

FYE March 2022 Second Quarter

# Financial Highlights

NAGASE & CO., LTD.

November 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 a cumulative Second quarter
  - In particular, the automobile-related business, resins and electronics-related businesses, and the Prinova Group 's nutrition-related business performed well
- ▶ Operating income
  - In response to the increase in gross profit, income increased significantly 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

	20/09	21/09	Change	Vs.PY	Forecast	Achievement
<b>S a l e s</b>	2,863	3,737	+ 873	131%	—	—
<b>Gross profit</b>	537	687	+ 149	128%	1,300	53%
<b>&lt;GP ratio&gt;</b>	18.8%	18.4%	(0.4pt)	—	—	—
<b>S G &amp; A e x p e n s e s</b>	448	492	+ 43	110%	1,000	—
<b>Operating i n c o m e</b>	89	194	+ 105	218%	300	65%
<b>Ordinary i n c o m e</b>	96	204	+ 107	211%	310	66%
<b>Profit attributable to owners of the p a r e n t</b>	101	146	+ 44	144%	225	65%
US\$ Exchange rate (period average)	@ 106.9	@ 109.8	@ 2.9	Weak yen	@109.5	
RMB Exchange rate (period average)	@ 15.3	@ 17.0	@ 1.7	Weak yen	@16.9	

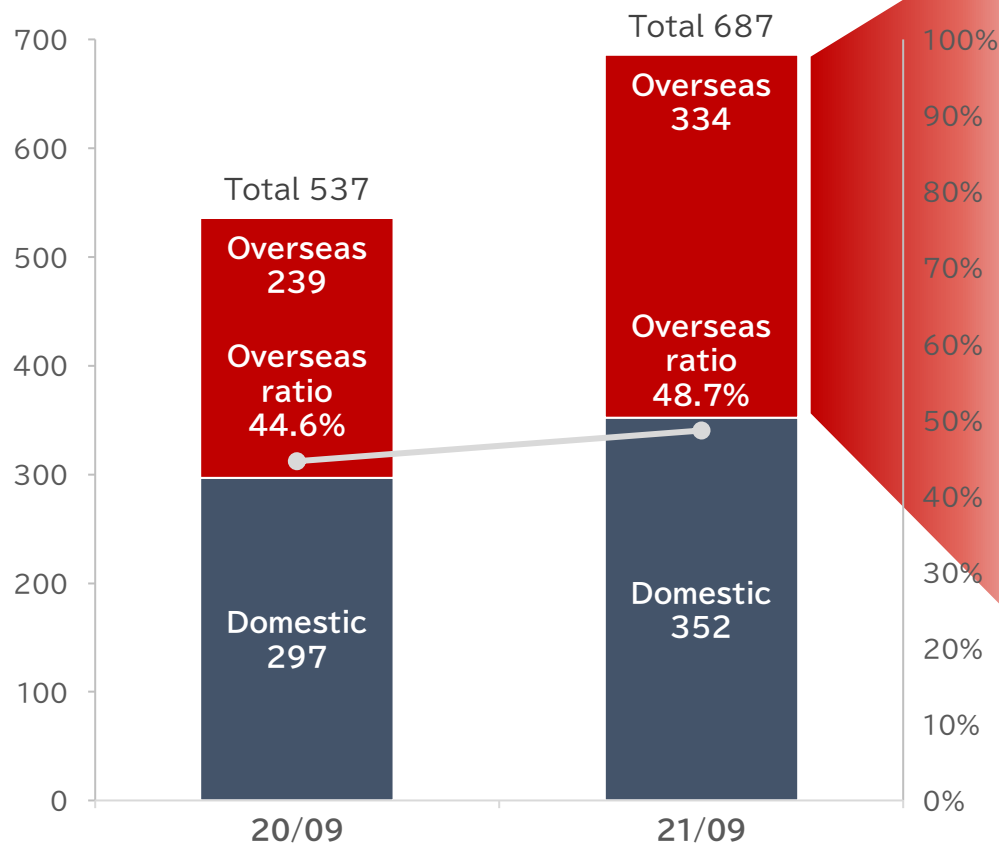
※ Offset to sales and cost of sales from application of revenue recognition standards: Sep. 2020, -¥94.7 billion; Sep. 2021, -¥117.1 billion

※ Impact from foreign exchange: Gross profit, +¥1,000 million; Operating income, +¥300 million

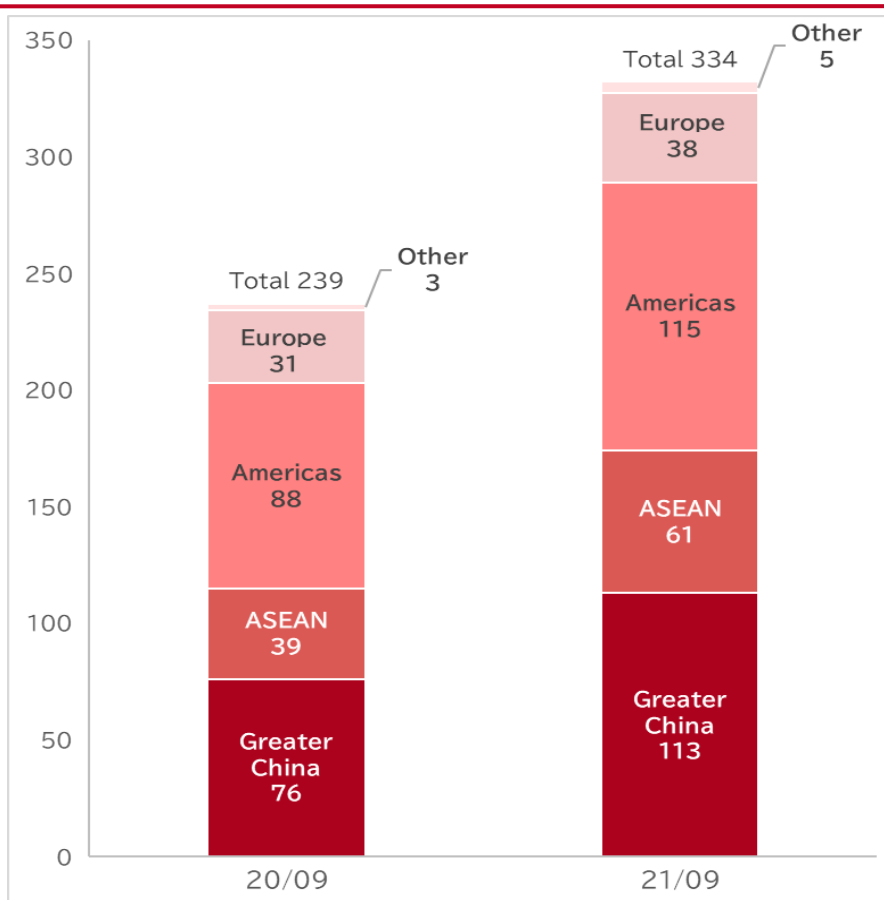
# Gross Profit By Region

- ▶ 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)



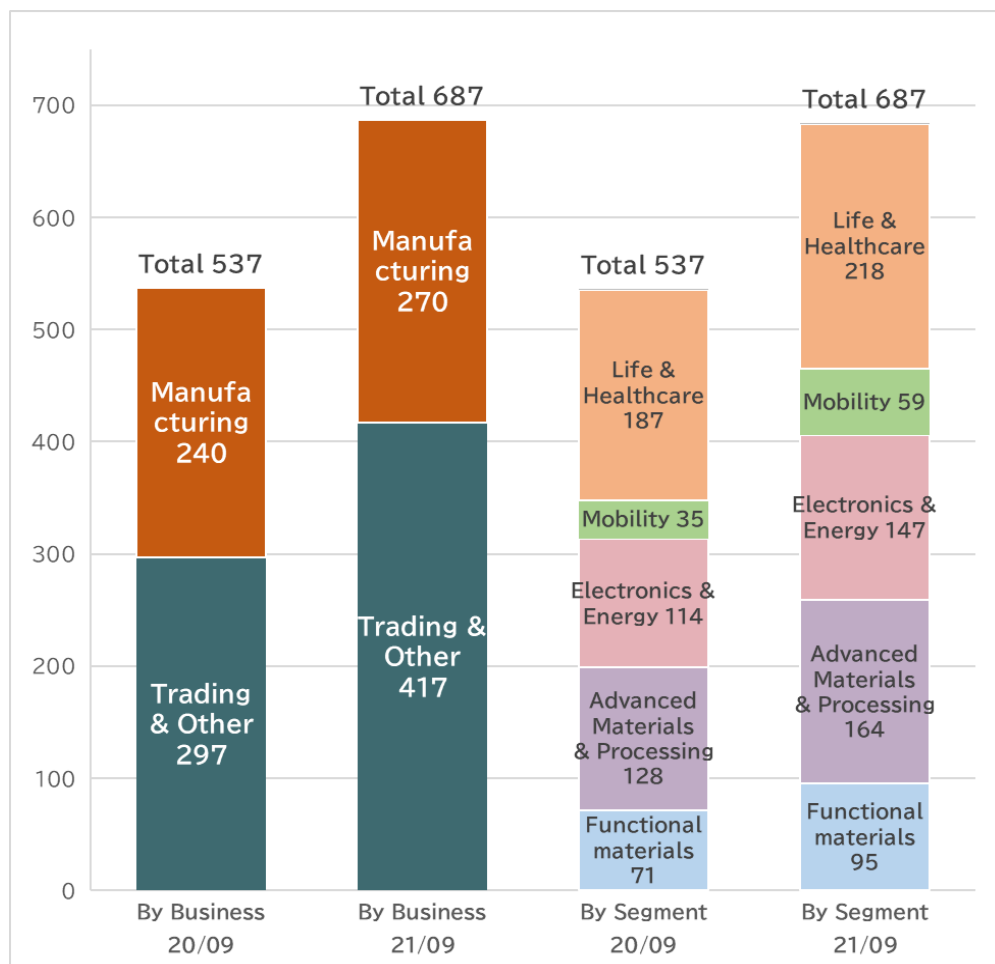
※From FYE March 2022, the usual overseas net sales per-destination region have been replaced by per-region information for gross profit, aggregated for each location of consolidated

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

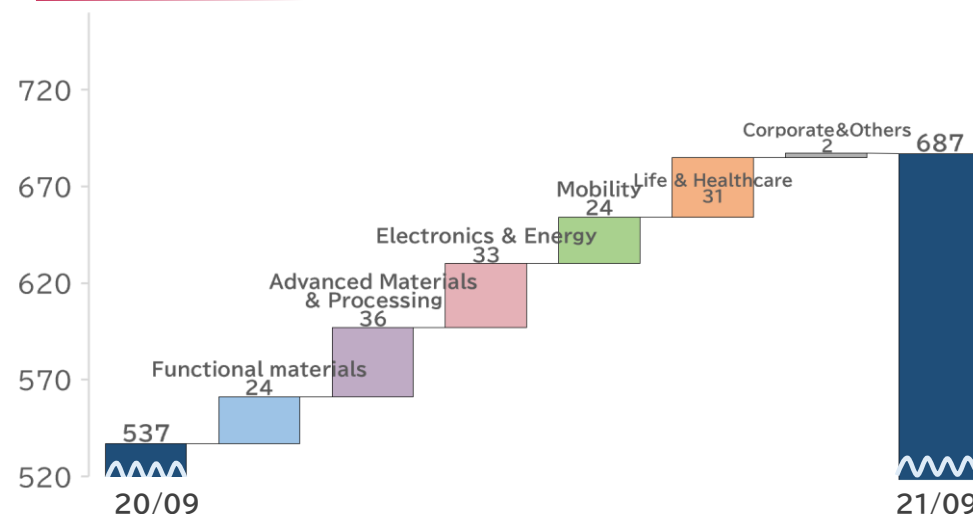
# Gross Profit By Business & Segment

- ▶ Higher profits in all segments, with a cumulative second quarter 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.

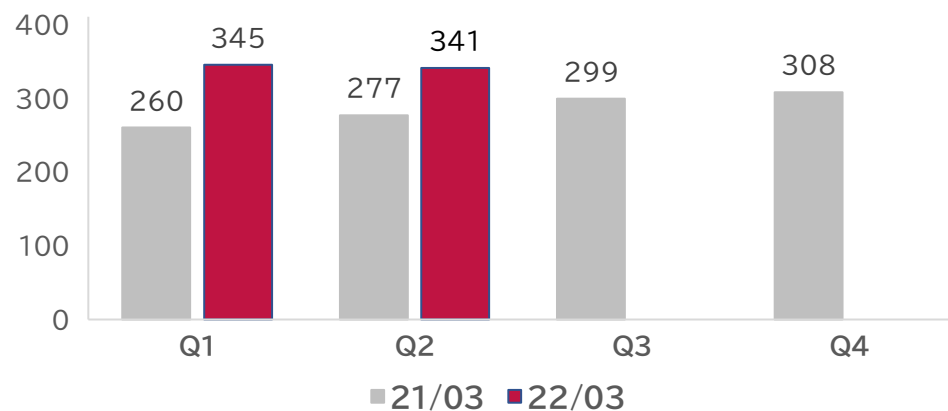
Gross Profit By Business & Segment (100 millions of yen)



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



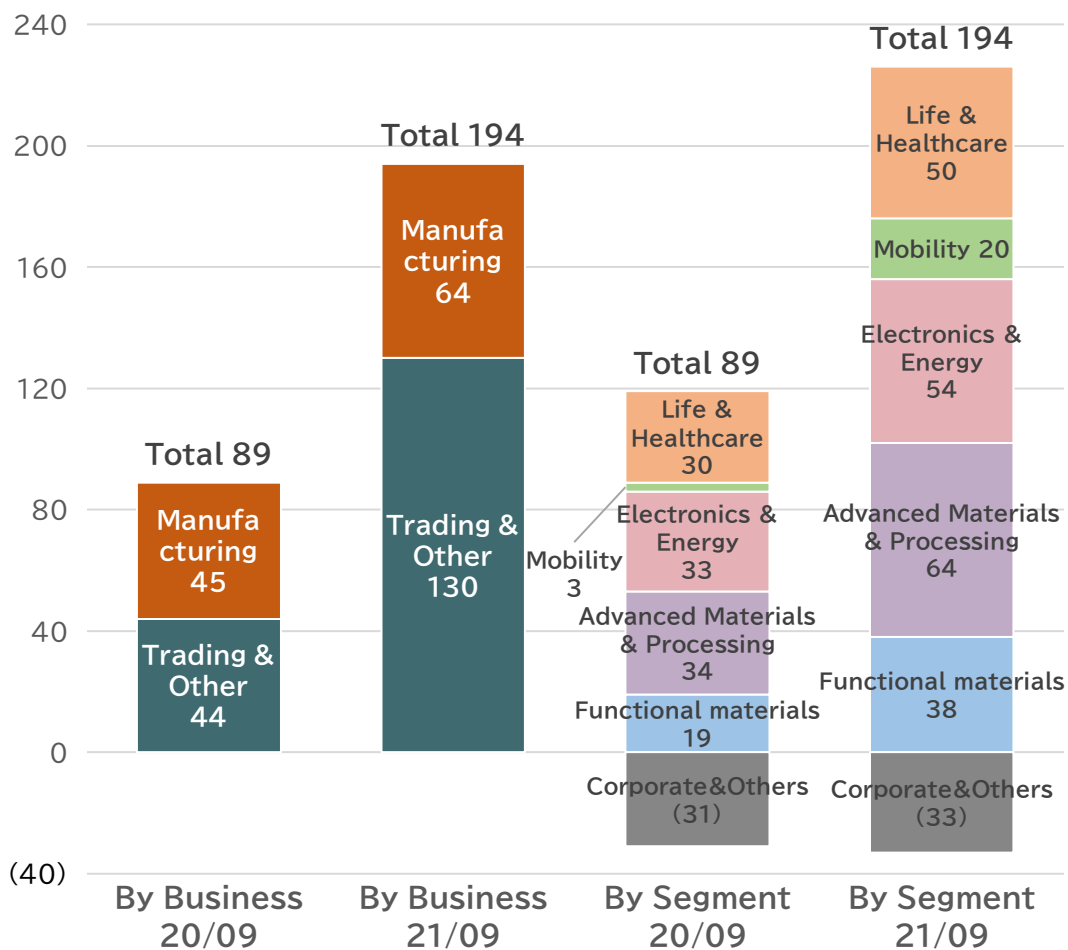
History of Gross Profit(100 millions of yen)



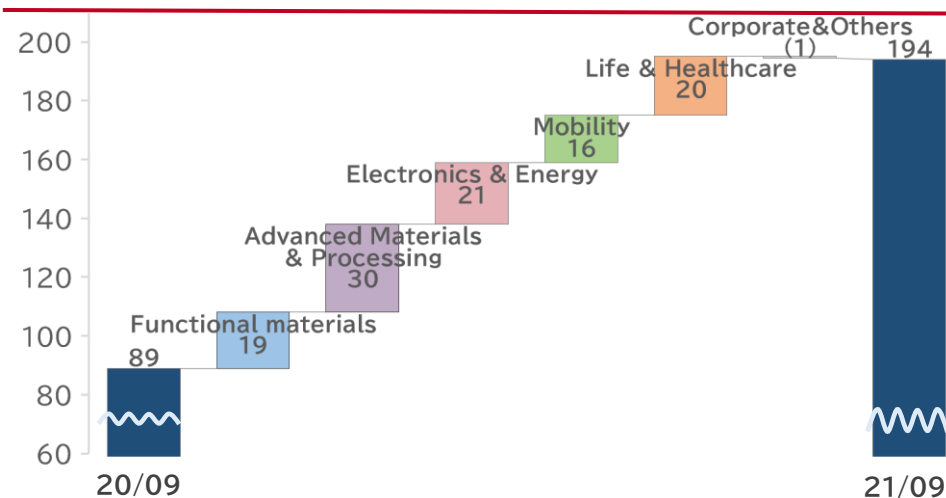
# Operating Income by Business & Segment

- ▶ Due to higher gross profit across all business segments, operating income reached a new record high for a cumulative consolidated second quarter, continuing record highs from the first quarter
- ▶ we continue to invest for sustainable future growth, including in DX-related areas

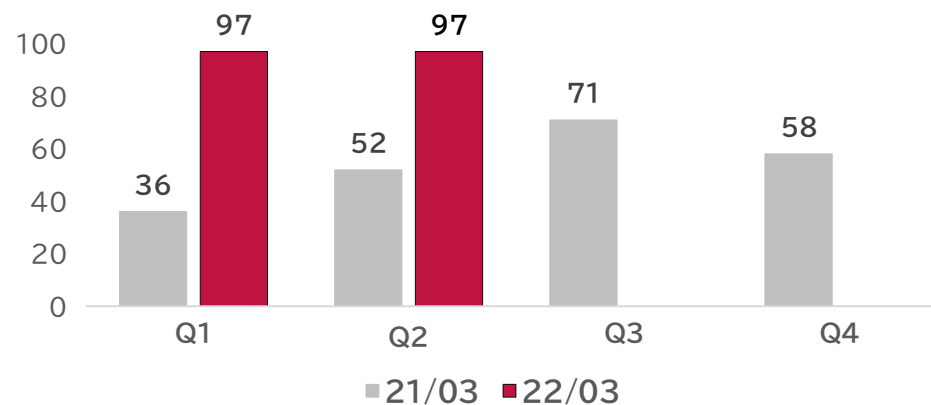
Operating Income by Business & Segment (100 millions of yen)



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



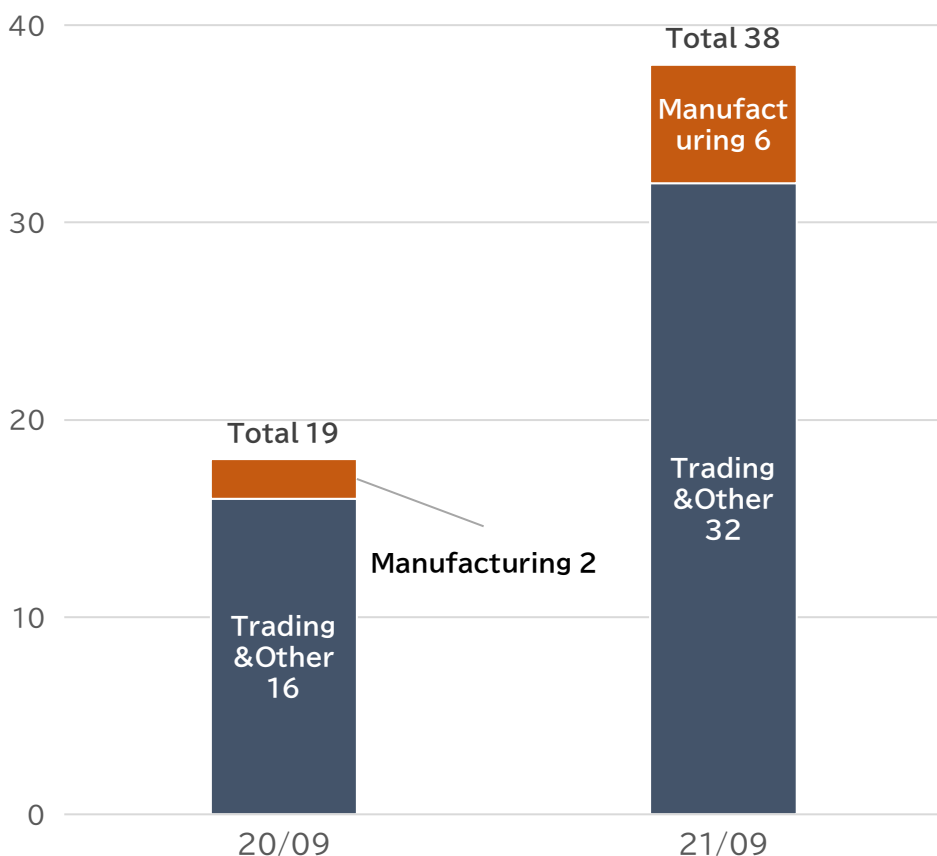
History of Operating Income (100 millions of yen)



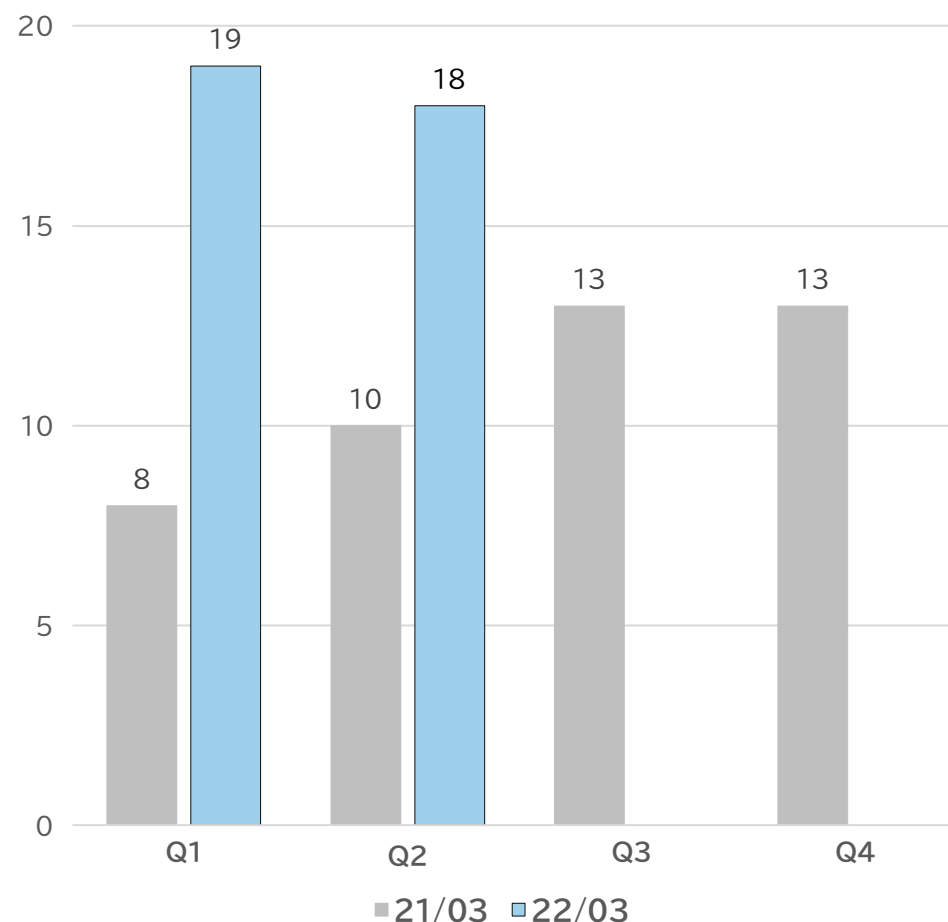
# Functional Materials Segment Operating Income Overview

- ▶ 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)

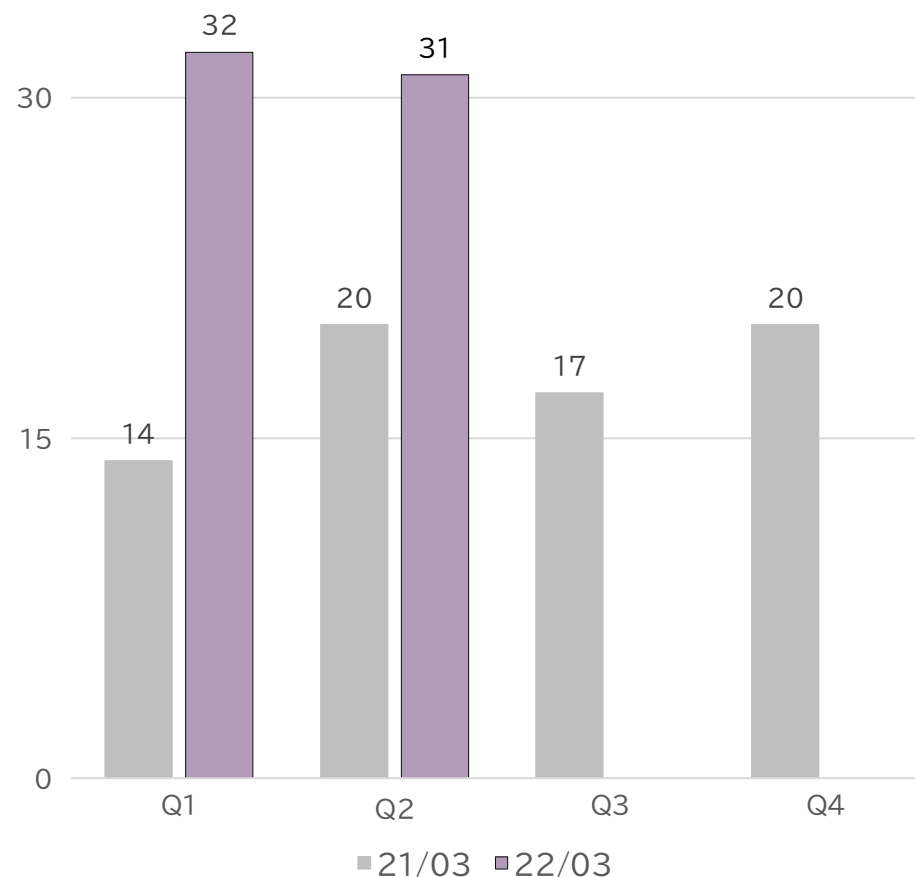
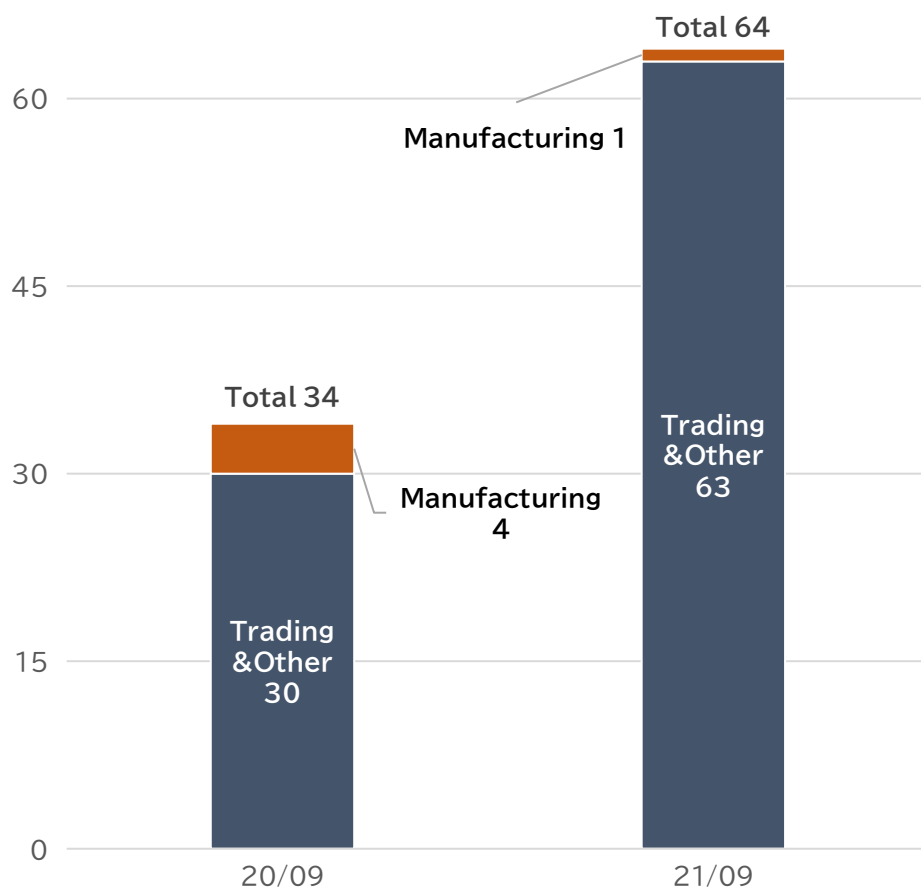


# Advanced material & Processing Segment Operating Income Overview

- ▶ 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)

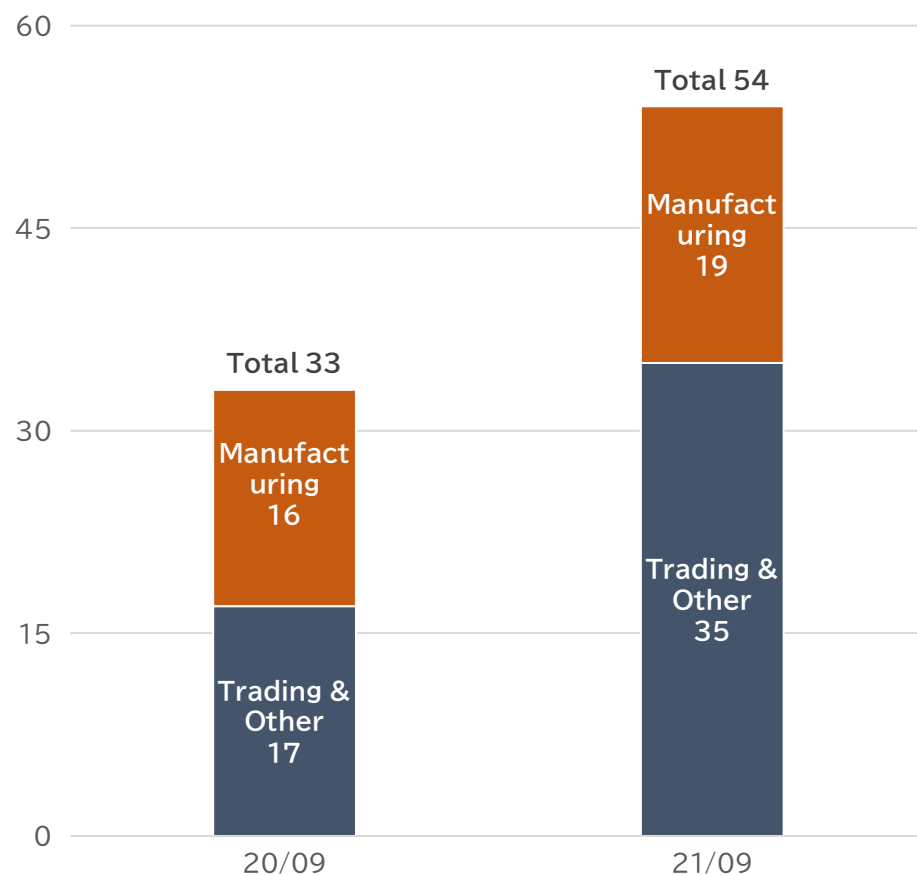




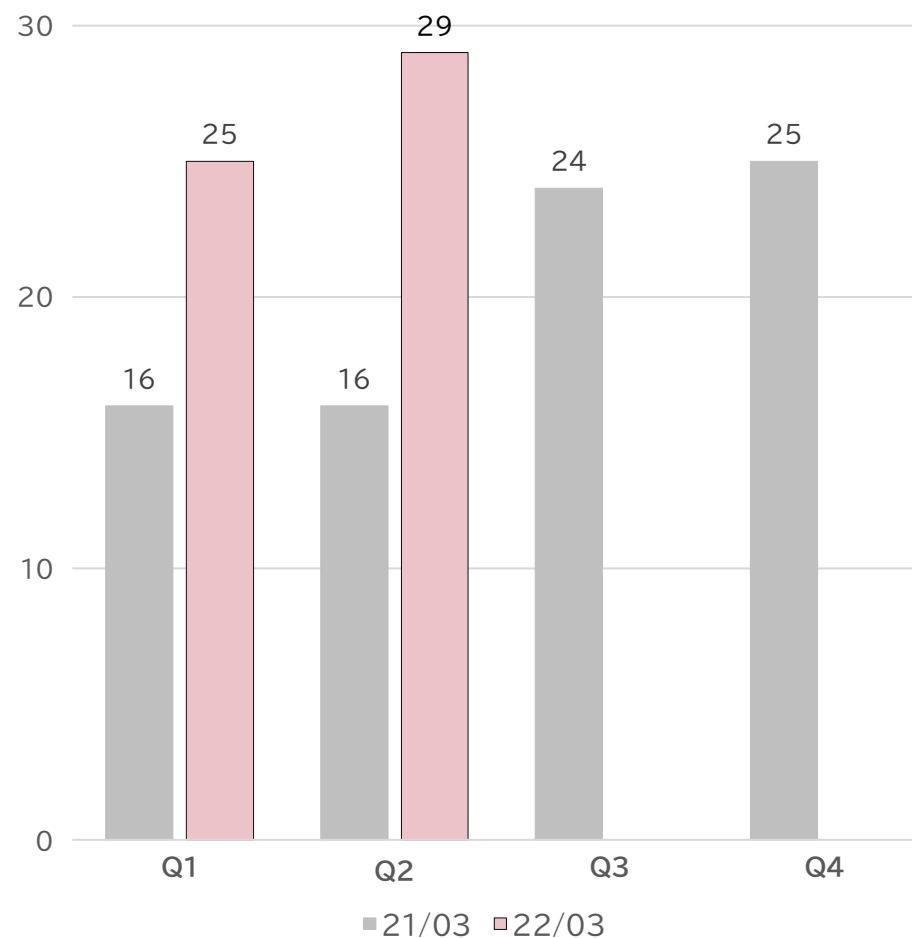
# Electronics & Energy Segment Operating Income Overview

- ▶ 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)



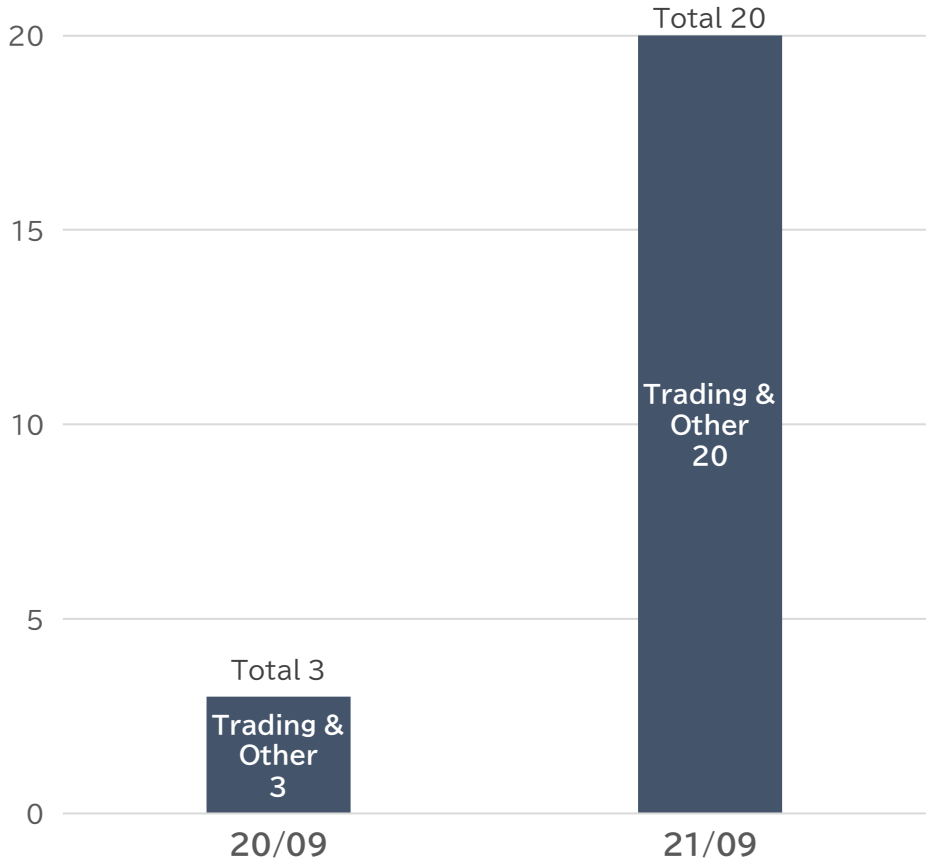
History of operating income (100 millions of yen)



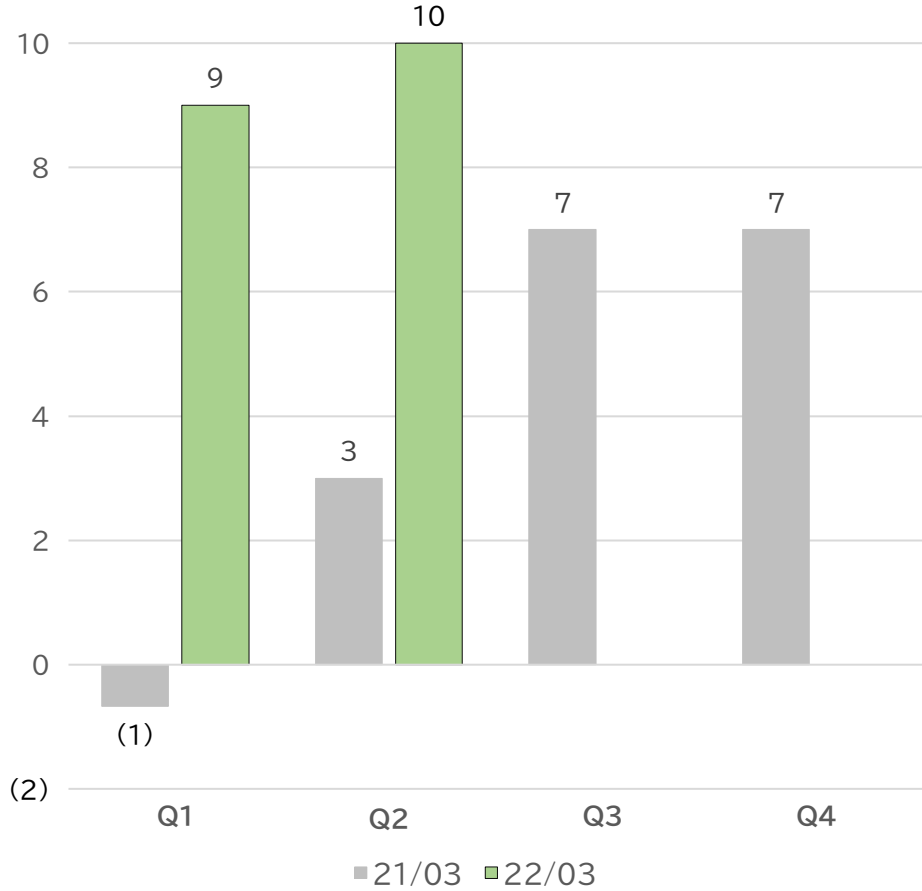
# Mobility Segment Operating Income Overview

- ▶ 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)



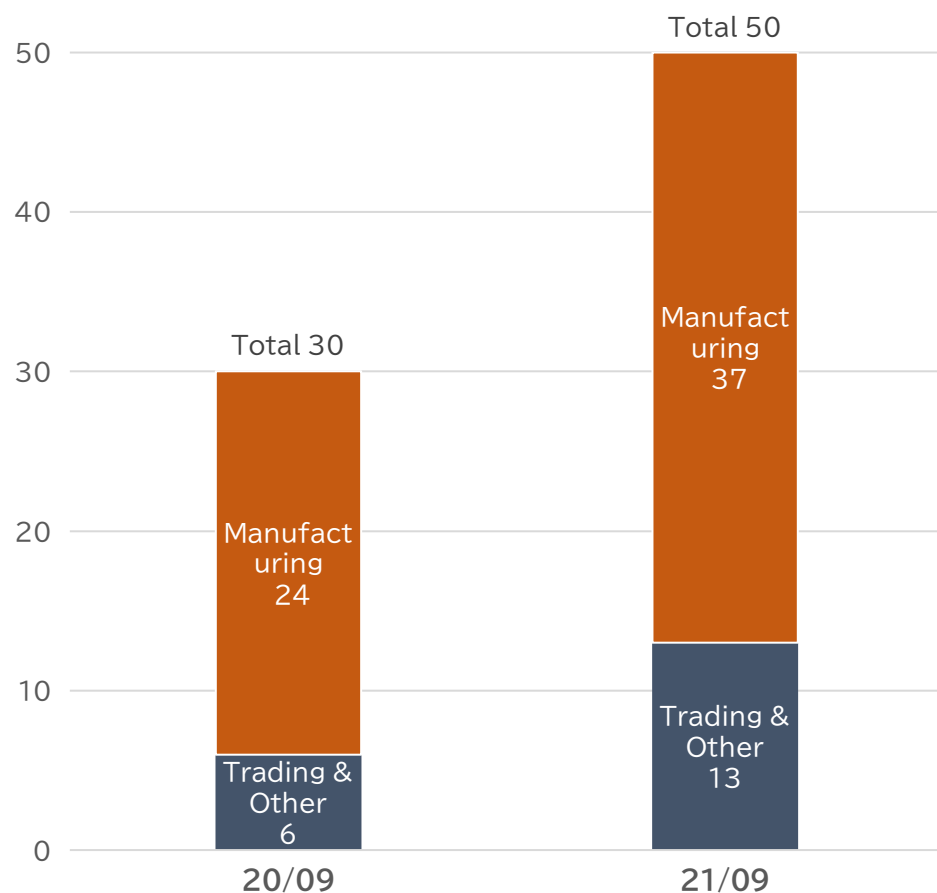
History of operating income (100 millions of yen)



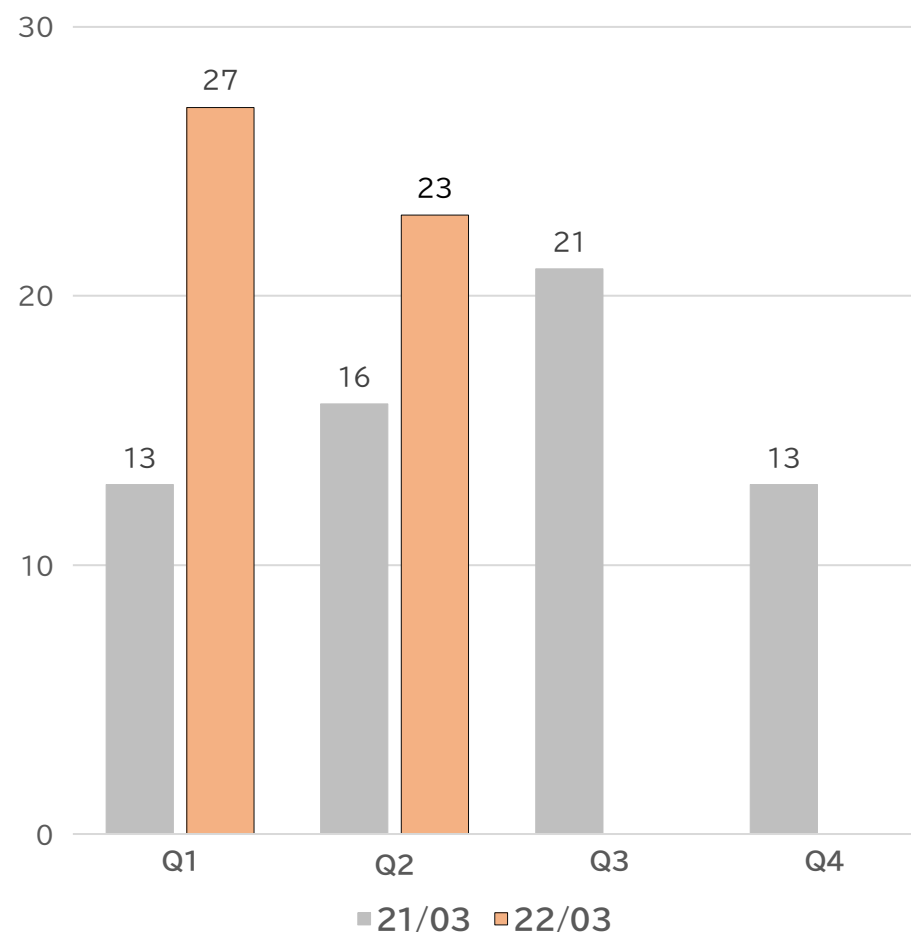
# Life & Health Care Segment Operating Income Overview

- ▶ 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 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

		20/09	21/09	Change	Vs.PY
Nagase ChemteX Corporation	Sales	120	146	25	121%
	Gross profit	37	47	10	127%
	Operating income	14	23	9	164%
Hayashibara Co., Ltd	Sales	114	130	15	114%
	Gross profit	49	54	4	109%
	Operating income	21	23	1	108%
	Goodwill amortization etc.	15	15	-	100%
	Operating income after amortization burden	5	7	1	127%
Prinova Group	Sales	444	557	113	126%
	Gorss profit	85	106	21	126%
	Operating income	25	37	12	148%
	Goodwill amortization etc.	9	9	(0)	100%
	Operating income aftar amortization burden	15	27	12	180%

# Consolidated Balance Sheets

- ▶ Current assets: Accounts receivable and inventories increased due to favorable performance (working capital increased)
- ▶ Net assets : 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 0.28 with increase in short-term borrowings due to demand for funds from increased working capital

100 millions of yen

	21/03	21/09	Change	Details
Total Current Assets	4,017	4,415	398	
(Cash&deposits)	492	456	(35)	
(Notes&account Receivable)	2,425	2,607	181	
(Inventories)	972	1,218	246	
Total non-current assets	2,388	2,371	(17)	
(Investments in security)	937	904	(32)	
Total assets	6,405	6,786	381	
Current Liab.	2,061	2,431	370	Short-term loans/CP+275 Current Portion of Bonds+100
Non-current Liab.	960	858	(101)	
Total Liab.	3,021	3,289	268	
Shareholders' equity	2,847	2,928	81	Purchase of treasury stock (35)
Accum. Other Comprehensive Income	449	468	19	Translation adjustment+46 Net unrealized holding gain on securities (25)
Non-controlling interest	87	99	12	
Total net assets	3,384	3,497	112	
Working capital	2,198	2,554		
Shareholders' equity ratio	51.5%	50.1%		
NET D/E ratio	0.23	0.28		

# Consolidated Cash Flows

- ▶ Operating CF: Net cash used of ¥13.6 billion as working capital increased due to strong business performance overall
- ▶ Investing CF: Net cash used of ¥4.9 billion due to investments, mainly in property, plant and equipment, offset in part by proceeds from sales of investments in securities
- ▶ Financing CF: Net cash provided of ¥14.4 billion, mainly due to an increase in short-term loans in connection with an increase in working capital, offset in part by repayments of long-term loans and purchases of treasury stock

	100 millions of yen	
	20/09	21/09
Operating CF	132	(136)
Investing CF	(25)	(49)
Free CF	106	(185)
Financing CF	(236)	144
Effects of exchange rate changes on cash and cash equivalents	(4)	3
Net Change in cash and cash equivalents	(134)	(38)
Depreciation and amortization of tangible and intangible assets	66	68
Fixed asset investment	(86)	(75)
Change in working capital	22	(327)

# FYE March 2022 Earnings Projection

- ▶ Strong first half performance exceeding initial expectations in the resins, automobile-related, and electronics-related business, as well as the Prinova Group
- ▶ We expect second half profits to be lower than the first half. This forecast mainly reflects a softening of the resin market, a decrease in demand due to weakening of demand for in-home consumption, concerns regarding a decrease in automobile production due to shortages in the supply of semiconductors, components, etc., and an increase in business expenditures due to a normalization in economic activities.
- ▶ While we expect a slowdown in the second half of the fiscal year, we project full-year profit to increase year on year for all profit measures below gross profit  
(No changes to the earnings projections released in August 2021)

100 millions of yen

	21/03 Actual	22/03 Forecast	Change	Percent Change
<b>Gross profit</b>	1,146	1,300	153	113%
<b>SG&amp;A expenses</b>	926	1,000	73	108%
<b>Operating income</b>	219	300	80	137%
<b>Ordinary income</b>	228	310	81	136%
<b>Profit attributable to owners of the parent</b>	188	225	36	119%
US\$ Exchange rate (period average)	@ 106.1	@ 109.5		
RMB Exchange rate (period average)	@ 15.7	@ 16.9		

# FYE March 2022 Earnings Projection(By segment)

▶ We expect second half profits to be lower than the first half across all segments, although we expect year-on-year profit growth across all segments on a full-year basis. This forecast mainly reflects a softening of the resin market, a decrease in demand due to weakening demand for in-home consumption, concerns regarding a decrease in automobile production, and an increase in business expenditures across all business segments due to a normalization in economic activities

(No changes to the earnings projections released in August 2021)

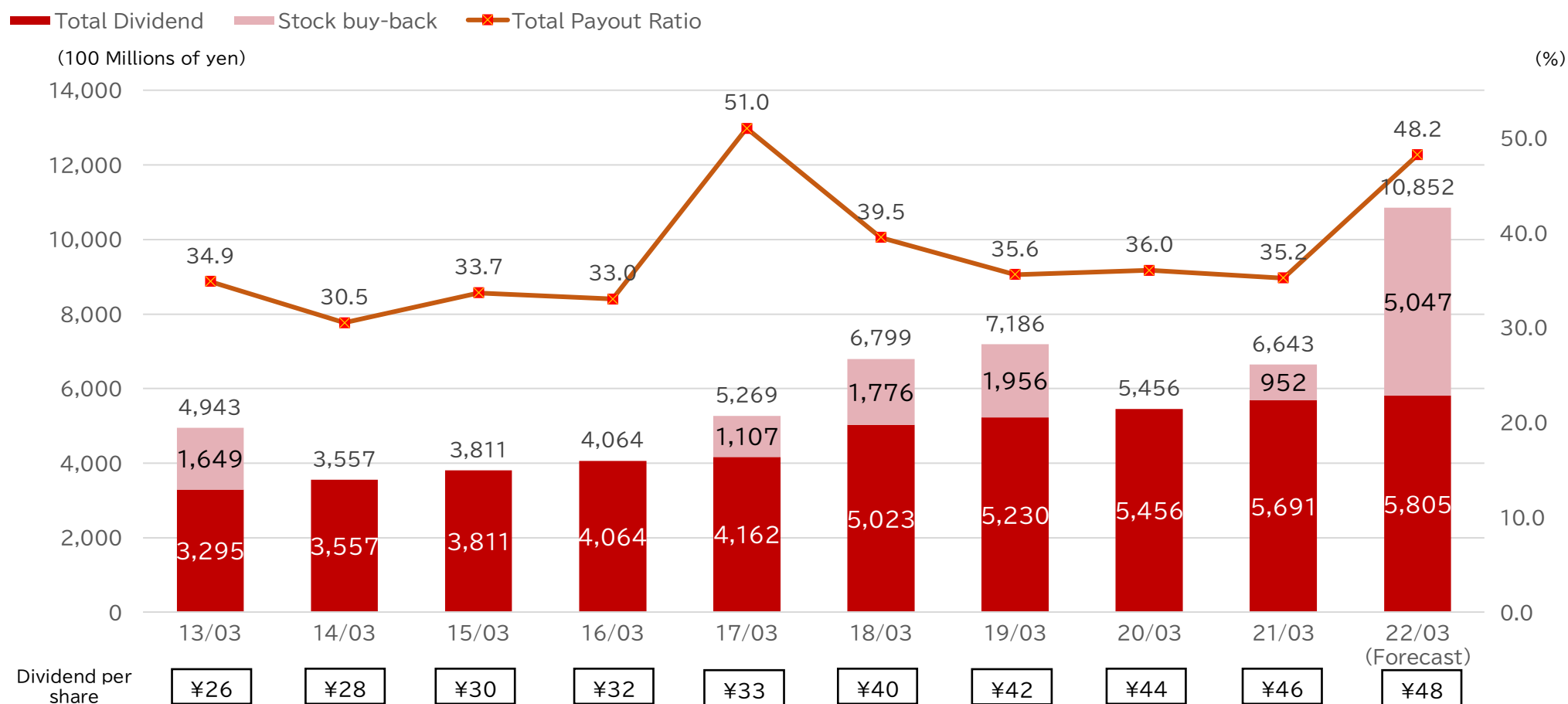
100 millions of yen

		21/3 Actual	22/3 Forecast	Change	Percent Change
Functional materials	Gross profit	155	177	21	114%
	Operating income	47	66	18	140%
Advanced Materials & Processing	Gross profit	268	295	26	110%
	Operating income	73	96	22	131%
Electronics & Energy	Gross profit	255	274	18	107%
	Operating income	84	88	3	105%
Mobility	Gross profit	89	112	22	125%
	Operating income	18	34	15	184%
Life & Healthcare	Gross profit	374	437	62	117%
	Operating income	65	93	27	143%
Corporate&Others	Gross profit	1	5	3	271%
	Operating income	(68)	(77)	(8)	112%
Total	Gross profit	1,146	1,300	153	113%
	Operating income	219	300	80	137%



# 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 Sep. 30, 2021, acquisition completed for ¥4.4 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 November 4, 2021. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.