

Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2022
<Under Japanese GAAP>

February 9, 2022

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 (First Section)

Code number: 8012 URL (<https://www.nagase.co.jp/english/>)

Representative: Kenji Asakura, Representative Director and President

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Filing of quarterly report (scheduled): February 14, 2022

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, 2022

(April 1, 2021 to December 31, 2021)

(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, 2021	574,139	26.5	104,107	24.4	28,151	75.2	30,170	75.8	22,230	34.3
December 31, 2020	453,993	—	83,714	7.6	16,065	6.7	17,159	9.2	16,556	37.4

(Notes) 1. Comprehensive income Third quarter ended December 31, 2021: ¥27,354 million (9.1% decrease)

Third quarter ended December 31, 2020: ¥30,089 million (102.4%)

2. At the beginning of the first quarter of the fiscal year ending March 2022, the Company adopted the *Accounting Standard for Revenue Recognition* (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020). Results for the third quarter of the fiscal year ended March 2021 reflect a retroactive application of this accounting standard. As a result, net sales affected by this retroactive application do not show the year-on-year rate of change in the third quarter of the fiscal year ended March 2021.

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
For the third quarter ended December 31, 2021	182.40		—	
December 31, 2020	133.51		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2021	725,313	354,866	47.5	2,855.86
March 31, 2021	640,587	338,431	51.5	2,670.09

(Reference) Equity capital As of December 31, 2021: ¥ 344,403 million

As of March 31, 2021: ¥ 329,687 million

2. Dividends

	Annual Dividends per Share				
	1Q	2Q	3Q	Fiscal year end	Annual
For the year ended (or ending)	Yen		Yen	Yen	Yen
March 2021	—	22.00	—	24.00	46.00
March 2022	—	24.00	—		
March 2022 (forecast)				30.00	54.00

(Note) Revisions to the latest dividends forecast: Yes

**3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022
(April 1, 2021 to March 31, 2022)**

(% = 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	138,000	20.4	35,000	59.7	36,500	59.7	25,000	32.8	205.73

(Note) Revisions to the latest consolidated earnings forecast: Yes

* 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: Yes

ii. Changes in items other than (i) above: Yes

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, 2021	124,408,285 shares	March 31, 2021	124,408,285 shares
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ii. Number of treasury stock as of the fiscal period end

December 31, 2021	3,812,728 shares	March 31, 2021	933,995 shares
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iii. Average number of shares during the period

December 31, 2021	121,878,419 shares	December 31, 2020	124,011,458 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, 2021)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2021)
ASSETS		
Current assets		
Cash and time deposits	49,254	48,813
Notes and accounts receivable	242,558	289,029
Merchandise and finished goods	88,130	123,567
Work in process	1,654	1,860
Raw materials and supplies	7,457	10,559
Other	13,259	13,709
Less allowance for doubtful accounts	(563)	(1,138)
Total current assets	401,751	486,399
Non-current assets		
Property, plant and equipment	70,896	70,977
Intangible fixed assets		
Goodwill	30,216	30,722
Technology-based assets	7,488	6,306
Other	26,893	30,525
Total intangible fixed assets	64,598	67,554
Investments and other assets		
Investments in securities	93,719	89,420
Retirement benefit asset	2,929	3,257
Deferred tax assets	1,903	1,840
Other	4,900	5,974
Less allowance for doubtful accounts	(112)	(112)
Total investments and other assets	103,340	100,381
Total non-current assets	238,835	238,913
Total assets	640,587	725,313

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2021)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable	119,941	150,868
Short-term loans	33,050	62,541
Current portion of long-term loans	12,025	9,490
Commercial paper	8,000	20,000
Current portion of bonds	—	10,000
Accrued income taxes	3,565	4,715
Accrued bonuses for employees	6,042	4,800
Accrued bonuses for directors	203	221
Other	23,310	25,657
Total current liabilities	206,139	288,294
Long-term liabilities		
Bonds	30,000	20,000
Long-term loans	34,514	31,945
Deferred tax liabilities	16,077	14,009
Retirement benefit liability	13,292	13,624
Other	2,131	2,573
Total long-term liabilities	96,016	82,152
Total liabilities	302,155	370,447
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,646	10,639
Retained earnings	265,920	282,282
Less treasury stock, at cost	(1,503)	(6,482)
Total shareholders' equity	284,763	296,139
Accumulated other comprehensive income		
Net unrealized holding gain on securities	43,576	39,727
Deferred gain on hedges	72	38
Translation adjustments	1,006	8,437
Remeasurements of defined benefit plans	268	59
Total accumulated other comprehensive income	44,924	48,263
Non-controlling interests	8,743	10,462
Total net assets	338,431	354,866
Total liabilities and net assets	640,587	725,313

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

(Quarterly Consolidated Statements of Income)

Nine-month periods ended December 31, 2021 and 2020

(Millions of yen)

	Nine-month period ended December 31, 2020 (April 1, 2020 – December 31, 2020)	Nine-month period ended December 31, 2021 (April 1, 2021 – December 31, 2021)
Net sales	453,993	574,139
Cost of sales	370,279	470,031
Gross profit	83,714	104,107
Selling, general and administrative expenses	67,648	75,955
Operating income	16,065	28,151
Non-operating income		
Interest income	101	108
Dividend income	1,023	1,240
Rent income	199	206
Equity in earnings of affiliates	—	118
Foreign exchange gains	518	964
Other	493	561
Total non-operating income	2,336	3,199
Non-operating expenses		
Interest expenses	770	861
Equity in losses of affiliates	189	—
Other	283	319
Total non-operating expenses	1,242	1,181
Ordinary income	17,159	30,170
Extraordinary gains		
Gain on sales of non-current assets	70	12
Gain on sales of investment securities	5,769	2,324
Gain on sales of shares of subsidiaries and affiliates	2,657	—
Gain on sales of investments in capital of subsidiaries and affiliates	—	42
Other	—	304
Total extraordinary gains	8,497	2,684
Extraordinary losses		
Loss on sales of non-current assets	7	176
Loss on disposal of non-current assets	64	407
Impairment losses	29	—
Loss on sales of investment securities	10	6
Loss on valuation of investment securities	163	171
Loss on sales of shares of subsidiaries and affiliates	1	59
Other	82	201
Total extraordinary losses	359	1,023
Income before income taxes	25,298	31,831
Income taxes	8,187	8,544
Profit for the period	17,110	23,286
Profit attributable to non-controlling interests	553	1,056
Profit attributable to owners of the parent	16,556	22,230

(Quarterly Consolidated Statements of Comprehensive Income)

Nine-month periods ended December 31, 2021 and 2020

(Millions of yen)

	Nine-month period ended December 31, 2020 (April 1, 2020 – December 31, 2020)	Nine-month period ended December 31, 2021 (April 1, 2021 – December 31, 2021)
Profit for the period	17,110	23,286
Other comprehensive income		
Net unrealized holding gain (loss) on securities	14,838	(3,849)
Deferred loss on hedges	(48)	(33)
Translation adjustments	(2,113)	7,919
Remeasurements of defined benefit plans	414	(208)
Share of other comprehensive (loss) income of affiliates accounted for by the equity method	(112)	240
Total other comprehensive income	12,979	4,067
Comprehensive income	30,089	27,354
Comprehensive income attributable to:		
Shareholders of the parent	29,494	25,596
Non-controlling interests	594	1,758