

# FY2023 Financial Highlights

**NAGASE&CO.,LTD.**

Stock exchange listing : Tokyo (Prime Market)

Code number : 8012

**May 8, 2024**

# Delivering next.

**“Next” connects us to the future.**



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# Consolidated statements income

- ▶ Gross profit increased due to strong performance of high-profit manufacturing subsidiaries; however, operating income decreased due to increases in personnel expenses and other selling, general and administrative expenses
- ▶ Net income decreased with the decrease in ordinary income, despite decreases in loss on securities and impairment loss.
- ▶ Overall, results were in line with the revised full-year projections announced at the time of the 2Q results presentation

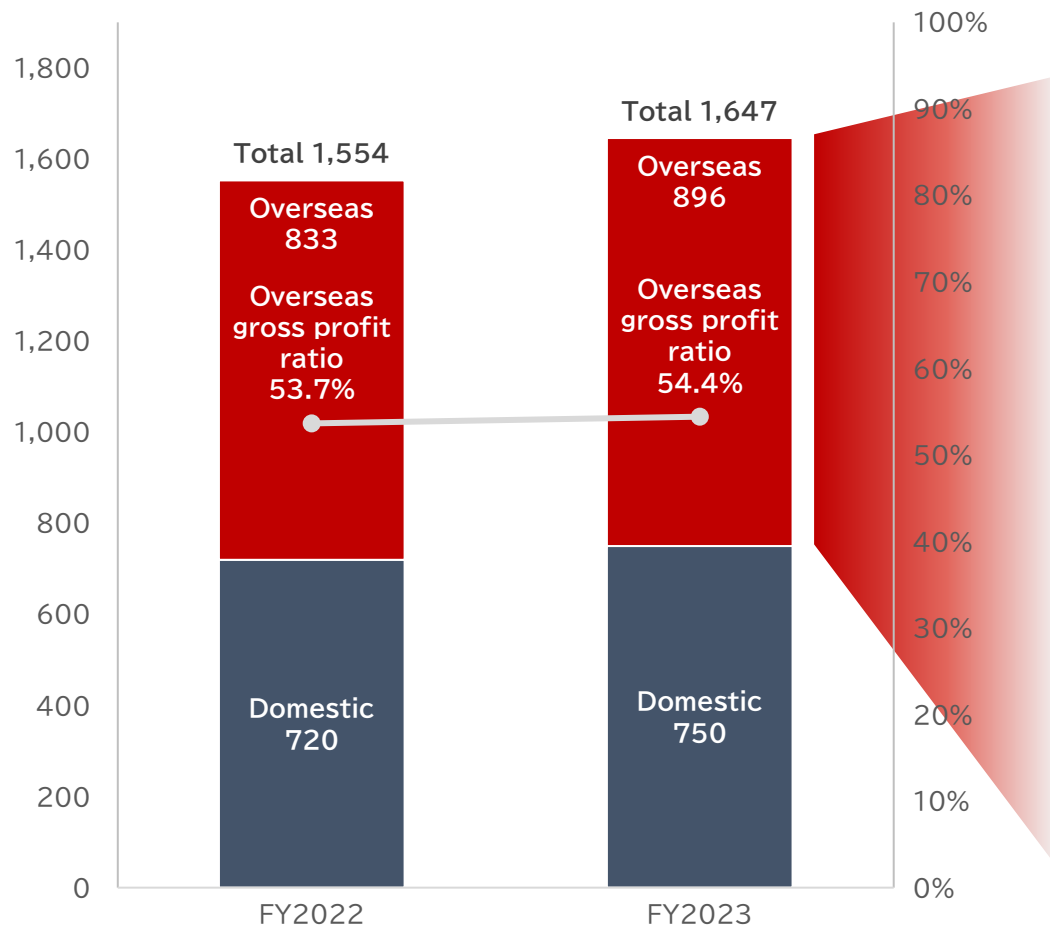
	100 millions of yen					
	FY2022	FY2023	Change	Vs.PY	Forecast	Forecast Comparison
<b>Sales</b>	9,128	9,001	(127)	99%	9,000	100%
<b>Gross profit</b>	1,554	1,647	93	106%	1,630	101%
<b>&lt;GP ratio&gt;</b>	17.0%	18.3%	1.3ppt	–	18.1%	–
<b>SG&amp;A expenses</b>	1,220	1,341	120	110%	1,330	–
<b>Operating income</b>	333	306	(27)	92%	300	102%
<b>Ordinary income</b>	325	305	(19)	94%	290	105%
<b>Profit Attributable to owners of the parent</b>	236	224	(12)	95%	225	100%
US\$ Exchange rate (period average)	@ 135.5	@ 144.6	@ 9.1	Weak yen	@ 143.0	
RMB Exchange rate (period average)	@ 19.7	@ 20.1	@ 0.4	Weak yen	@ 20.0	

- ※ Offset to sales and cost of sales from revenue recognition standards: FY2022 -¥268.9 billion, FY2023 -¥272.3 billion
- ※ Impact from foreign exchange: Gross profit, +¥5 billion; Operating income, +¥0.9 billion

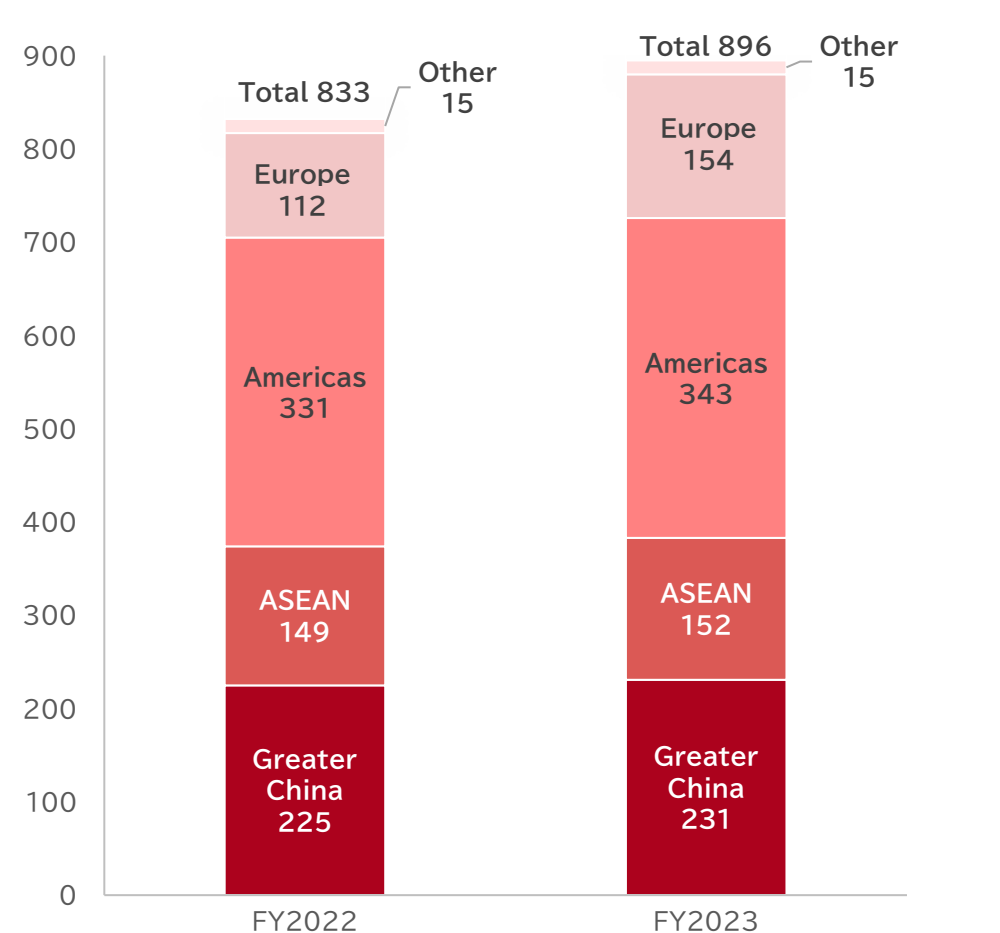
# Gross Profit By Region

- ▶ Higher profit both domestic and overseas
- ▶ Increase in domestic business sales, mainly due to higher sales of cosmetic materials and formulated epoxy resins
- ▶ Overseas profit increased due to the impact of the weaker yen and strong performance in the food ingredient business in Europe

Domestic & Overseas Gross profit(100 millions of yen)



Overseas gross profit By Region(100 millions of yen)



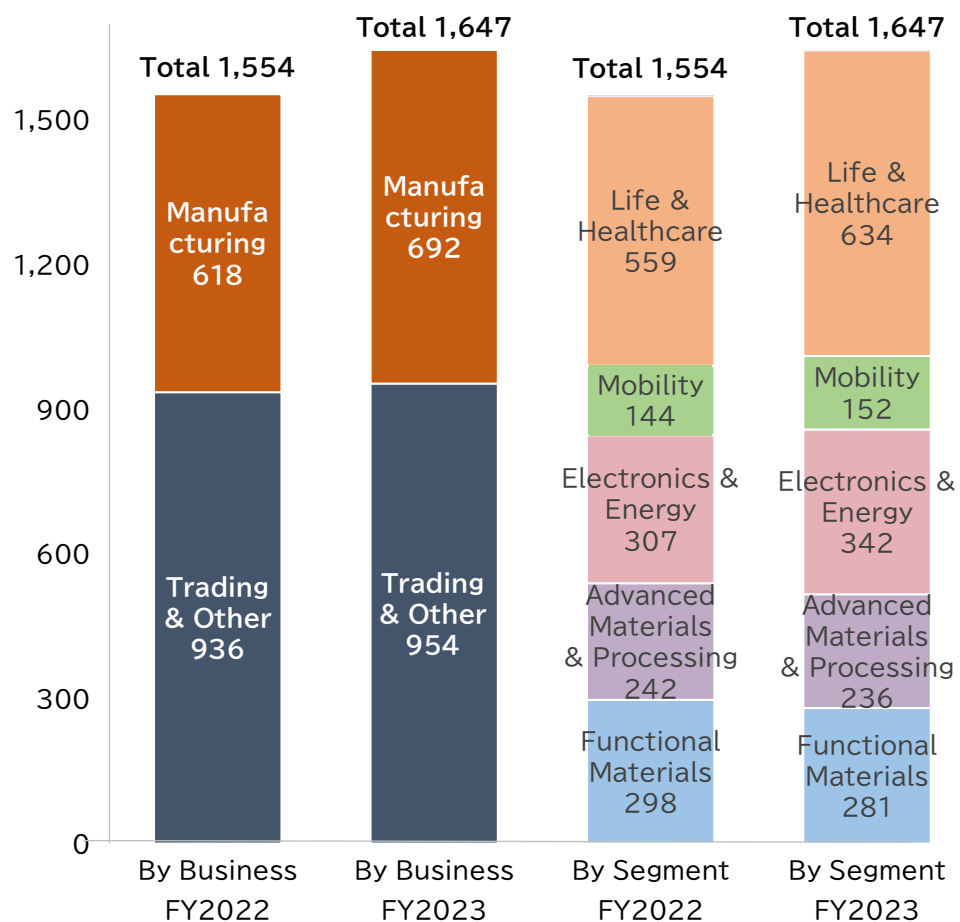
※Domestic figures under Domestic & Overseas Gross Profit include inter-regional adjustments



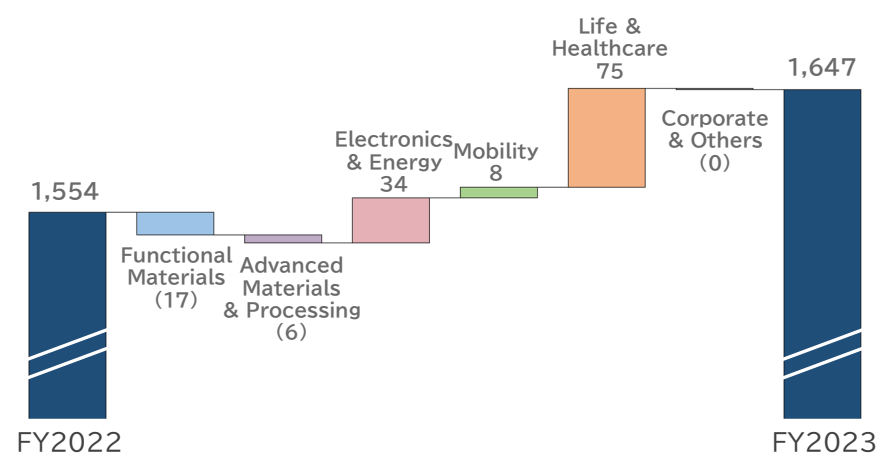
# Gross Profit By Business & Segment

- ▶ Functional Materials saw a decline in sales of coating materials and raw materials for semiconductor-related and other materials for the electronics industry, as well as weakening profitability in the digital print processing materials manufacturing business
- ▶ Advanced Materials & Processing posted lower sales due to decreased demand for resin sales in the office equipment, appliance, and video game device market, as well as the impact of inventory adjustments by customers
- ▶ Overall profits in Electronics & Energy increased due to increased sales of raw materials for semiconductor-related products and formulated epoxy resins for semiconductor- and mobile device products
- ▶ In Life & Healthcare, sales of food ingredients, cosmetic ingredients, and pharmaceutical raw materials increased

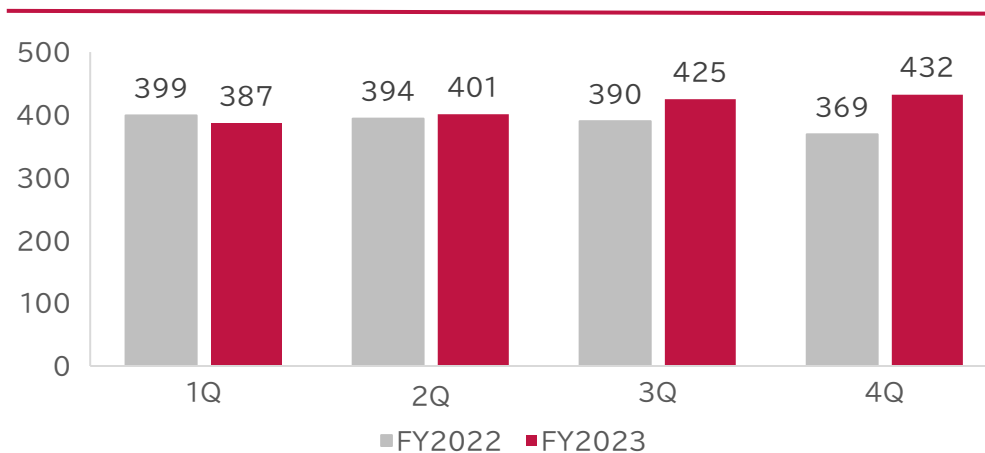
Gross Profit By Business & Segment (100 millions of yen)



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



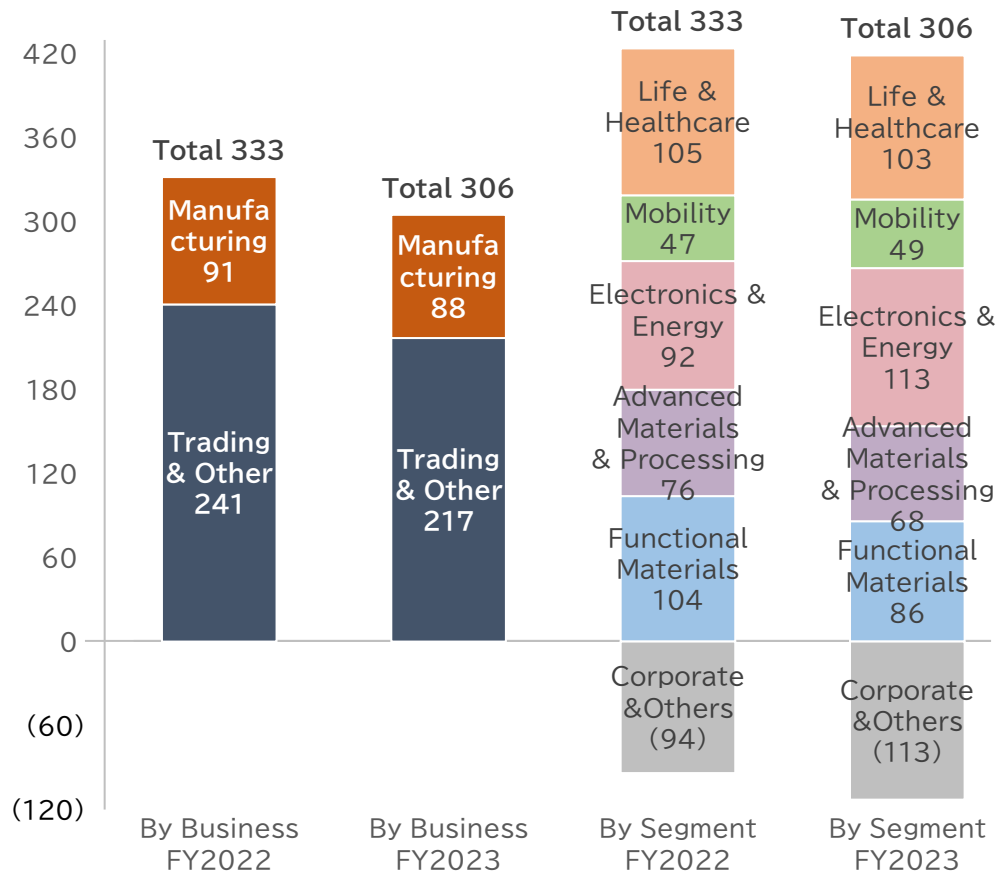
History of Gross Profit (100 millions of yen)



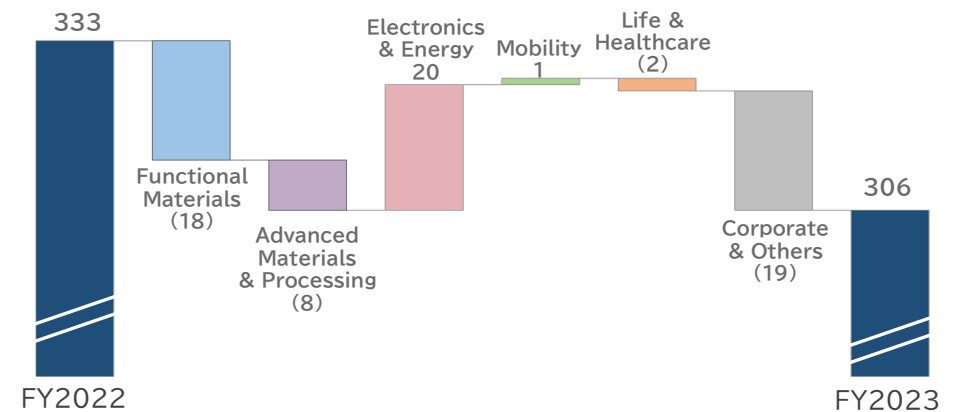
# Operating Income by Business & Segment

- ▶ Functional Materials and Advanced Materials & Processing posted lower operating income due to a decrease in gross profit
- ▶ Electronics & Energy posted higher operating income with increased gross profit
- ▶ Life & Healthcare recorded higher gross profit; however, weaker profitability at the Prinova Group, increased personnel expense, other selling, general and administrative expenses, and a delay in the profit contribution of the new Utah plant caused a decrease in operating income
- ▶ Corporate & Others reflected higher expenses, mainly due to the beginning of amortization for intangible assets (enterprise system and DX investments), an increase in amortization expenses for accounting-based retirement benefit actuarial differences, and other factors

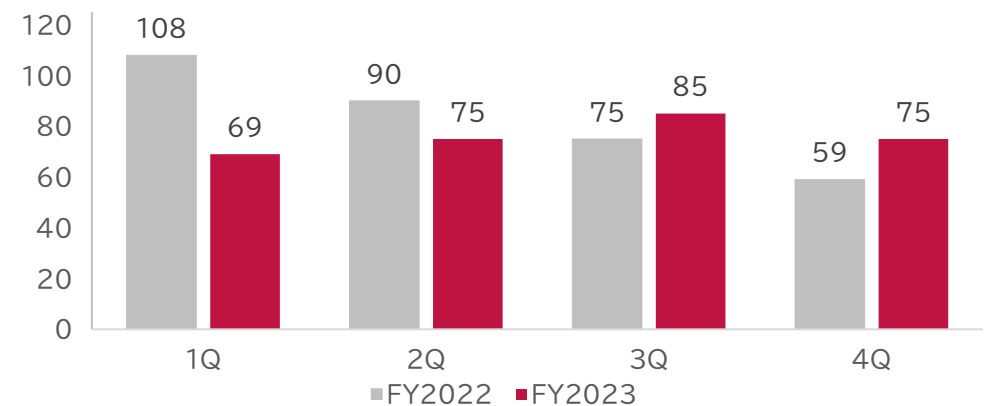
Operating Income by Business & Segment(100 millions of yen)



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



History of Operating Income(100 millions of yen)

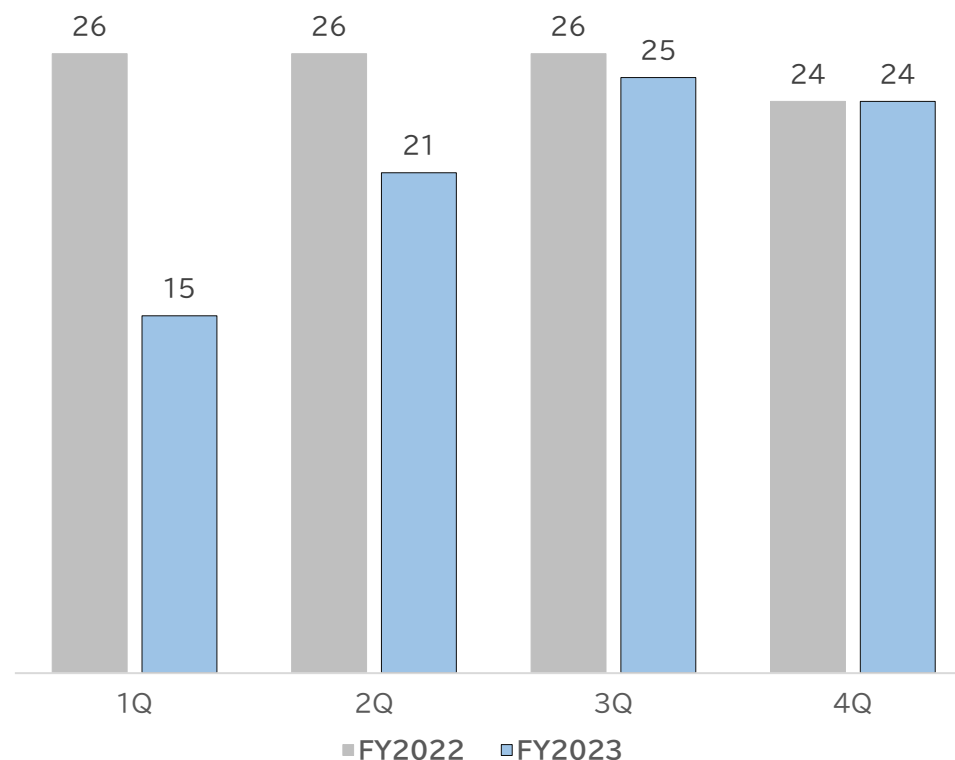
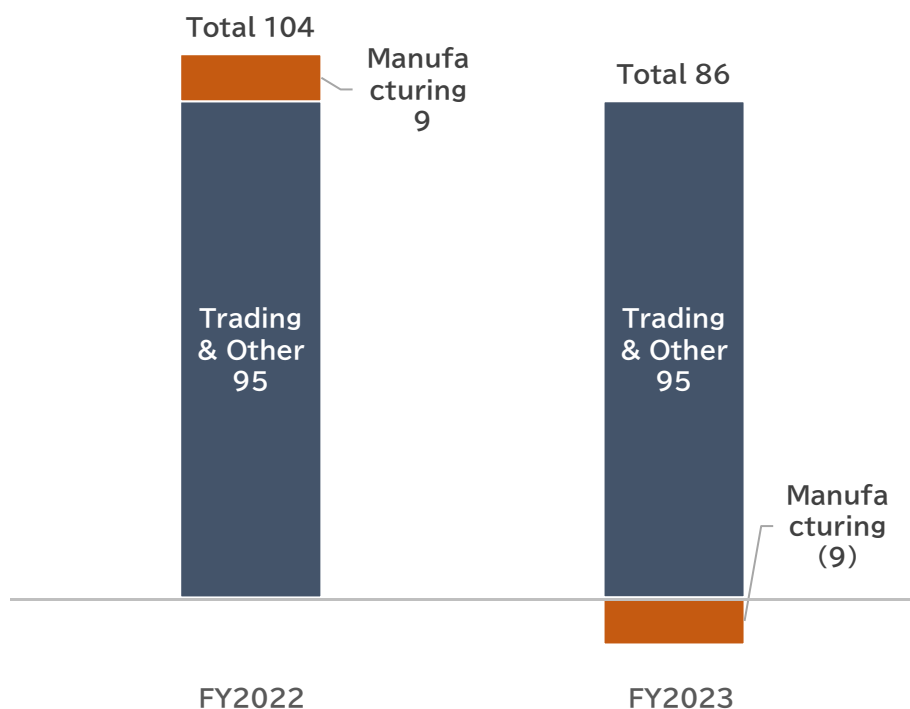


# Functional Materials Segment Operating Income Overview

- ▶ Overall sales of coating materials decreased due to sluggish sales for mainly architectural applications, despite a recovery in applications for the automobile and other industries
- ▶ Sales decreased for raw materials for the electronics industry, including semiconductor-related products
- ▶ The manufacturing business related to digital print processing materials posted lower sales and a decline in profitability, resulting in an operating loss
- ▶ Profits decreased due to customer inventory adjustments, mainly in the first half, and weak profitability in the manufacturing business

Operating income by business(100 millions of yen)

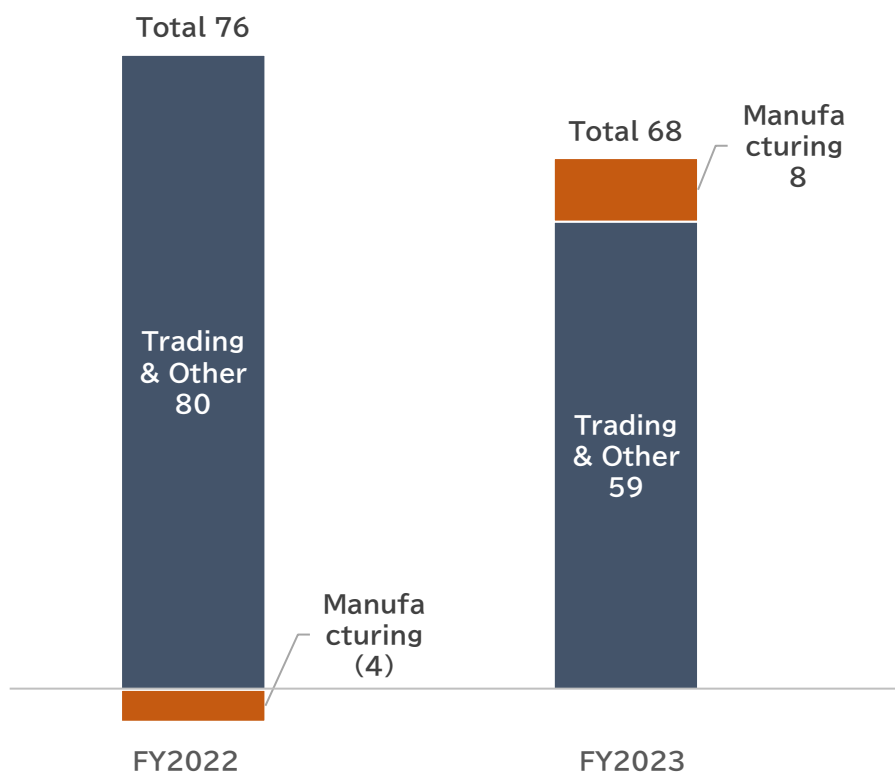
History of operating income (100 millions of yen)



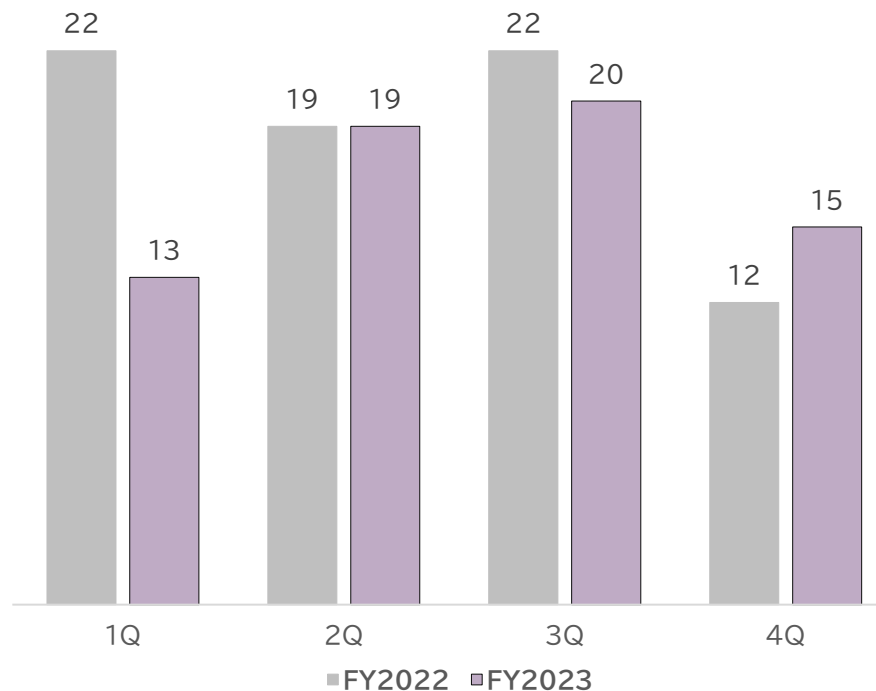
# Advanced Materials & Processing Segment Operating Income Overview

- ▶ Lower profit due to decreased demand for resin sales in the office equipment, appliance, and video game device market, as well as the impact of inventory adjustments by customers
- ▶ The manufacturing business returned to profit overall due to strong sales of resin mold products, as well as a decrease in expenses compared to the previous year, when we recorded impairment losses for certain subsidiaries
- ▶ Overall, the sluggish sale of resins had significant effects and profit decreased

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)

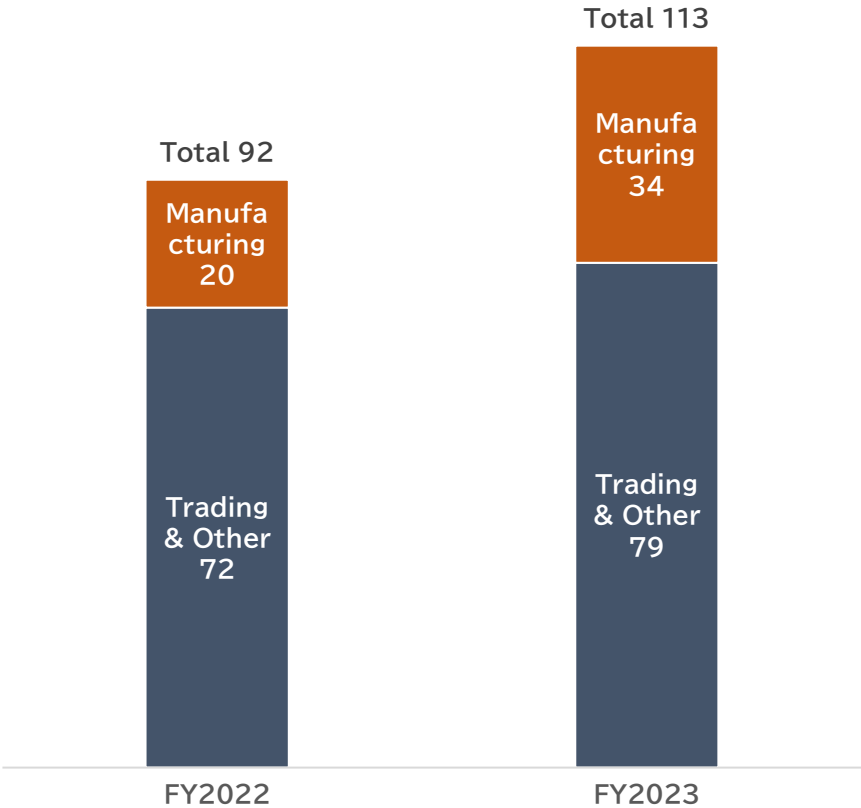




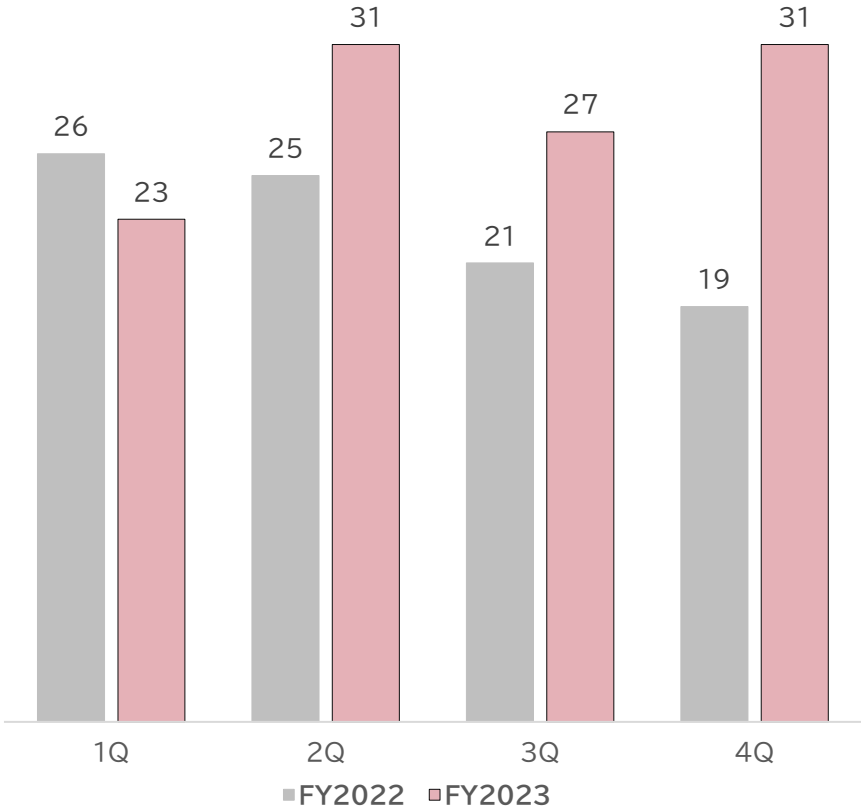
# Electronics & Energy Segment Operating Income Overview

- ▶ Despite weakening semiconductor market conditions, sales of materials to the semiconductor industry increased due to growth in product sales
- ▶ Sales of formulated epoxy resins increased mainly for high-end server applications and mobile device applications
- ▶ Profit rose overall with strong sales of formulated epoxy resins

Operating income by business(100 millions of yen)



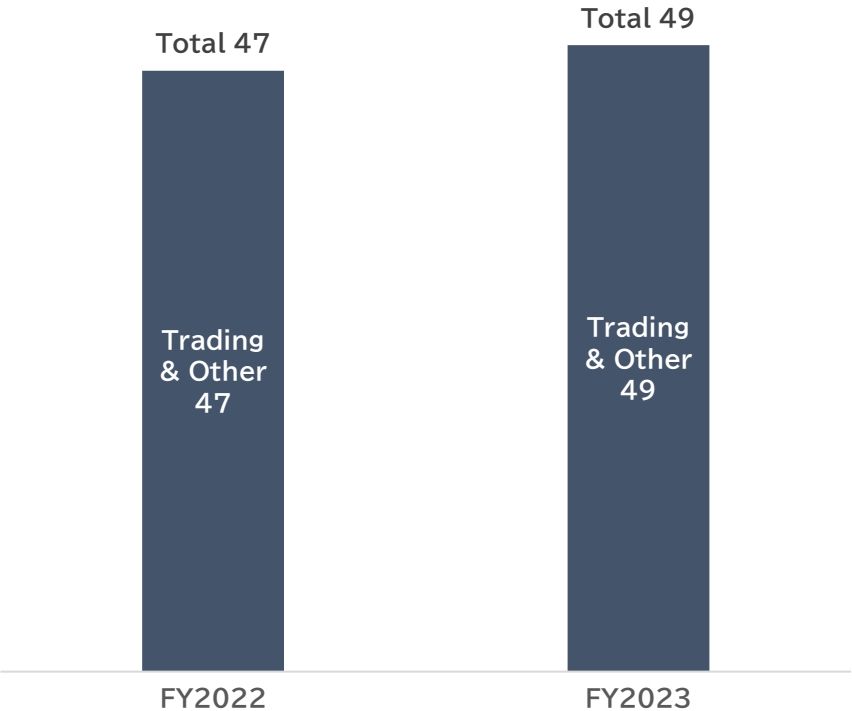
History of operating income (100 millions of yen)



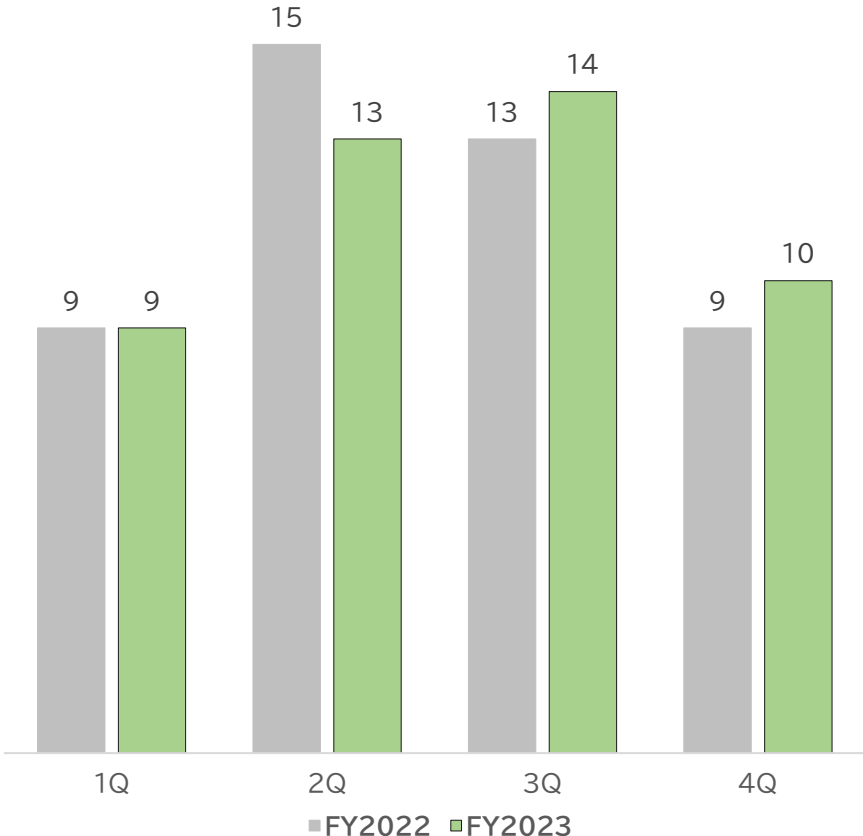
# Mobility Segment Operating Income Overview

- ▶ Sales increased for resins, mainly due to an increase in automobile production and expanded market share to existing customers
- ▶ Sales increased in functional materials and functional components for interior and exterior fittings and electrification
- ▶ Higher profit due to increased gross profit

Operating income by business(100 millions of yen)



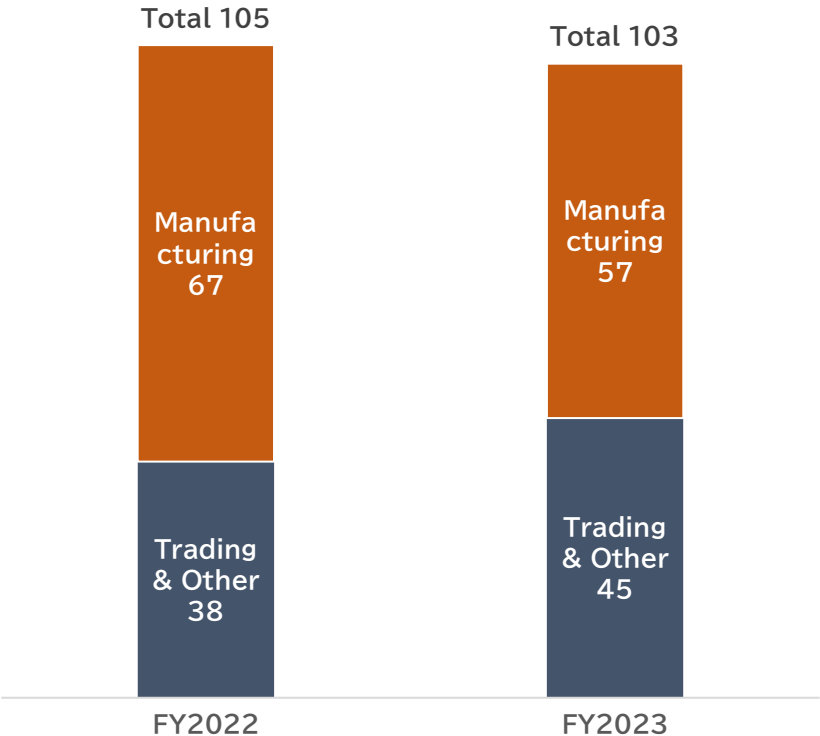
History of operating income (100 millions of yen)



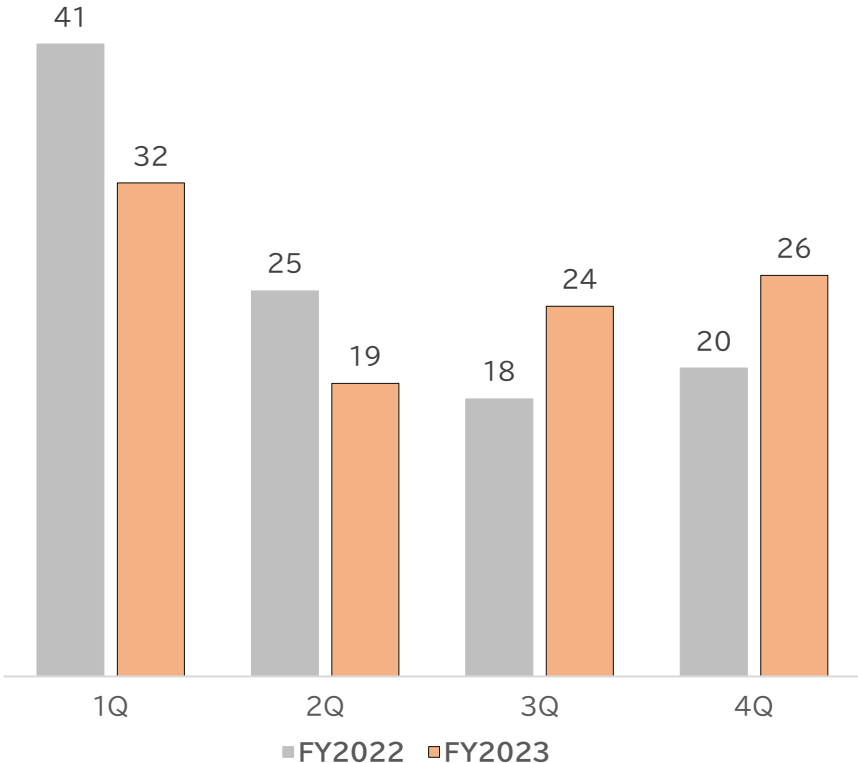
# Life & Healthcare Segment Operating Income Overview

- ▶ Overall Prinova Group sales increased mainly due to operations of the new plant in Utah
- ▶ Nagase Viita (formerly Hayashibara) posted increased sales, mainly for cosmetic material
- ▶ Although we recorded higher gross profit, profits decreased due to increased personnel and other general, and administrative expenses at the Prinova Group, and a delay in the profit contribution of the new Utah plant

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



# State of Major Manufacturing Subsidiaries

- ▶ Nagase ChemteX : Despite the transfer of the biochemicals business to Nagase Viita, profit rose due to increased sales of highly profitable formulated epoxy resins
- ▶ Nagase Viita : Profits increased due to progress made to pass on the soaring prices of raw materials and utilities, as well as strong sales of cosmetic material stemming from a recovery in demand
- ▶ Prinova Group : Despite increased sales in manufacturing, profit declined due to increased personnel and other general, and administrative expenses and a delay in the profit contribution of the new Utah plant

100 millions of yen

		FY2022	FY2023	Change	Vs.PY	Forecast	Forecast Comparison
Nagase ChemteX Corporation	Sales	253	251	(2)	99%	247	101%
	Gross profit	68	75	7	111%	77	98%
	Operating income	18	22	4	124%	24	91%
Nagase Viita Co., Ltd. (Formerly Hayashibara Co.,Ltd.)	Sales	281	344	62	122%	347	99%
	Gross profit	103	126	22	122%	128	98%
	Operating income	37	52	14	137%	52	100%
	Goodwill amortization etc.	30	30	-	100%	30	100%
	Operating income after amortization burden	7	21	14	298%	21	100%
Prinova Group	Sales	1,927	1,934	7	100%	1,943	100%
	Gross profit	312	358	45	115%	355	101%
	Operating income	80	60	(20)	75%	62	98%
	Goodwill amortization etc.	24	25	1	107%	25	100%
	Operating income after amortization burden	56	34	(21)	62%	36	96%

# Consolidated Balance Sheets

- ▶ Inventory reductions progressed and working capital decreased
- ▶ Net assets increased ¥22.9 billion compared with the end of the previous fiscal year due to internal reserves, valuation difference on available-for-sale securities, and an increase in translation adjustments and accumulated other comprehensive income

100 millions of yen

	23/03	24/03	Change	Details
Total Current Assets	5,301	5,424	123	
(Cash&deposits)	408	594	185	
(Trade account receivable)	3,021	3,211	190	
(Inventories)	1,697	1,479	(217)	
Total non-current assets	2,325	2,498	173	
(Investments in security)	697	762	64	
<b>Total assets</b>	<b>7,626</b>	<b>7,923</b>	<b>296</b>	
Current Liab.	2,862	3,026	164	Current portion of bonds+100 Current portion of long-term loans+58, Short-term loans/CP -163
(Trade account payable)	1,404	1,563	159	
Non-current Liab.	980	883	(97)	Deferred tax liab.+32, Lease liabilities +27, Bonds -100, Long-term loans -51
<b>Total Liab.</b>	<b>3,843</b>	<b>3,910</b>	<b>67</b>	
Shareholders' equity	3,090	3,128	37	
Accum. Other Comprehensive Income	586	812	226	Translation adjustments +144, Net unrealized holding gain on securities +48, Remeasurements of defined benefit plans +32
Non-controlling interest	107	72	(34)	
<b>Total net assets</b>	<b>3,783</b>	<b>4,013</b>	<b>229</b>	
Working capital	3,313	3,127	(186)	
Shareholders' equity ratio	48.2%	49.7%	1.5ppt	
NET D/E ratio	0.38	0.27	(0.10)	

# Consolidated Cash Flows

- ▶ Operating CF : Net proceeds of ¥72.9 billion, mainly due to a decrease in working capital stemming from inventory reductions
- ▶ Investing CF : Net cash used of ¥11.6 billion, despite proceeds from sales of investment securities, etc., mainly due to the purchase of property, plant and equipment
- ▶ Financing CF : Net cash used of ¥48.0 billion, mainly due to a decrease in short-term loans and commercial paper, dividend payments, and share buybacks

100 millions of yen

	FY2022	FY2023
Operating CF	94	729
Investing CF	(80)	(116)
Free CF	13	613
Financing CF	(172)	(480)
Effects of exchange rate	30	55
Net increase / decrease in cash and cash equivalents	(128)	188
Depreciation of tangible and intangible assets	149	166
Fixed asset investment	(173)	(188)
Increase / decrease in working capital	(200)	330



# FY2024 Earnings Projection

- ▶ We expect to increase manufacturing earnings in our semiconductor-related and food-related businesses
- ▶ We expect trading business resin sales to recover, while the automobile-related business should also see firm performance
- ▶ We expect selling, general and administrative expenses to increase overall with business growth, and other factors, even though the amortization expense of retirement benefit actuarial differences will decrease

(Retirement benefit actuarial differences: Approximately ¥0.9 billion expense in fiscal 2023 and approximately ¥3.5 billion income in fiscal 2024)

	100 millions of yen			
	FY2023 Results	FY2024 Forecast	Change	Vs.PY
<b>Sales</b>	9,001	9,400	398	104%
<b>Gross profit</b>	1,647	1,800	152	109%
<b>&lt;GP ratio&gt;</b>	18.3%	19.1%	0.8ppt	–
<b>SG&amp;A expenses</b>	1,341	1,435	93	107%
<b>Operating income</b>	306	365	58	119%
<b>Ordinary income</b>	305	352	46	115%
<b>Profit attributable to owners of the parent</b>	224	280	55	125%
US\$ Exchange rate (period average)	@ 144.6	@ 148.0	@ 3.4	Weak yen
RMB Exchange rate (period average)	@ 20.1	@ 20.0	@ 0.1	Strong yen

# FY2024 Earnings Projection By segment

- ▶ Beginning with fiscal 2024, we allocate Nagase non-consolidated expenses under Corporate & Others to each segment (retirement benefit actuarial differences are unallocated) \*The following comments are based on Before allocation figures
- ▶ Functional Materials recorded higher sales and profit, mainly due to increased automobile-related sales and lower losses in the digital print processing materials-related manufacturing business
- ▶ Advanced Materials & Processing sales and profit rose, mainly due to increased sales of resin for office equipment and video game device applications in the electric and electronic industries
- ▶ Electronics & Energy sales and profit increased, mainly due to increased sales of Nagase ChemteX formulated epoxy resin for semiconductors used in high-end server applications
- ▶ Life & Healthcare sales and profit increased, mainly due to a recovery in Prinova Group food-ingredient profitability, which recovered from a market low point, and increased food product and cosmetic material sales at Nagase Viita

100 millions of yen

		FY2023 Actual	FY2024 forecast	Change	Vs.PY
Functional Materials	Sales	1,468	1,550	81	106%
	Gross profit	281	306	24	109%
	Operating income(Before allocation)	86	105	18	122%
	Operating income(After allocation)	61	68	6	110%
Advanced Materials & Processing	Sales	1,985	2,072	86	104%
	Gross profit	236	248	11	105%
	Operating income(Before allocation)	68	77	8	113%
	Operating income(After allocation)	53	55	1	104%
Electronics & Energy	Sales	1,447	1,493	45	103%
	Gross profit	342	377	34	110%
	Operating income(Before allocation)	113	124	10	109%
	Operating income(After allocation)	88	86	(2)	97%
Mobility	Sales	1,321	1,387	65	105%
	Gross profit	152	160	7	105%
	Operating income(Before allocation)	49	51	1	103%
	Operating income(After allocation)	36	32	(4)	89%
Life & Healthcare	Sales	2,777	2,897	119	104%
	Gross profit	634	710	75	112%
	Operating income(Before allocation)	103	125	21	121%
	Operating income(After allocation)	80	94	13	117%
Corporate&Others	Sales	1	1	(0)	68%
	Gross profit	0	(1)	(1)	—
	Operating income(Before allocation)	(113)	(117)	(3)	—
	Operating income(After allocation)	(13)	30	43	—
Total	Sales	9,001	9,400	398	104%
	Gross profit	1,647	1,800	152	109%
	Operating income	306	365	58	119%

# FY2024 Earnings Projection By Major Manufacturing Subsidiaries

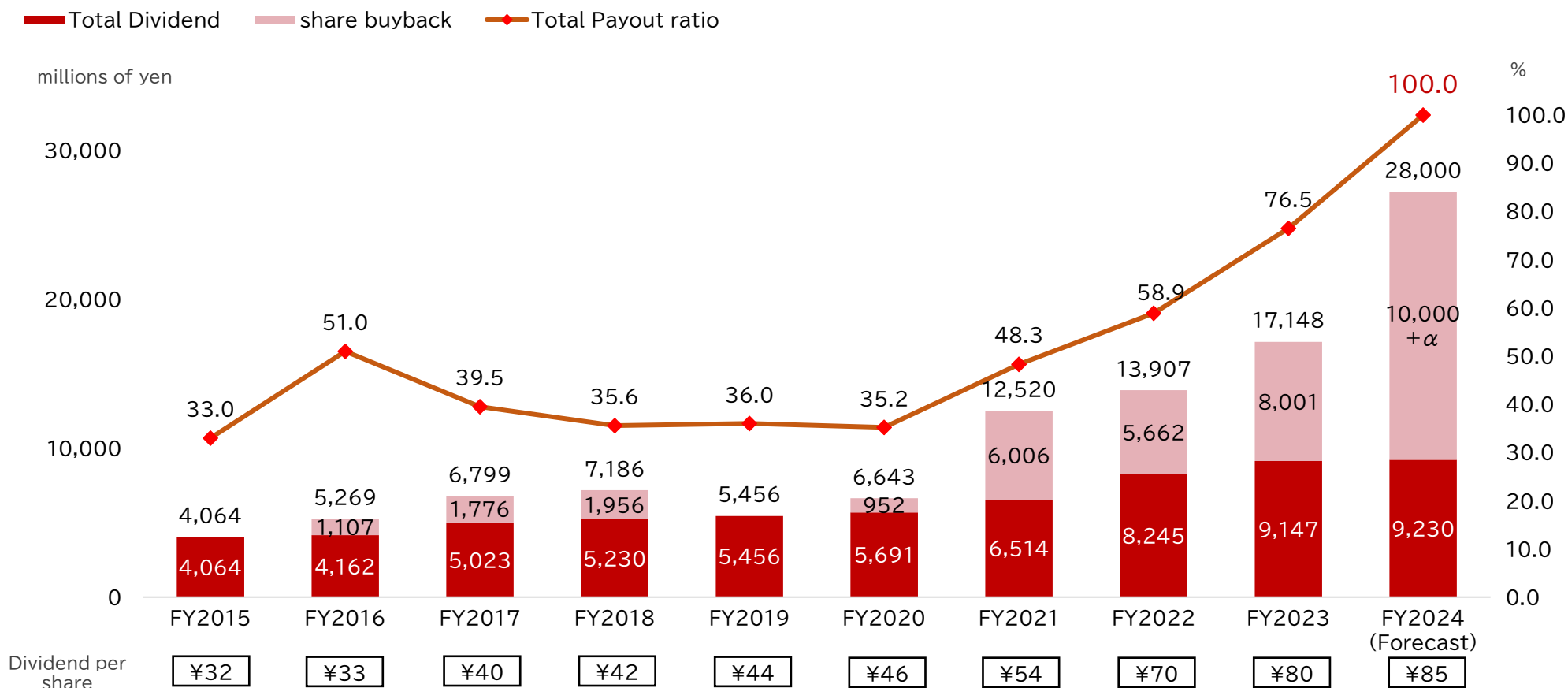
- ▶ Nagase ChemteX : We expect higher sales and profit, mainly due to strong formulated epoxy resin-related sales for semiconductors used in high-end servers
- ▶ Nagase Viita : We expect higher sales and profit, mainly due to increased sales of food ingredients for the domestic market and higher cosmetic material sales
- ▶ Prinova Group : We expect an increase in sales and profit stemming from a recovery in profitability as the falling food ingredients market recovers from a bottom during the period and productivity at the Utah plant improves

100 millions of yen

		FY2023 Actual	FY2024 Forecast	Change	Vs.PY
Nagase ChemteX Corporation	Sales	251	261	10	104%
	Gross profit	75	80	4	106%
	Operating income	22	26	4	119%
Nagase Viita Co., Ltd.	Sales	344	369	25	107%
	Gross profit	126	140	13	111%
	Operating income	52	57	5	110%
	Goodwill amortization etc.	30	29	(1)	97%
	Operating income after amortization burden	21	27	6	128%
Prinova Group	Sales	1,934	2,091	156	108%
	Gross profit	358	421	63	118%
	Operating income	60	81	20	134%
	Goodwill amortization etc.	25	27	1	105%
	Operating income after amortization burden	34	54	19	156%

# Shareholder Returns

- ▶ We plan to pay an interim dividend of ¥40 per share and a year-end dividend of ¥45 per share for an annual dividend of ¥85 per share for fiscal 2024 (expected 15th consecutive fiscal year of dividend increases)
- ▶ We changed our policy for shareholder returns compared with **ACE 2.0**, establishing a **total return ratio of 100%** for fiscal years 2024 and 2025 (no change in policy regarding continuing dividend increases)
- ▶ In May 2024, we resolved to conduct ¥10 billion in share buybacks (Planned Schedule: May 2024 through October 2024)



※ FY2023 year-end dividend to be submitted for approval to the 109th general meeting of shareholders scheduled for June 2024.

# **NAGASE** | **Delivering next.**

## ■Inquiries:

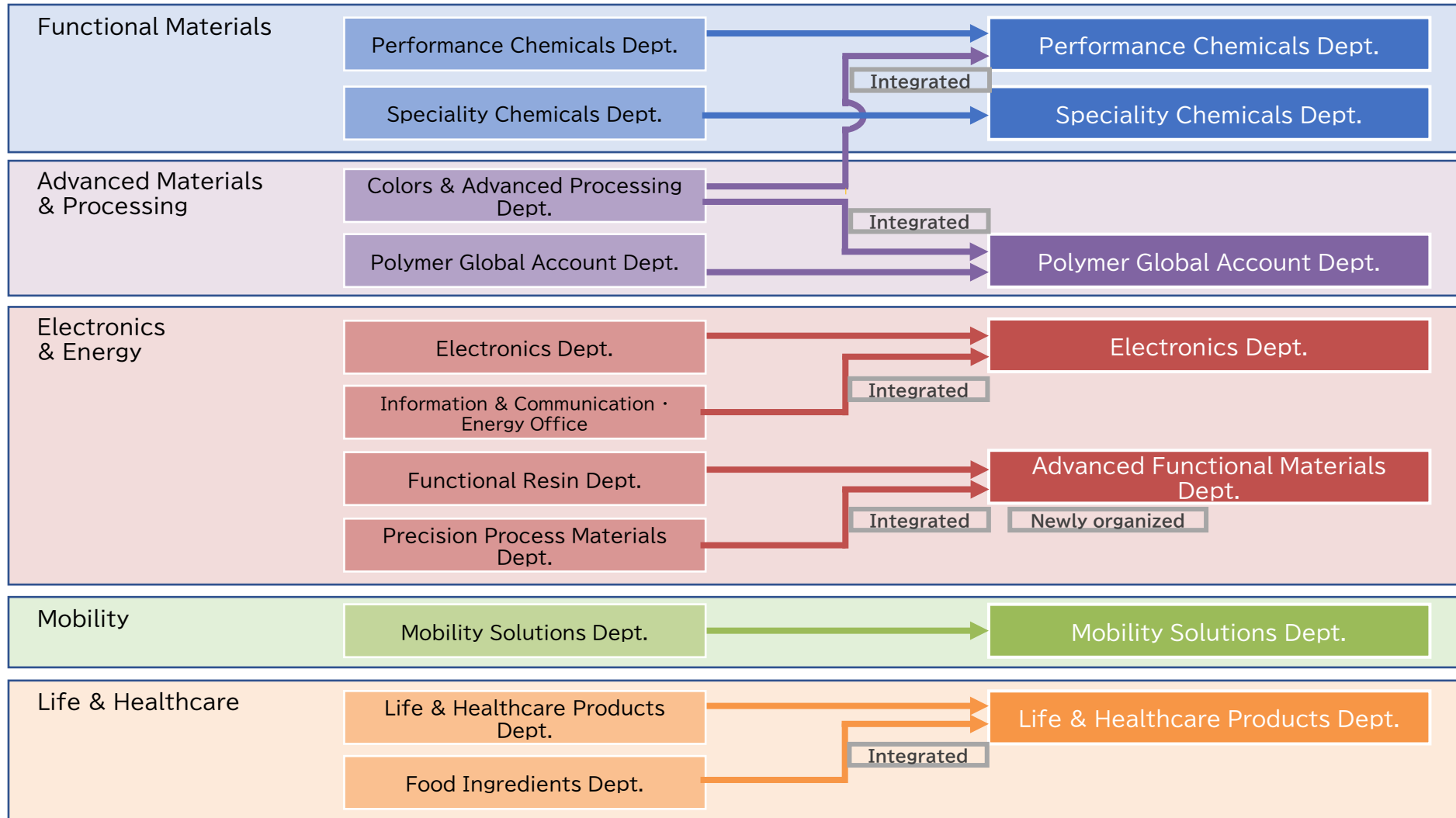
<https://www.nagase.co.jp/english/contact/ir/>

## ■NAGASE Group Investor Relations Website:

<https://www.nagase.co.jp/english/ir/>

These presentation materials contain projections based on forward-looking assumptions, forecasts, and plans as of May 8, 2024. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.

# Changes to business segment classification (implemented on October 1, 2023)





# Main News in FY2023

- Apr. Hiroyuki Ueshima named new president
- May Notice Regarding Repurchase of Treasury Stocks  
President Ueshima announced the QUICK WIN
- Aug. Establishment of Himeji Energy Storage Facility G.K. with Idemitsu Kosan, RENOVA, and SMFL MIRAI Partners —Grid storage Battery Business to Commence in October 2025
- Oct. Launched new organization in October (consolidated 11 Dept. to 7 Dept.).  
Sun Delta dissolution
- Nov. Established CVC (investment subsidiary to be established in FY2024)  
Began offering AI Joint Logistics Matching Service for Chemicals  
Notice Regarding Revision of Director Compensation/Addition of ESG Evaluation Indicators for Performance-Linked Compensation  
Selected as Coordinating Company for Transportation of Materials for Rapidus Corporation  
Prinova Group acquired Flavor Tec, a South American essential oil distillation and processing company  
Commercialization of Collection and Recycling of Developer Used in Semiconductor Manufacturing  
Clarified growth strategy in Medium-Term Management Plan **ACE2.0**
- Jan. New Bio Research Center To Be Built on Kobe Port Island:Accelerating Open Innovation by Combining the Group's Strengthsand Contributing to Solving Social Issues by Creating Timely New Materials Matching Needs
- Feb. NAGASE Receives Silver Medal in EcoVadis Sustainability Assessment
- Mar. Expansion of Facilities in Malaysia for Contract Processing and Manufacturing of Semiconductor Wafer Bumping Investment of 1 Billion Yen in Power Semiconductor Devices for Smartphones  
Nagase Viita receives EcoVadis highest Platinum rating for sustainability  
Nagase Chosen for Inclusion in All Six ESG Indexes Adopted by the GPIF

# PICK UP ! (4Q)

## Evaluations From External Organizations

Nagase Viita Co., Ltd. and NAGASE & CO., LTD.  
Awarded Platinum and Silver, Respectively, for  
the First Time



Movement in the supply  
chain to select suppliers  
based on EcoVadis scores



Pursuing Further Sustainability

Listed for all six ESG indices adopted by GPIF

- Morningstar Japan ex-REIT Gender Diversity Tilt Index
- S&P/JPX Carbon Efficient Index
- FTSE Blossom Japan Sector Relative Index
- FTSE Blossom Japan
- MSCI Nihonkabu ESG Select Leaders Index (first time)
- MSCI Japan Empowering Women Select Index

## PacTech Asia Semiconductor Wafer Bumping Facility Expansion

### ● PacTech Overview (Pac Tech – Packaging Technologies GmbH)

- Established in 1995 (investments beginning in 2006); became a wholly owned subsidiary in 2015; 440 employees
- Offices in Nauen, Germany (headquarters), Santa Clara, U.S.A., and Penang, Malaysia
- Manufacture and sales of equipment for semiconductors and electronic components; semiconductor wafer bumping contract processing

### ● ¥1 billion investment in Penang, Malaysia (PacTech Asia Sdn. Bhd., established in 2008)

- **World's leading share in the WLP** contract processing market based on core technology in wafer level package (WLP) using electroless plating; advanced control technology for chemical concentration and temperature, etc.
- New lines began operation in April 2024, increasing production capacity by 1.5 times
- **Aiming to expand our share of the WLP** contract processing market for power semiconductor applications in smartphones and electronic devices in general

