

# FYE March 2022 Results, FYE March 2023 Earnings Projection

NAGASE & CO., LTD.  
May 27, 2022

# Consolidated Statements Income

- ▶ Gross profit
  - Higher profit in all segments, with all stages of profit below gross profit reaching record highs
  - In particular, the automobile, resins and electronics, 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 had been significant in the previous fiscal year
- ▶ Net income
  - Significantly higher profits with strong business performance and gain on sales of cross-shareholdings, despite recording impairment losses that pressured profits downward

100 millions of yen

	21/03	22/03	Change	Vs.PY	Forecast (announced Feb 9)	Achievement
<b>Sales</b>	6,252	7,805	+ 1,553	125%	—	—
<b>Gross profit</b>	1,146	1,394	+ 248	122%	1,380	101%
<GP ratio>	18.3%	17.9%	(0.5pt)	—	—	—
<b>SG&amp;A expenses</b>	926	1,042	+ 115	112%	1,030	—
<b>Operating income</b>	219	352	+ 133	161%	350	101%
<b>Ordinary income</b>	228	364	+ 136	160%	365	100%
<b>Profit Attributable to owners of the parent</b>	188	259	+ 71	138%	250	104%
US\$ Exchange rate (period average)	@ 106.1	@ 112.4	@ 6.3	Weak yen	@111.9	
RMB Exchange rate (period average)	@ 15.7	@ 17.5	@ 1.8	Weak yen	@17.4	

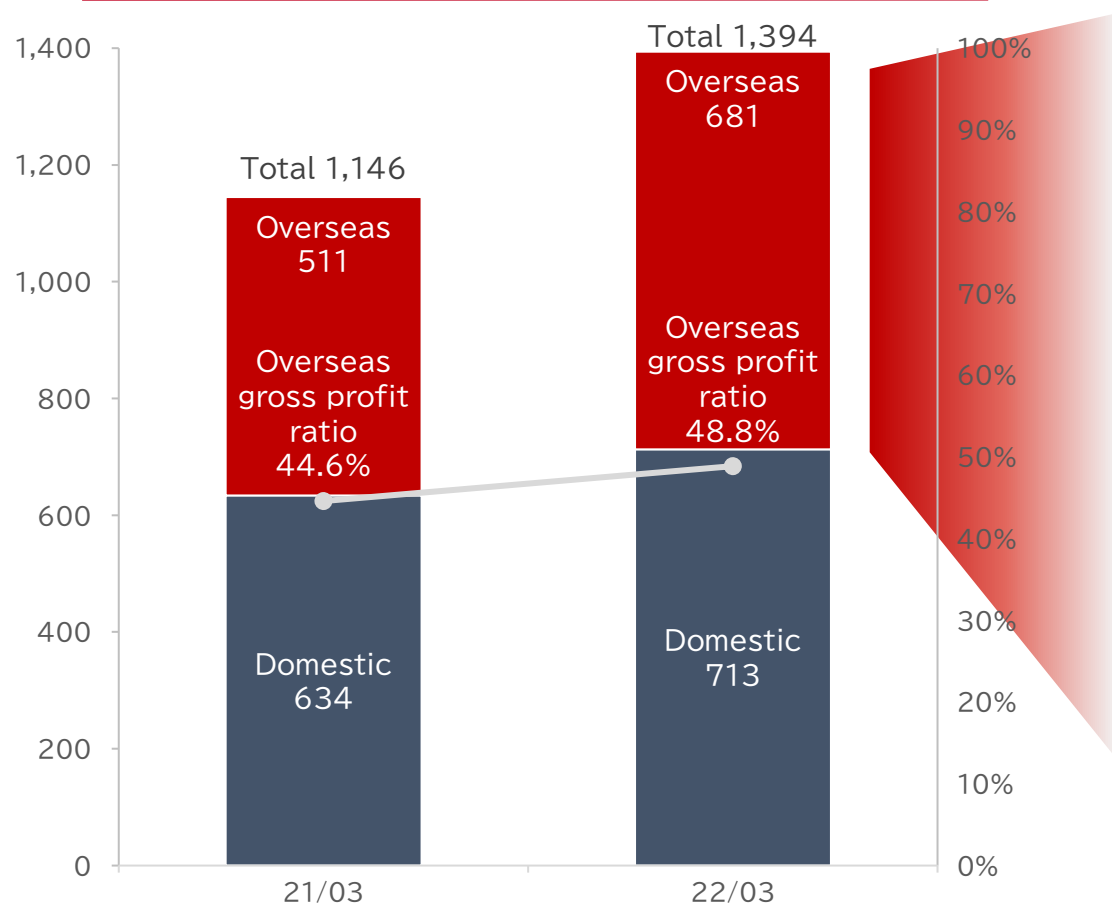
\* Offset to sales and cost of sales from application of revenue recognition standards: March. 2021, -¥204.9 billion; March. 2022, -¥244.8 billion

\* Impact from foreign exchange: Gross profit, +¥3,200 million; Operating income, +¥900 million

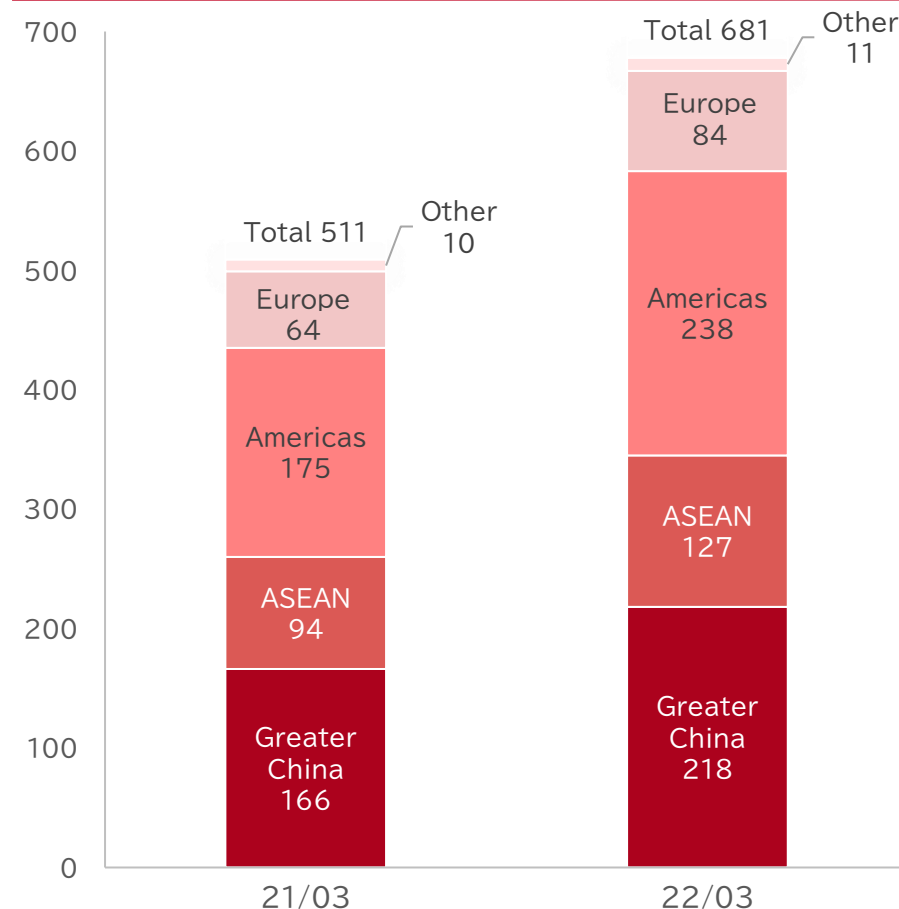
# Gross Profit by Region

- ▶ 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

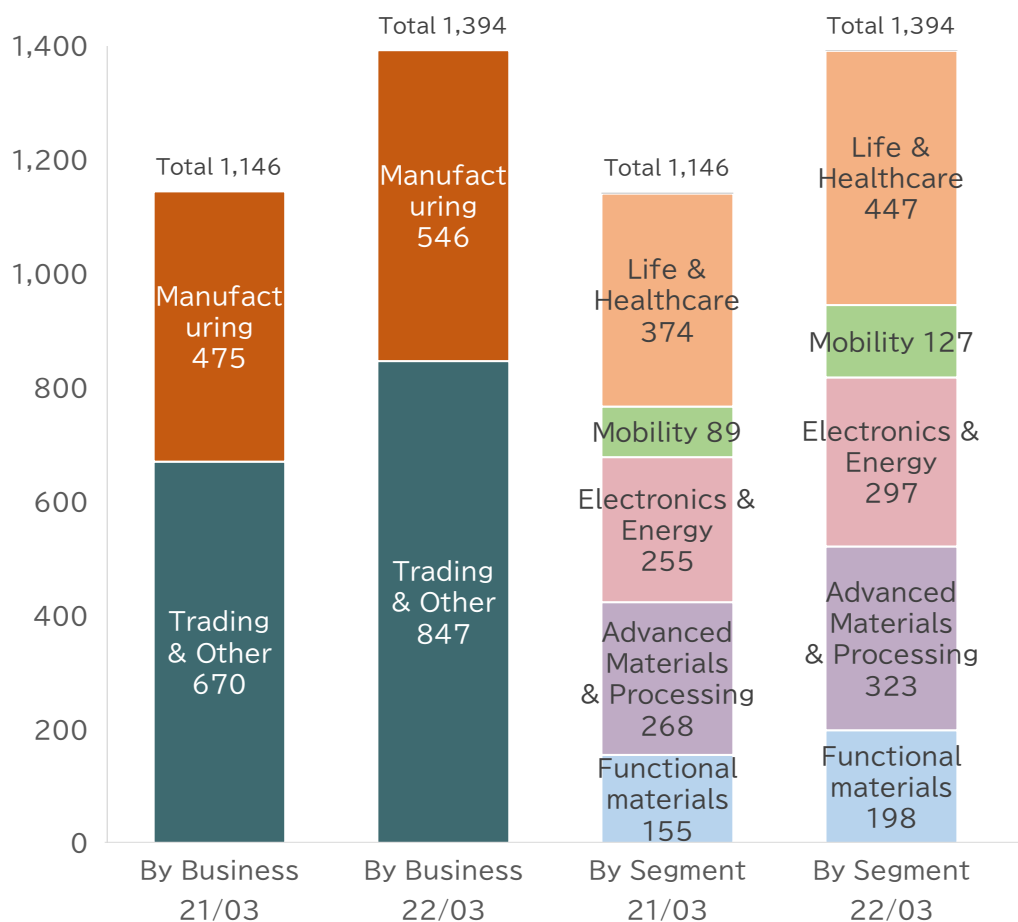
\* Domestic figures under Domestic & Overseas Gross Profit include inter-regional adjustments

# Gross Profit by Business & Segment

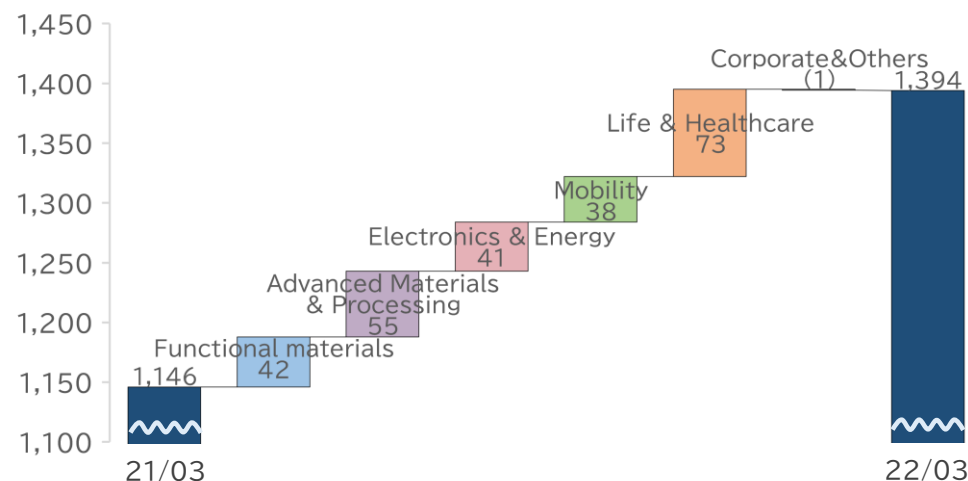
- ▶ Higher profits in all segments, with a full year gross profits reaching record high
- ▶ Functional Materials and Advanced Materials & Processing : Profitability improved due to expanded sales share of highly functional materials and high-value-added group products, in addition to the impact of rising market prices.
- ▶ 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.

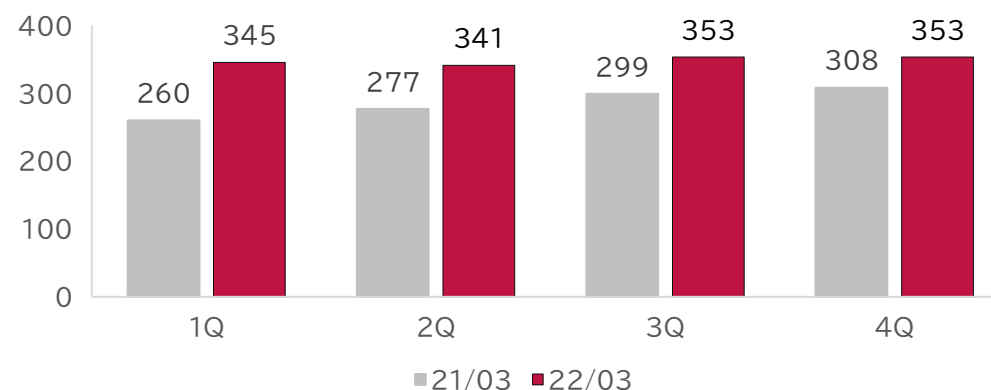
Gross Profit By Business & Segment (100 millions of yen)



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



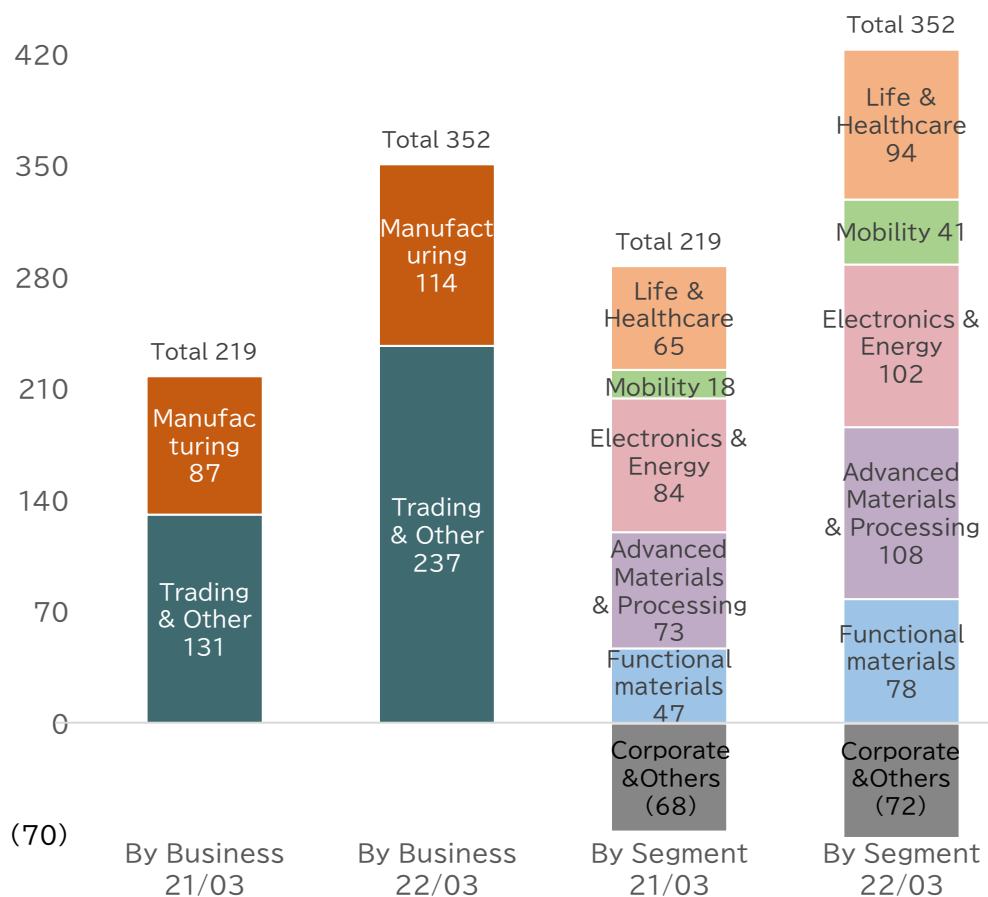
History of Gross Profit(100 millions of yen)



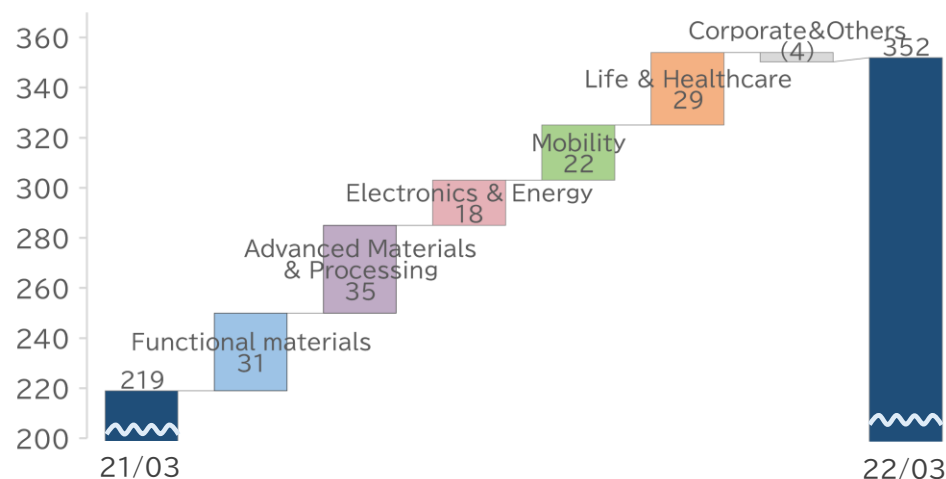
# Operating Income by Business & Segment

- ▶ Operating income reached a record high with an increase in gross profit across all segments, despite a slowdown in the second half, mainly due to the normalization of profitability related to resin sales and an increase in general and administrative expenses
- ▶ Manufacturing business operating income reached record high, mainly due to strong Prinova Group performance
- ▶ We continue to invest for sustainable growth in the future, such as DX-related areas

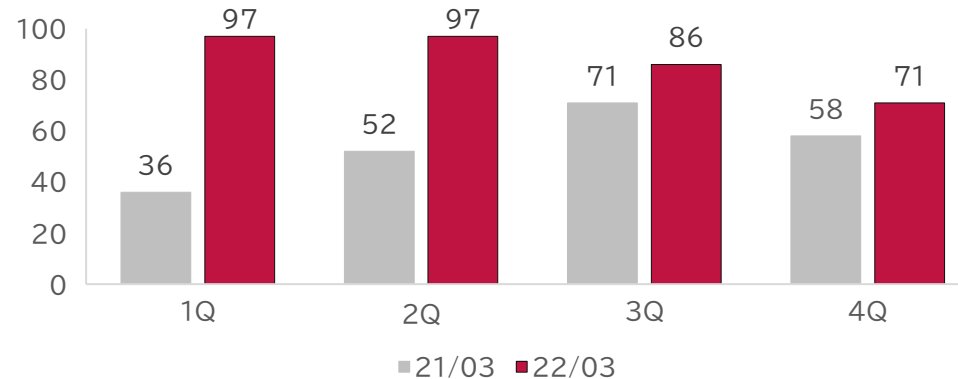
Operating Income by Business & Segment (100 millions of yen)



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



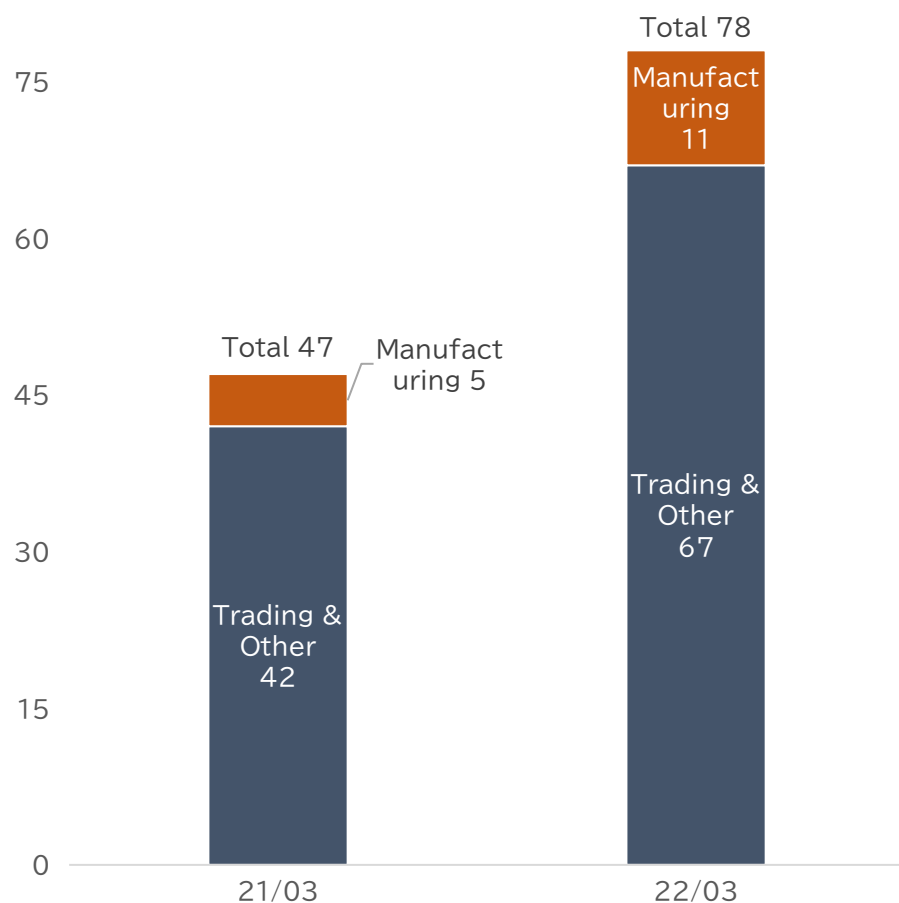
History of Operating Income (100 millions of yen)



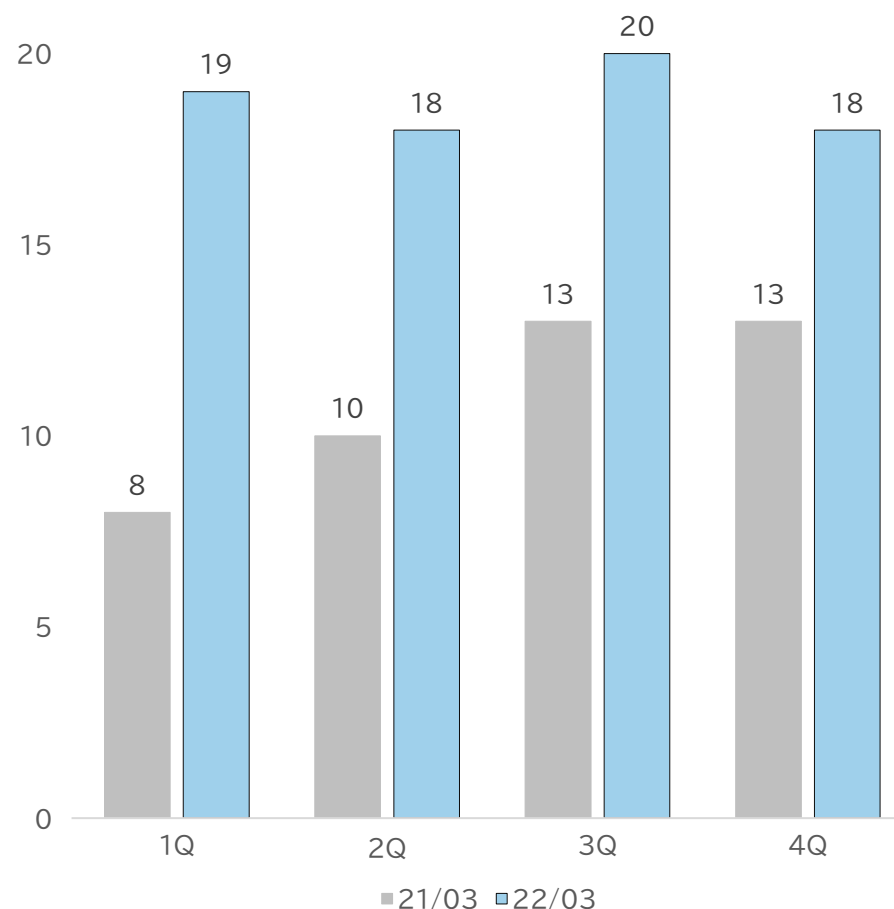
# Functional Materials Segment Operating Income Overview

- ▶ 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 had been significant in the previous fiscal year, primarily in the automobile-related business

Operating income by business(100 millions of yen)



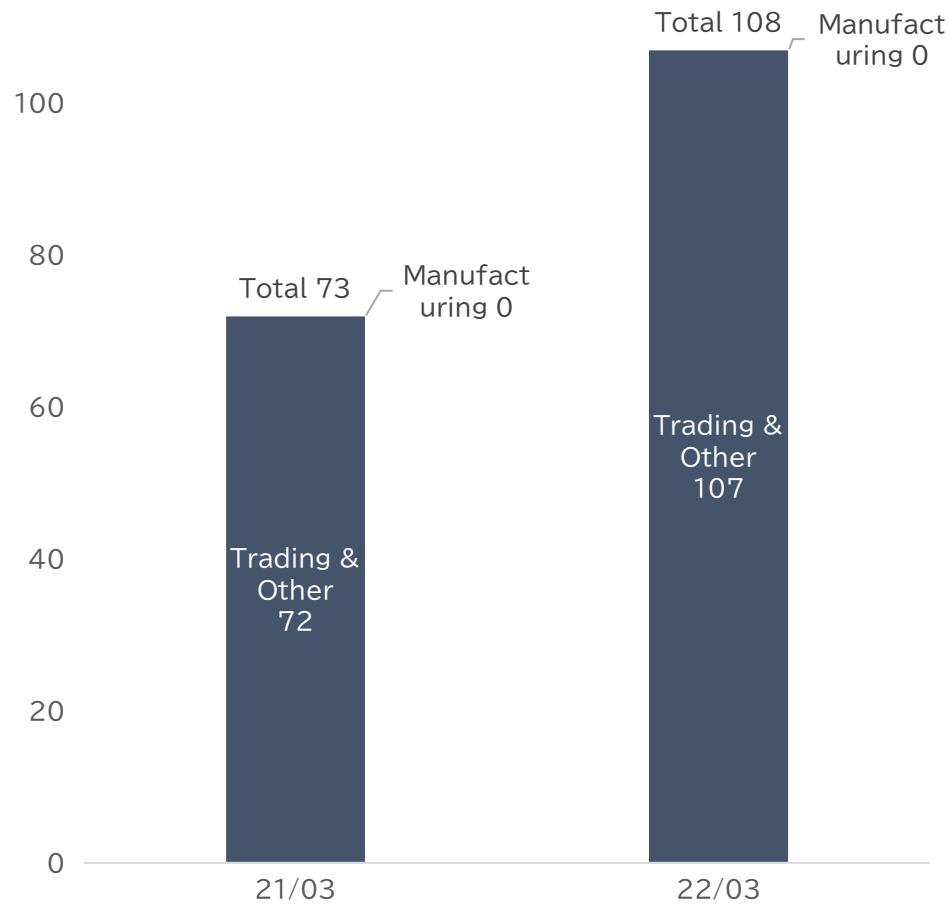
History of operating income (100 millions of yen)



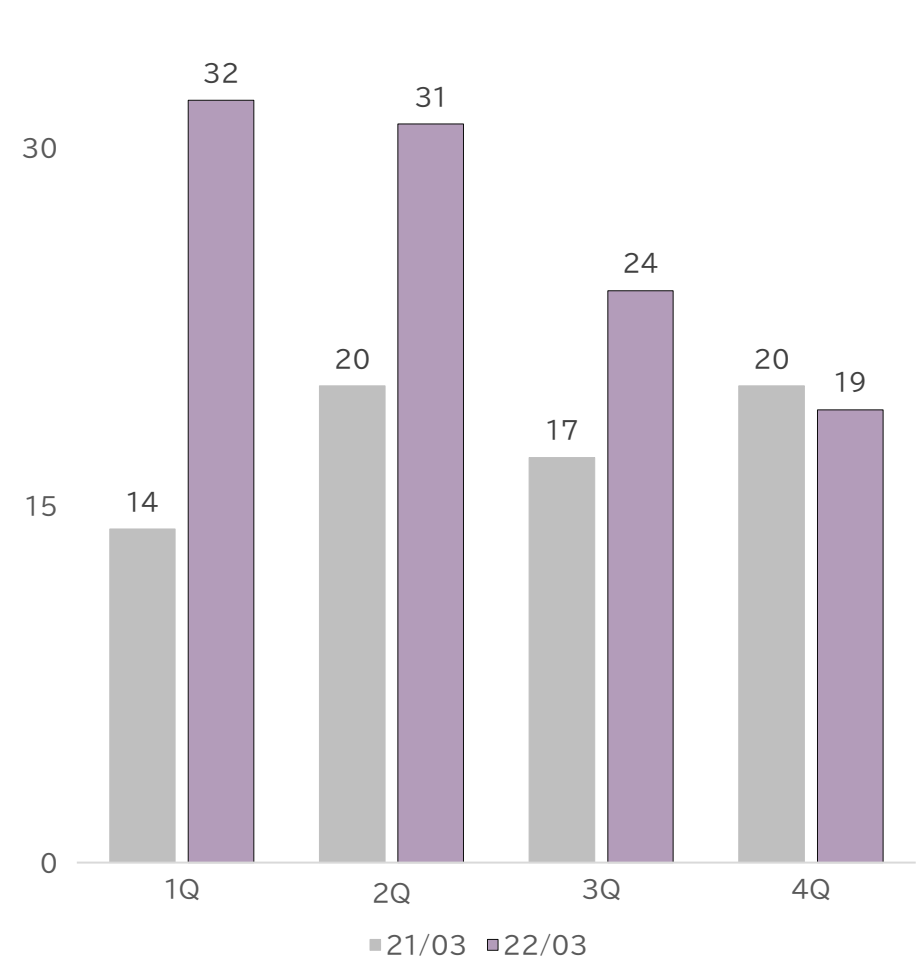
# Advanced material & Processing Segment Operating Income Overview

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

Operating income by business(100 millions of yen)



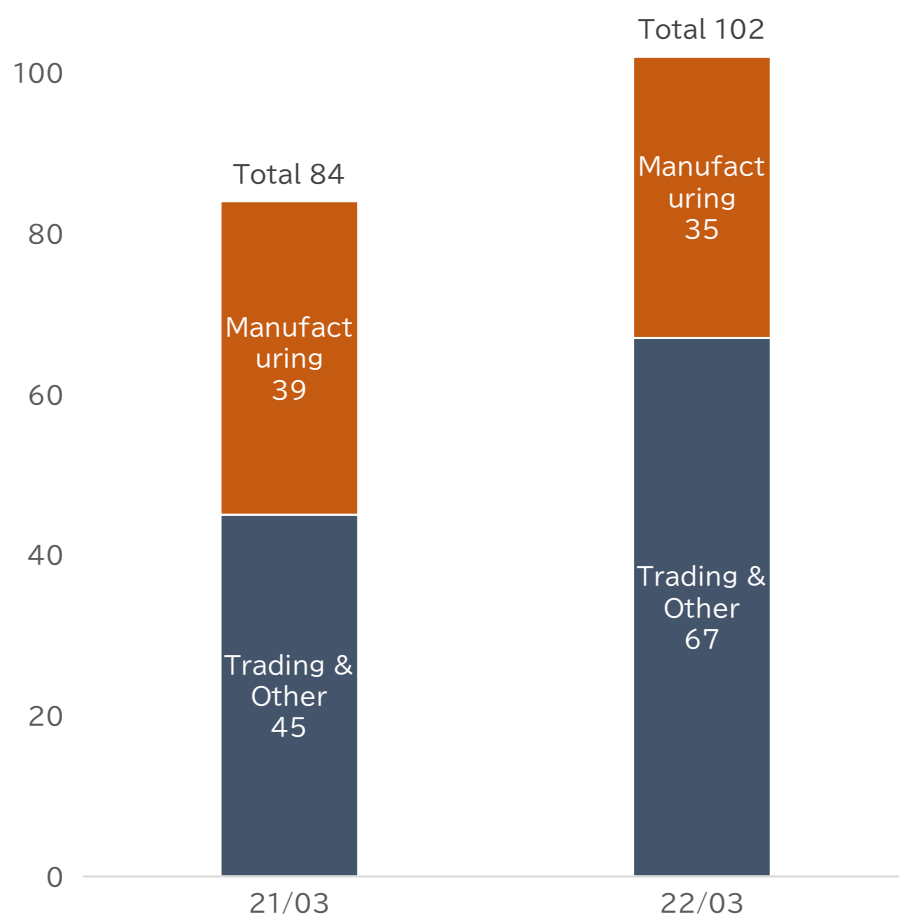
History of operating income (100 millions of yen)



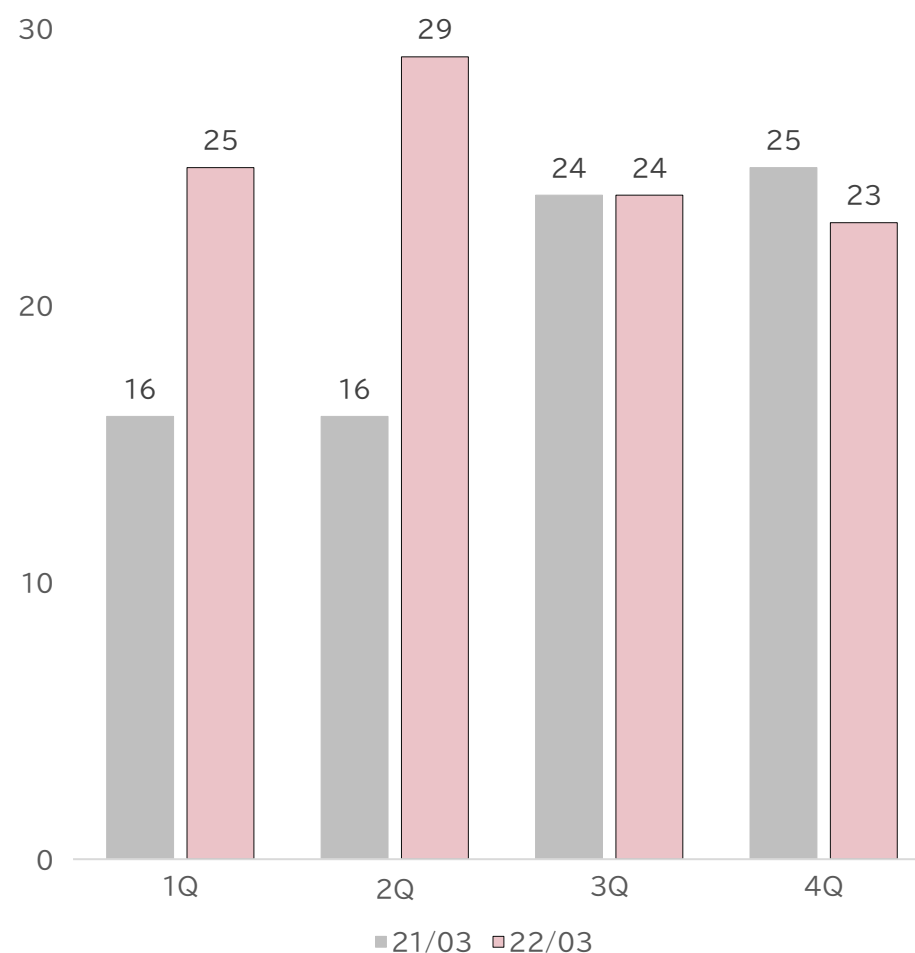
# Electronics & Energy Segment Operating Income Overview

- ▶ 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)

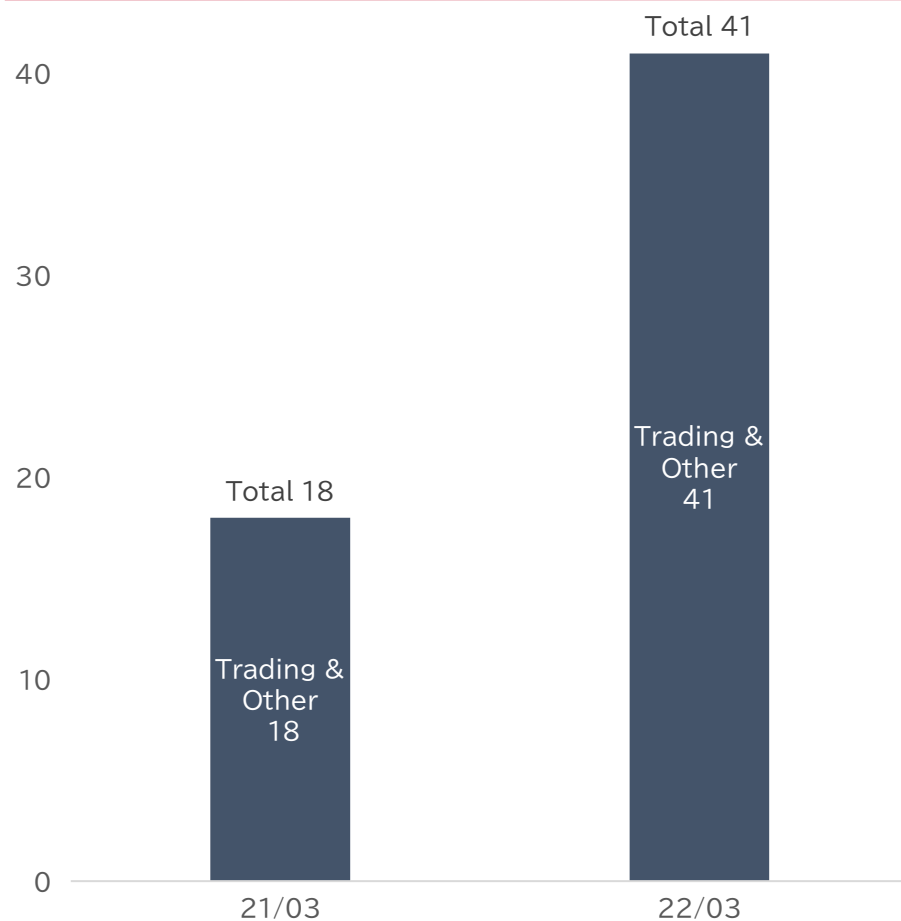




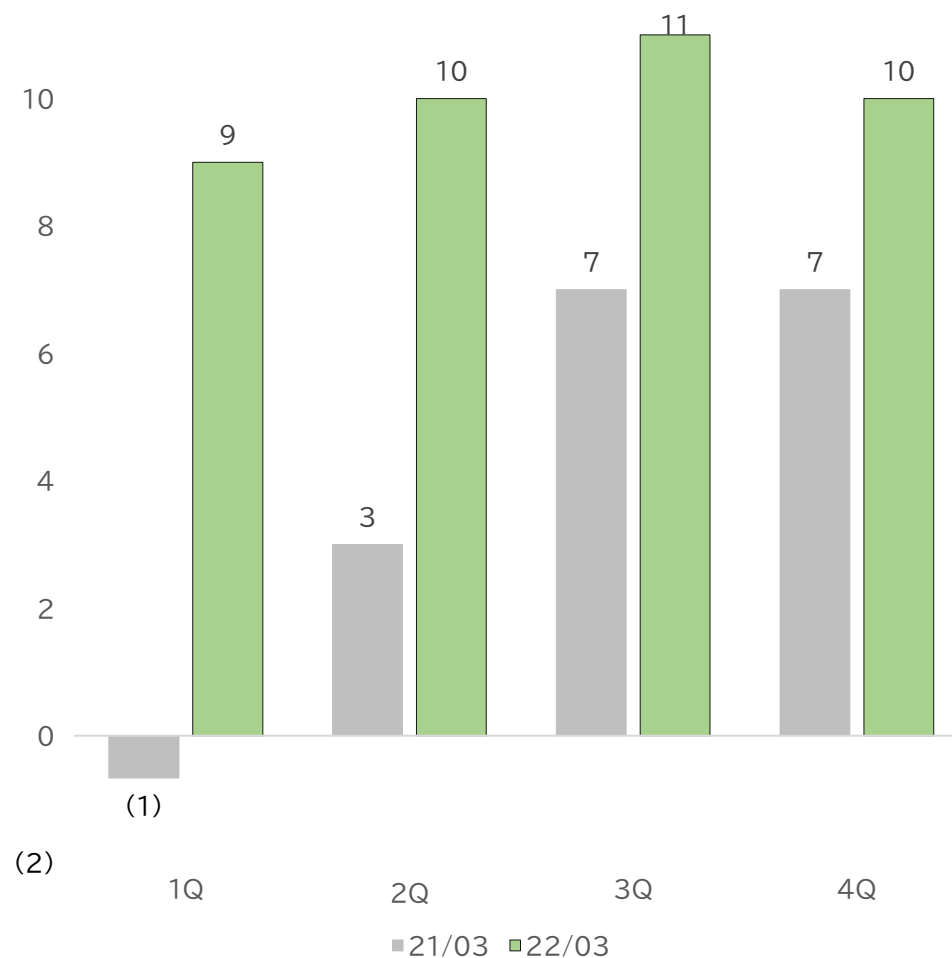
# Mobility Segment Operating Income Overview

- ▶ Sales increased in functional materials and functional components for EV interior and exterior fittings and electrification
- ▶ Profits increased significantly year-on-year due to a recovery in automotive production and rising market prices
- ▶ Profitability improved due to progress in business portfolio transformation, including increased sales of high-value-added products

Operating income by business(100 millions of yen)



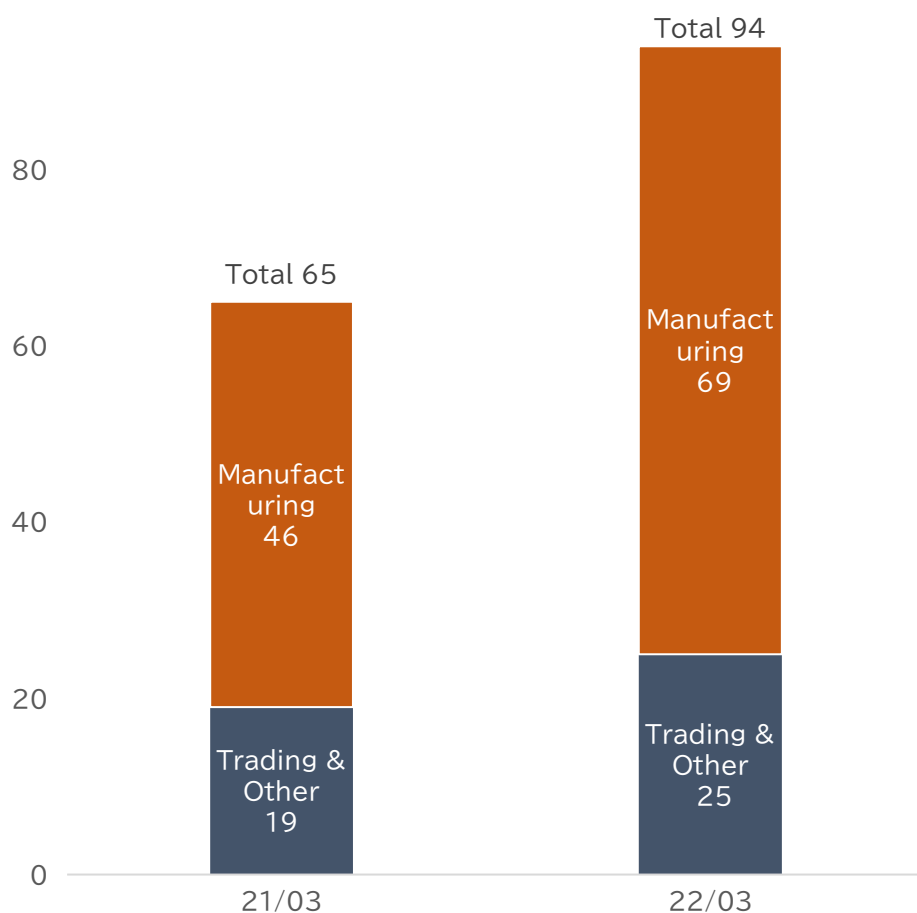
History of operating income (100 millions of yen)



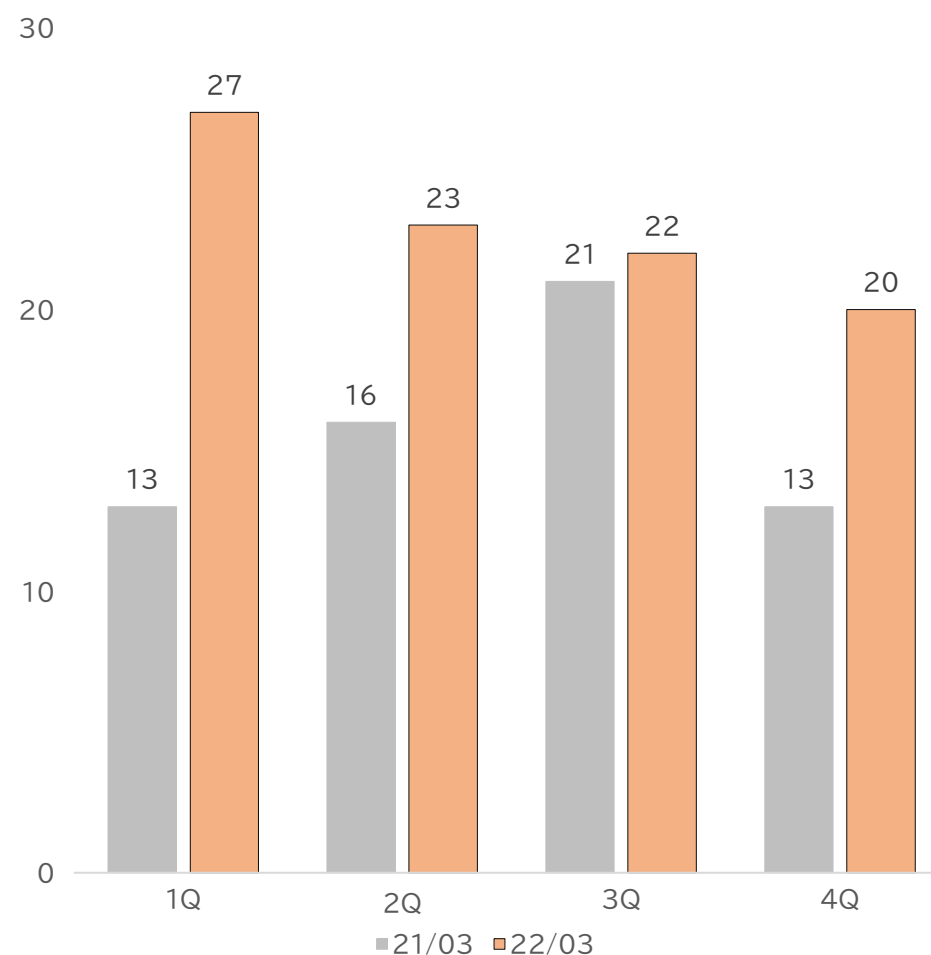
# Life & Healthcare Segment Operating Income Overview

- ▶ 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 had been significant in the previous fiscal 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			
		21/03	22/03	Change	Vs.PY
Nagase ChemteX Corporation	Sales	259	289	30	112%
	Gross profit	80	89	8	110%
	Operating income	32	37	5	117%
Hayashibara Co.,Ltd.	Sales	236	265	29	112%
	Gross profit	100	108	7	107%
	Operating income	43	45	1	104%
	Goodwill amortization etc.	30	30	-	100%
	Operating income after amortization burden	12	14	1	115%
Prinova Group	Sales	866	1,209	342	140%
	Gross profit	163	218	55	134%
	Operating income	47	69	22	147%
	Goodwill amortization etc.	19	20	1	104%
	Operating income after amortization burden	27	49	21	177%

# Prinova Group Update

## Expand business in North America

### ■ FY2021 acquisitions

Expand product lineup for ingredient sales ⇒ acquisition of **The Ingredient House**  
(sweetener distributor)

Expand regional portfolio of processing centers and strengthening functions  
⇒ acquired **Lakeshore Technologies**

PMI is on track and producing synergies, including the start of business with a major brand owner

### ■ Strengthen manufacturing and processing functions through new plant construction

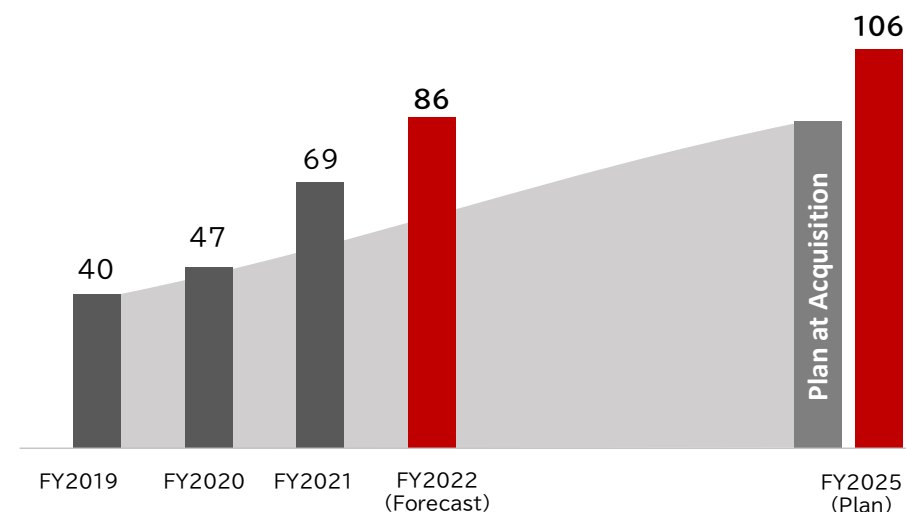
Expand capacity of Armada (contract manufacturing) and Solutions (processing)  
⇒ **New plant** to be built in Utah

Preparations underway and production scheduled to start in July

## FY2022 Numerical Plan

- FY2021: Operating income of 6.9 billion yen due to strong sales of materials and recovery at Armada, which had been underperforming during fiscal 2020 due to COVID-19
- FY2022: Forecast operating income of 8.6 billion yen due to ongoing strong performance for the business as a whole, as well as higher sales stemming from the full-year contributions of two acquisitions and the effects of increased capacity
- Expect to achieve targets three years ahead of schedule compared to plans at the time of acquisition

Operating Income (100 millions of yen)



\* Forecast conversion rate (FY2022: 120.0 yen; FY2025: 108.7 yen)

# Consolidated Balance Sheets

- ▶ Current assets : Accounts receivable and inventories increased due to favorable performance (working capital increased)
- ▶ Net assets : Shareholders' equity increased due to the recording of profits for the fiscal year, despite payments of dividends, purchases of treasury stock, and a decline in market value of investments in securities
- ▶ NET D/E ratio : Increased to 0.33 with increase in short-term borrowings due to demand for funds from increased working capital

100 millions of yen

	21/03	22/03	Change	Details
Total current assets	4,017	5,142	1,125	
(Cash & time deposits)	492	542	50	
(Notes & accounts receivable)	2,425	2,898	473	
(Inventories)	972	1,575	602	
Total non-current assets	2,388	2,254	(134)	
(Investments in security)	937	756	(181)	
Total assets	6,405	7,397	991	
Current Liab.	2,061	3,078	1,016	Short-term loans/CP+570, Current portion of bonds+100
(Notes & accounts payable)	1,199	1,490	290	
Non-current Liab.	960	767	(192)	
Total Liab.	3,021	3,846	824	
Shareholders' equity	2,847	2,988	140	
Accum. other comprehensive income	449	454	5	Translation adjustments+126, Net unrealized holding loss on securities(118)
Non-controlling interests	87	108	20	
Total net assets	3,384	3,550	166	
Working capital	2,198	2,983		
Shareholders' equity ratio	51.5%	46.5%		
NET D/E ratio	0.23	0.33		

# Consolidated Cash Flows

- ▶ Operating CF : Net cash used of ¥17.7 billion as working capital increased due to strong business performance
- ▶ Investing CF : Net cash used of ¥7.6 billion due to purchases of property, plant and equipment and the acquisition of stock of a subsidiary related to a corporate acquisition; offset in part by proceeds from sales of investments in securities
- ▶ Financing CF : Net cash provided of ¥27.2 billion, mainly due to a net increase in short-term loans in connection with an increase in working capital, offset in part by dividends and purchases of treasury stock

	100 millions of yen	
	21/03	22/03
Operating CF	203	(177)
Investing CF	26	(76)
Free CF	230	(254)
Financing CF	(258)	272
Effects of exchange rate changes on cash and cash equivalents	9	29
Net change in cash and cash equivalents	(19)	47
Depreciation and amortization of tangible and intangible assets	133	136
Fixed asset investment	(128)	(169)
Change in working capital	(100)	(631)

# FYE March 2023 Earnings Projection

- ▶ Semiconductor and food-related businesses, which are the focus areas of medium-term management plan **ACE 2.0**, will continue to expand market share and maintain strong performance
- ▶ We expect the impact of COVID-19 on economic activities to be limited in response to the easing of regulations in various countries
- ▶ We expect sharp rises in oil prices and the chemical market, while supply chain disruptions are likely to continue to one degree or another
- ▶ Direct business with Russia and Ukraine is negligible and impact is limited
- ▶ Despite the many uncertainties in the external environment, we currently expect to record record-high profits for a second consecutive fiscal year

100 millions of yen

	22/03 Actual	23/03 Forecast	Change	Vs.PY
Gross profit	1,394	1,590	195	114%
SG&A expenses	1,042	1,210	167	116%
Operating income	352	380	27	108%
Ordinary income	364	390	25	107%
Profit attributable to owners of the parent	259	285	25	110%
US\$ Exchange rate (period average)	@ 112.4	@ 120.0		
RMB Exchange rate (period average)	@ 17.5	@ 18.5		

# FYE March 2023 Earnings Projection (By segment)

- ▶ We expect the resins business, centered on Advanced Materials & Processing and Mobility, to experience strong performance based on our projections of increased demand and ongoing high market condition levels
- ▶ We expect the semiconductor-related products business, centered on Functional Materials and Electronics, to experience strong performance based on our projections of strong demand, particularly for telecommunications applications
- ▶ We expect further growth in the nutrition-related business of the Life & Healthcare-related Prinova Group due to expanding consumption and rising health consciousness in Europe and the Americas
- ▶ We expect cost increases in Corporate & Others due to office relocation, etc.

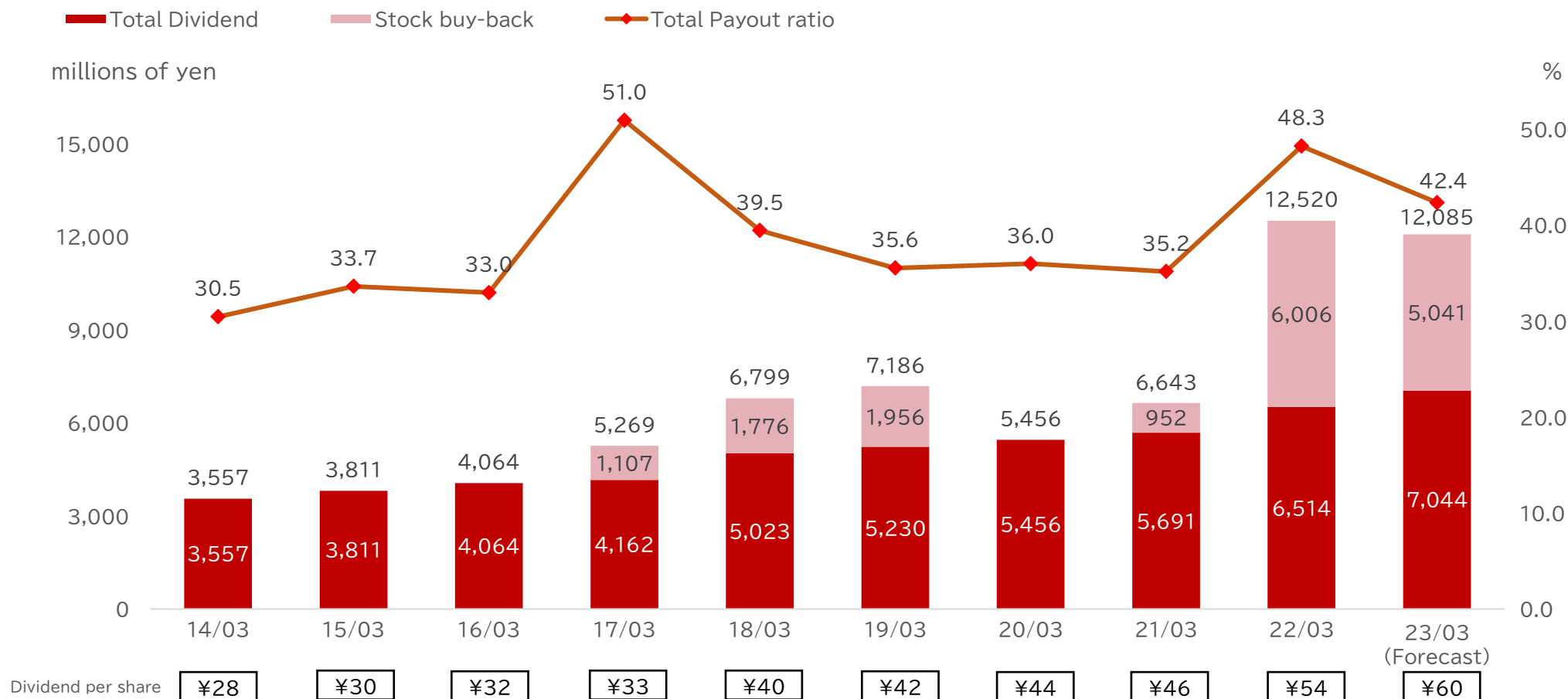
100 millions of yen

		22/03 Actual	23/03 Forecast	Change	Vs.PY
Functional Materials	Gross profit	198	221	22	112%
	Operating income	78	83	4	106%
Advanced Materials & Processing	Gross profit	323	343	19	106%
	Operating income	108	117	8	108%
Electronics & Energy	Gross profit	297	325	27	109%
	Operating income	102	115	12	112%
Mobility	Gross profit	127	142	14	112%
	Operating income	41	44	2	106%
Life & Healthcare	Gross profit	447	557	109	124%
	Operating income	94	112	17	119%
Corporate & Others	Gross profit	1	2	0	168%
	Operating income	(72)	(91)	(18)	—
Total	Gross profit	1,394	1,590	195	114%
	Operating income	352	380	27	108%



# Shareholder Returns

- ▶ Annual dividend increased from the originally planned ¥48 per share to ¥54 per share in response to strong performance
- ▶ As we expect strong earnings for FY2022, we plan to increase annual dividends per share by ¥6 to ¥60 per share (increase in dividends for an expected 13th consecutive fiscal year)
- ▶ We are proceeding as planned with the repurchase of ¥6 billion in treasury stock, as resolved in February 2022 (purchase period : February 2022 to February 2023)



※ 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 May 27, 2022. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.