

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

February 8, 2023

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/>)

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Filing of quarterly report (scheduled): February 10, 2023

Start of distribution of dividends (scheduled): -

Supplementary documents of quarterly financial results: Yes

Quarterly investors' meeting: No

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

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

(April 1, 2022 to December 31, 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 third quarter ended December 31, 2022	695,680	21.2	118,476	13.8	27,438	-2.5	27,445	-9.0	20,037	-9.9
December 31, 2021	574,139	26.5	104,107	24.4	28,151	75.2	30,170	75.8	22,230	34.3

(Note) Comprehensive income

Third quarter ended December 31, 2022: ¥45,427 million (66.1%)

Third quarter ended December 31, 2021: ¥27,354 million (9.1% decrease)

	Earnings per share		Earnings per share (diluted)	
For the third quarter ended	Yen		Yen	
December 31, 2022	168.78		-	
December 31, 2021	182.40		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2022	801,429	387,236	47.0	3,199.33
March 31, 2022	739,720	355,092	46.5	2,868.22

(Reference) Equity capital

As of December 31, 2022: ¥ 376,319 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)

December 31, 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

December 31, 2022	3,283,731 shares	March 31, 2022	881,767 shares
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iii. Average number of shares during the period

December 31, 2022	118,717,386 shares	December 31, 2021	121,878,419 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)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2022)
ASSETS		
Current assets		
Cash and time deposits	54,211	43,956
Notes and accounts receivable	289,862	324,014
Merchandise and finished goods	142,590	163,578
Work in process	2,401	2,521
Raw materials and supplies	12,533	16,594
Other	13,935	18,792
Less allowance for doubtful accounts	(1,248)	(1,243)
Total current assets	514,286	568,214
Non-current assets		
Property, plant and equipment	72,554	75,626
Intangible fixed assets		
Goodwill	29,492	30,742
Technology-based assets	5,912	4,731
Other	29,664	38,470
Total intangible fixed assets	65,070	73,944
Investments and other assets		
Investments in securities	75,600	71,128
Long-term loans receivable	24	17
Retirement benefit asset	3,139	3,393
Deferred tax assets	3,572	3,540
Other	5,583	5,662
Less allowance for doubtful accounts	(112)	(98)
Total investments and other assets	87,809	83,644
Total non-current assets	225,434	233,215
Total assets	739,720	801,429

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2022)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2022)
LIABILITIES		
Current liabilities		
Notes and accounts payable	149,036	158,791
Short-term loans	73,121	70,977
Current portion of long-term loans	8,752	4,055
Commercial paper	25,000	53,000
Current portion of bonds	10,000	—
Accrued income taxes	7,100	2,827
Accrued bonuses for employees	7,648	5,344
Accrued bonuses for directors	497	291
Other	26,678	27,232
Total current liabilities	307,836	322,519
Long-term liabilities		
Bonds	20,000	30,000
Long-term loans	28,244	33,669
Deferred tax liabilities	12,310	8,920
Retirement benefit liability	13,238	13,330
Other	2,998	5,752
Total long-term liabilities	76,791	91,672
Total liabilities	384,628	414,192
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,639	10,636
Retained earnings	280,015	292,668
Less treasury stock, at cost	(1,534)	(6,154)
Total shareholders' equity	298,820	306,849
Accumulated other comprehensive income		
Net unrealized holding gain on securities	31,732	29,115
Deferred gain on hedges	178	34
Translation adjustments	13,690	40,345
Remeasurements of defined benefit plans	(161)	(25)
Total accumulated other comprehensive income	45,441	69,469
Non-controlling interests	10,830	10,917
Total net assets	355,092	387,236
Total liabilities and net assets	739,720	801,429

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

(Quarterly Consolidated Statements of Income)

Nine-month periods ended December 31, 2022 and 2021

(Millions of yen)

	Nine-month period ended December 31, 2021 (April 1, 2021 – December 31, 2021)	Nine-month period ended December 31, 2022 (April 1, 2022 – December 31, 2022)
Net sales	574,139	695,680
Cost of sales	470,031	577,204
Gross profit	104,107	118,476
Selling, general and administrative expenses	75,955	91,038
Operating income	28,151	27,438
Non-operating income		
Interest income	108	74
Dividend income	1,240	1,401
Rent income	206	184
Equity in earnings of affiliates	118	402
Foreign exchange gains	964	115
Other	561	332
Total non-operating income	3,199	2,510
Non-operating expenses		
Interest expenses	861	2,144
Other	319	359
Total non-operating expenses	1,181	2,503
Ordinary income	30,170	27,445
Extraordinary gains		
Gain on sales of non-current assets	12	140
Gain on sales of investment securities	2,324	2,617
Gain on sales of shares of subsidiaries and affiliates	—	52
Gain on sales of investments in capital of subsidiaries and affiliates	42	—
Other	304	1
Total extraordinary gains	2,684	2,812
Extraordinary losses		
Loss on sales of non-current assets	176	38
Loss on disposal of non-current assets	407	487
Loss on sales of investment securities	6	7
Loss on valuation of investment securities	171	1,349
Loss on sales of shares of subsidiaries and affiliates	59	466
Other	201	85
Total extraordinary losses	1,023	2,435
Income before income taxes	31,831	27,822
Income taxes	8,544	7,193
Profit for the period	23,286	20,628
Profit attributable to non-controlling interests	1,056	591
Profit attributable to owners of the parent	22,230	20,037

(Quarterly Consolidated Statements of Comprehensive Income)

Nine-month periods ended December 31, 2022 and 2021

(Millions of yen)

	Nine-month period ended December 31, 2021 (April 1, 2021 – December 31, 2021)	Nine-month period ended December 31, 2022 (April 1, 2022 – December 31, 2022)
Profit for the period	23,286	20,628
Other comprehensive income		
Net unrealized holding loss on securities	(3,849)	(2,606)
Deferred loss on hedges	(33)	(144)
Translation adjustments	7,919	26,944
Remeasurements of defined benefit plans	(208)	135
Share of other comprehensive income of affiliates accounted for by the equity method	240	468
Total other comprehensive income	4,067	24,798
Comprehensive income	27,354	45,427
Comprehensive income attributable to:		
Shareholders of the parent	25,596	44,065
Non-controlling interests	1,758	1,361