

FY2023 Financial Briefing

NAGASE&CO.,LTD.

Stock exchange listing : Tokyo (Prime Market)
Code number : 8012

May 24, 2024






Delivering next.

“Next” connects us to the future.






Executive Summary

FY2023 Results

-  The Prinova Group reported lower earnings due to lower food ingredient market prices and prior costs at the Utah plant
-  The color former business reported an operating loss, mainly due to declines in demand and market conditions
-  Resin sales declined due to declines in global demand and market conditions
-  Sales were strong for Nagase ChemteX-formulated epoxy resin used in high-end server applications
-  Nagase Viita (former Hayashibara) passed on the prices of utilities and other costs and posted increased sales of functional materials for cosmetics and foods

FY2024 Earnings Projections

-  We expect to improve profitability through ROIC management and increase gross profit margin from 18.3% to 19.1%. We also expect to post a record-high operating profit.
-  We will reallocate resources among regions in our trading function. We will invest resources in regions with high growth potential.
-  We expect to produce results in the semiconductor manufacturing process of the chemical recovery and recycling business, as well as expand business for power semiconductors.

Medium-Term Management Plan ACE 2.0

- Steady implementation of QUICK WIN
- Decision to change Shareholder Returns policy (100% total return ratio in FY2024, FY2025)

Business Environment by Segment



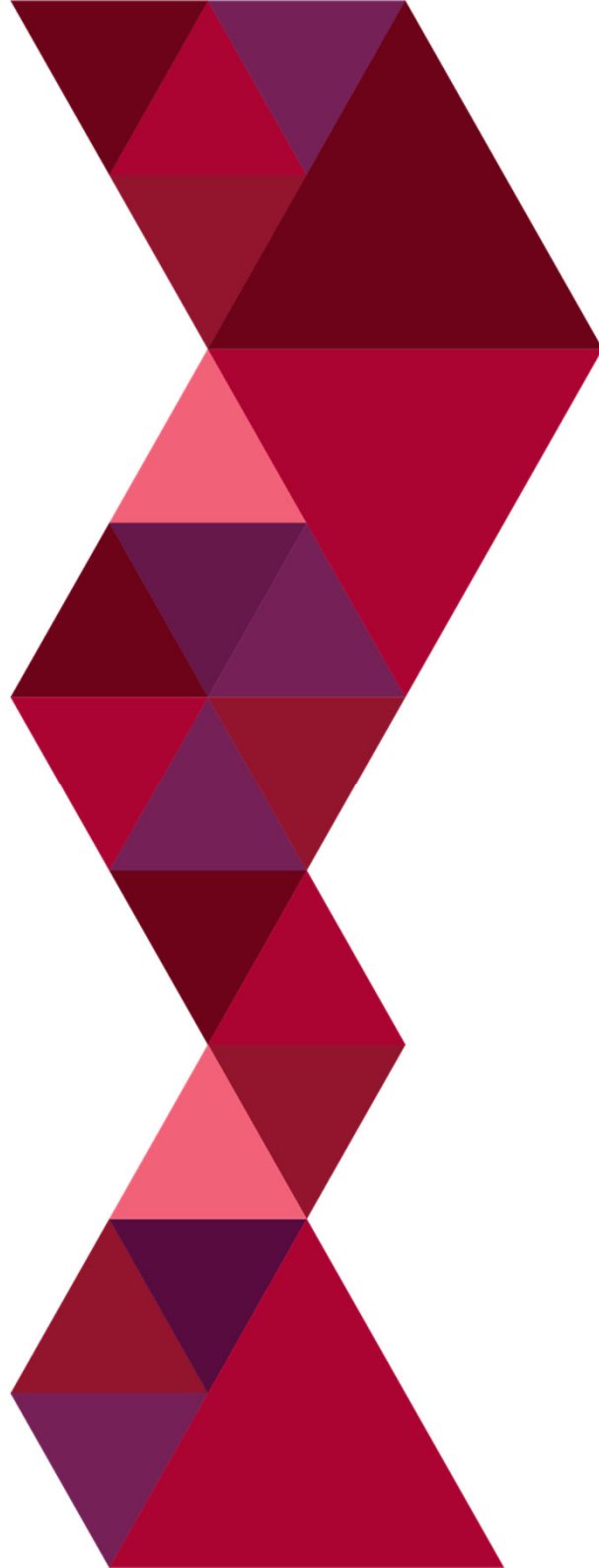
Industry	FY2023 Trends		FY2024 Trends		Segment
Coatings	Gradual recovery in automotive applications, but sluggish construction-related applications		Automotive applications to remain strong, but generally flat overall		Functional Materials
Color Formers	Demand remained weak and market conditions declined further		Oversupply to continue while market conditions remain sluggish		
Semiconductors	High-end applications performed well despite slow market recovery		Moderate recovery, full-scale recovery in the second half of the fiscal year, with sales of high-end applications to continue strong		
Display	Sluggish shipments of smartphones, etc., throughout the fiscal year		Demand to recover year on year		Electronics & Energy
Smartphones	Sluggish shipments throughout the year		Expected growth year on year		
OA and Games	Resin market conditions declined due to sluggish global demand		Overall demand and resin market conditions to make a moderate recovery		Advanced Materials & Processing
Automobiles	The Japanese automotive-related industry in China was sluggish, while sales in Japan were steady due to a recovery in the semiconductor shortage		Moderate recovery in automobile production to continue		Mobility
Medical	Sluggish overall industry performance		Demand to increase while sales of raw materials decrease due to patent expiration of brand-name drugs, etc.		Life & Healthcare
Cosmetics	Demand increased due to the end of the COVID-19 pandemic		Overall demand to continue to recover		
Food	Demand began recovering in the second half of the year, despite lower demand in the U.S. market and weak market conditions		Demand in the U.S. market to continue to recover		

*Based on the business environment of the Nagase Group, excluding one-time losses, etc. (Forecasts may not be consistent with general industry trends)

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FY2023 Results and FY2024 Earnings Projections



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 performance was in line with the full-year forecast

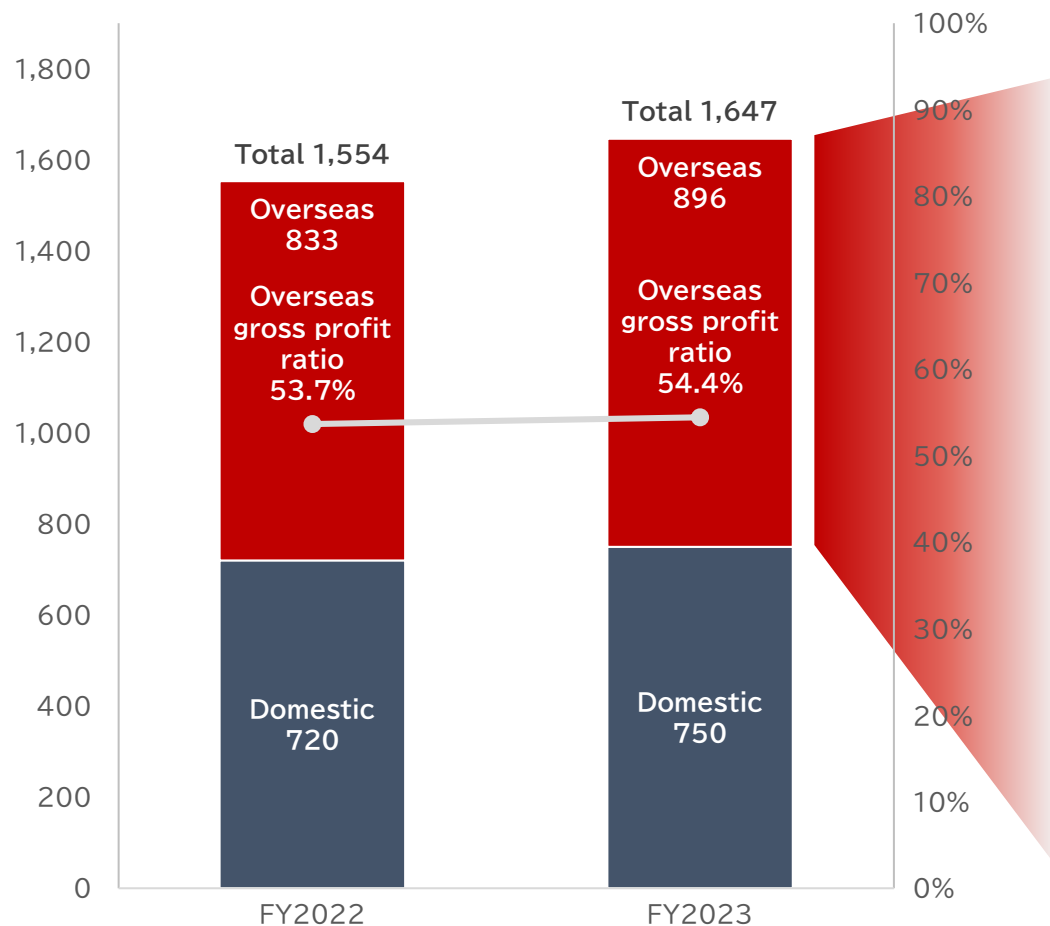
	100 millions of yen					
	FY2022	FY2023	Change	Vs.PY	Forecast	Forecast Comparison
Sales	9,128	9,001	(127)	99%	9,000	100%
Gross profit	1,554	1,647	93	106%	1,630	101%
<GP ratio>	17.0%	18.3%	1.3ppt	–	18.1%	–
SG&A expenses	1,220	1,341	120	110%	1,330	–
Operating income	333	306	(27)	92%	300	102%
Ordinary income	325	305	(19)	94%	290	105%
Profit Attributable to owners of the parent	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

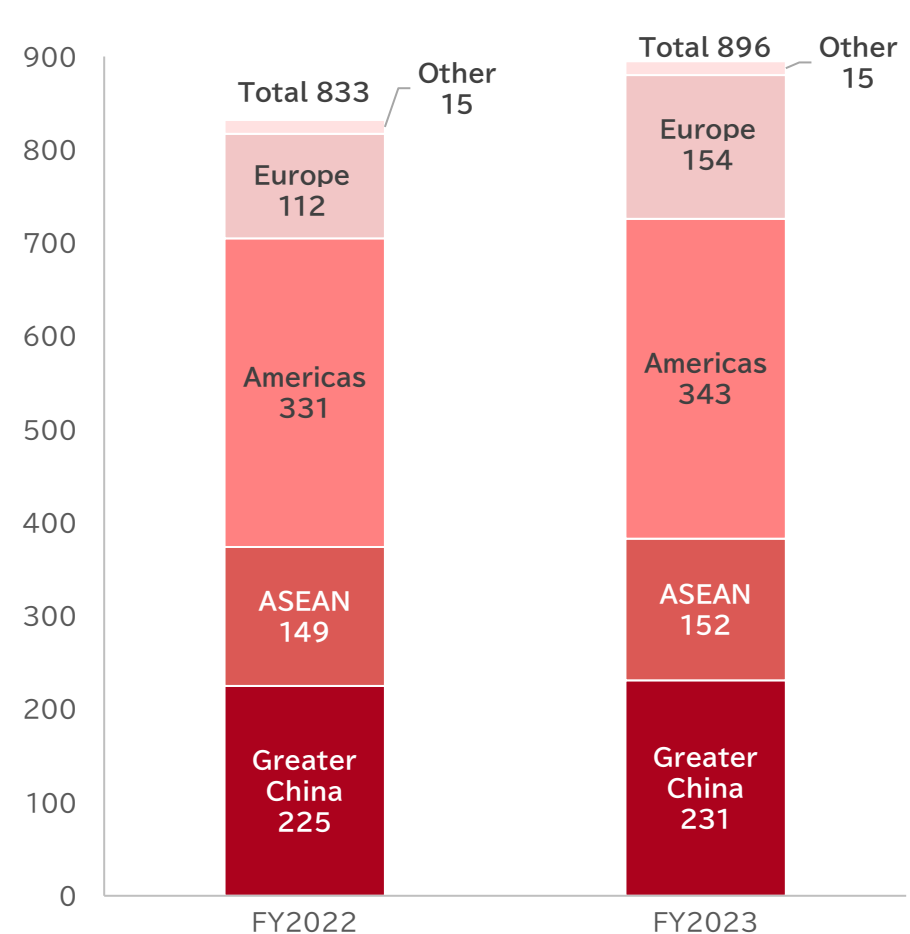
Gross Profit By Region

- ▶ 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)

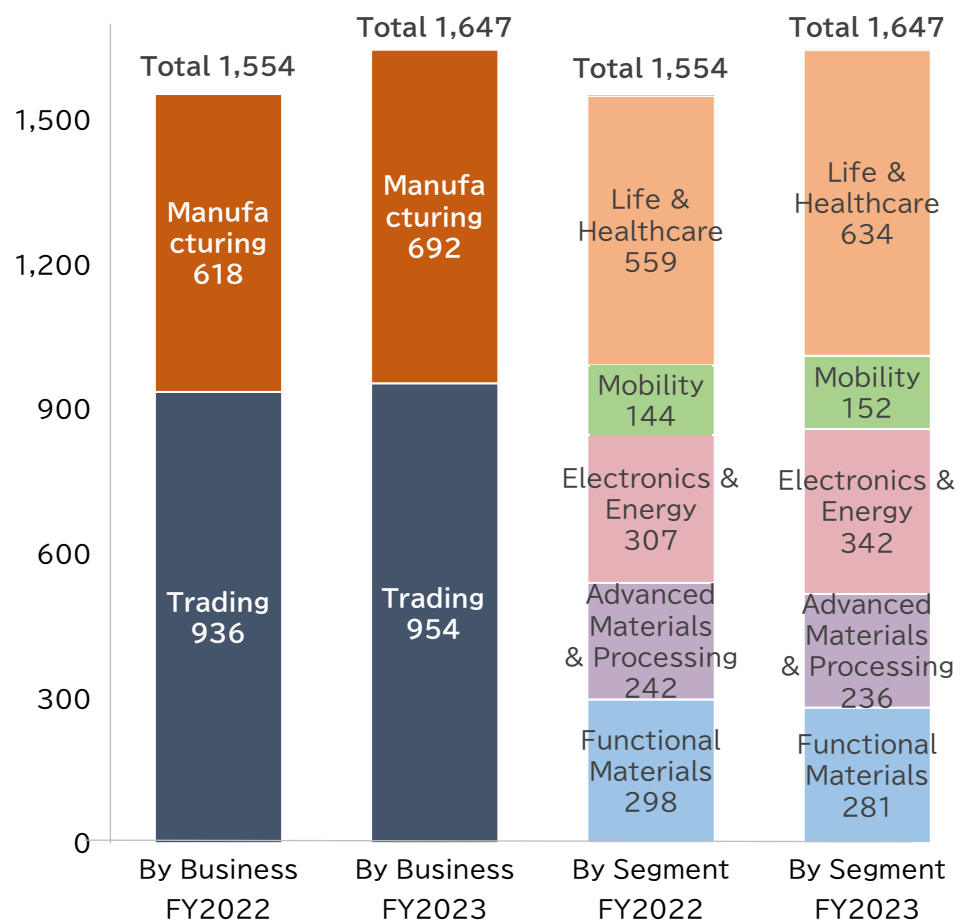


※Domestic figures under Domestic & Overseas Gross Profit include inter-regional adjustments

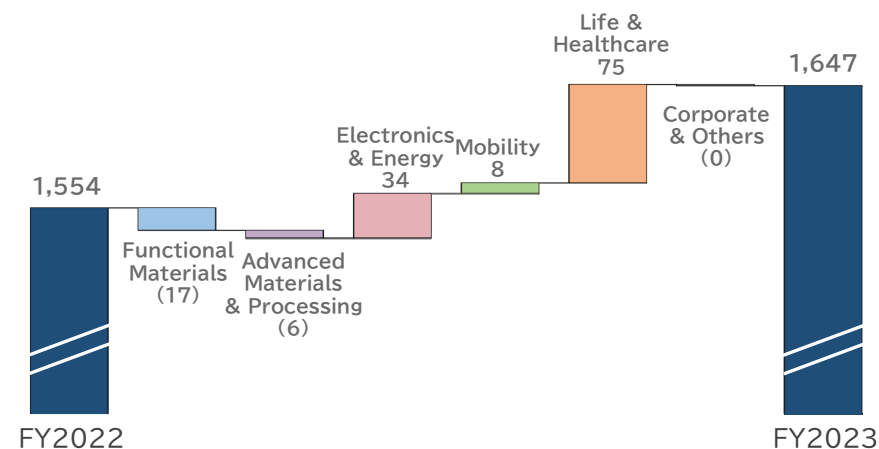
Gross Profit By Business & Segment

- ▶ 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

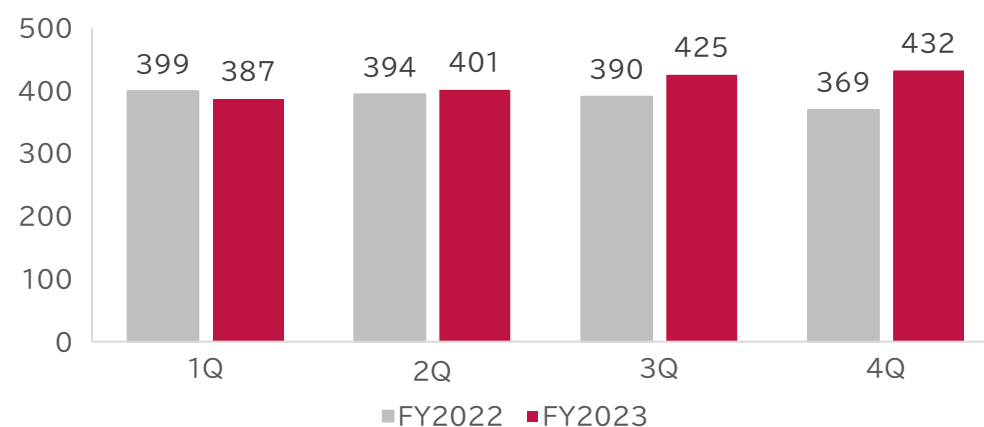
Gross Profit By Business & Segment (100 millions of yen)



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



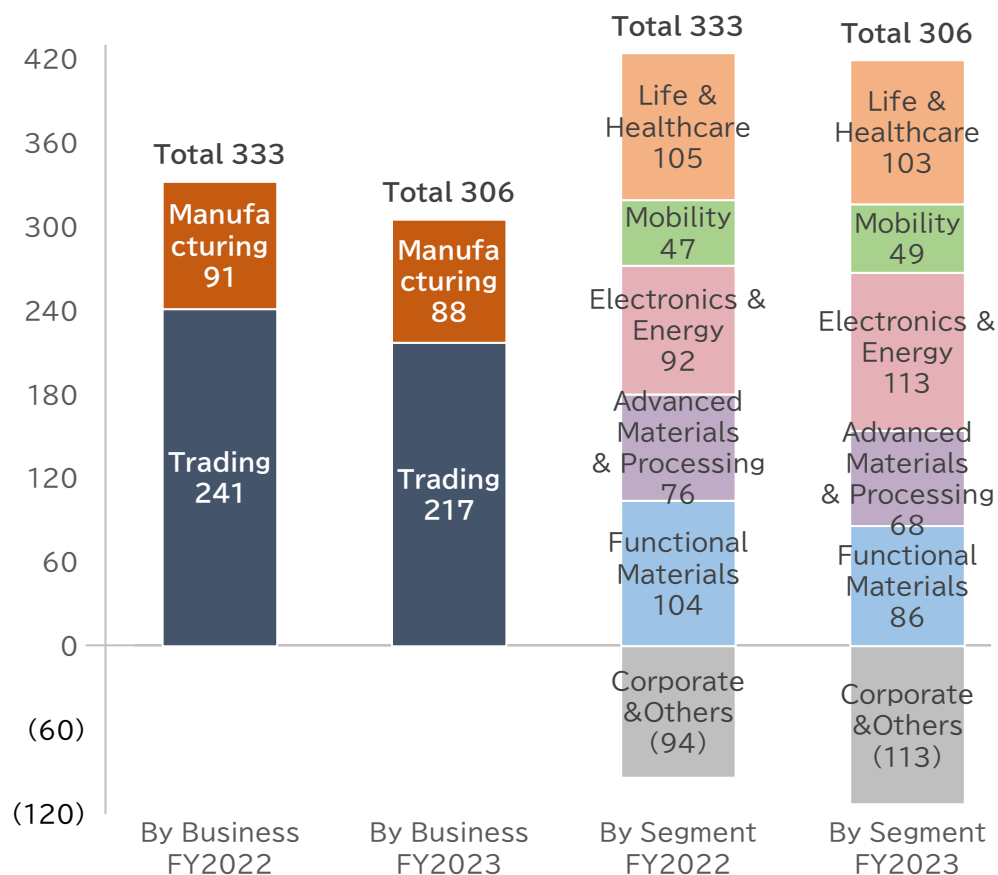
History of Gross Profit(100 millions of yen)



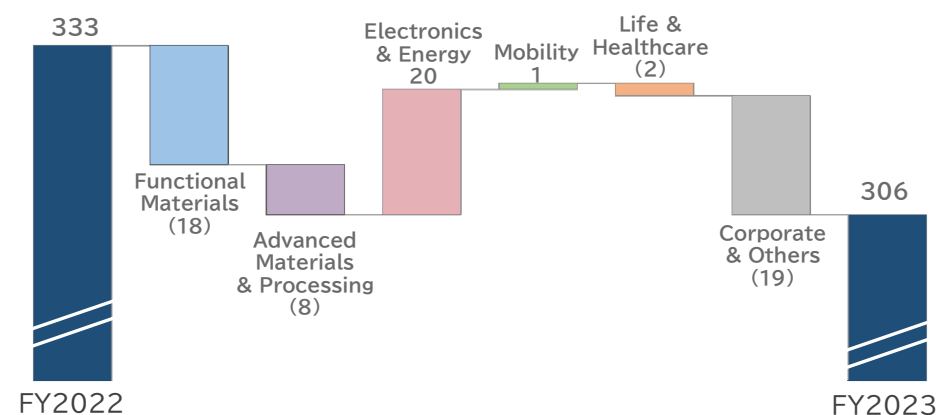
Operating Income by Business & Segment

- ▶ 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 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

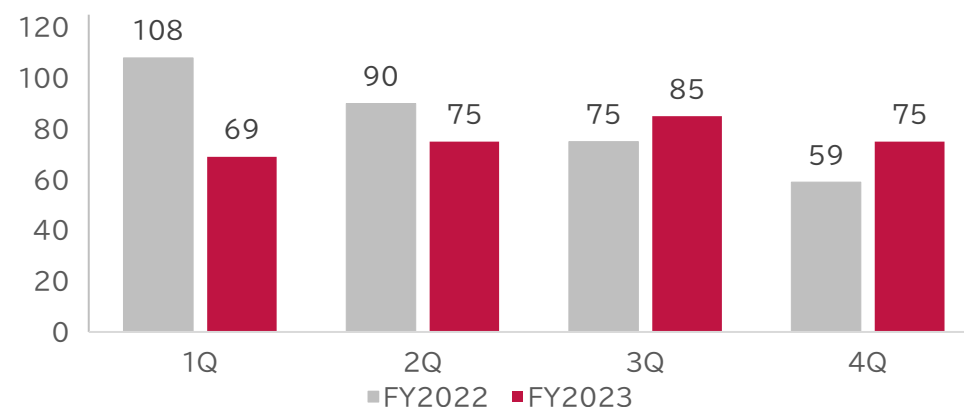
Operating Income by Business & Segment(100 millions of yen)



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



History of Operating Income(100 millions of yen)

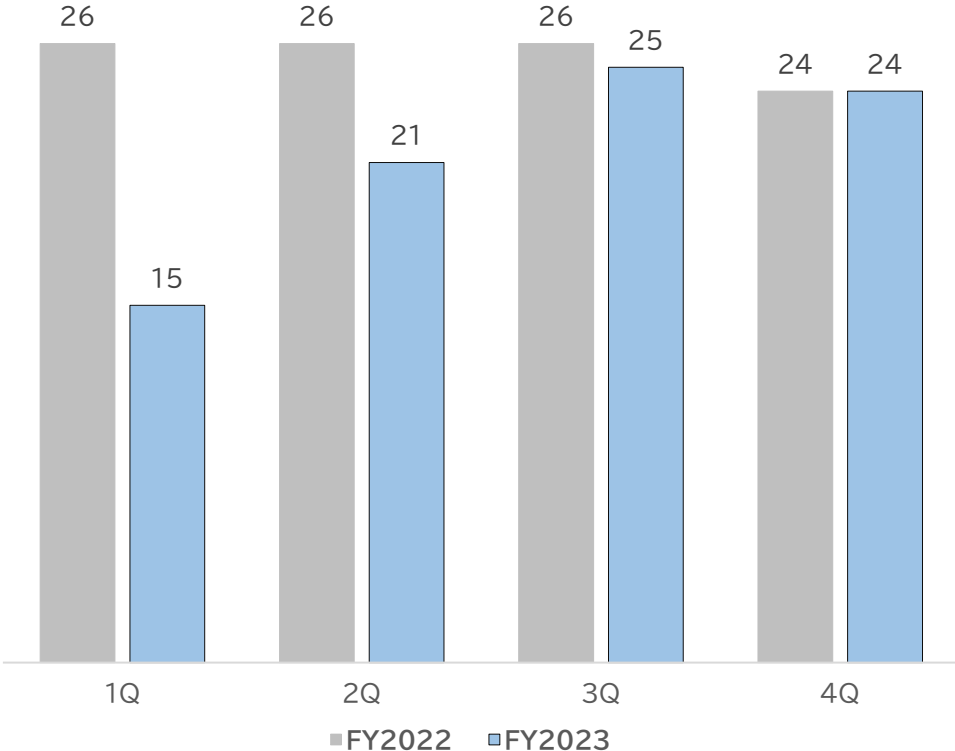
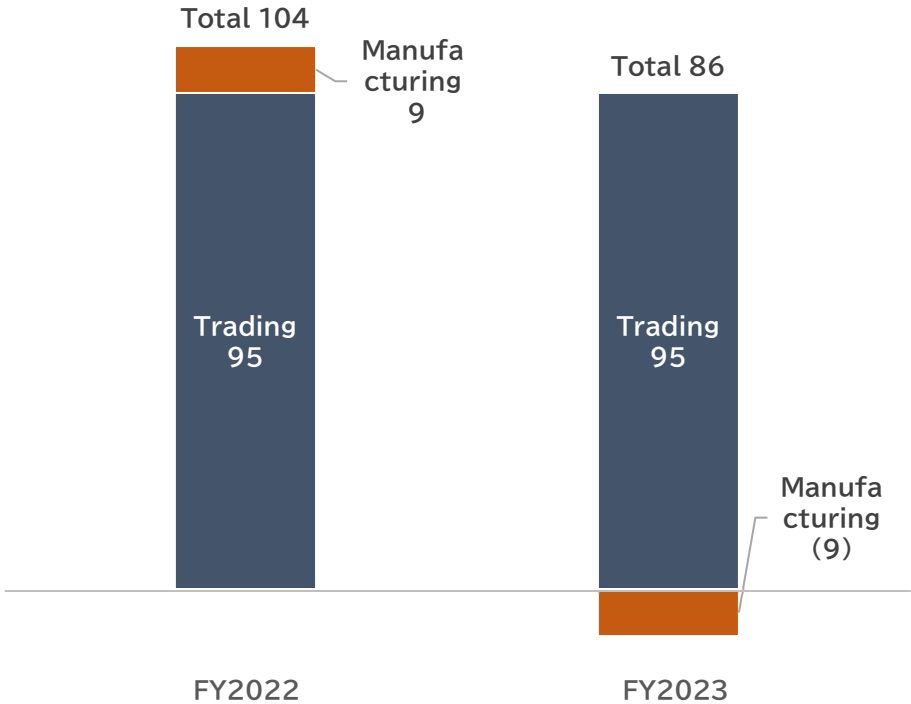


Functional Materials Segment Operating Income Overview

- ▶ 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)

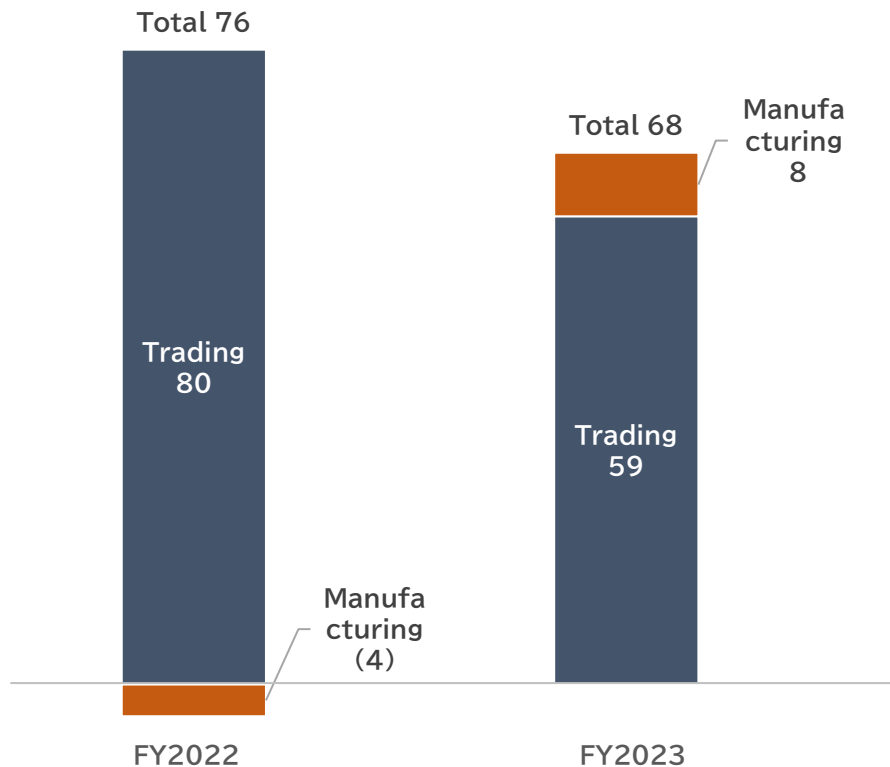
History of operating income (100 millions of yen)



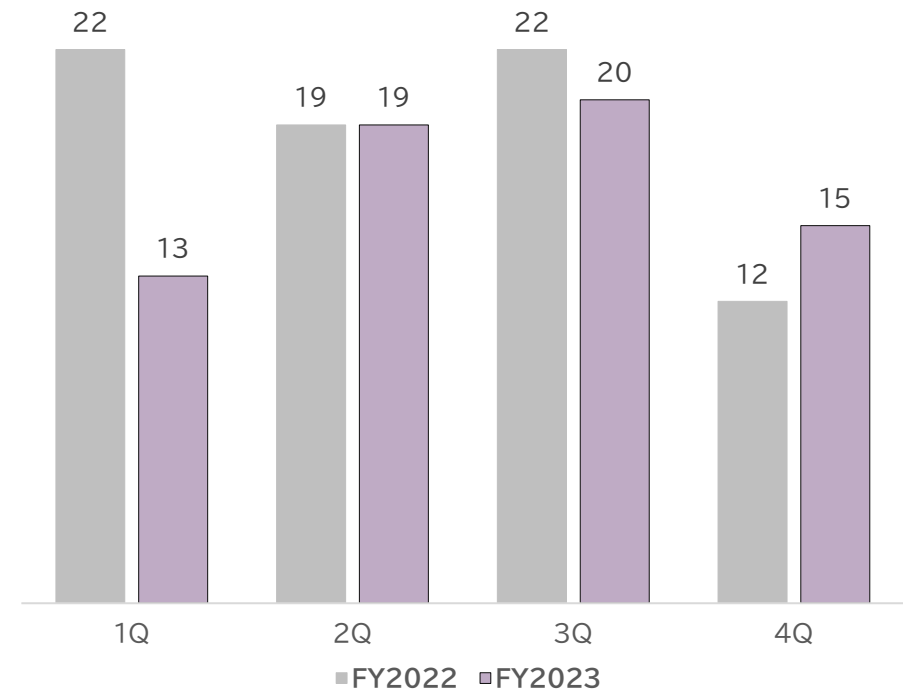
Advanced Materials & Processing Segment Operating Income Overview

- ▶ 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)



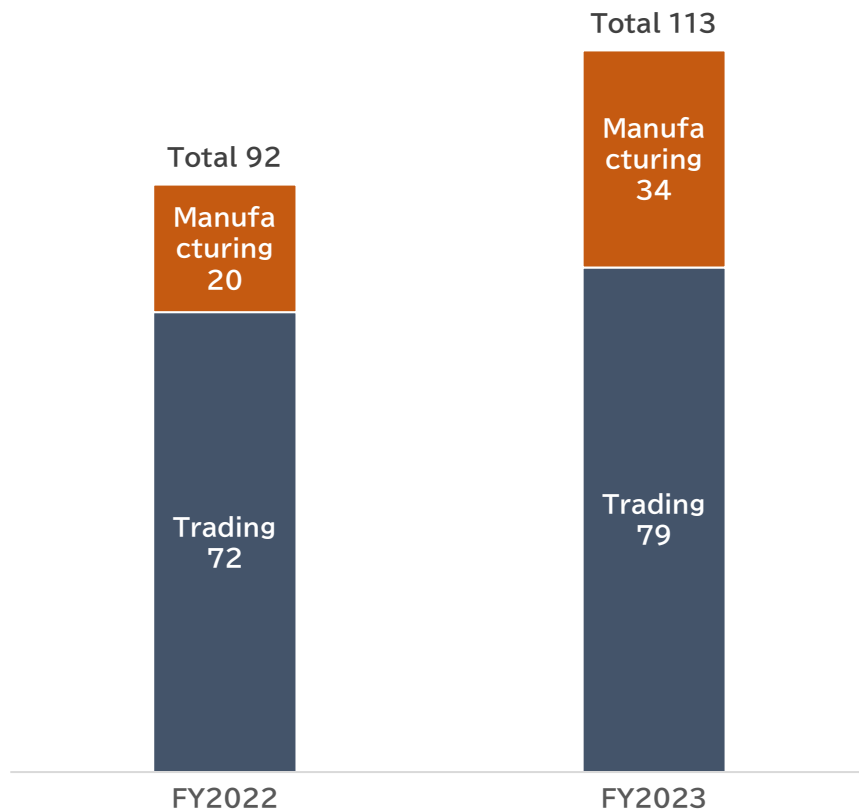
History of operating income (100 millions of yen)



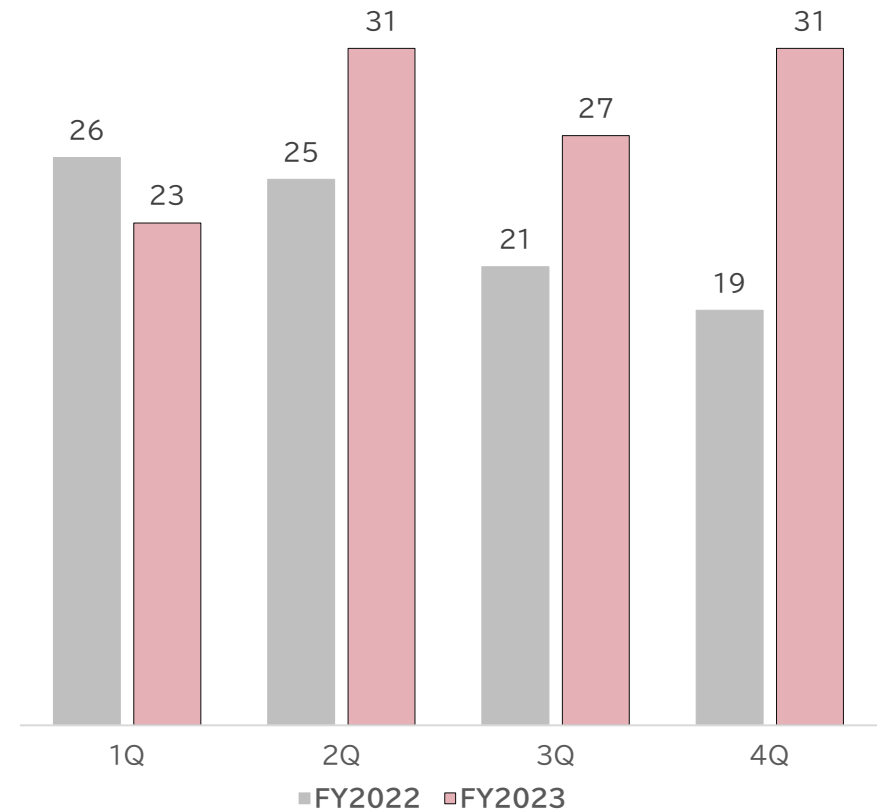
Electronics & Energy Segment Operating Income Overview

- ▶ 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)



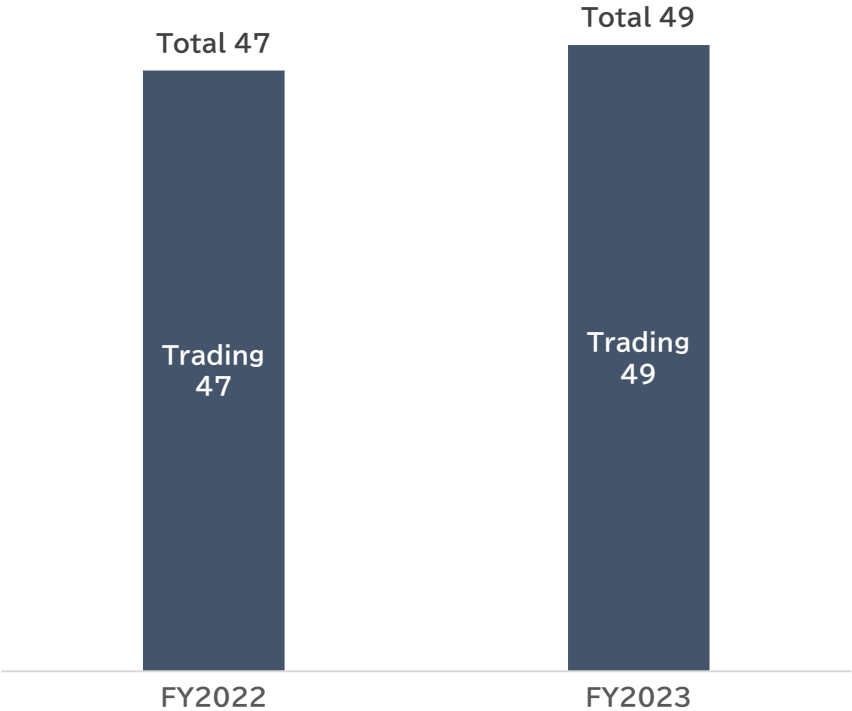
History of operating income (100 millions of yen)



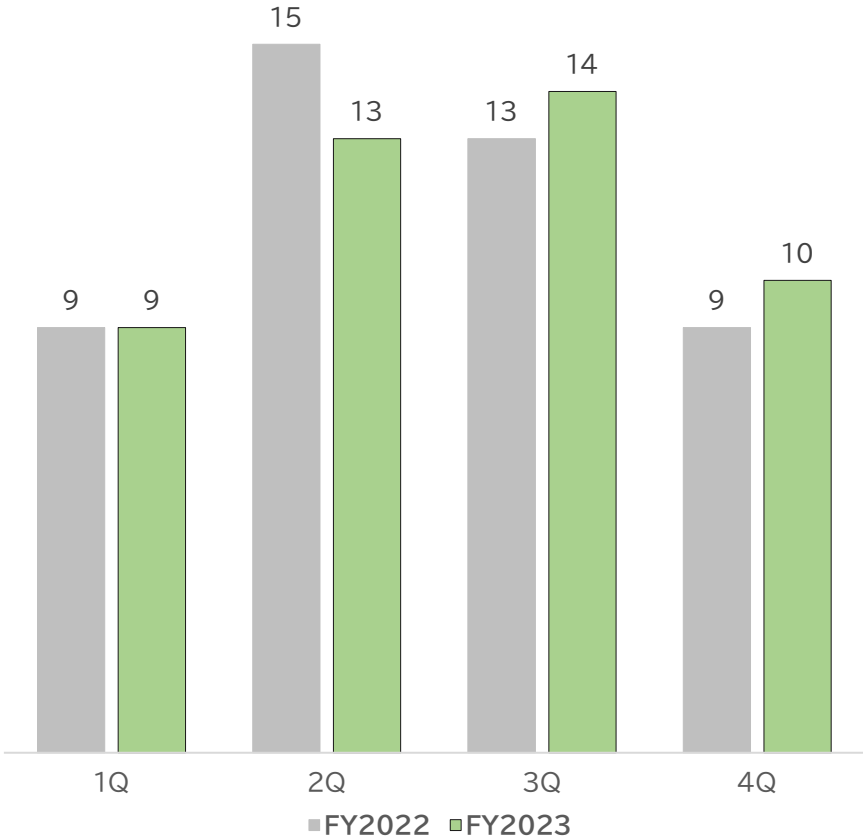
Mobility Segment Operating Income Overview

- ▶ 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)



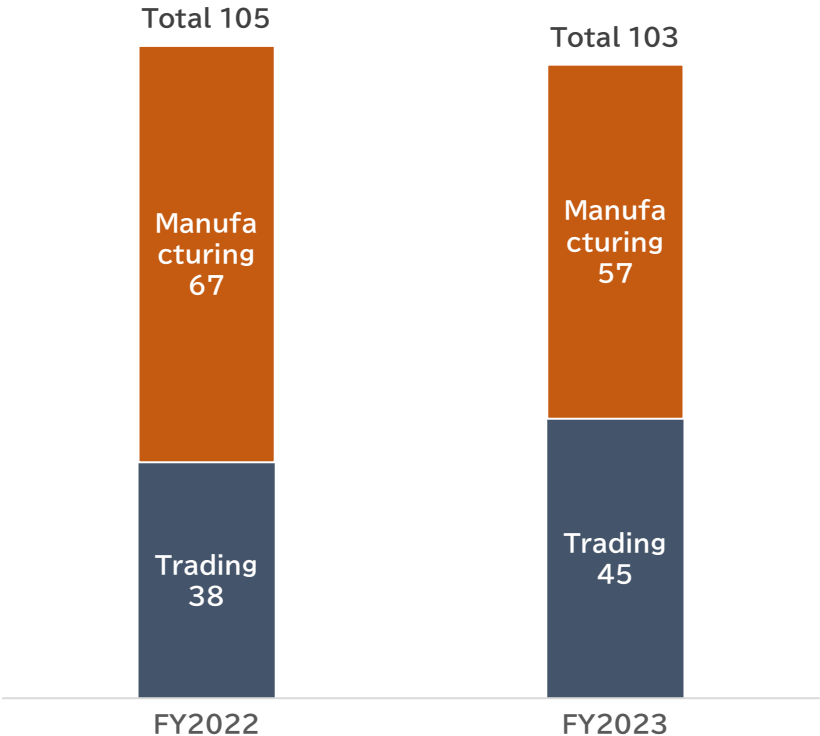
History of operating income (100 millions of yen)



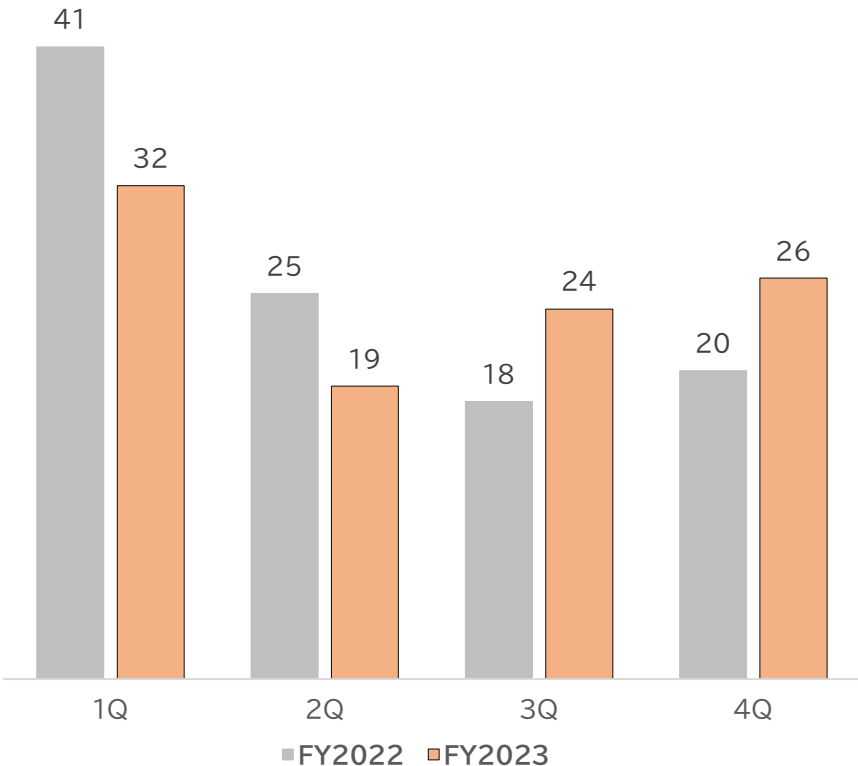
Life & Healthcare Segment Operating Income Overview

- ▶ Overall Prinova Group sales increased mainly due to operations of the 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 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 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%
	<Profit ratio>	26.9%	30.1%	3.2ppt	-	31.1%	-
	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%
	<Profit ratio>	36.8%	36.7%	(0.1ppt)	-	37.0%	-
	Operating income	37	52	14	137%	52	100%
	Goodwill amortization etc. Operating income after amortization burden	30 7	30 21	- 14	100% 298%	30 21	100% 100%
Prinova Group	Sales	1,927	1,934	7	100%	1,943	100%
	Gross profit	312	358	45	115%	355	101%
	<Profit ratio>	16.2%	18.5%	2.3ppt	-	18.3%	-
	Operating income	80	60	(20)	75%	62	98%
	Goodwill amortization etc. Operating income after amortization burden	24 56	25 34	1 (21)	107% 62%	25 36	100% 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	
Total assets	7,626	7,923	296	
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
Total Liab.	3,843	3,910	67	
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)	
Total net assets	3,783	4,013	229	
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 strong operating activities, as well as 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
Sales	9,001	9,400	398	104%
Gross profit	1,647	1,800	152	109%
<GP ratio>	18.3%	19.1%	0.8ppt	–
SG&A expenses	1,341	1,435	93	107%
Operating income	306	365	58	119%
Ordinary income	305	352	46	115%
Profit attributable to owners of the parent	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—Before Corporate & Others allocation—

- ▶ 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
- ▶ Mobility sales and profit increased due to higher sales of resins, functional materials, and functional components, stemming from increased global production volume
- ▶ 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%
	<Profit ratio>	19.2%	19.7%	0.6ppt	-
	Operating income	86	105	18	122%
Advanced Materials & Processing	Sales	1,985	2,072	86	104%
	Gross profit	236	248	11	105%
	<Profit ratio>	11.9%	12.0%	0.1ppt	-
	Operating income	68	77	8	113%
Electronics & Energy	Sales	1,447	1,493	45	103%
	Gross profit	342	377	34	110%
	<Profit ratio>	23.6%	25.3%	1.6ppt	-
	Operating income	113	124	10	109%
Mobility	Sales	1,321	1,387	65	105%
	Gross profit	152	160	7	105%
	<Profit ratio>	11.5%	11.5%	0.0ppt	-
	Operating income	49	51	1	103%
Life & Healthcare	Sales	2,777	2,897	119	104%
	Gross profit	634	710	75	112%
	<Profit ratio>	22.8%	24.5%	1.7ppt	-
	Operating income	103	125	21	121%
Corporate & Others	Sales	1	1	(0)	68%
	Gross profit	0	(1)	(1)	-
	Operating income	(113)	(117)	(3)	-
Total	Sales	9,001	9,400	398	104%
	Gross profit	1,647	1,800	152	109%
	<Profit ratio>	18.3%	19.1%	0.8ppt	-
	Operating income	306	365	58	119%

FY2024 Earnings Projection By segment—After Corporate & Others allocation—

- ▶ In FY2024, the Company began allocating company-wide shared expenses, excluding a portion of Nagase non-consolidated expenses, to business units under Corporate & Others
- ▶ We are allocating company-wide shared expenses, shifting to a system that enables a more realistic understanding of the profitability of each business unit

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%
	<Profit ratio>	19.2%	19.7%	0.6ppt	-
	Operating income(After allocation)	61	68	6	110%
Advanced Materials & Processing	Sales	1,985	2,072	86	104%
	Gross profit	236	248	11	105%
	<Profit ratio>	11.9%	12.0%	0.1ppt	-
	Operating income(After allocation)	53	55	1	104%
Electronics & Energy	Sales	1,447	1,493	45	103%
	Gross profit	342	377	34	110%
	<Profit ratio>	23.6%	25.3%	1.6ppt	-
	Operating income(After allocation)	88	86	(2)	97%
Mobility	Sales	1,321	1,387	65	105%
	Gross profit	152	160	7	105%
	<Profit ratio>	11.5%	11.5%	0.0ppt	-
	Operating income(After allocation)	36	32	(4)	89%
Life & Healthcare	Sales	2,777	2,897	119	104%
	Gross profit	634	710	75	112%
	<Profit ratio>	22.8%	24.5%	1.7ppt	-
	Operating income(After allocation)	80	94	13	117%
Corporate & Others	Sales	1	1	(0)	68%
	Gross profit	0	(1)	(1)	-
	Operating income(After allocation)	(13)	30	43	-
Total	Sales	9,001	9,400	398	104%
	Gross profit	1,647	1,800	152	109%
	<Profit ratio>	18.3%	19.1%	0.8ppt	-
	Operating income	306	365	58	119%

FY2024 Earnings Projection By Major Manufacturing Subsidiaries

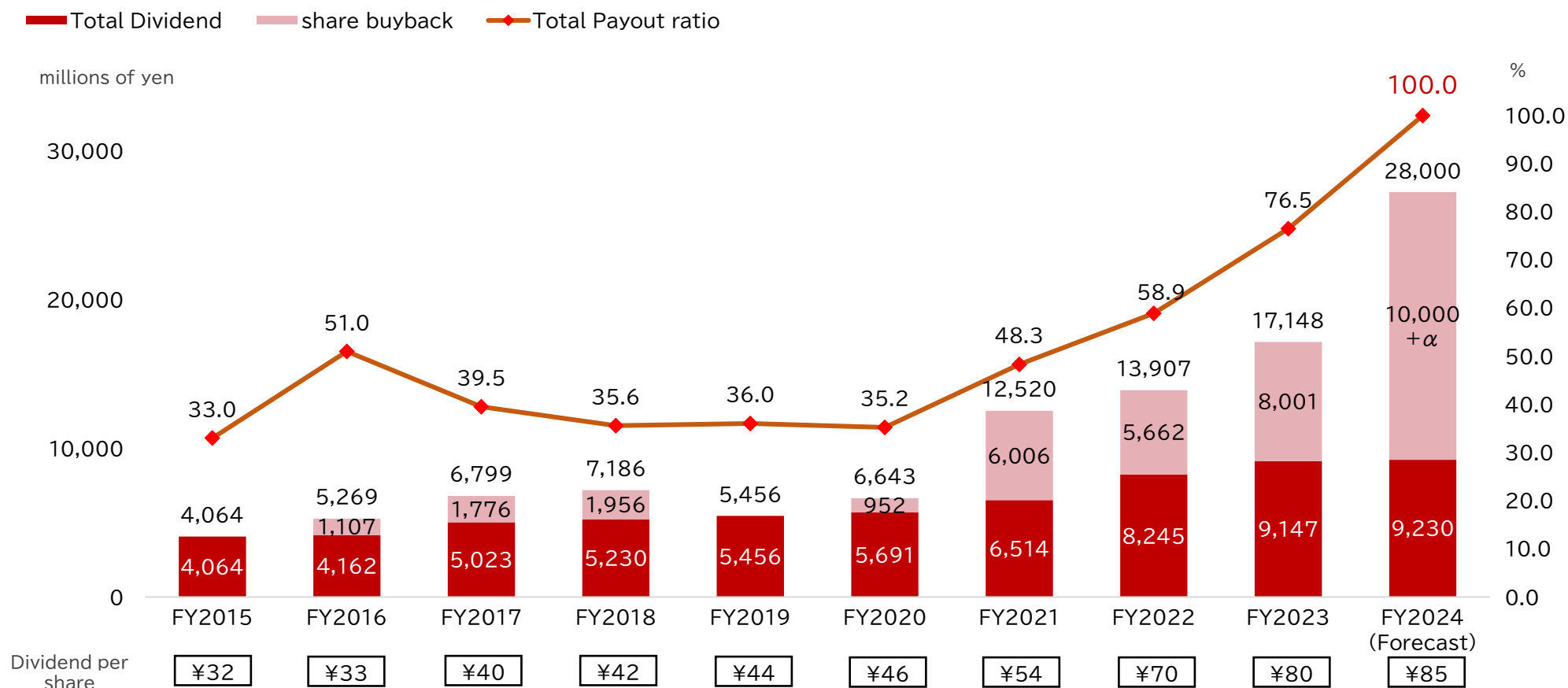
- ▶ Nagase ChemteX : We expect higher sales and profit, mainly due to strong formulated epoxy resin-related sales for semiconductors used in high-end servers
- ▶ Nagase Viita : We expect higher sales and profit, mainly due to increased sales of food ingredients for the domestic market and higher cosmetic 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%
	<Profit ratio>	30.1%	30.7%	0.5ppt	-
	Operating income	22	26	4	119%
Nagase Viita Co., Ltd.	Sales	344	369	25	107%
	Gross profit	126	140	13	111%
	<Profit ratio>	36.7%	37.9%	1.2ppt	-
	Operating income	52	57	5	110%
	Goodwill amortization etc. Operating income after amortization burden	30 21	29 27	(1) 6	97% 128%
Prinova Group	Sales	1,934	2,091	156	108%
	Gross profit	358	421	63	118%
	<Profit ratio>	18.5%	20.2%	1.6ppt	-
	Operating income	60	81	20	134%
	Goodwill amortization etc. Operating income after amortization burden	25 34	27 54	1 19	105% 156%

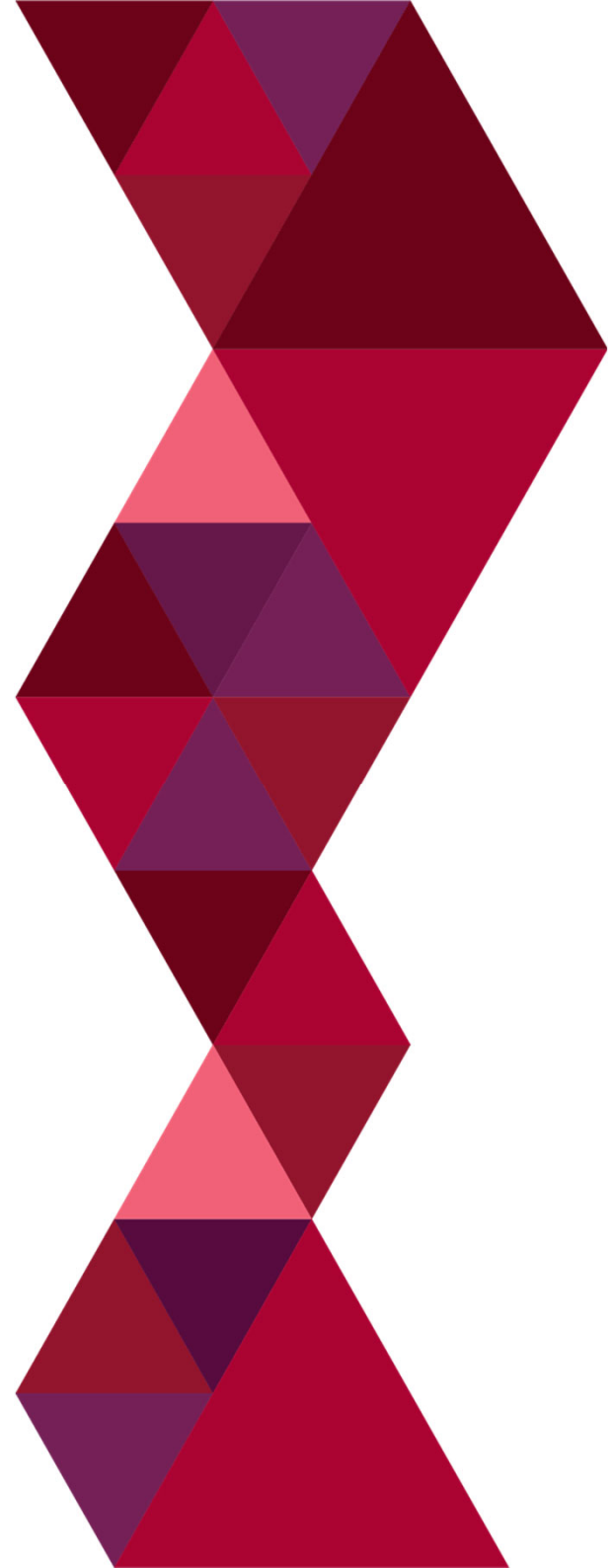
Shareholder Returns

- ▶ 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)
- ▶ We resolved to repurchase 10 billion yen of treasury stock in May 2024 based on the above policy (scheduled for May to October 2024) *Additional returns after November are to be resolved separately



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

Medium-Term Management Plan **ACE 2.0**



ACE 2.0 Basic Policies

Become a true “Business designer”

ACE 2.0 “Pursuit of Quality”

With a mindset focused on Accountability (A), Commitment (C) and Efficiency (E), and to enable its sustained growth,

NAGASE will work to give concrete shape (business, mechanisms, culture)

(Pursuit)

to the aspirations expected by all of its stakeholders.

(Quality)

Reform of Profit Structure

Create a profit base toward the Ideal NAGASE

(1) Pursuit of profitability and efficiency

- Implement a company-wide asset replacement and reallocation of resources

(2) Strengthen existing businesses

- Expand business opportunities through globalization
- Improve productivity of manufacturing businesses and expand value-added through technical innovation

(3) Create sustainable businesses

Reform of Corporate Culture

Mindset toward the Ideal NAGASE

(1) Pursuit of economic and social value

- Fostering a sustainability mindset, and rigorous monitoring of financial and non-financial indicators

(2) Pursue efficiency

- Deepen awareness of capital efficiency
- Improve productivity of core operations

(3) Strengthen human resources to drive reforms

Functions supporting reforms

(1) Accelerate DX further

(2) Promote sustainability

(3) Strengthen corporate functions

FY2023 QUICK WIN Status -Laying the Groundwork for Change-

Evolve Our Business and Financial Portfolios



Strengthen front-line capabilities and improve capital efficiency



Strengthen Management Governance



Increase management efficiency and decision-making speed



Restructure Our Human Resources Portfolio

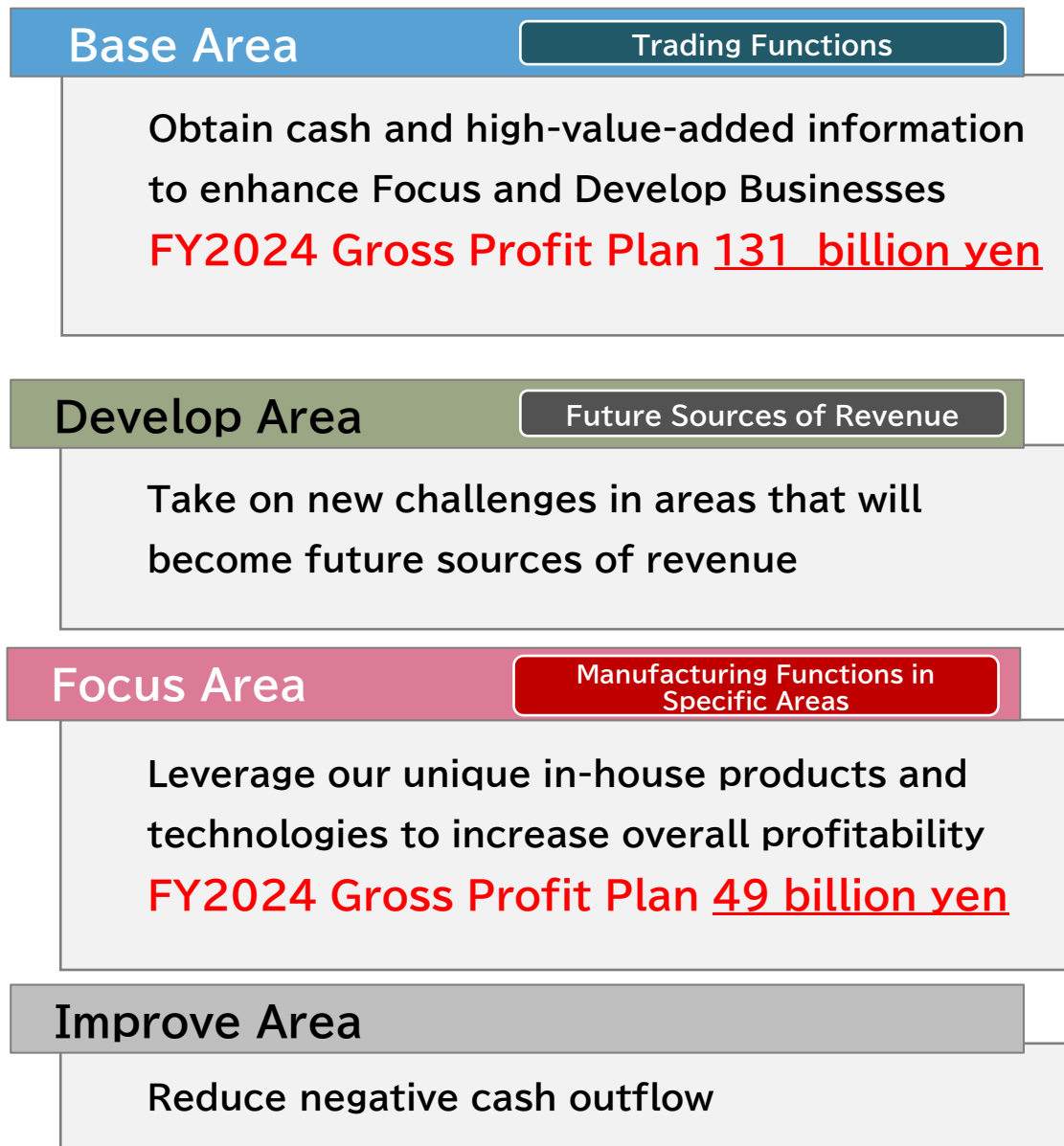


Maximize human capital and improve engagement

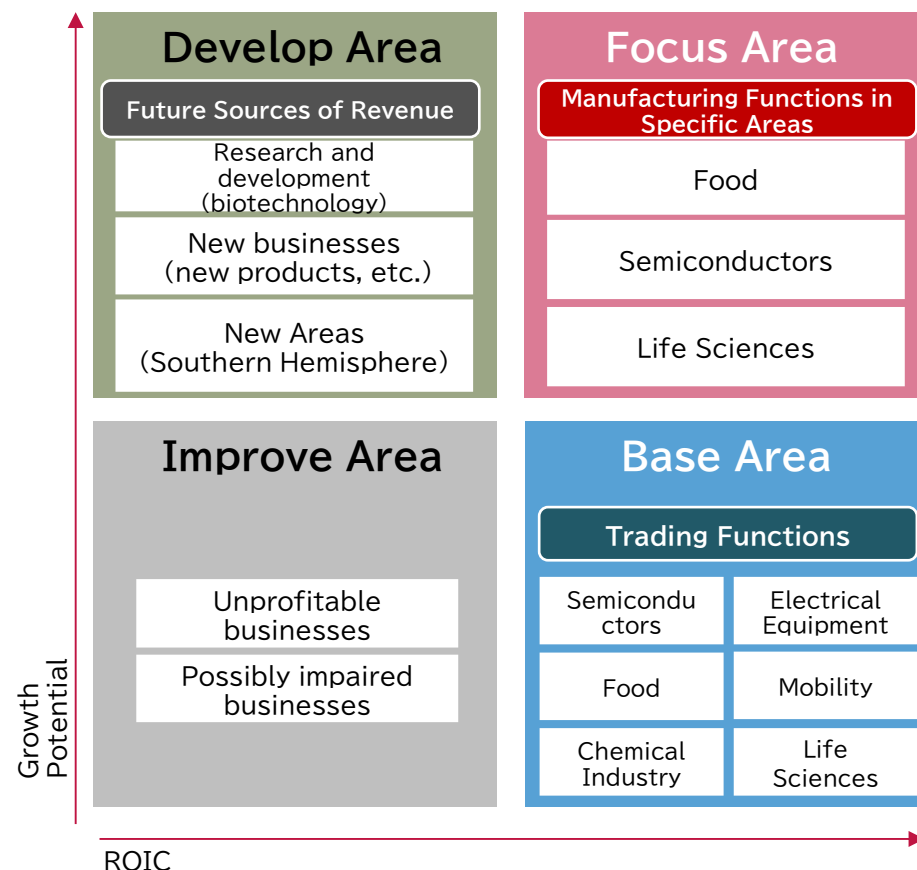


Growth Strategies for the Future

Reorganize every Area based on the functional axis between trading company, manufacturing, and R&D functions.



Potential investments (Approximately 80 billion yen) in Focus and Develop businesses after 2023



Focus

Strengthening Our Semiconductor Wafer Bumping Business

Expand the electroless plating line in Penang, Malaysia (PacTech Asia Sdn. Bhd.) and invest 1 billion yen

Expand PacTech Asia semiconductor wafer bumping facilities for wider adoption in smartphones and electronic devices

- Achieve low cost and low power consumption with our core technology in WLP* using electroless plating while expanding applications with advanced control technology for chemical concentration and temperature, etc.
- World's leading share in the WLP contract processing market based on WLP using electroless plating
- Strengthened line with an investment of 1 billion yen and launched operations in April 2024
- Investment to increase production capacity to 150% of previous levels

* WLP:Wafer Level Package



Focus

Nagase ChemteX Semiconductor Molding Compounds

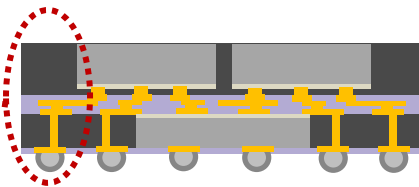
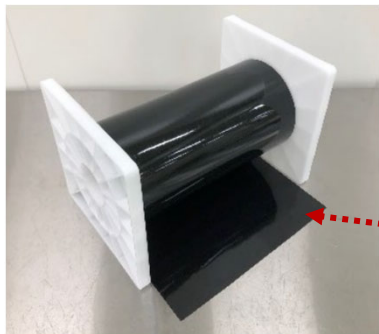
a-SMC: advanced Sheet Molding Compound

Proposing New Concept Materials for Advanced Semiconductor Packaging

- Lineup including liquid molding compounds (LMC), which currently occupy a large share of the market, and a new concept of sheet molding compounds (a-SMC) to meet the increasingly diverse and complex needs of advanced semiconductor packaging, including 2.XD/3D, WLP*1, and PLP*2
- Offer solutions for next-generation packaging through a multifaceted approach, aiming to become the industry standard

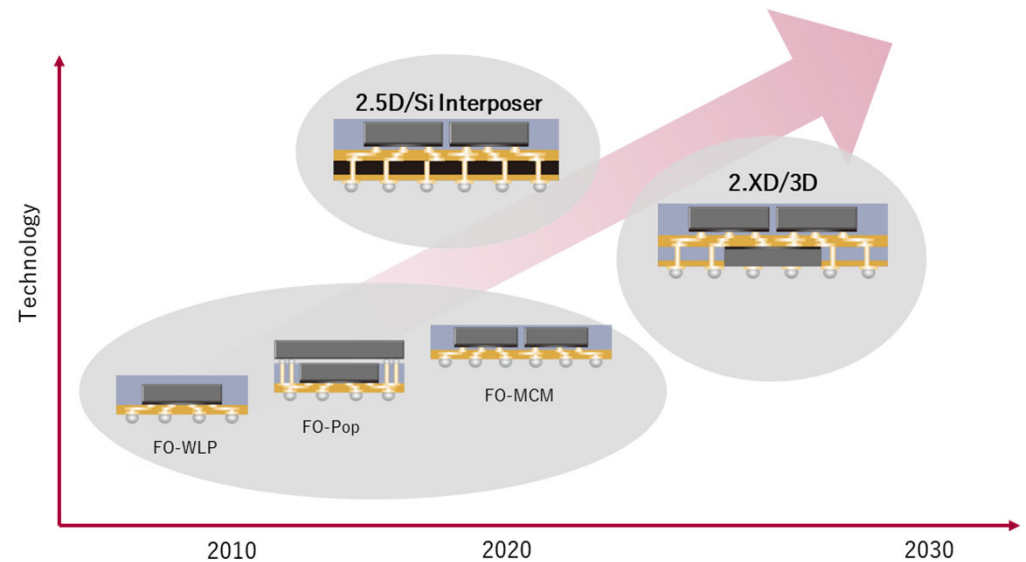
Features

- ✓ Uniform molding through resin application and flow
- ✓ PLP and other large-area moldability
- ✓ Low warping
- ✓ High flowability comparable to liquid molding compounds



*1 WLP: Wafer Level Package
 *2 PLP: Panel Level Package

Packaging Technology Roadmap

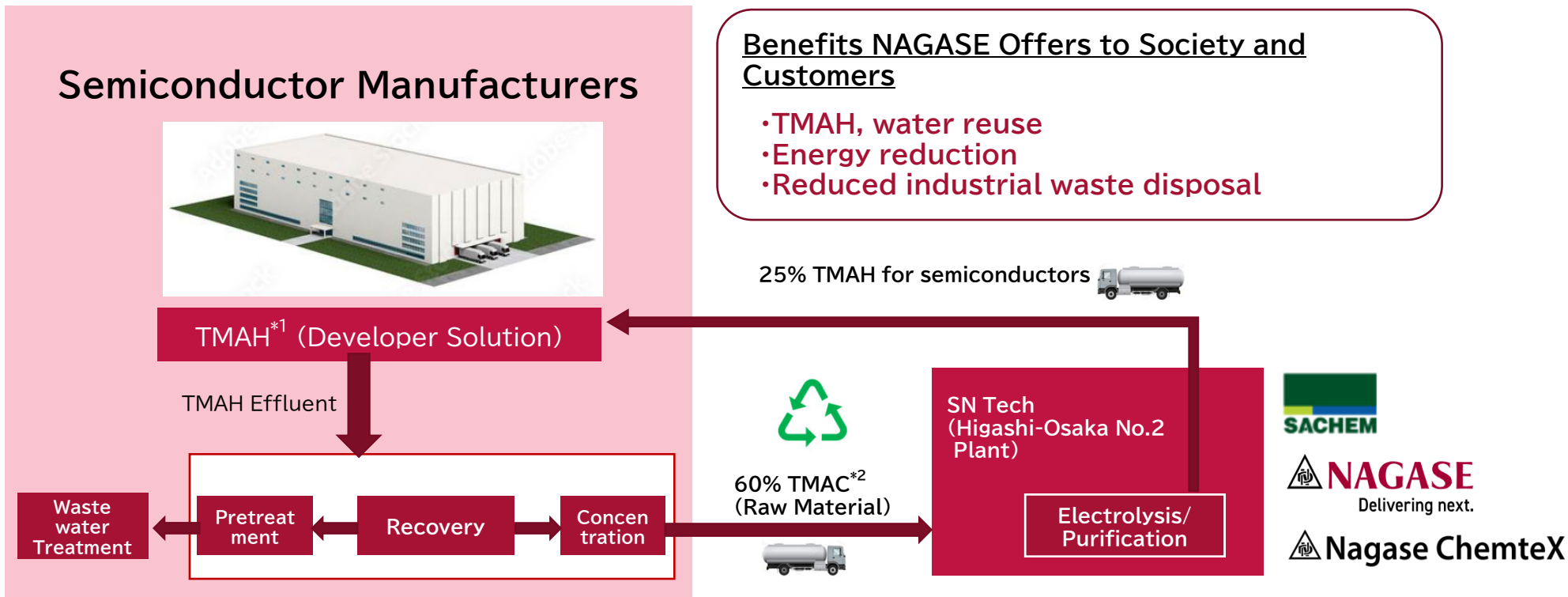


Focus

Recovery and Recycling Business of Developer Solution in Semiconductor Manufacturing Process

First in Japan to commercialize recovery and recycling of developer solution used in semiconductor manufacturing

Provide solutions to reduce environmental impact in the manufacturing process of the semiconductor industry, which is expected to increase future production volume

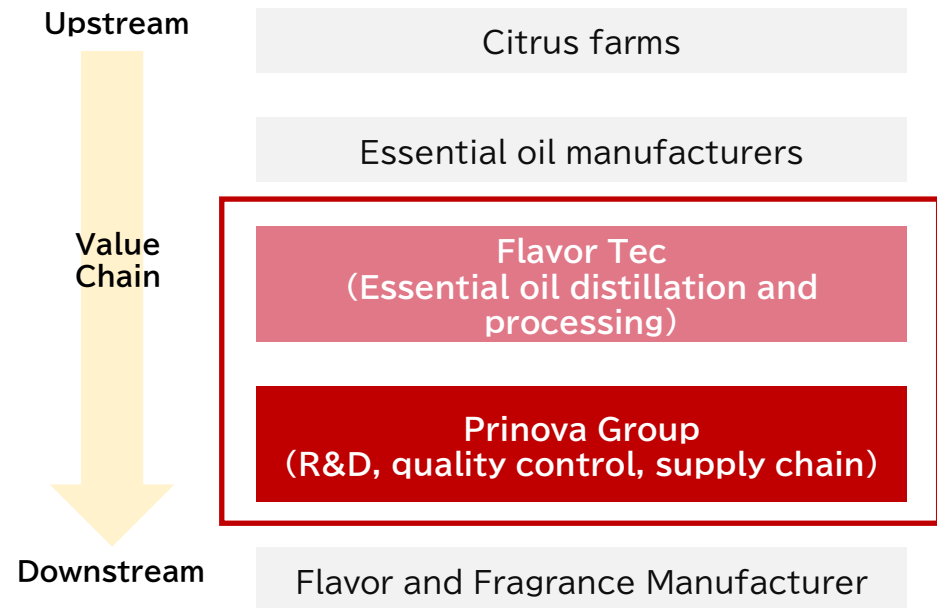


*1 TMAH: Tetramethyl Ammonium Hydroxide

*2 TMAC: Tetramethyl Ammonium Chloride

Operate vertically integrated business in the aroma business and expand business into Brazil

- Acquired Brazilian essential oil refining and processing company, Flavor Tec, in FY2023
- Acquiring this high-quality distillation and processing company in the citrus essential oil field **enabled the vertical integration of business** from raw material processing to sales
- **Strengthen sales and customer proposals** by enhancing essential oil processing technology and improving the quality of procured raw materials



We will engage in distillation and processing in South America, the world’s largest citrus-producing country, to reduce significantly logistics costs and environmental impact in raw material transportation and **provide sustainable solutions**

Improve Progress in Improving Business Initiatives

- Reduced losses by approximately 3 billion yen compared to FY2022
- Certain subsidiaries posting operating losses have decided on a business direction and begun implementing action plans

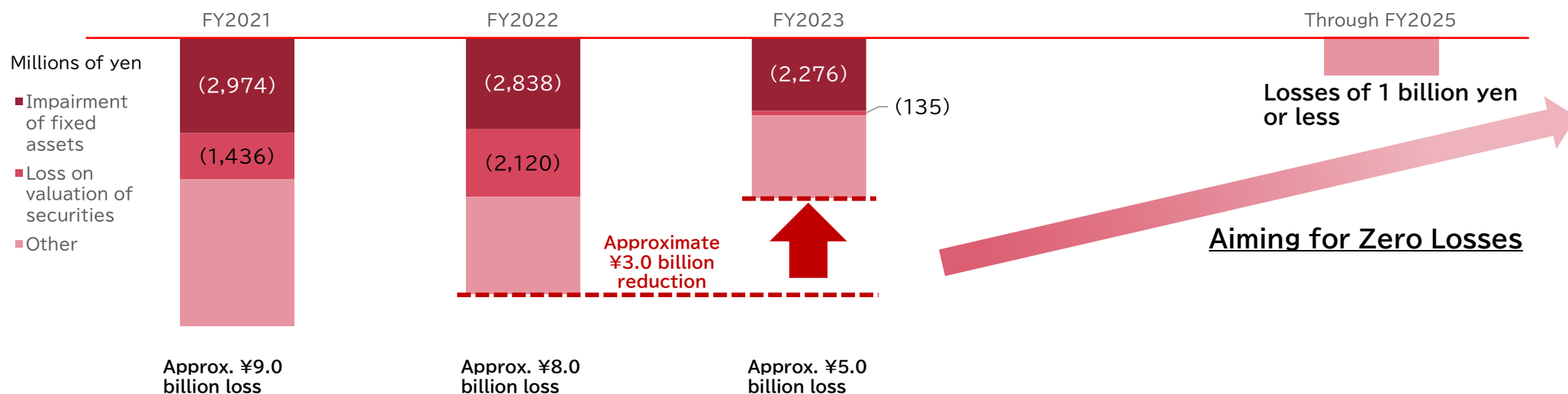
Improvement Targets

1. Operating loss among subsidiaries and equity in losses of affiliates
Develop and implement improvement plans as early as possible.
Study withdrawing from businesses not expected to improve.
2. Assets at risk for impairment loss
Strengthen monitoring of assets at risk of future impairment; minimize impairments
3. Unprofitable transactions
List and monitor all cases; return rights for businesses not expected to improve

Initiatives

- Decided to halt color former business production in the U.S.
- Strengthen monitoring before risks arise about impairment losses
- Improve profitability by listing individual unprofitable transactions

[Operating Loss, Loss in Equity, Impairment Loss, and Unprofitable Transactions With Operating Subsidiaries]



Pursuit of Profitability and Efficiency - Indicators

- ▶ WACC increased 0.2% compared to FY2022 mainly due to increased net assets
- ▶ ROIC decreased 0.4% compared to FY2022 due to a decrease in net income and an increase in invested capital
- ▶ Sold 7.1 billion yen of strategic cross-shareholdings in FY2023, resulting in a total of 22.4 billion yen in total sales over the three-year period of **ACE 2.0**

	FY2020	FY2021	FY2022	Change	FY2023
ROE	5.9%	7.7%	6.6%	-0.7 →	5.9%
WACC	5.7%	5.5%	5.7%	+0.2 →	5.9%
ROIC	4.2%	5.3%	4.4%	-0.4 →	4.0%
NET DE ratio	0.23x	0.33x	0.38x	-0.10 →	0.27x
Net assets (100 million yen)	3,384	3,550	3,783	+229 →	4,013
Interest-bearing debt (100 million yen)	1,189	1,665	1,796	-127 →	1,669
Strategic cross-share holdings	Cumulative sales during the mid-term plan (100 million yen)	78	152	+71 →	224
	Percentage of net assets	24.1%	17.8%	15.0%	+0.4 →

Pursuit of Profitability and Efficiency - Shareholder Returns

- ▶ Decided on a 100% total return ratio as a limited measure for FY2024 and FY2025 to control capital growth and ensure an ROE of 8.0% or higher in the final year of **ACE 2.0**
- ▶ Resolved to cancel 3 million shares of treasury stock

Change in Shareholder Return Policy

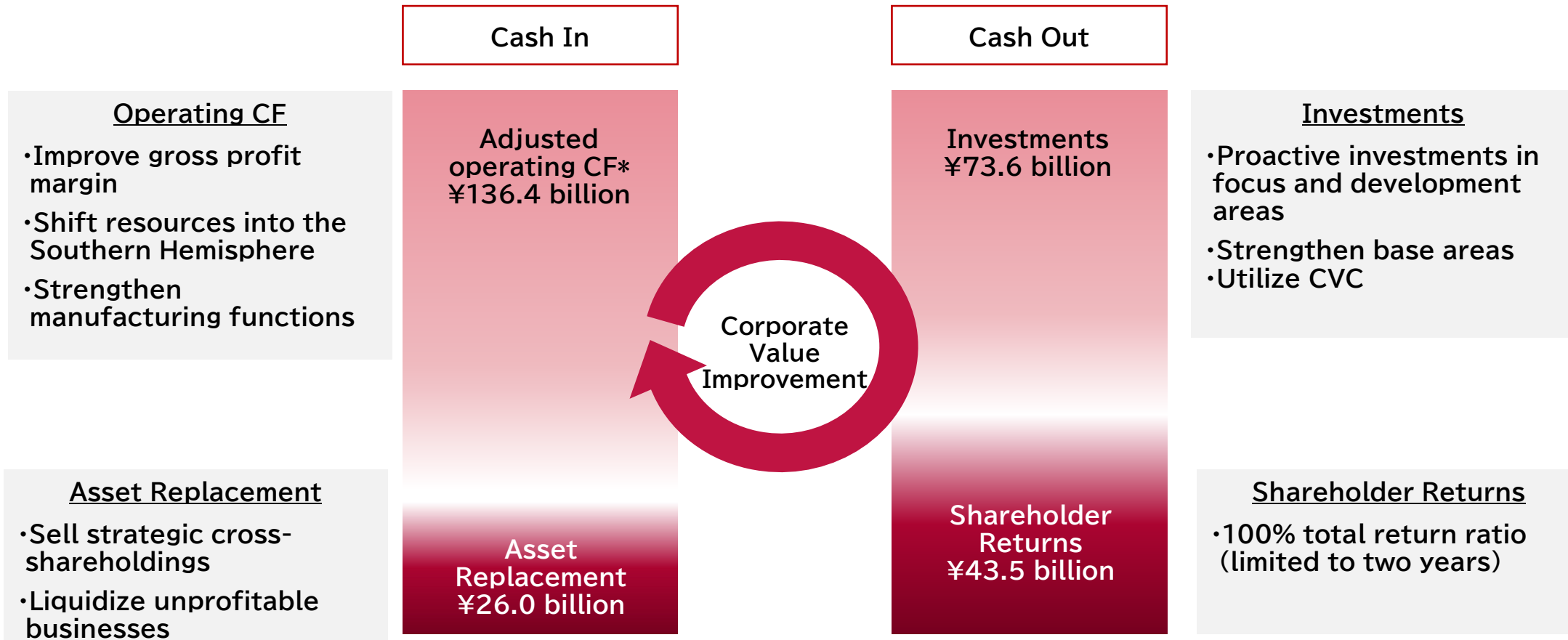
	Existing Policy	New Policy (Through FY2025)
Total return ratio	—	100%
Dividend	In principle, a continuous increase in dividends	In principle, a continuous increase in dividends
Share buybacks	Opportunistic implementation up to the amount of strategic cross-shareholdings sold	Opportunistic implementation *No change

Shareholder Return Results and Forecasts

	FY2021 Results	FY2022 Results	FY2023 Results	FY2024 Forecast	FY2025 Forecast
Dividend per share (yen)	54	70	80	85	—
(Interim + Year-end)	(24+30)	(30+40)	(40+40)	(40+45)	—
Share buybacks (100 million yen)	60	56	80	100 + α	—
Total return ratio (%)	48.3	58.9	76.5	100%	100%

Cash Allocation

- ▶ Increase operating CF by expanding business scale and improving profitability while conducting proactive asset replacement
- ▶ Set a 100% total return ratio for the next two years of **ACE 2.0** and continue to expand growth investments while leveraging debt



*Operating CF excludes changes in working capital and recorded DX and R&D expenses, etc.

Pursue Sustainability - Progress in Corporate Projects

Improve Employee Engagement

(Main FY2023 Initiatives)

- Encouraged dialogue between management and employees
- Implemented the PDCA cycle to improve engagement based on analysis of survey results in each organization
- Revised the personnel system to clarify roles and duties, achieve a high degree of compensation linkage, and abolish seniority-based management, which enabled the Company to allocate more dynamic human resources and employ a diverse range of highly specialized human resources (from FY2024)

Establish a system in which diverse human resources can work and develop their careers according to their abilities and desires, and feel highly satisfied in their work

Non-Financial Targets (KPIs) and Results	FY2021	FY2022	FY2023	FY2025 Target
Nagase (Non-Consolidated): Engagement Survey Total Score	52.4	56.5	56.0	60 or higher
Group companies: Percentage of companies conducting regular engagement surveys	41%	81%	86%	100%

Carbon Neutrality

(Main FY2023 Initiatives)

- Collected and integrated primary data with Fujitsu Limited and Zeroboard Inc., successfully calculating GHG emissions of the final product (notebook PC)
- Reduced GHG emissions and gained expertise through on-site PPA* initiatives, which utilize the sites of manufacturing subsidiaries, and virtual PPA services
- Consolidated information on NAGASE Group GHG reduction products and services and developed a proposal system for business partners

*Power Purchase Agreement

Progressed measures to visualize and reduce GHG emissions in the supply chain

Non-Financial Targets (KPIs) and Results	FY2021	FY2022	FY2023	FY2025 Target
Consolidated Scope 1 and 2 Reduction Rate (Compared to FY2013)	30%	34%	33%	37% or higher
Consolidated Emission Reduction Through Generation and Purchase of Renewable Energy (Cumulative)	10 t	523 t	7,488 t	35,000 t or higher
Nagase (Non-consolidated) Scope2	2,514 t	2,014 t	1,810 t	Zero emissions

*Consolidated data includes data for Nagase, Nagase ChemteX, and Nagase Viita
*Data for FY2023 consists of provisional values prior to third-party assurance

Management Conscious of Capital Costs and Share Prices

Policies to Enhance Corporate Value

Execute growth, financial, and capital strategies set forth in the Medium-Term Management Plan ACE 2.0

Current Issue Recognition

- PBR has been below 1x since FY2007
- Cost of equity is more than 8.0% based on dialogue with investors
- Strategic cross-shareholdings of approx. 15% of net assets

Matters to be Addressed

Profitability and Efficiency

- Permeation of ROIC management: Improve gross profit margin and capital turnover
- Reduce unprofitable businesses and unprofitable transactions in business targeted for improvement
- Reduce strategic cross-shareholdings in phases

Capital Costs

- Increase in Shareholder Returns: limited 100% total return ratio for two years
- Leverage debt in growth investments

IR Activities

- Make active disclosures of and expand dialogue with investors

NAGASE | **Delivering next.**

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<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 24, 2024. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.

Appendix: Evaluations and Transition from External Organizations

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

External Organizations		Highest Score	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Results	FY2023 Results
FTSE		5.0	1.2	1.9	2.7	3.5	4.2
MSCI		AAA	BB	BB	BBB	A	A
CDP	Climate Change	A	C	B	B	A-	A-
	Water	A	C	B	A-	A	A
	Forest	A	C-	C	C	B	B
	Supply Chain Engagement	A	D	B	B	A	A
Ecovadis [NAGASE Group]		Platinum [100]	— [41]	Bronze	— [43]	Bronze	Silver