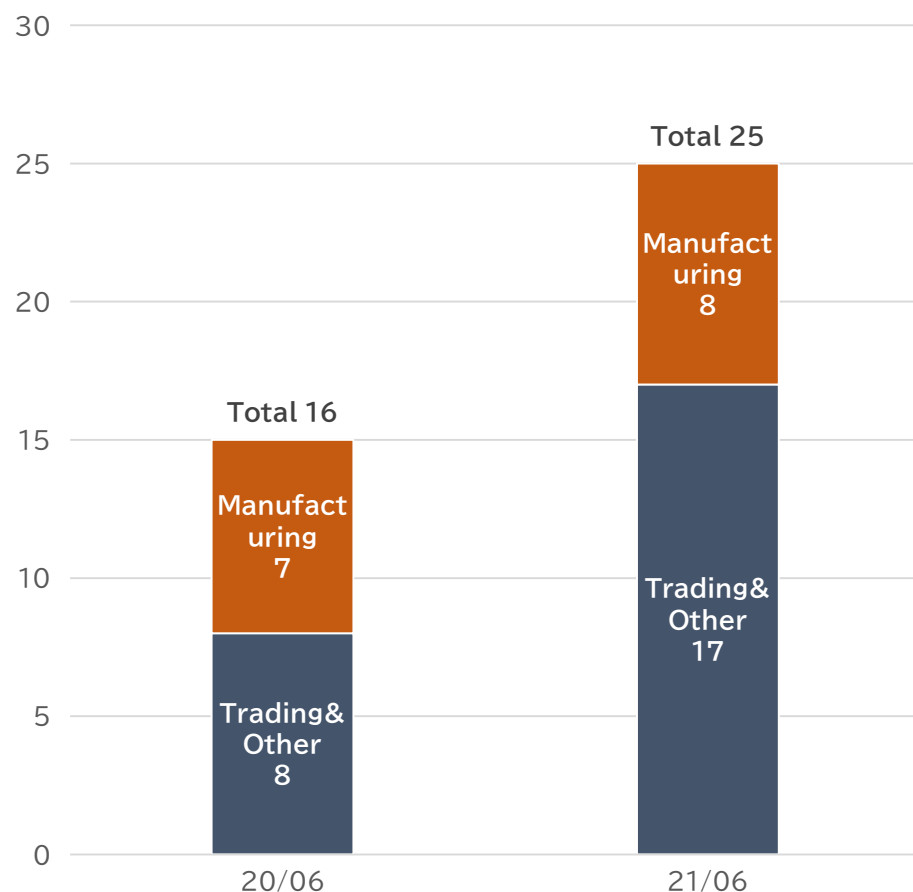




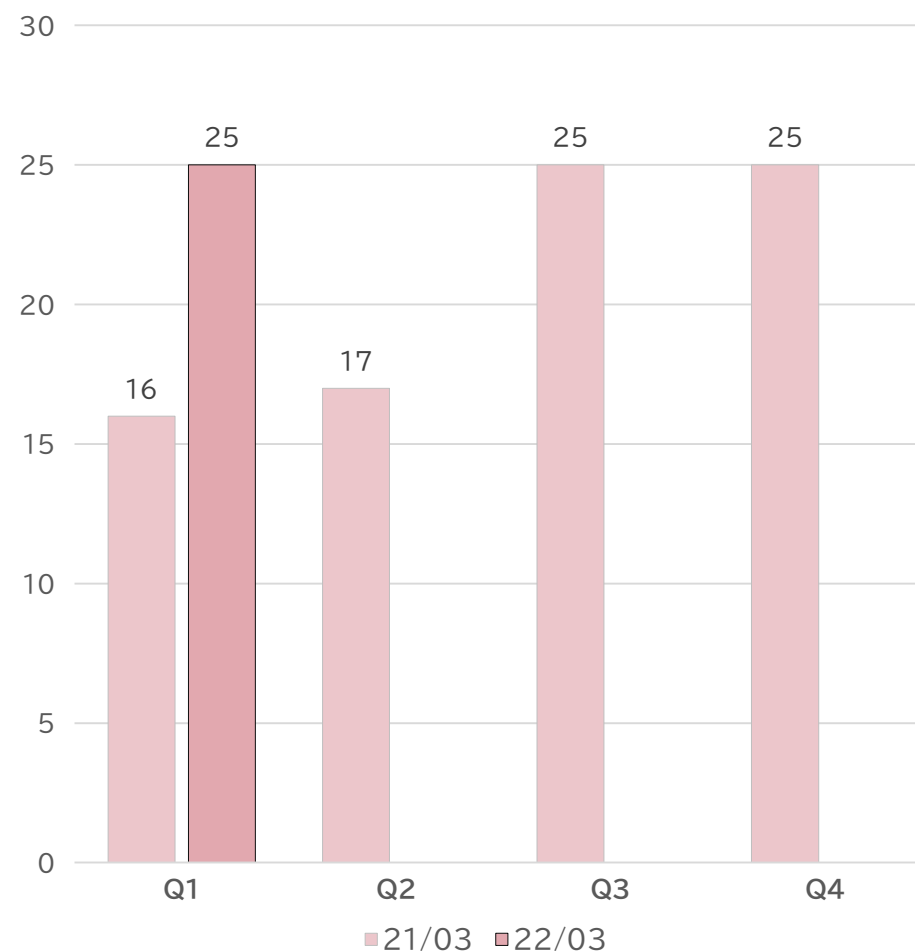
# Electronics & Energy Segment Operating Income Overview

- ▶ 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
- ▶ Profits increased year-on-year, maintaining strong performance from the second half of the previous fiscal year

Operating income by business(100 millions of yen)



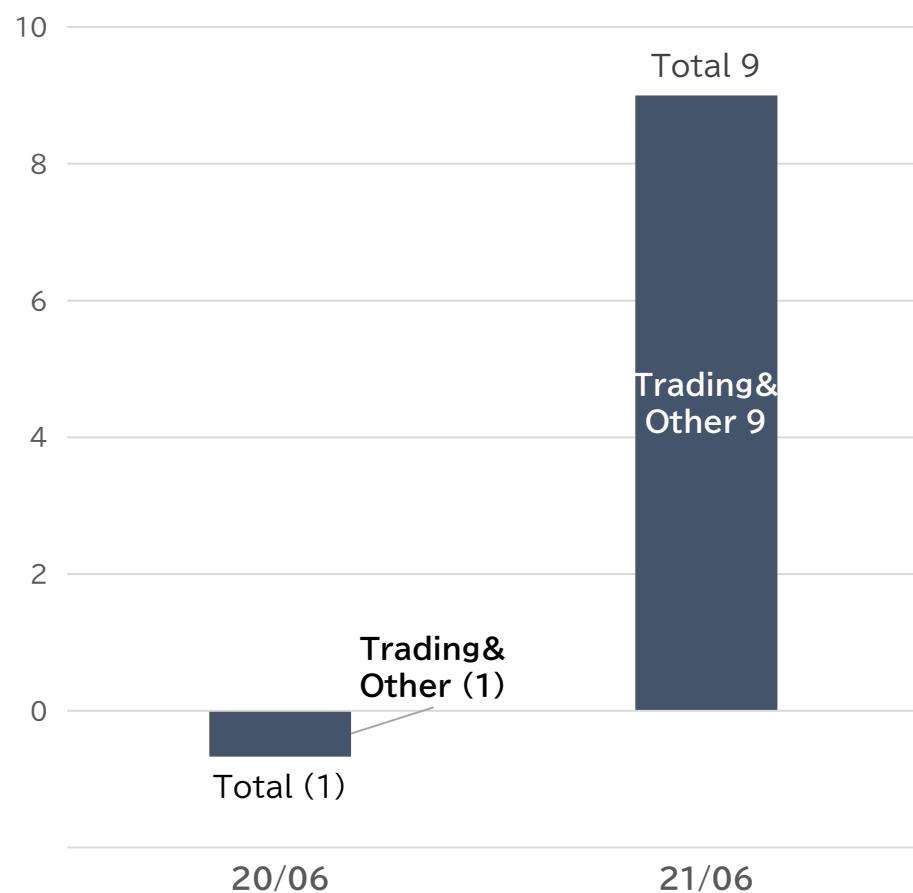
History of operating income (100 millions of yen)



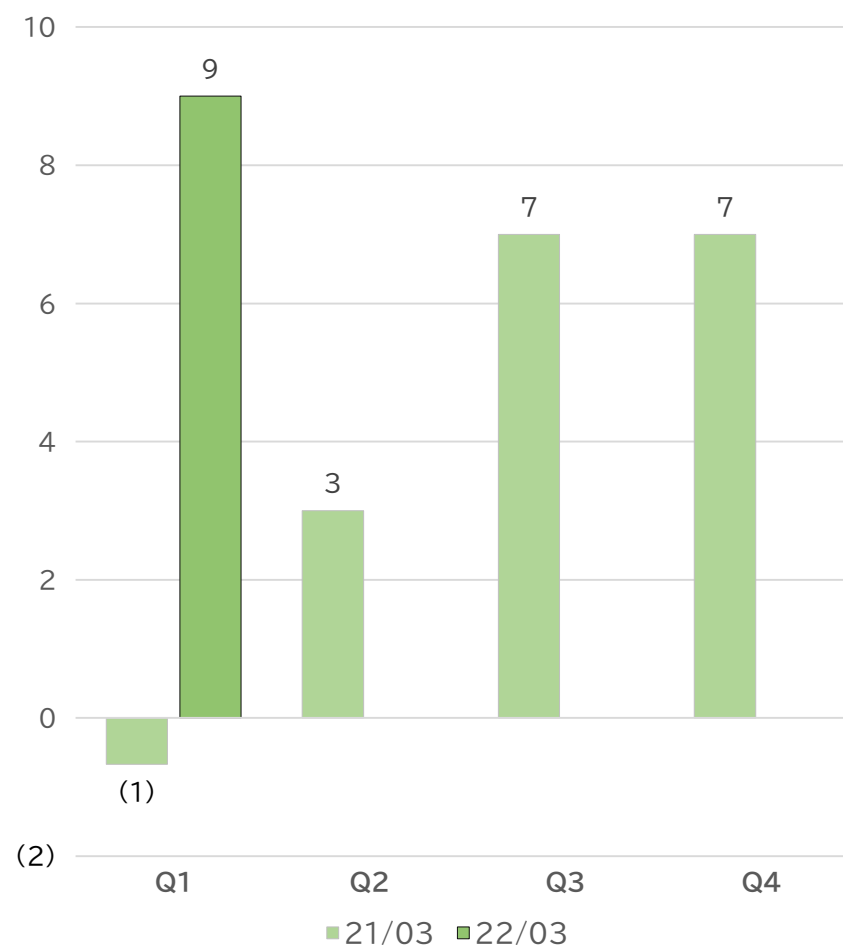
# Mobility Segment Operating Income Overview

- ▶ 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)



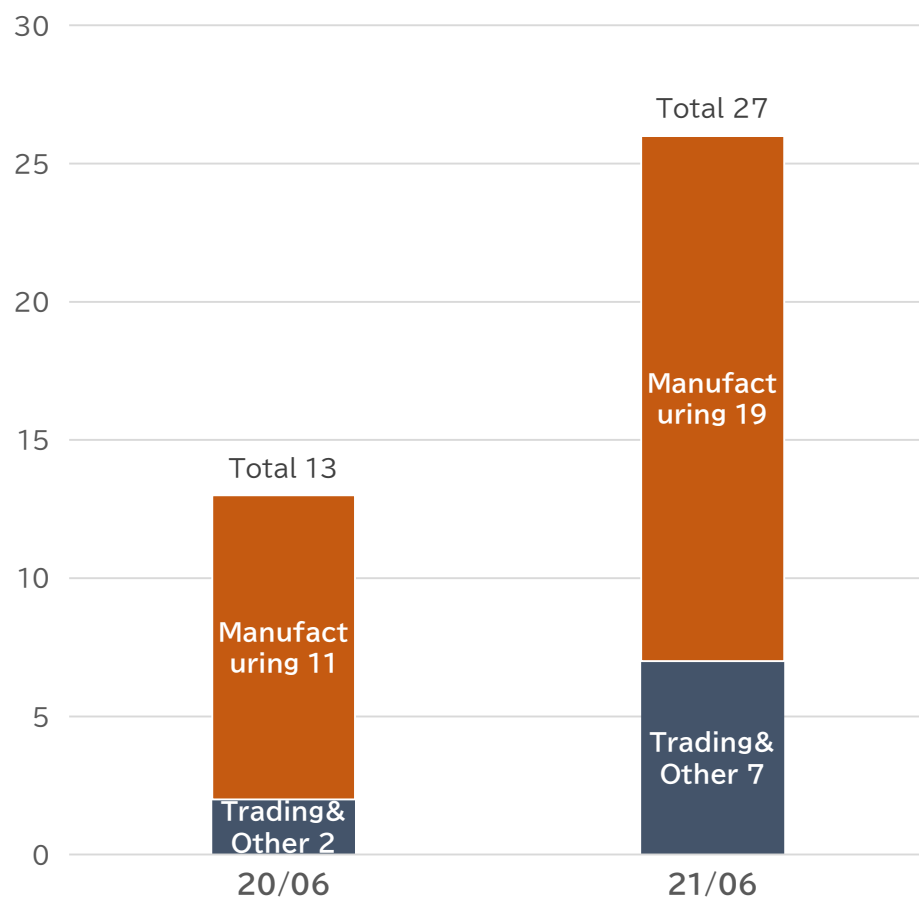
History of operating income (100 millions of yen)



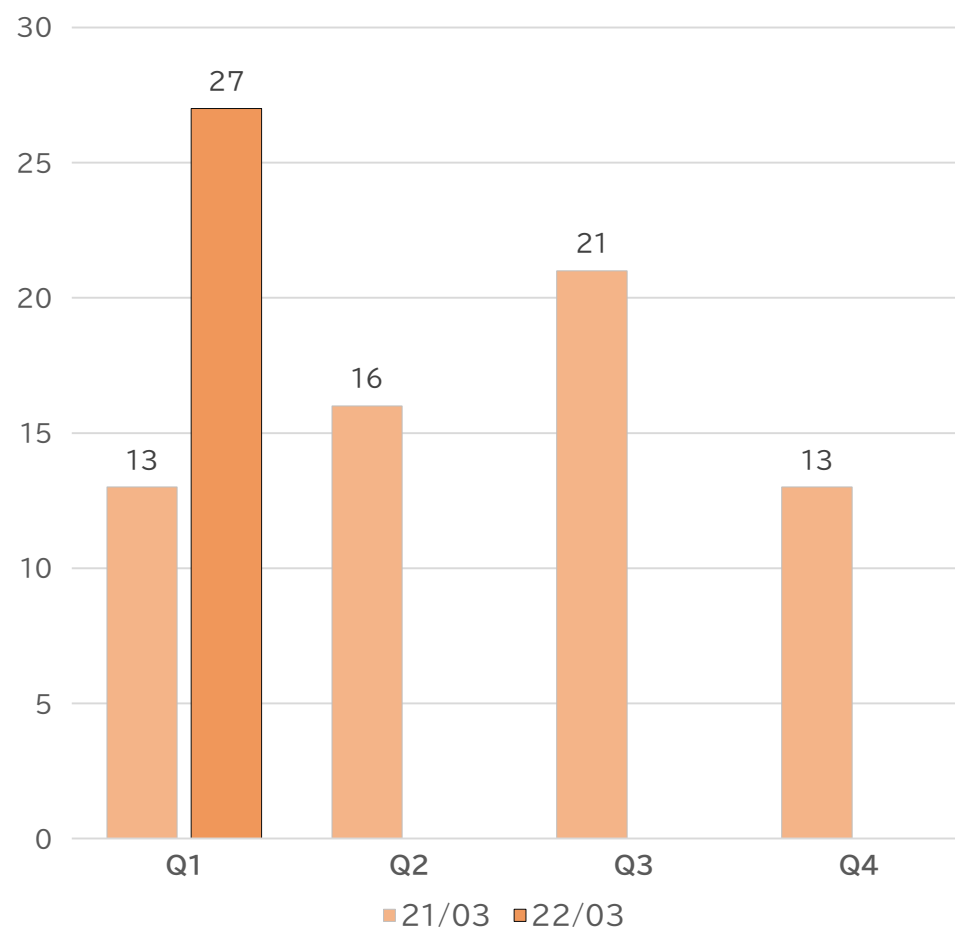
# Life & Health Care Segment Operating Income Overview

- ▶ 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 materials

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			
		20/06	21/06	Change	Vs.PY
Nagase ChemteX Corporation	Sales	59	72	13	122%
	Gross profit	18	24	5	133%
	Operating income	7	12	5	171%
Hayashibara Co., Ltd	Sales	57	66	9	116%
	Gross profit	25	28	3	112%
	Operating income	11	13	1	118%
	Goodwill amortization etc.	7	7	-	100%
	Operating income after amortization burden	3	5	1	129%
Prinova Group	Sales	222	273	50	123%
	Gross profit	42	53	11	126%
	Operating income	12	18	6	150%
	Goodwill amortization etc.	4	4	(0)	100%
	Operating income after amortization burden	7	13	6	188%

# Consolidated Balance Sheets

- ▶ Current assets: Accounts receivable and inventories increased due to favorable performance (working capital increased)
- ▶ Shareholders' equity: Shareholders' equity increased slightly 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 0.26 with increase in short-term borrowings due to demand for funds from increased working capital

100 millions of yen

	21/03	21/06	Change	Details
Total current assets	4,017	4,241	224	
(Cash&Deposits)	492	442	(50)	
(Notes&account Receivable)	2,425	2,543	117	
(Inventories)	972	1,100	128	
Total non-current assets	2,388	2,388	(0)	
(Investments in security)	847	822	(25)	
Total assets	6,405	6,629	223	
Current liabilities	2,061	2,321	259	CP+120、Current Portion of Bonds+100
Non-current Liab.	960	868	(92)	
Shareholders' equity	2,847	2,867	19	Purchase of treasury stock (22)
Accumulated Other Comprehensive Income	449	477	27	Translation adjustment +47
Non-controlling interests	87	95	8	
Total net assets	3,384	3,440	55	
Working capital	2,198	2,384		
Shareholders' equity ratio	51.5%	50.4%		
NET D/E ratio	0.23	0.26		

# FYE March 2022 Earnings Projection

- ▶ Strong performance exceeding initial expectations in the automobile-related business, electronics-related business, and the Prinova Group
- ▶ Regarding the normalization of economic activity from the second half, the outlook remains uncertain due to repeated states of emergency declared in Japan against the backdrop of new COVID-19 variant spread and lockdown measures in ASEAN. Despite this uncertainty, we expect a certain degree of recovery due to progress in vaccination efforts
- ▶ The full-year consolidated earnings forecast is being revised upward; while the resins market is expected to soften and economic activity recovery is to lead to greater expensing beginning in the second quarter, the first quarter has shown an upside in performance versus initial forecasts and recovery is expected in demand for food/souvenirs/other products

100 millions of yen

	21/03 Actual	22/03 Previous Forecast	22/03 Revised Forecast	Change	Percent Change
<b>Gross profit</b>	1,146	1,200	1,300	100	8.3%
<b>SG&amp;A expenses</b>	926	970	1,000	30	3.1%
<b>Operating income</b>	219	230	300	70	30.4%
<b>Ordinary income</b>	228	240	310	70	29.2%
<b>Profit attributable to owners of the parent</b>	188	180	225	45	25.0%
US\$ Exchange rate (period average)	@ 106.1	@ 104.0	@ 109.5		
RMB Exchange rate (period average)	@ 15.7	@ 15.4	16.9		

# FYE March 2022 Earnings Projection(By segment)

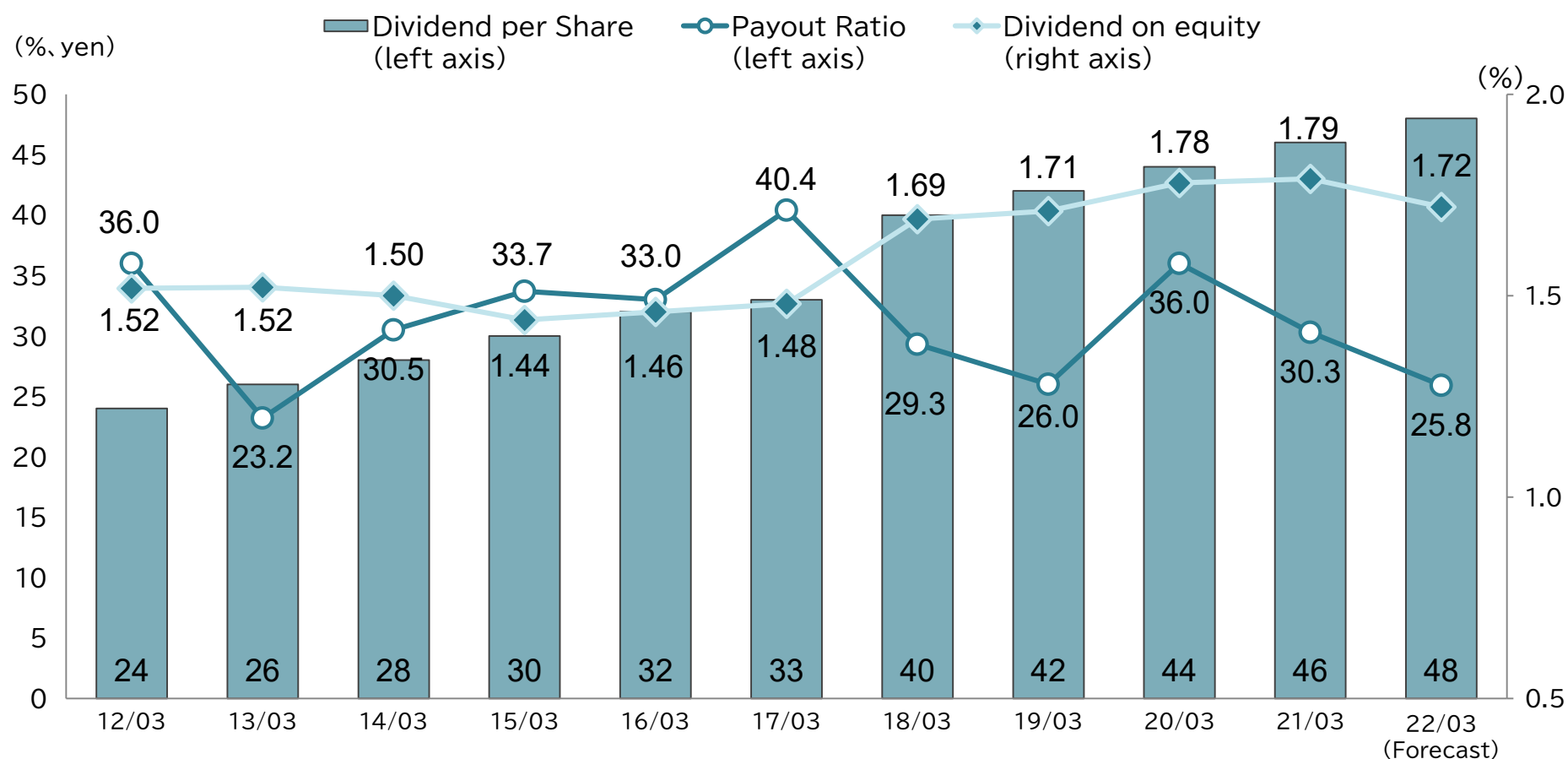
- ▶ Upward revision to earnings forecast in all segments, primarily in Advanced Materials & Processing, Electronics & Energy, and Life & Healthcare
- ▶ For the resins business, while the situation at hand is expected to continue, the resins market is expected to soften to a degree beginning in the second half
- ▶ The situation at hand is expected to continue for the electronics-related business given increases in demand for mobile devices and displays

100 millions of yen

		21/3 Actual	22/3 Forecast (Original)	22/3 Forecast (Revised)	Change	Percent Change
Functional materials	Gross profit	155	165	177	12	7.3%
	Operating income	47	57	66	9	15.8%
Advanced Materials & Processing	Gross profit	268	270	295	25	9.3%
	Operating income	73	72	96	24	33.3%
Electronics & Energy	Gross profit	255	255	274	19	7.5%
	Operating income	84	76	88	12	15.8%
Mobility	Gross profit	89	105	112	7	6.7%
	Operating income	18	30	34	4	13.3%
Life & Healthcare	Gross profit	374	400	437	37	9.3%
	Operating income	65	72	93	21	29.2%
Corporate&Others	Gross profit	1	5	5	—	—
	Operating income	(68)	(77)	(77)	—	—
Total	Gross profit	1,146	1,200	1,300	100	8.3%
	Operating income	219	230	300	70	30.4%

# Shareholder Returns

- ▶ Current fiscal year: We expect to pay a dividend of ¥48 per share for the full year, consisting of a ¥24 per share interim dividend and a ¥24 per share year-end dividend (expected increase in dividends for a 12th consecutive fiscal year)
- ▶ Currently mid-acquisition of treasury stock of ¥6 billion (February 8, 2021 to February 4, 2022; as of June 30, 2021, acquisition completed for ¥3.1 billion)



※ 18/03 year-end dividend include a special dividend of ¥5 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 August 4, 2021. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.