NAGASE
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Consolidated Financial Statements for the Six Months Ended September 30, 2024
<Under Japanese GAAP>

November 6, 2024

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)
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Filing of semi-annual securities report (scheduled): November 12, 2024
Start of distribution of dividends (scheduled): December 2, 2024
Supplementary documents of financial results: Yes
Holding of financial results briefing: Yes (for analysts and institutional investors)

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

1. Consolidated Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results (% = year-on-year change)

	Net sales		Gross profit		Operating income		Ordinary income		Profit attributable to owners of the parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	480,976	6.8	92,144	16.8	21,054	45.4	20,297	42.5	15,977	55.9
September 30, 2023	450,199	-1.2	78,896	-0.6	14,483	-27.2	14,245	-29.8	10,247	-34.3

(Note) Comprehensive income For the six months ended September 30, 2024: ¥24,888 million (20.5% decrease)
For the six months ended ended September 30, 2023: ¥31,306 million (15.0% decrease)

	Earnings per share	Earnings per share (diluted)
Six months ended	Yen	Yen
September 30, 2024	142.08	–
September 30, 2023	88.48	–

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2024	796,695	411,716	50.8	3,655.20
March 31, 2024	792,336	401,315	49.7	3,463.84

(Reference) Equity capital As of September 30, 2024: ¥404,710 million
As of March 31, 2024: ¥394,064 million

2. Dividends

	Annual Dividends per Share				
	1Q	2Q	3Q	Fiscal year end	Annual
For the year ended (or ending)	Yen	Yen	Yen	Yen	Yen
March 2024	–	40.00	–	40.00	80.00
March 2025	–	45.00			
March 2025 (forecast)			–	45.00	90.00

(Notes) 1. Revisions to the latest dividends forecast: No
2. For details, please refer to *Notice Regarding Dividends of Surplus (Interim, Increased)* announced on November 6, 2024.

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% = year-on-year change)

	Net sales		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	%	Millions of yen	%	Yen
Full fiscal year	940,000	4.4	180,000	9.3	36,500	19.2	35,200	15.1	28,000	25.0	254.30

(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): Yes

New: — (Company name:) Excluded: 1 (Company name: Nagase Specialty Materials NA LLC)

(Note) For details, please refer to *2. Semi-Annual Consolidated Financial Statements and Notes, (4) Notes Related to Semi-Annual Consolidated Financial Statements (Changes in the scope of consolidation and application of the equity method)*, on P.13 of this document.

(2) Application of special accounting methods to the preparation of semi-annual financial statements: Yes

(Note) For details, please refer to *2. Semi-Annual Consolidated Financial Statements and Notes, (4) Notes Related to Semi-Annual Consolidated Financial Statements (Special Accounting Treatment Applied in the Preparation of Interim Consolidated Financial Statements)*, on P.13 of this document.

(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: No

iii. Changes in accounting estimates: No

iv. Restatement of prior period financial statements after error corrections: No

(Note) For details, please refer to *2. Semi-Annual Consolidated Financial Statements and Notes, (4) Notes Related to Semi-Annual Consolidated Financial Statements (Change in Accounting Policy)*, on P.13 of this document.

(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)

September 30, 2024	114,908,285 shares	March 31, 2024	117,908,285 shares

ii. Number of treasury stock as of the fiscal period end

September 30, 2024	4,186,657 shares	March 31, 2024	4,143,115 shares

iii. Average number of shares during the period

September 30, 2024	112,455,860 shares	September 30, 2023	115,817,285 shares

(Note) The number of treasury shares as of the fiscal period end includes Company shares held by the Stock-Granting Trust for Directors (282,400 shares as of September 30, 2024). Treasury stock deducted from the calculation of the average number of shares during the period includes Company shares held by the Stock-Granting Trust for Directors (286,757 shares as of September 30, 2024).

*** Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.**

*** 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.

For matters related to earnings forecasts, please refer to *1. Qualitative Information, (3) Qualitative Information Related to Consolidated Earnings Forecasts,* on P.6 of this document.

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1. Qualitative Information

(1) Review of Business Performance

a. General Summary of Results

The global economic outlook remained uncertain during the six-month period ended September 30, 2024 amid unstable global conditions. Such conditions include soaring resource prices and energy costs due to heightened geopolitical risks, and logistical disruptions stemming from natural disasters.

Looking at the regions where the NAGASE Group operates, the Greater China economy saw continued sluggishness due to the weak real estate market and continued weak consumer spending. Continued monetary easing has supported the economy in the Americas, despite uncertainties about the impact of the presidential election on politics and the economy. Economic conditions remain firm, driven by a declining unemployment rate and robust consumer spending. In ASEAN, the economy has been steady, mainly due to domestic and inbound demand. The economy in Japan continues to recover moderately despite concerns over sharp exchange rate fluctuations and the prospect of higher interest rates. This recovery is mainly due to strong corporate earnings, improved real wages, and sustained inbound demand.

In this environment, earnings for the six-month period ended September 30, 2024 are as follows.

(Millions of yen)

	Six-month period ended September 30, 2023	Six-month period ended September 30, 2024	Change	Change (%)
Net sales	450,199	480,976	30,777	6.8
Gross profit	78,896	92,144	13,247	16.8
Operating income	14,483	21,054	6,570	45.4
Ordinary income	14,245	20,297	6,052	42.5
Profit before income taxes	14,881	23,004	8,123	54.6
Profit attributable to owners of the parent	10,247	15,977	5,730	55.9

・All stages of profit increased partly due to the yen depreciation.
・Operating income increased due to an increase in gross profit. For details, see *b. Segment Summary.*
・Profit attributable to owners of the parent increased ¥5.7 billion to ¥15.9 billion, mainly due to the increase in gain on sales of investment securities as well as the increase in operating income.

a. Segment Summary

The following describes performance by segment.

Note that as of October 1, 2023 of the previous consolidated fiscal year the categorizations for reportable segments have been partially amended. Year-on-year amounts and ratios for the six-month period ended September 30, 2023 are calculated after rearranging reportable segment classifications to match those of the six-month period ended September 30, 2024.
*For the details of the changes in business segmentation, please refer to *(Segment Information Etc.)* on P.15 of this document

As of the the first half of the current consolidated fiscal year, we changed the method of allocating corporate expenses to more appropriately reflect the performance of reportable segments. Segment information in the table below for the six-month period ended September 30, 2023 is based on the allocation method after the change.

Functional Materials

(Millions of yen)

	Six-month period ended September 30, 2023	Six-month period ended September 30, 2024	Change	Change (%)
Net sales	72,168	79,416	7,247	10.0
Gross profit	13,247	17,027	3,779	28.5
Operating income	2,460	5,423	2,963	120.4

・Gross profit increased mainly due to the following factors.
・Coating materials sales increased due to higher market prices, despite sales volume remaining flat for automotive and architectural applications
・Sales increased for raw materials for semiconductor materials
・Losses narrowed in the color former business due to the suspension of production in the U.S. and business restructuring and streamlining of manufacturing bases in Japan
・Operating income increased due to an increase in gross profit

Advanced Materials & Processing

(Millions of yen)

	Six-month period ended September 30, 2023	Six-month period ended September 30, 2024	Change	Change (%)
Net sales	102,221	108,202	5,981	5.9
Gross profit	11,655	13,091	1,436	12.3
Operating income	2,555	3,538	982	38.5

・Gross profit increased mainly due to the following factors.
・Resin sales increased due to recovery in demand in the electrical and electronics industry, including office automation equipment
・Sales of industrial hoses and civil engineering pipes increased in the manufacturing sector at Totaku Industries, Inc.
・Operating income increased due to an increase in gross profit

Electronics & Energy

(Millions of yen)

	Six-month period ended September 30, 2023	Six-month period ended September 30, 2024	Change	Change (%)
Net sales	71,211	79,938	8,727	12.3
Gross profit	16,344	19,330	2,985	18.3
Operating income	4,233	5,981	1,747	41.3

・Gross profit increased mainly due to the following factors.
・Sales of materials to the semiconductor increased due to a moderate market recovery
・Sales of formulated epoxy resins increased due to strong demand for semiconductors for high-end servers, stemming from robust demand in the generative AI market

・Sales of materials for high-end smartphones, tablets, and other electronic devices increased due to a recovery in demand
・Operating income increased due to an increase in gross profit

Mobility

(Millions of yen)

	Six-month period ended September 30, 2023	Six-month period ended September 30, 2024	Change	Change (%)
Net sales	64,907	66,015	1,108	1.7
Gross profit	7,391	8,392	1,000	13.5
Operating income	1,702	2,272	570	33.5

・Gross profit increased mainly due to the following factors.
・Resin sales, which account for about half of gross profit, increased due to yen depreciation and rising market prices, despite a decline in automobile production volume
・Sales increased for functional materials and functional components for interior and exterior fittings and electrification
・Operating income increased due to an increase in gross profit

Life & Healthcare

(Millions of yen)

	Six-month period ended September 30, 2023	Six-month period ended September 30, 2024	Change	Change (%)
Net sales	139,691	147,350	7,659	5.5
Gross profit	30,198	34,222	4,024	13.3
Operating income	4,057	1,974	(2,083)	(51.3)

・Gross profit increased mainly due to the following factors.
・Sales of Nagase Viita increased overall due to strong sales of food ingredients, despite lower sales of cosmetic materials stemming from sluggish sales overseas
・Sales increased for pharmaceutical raw materials and intermediates
・The Prinova Group saw an increase in food ingredient sales and an improvement in gross profit margin compared to the same period last year, when market conditions were weak
・Operating income decreased, despite an increase in gross profit, mainly due to higher selling, general and administrative expenses stemming from allowance for doubtful accounts and higher personnel expenses at the Prinova Group

Others

No special matters to disclose.

(2) Review of Financial Position

a. Assets, Liabilities and Net Assets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024	Change	Change (%)
Current assets	542,470	546,204	3,734	0.7
Non-current assets	249,865	250,490	624	0.3
Net assets	792,336	796,695	4,359	0.6
Liabilities	391,021	384,978	(6,042)	(1.5)
Net assets	401,315	411,716	10,401	2.6
Shareholders' equity ratio (%)	49.7	50.8	＋1.1 p	－

・Current assets increased due to an increase in inventories, etc., despite a decrease in accounts receivable
・Non-current assets increased due to an increase in property, plant and equipment and intangible fixed assets, despite a decrease due to a decline in the fair values of investments in securities
・Liabilities decreased due to the repayment of commercial paper and short-term loans, along with a reduction in accounts payable, despite an increase in long-term borrowings
・Net assets increased mainly due to the recording of interim profit attributable to owners of the parent and an increase in translation adjustments, despite decreases from purchases of treasury stock and payments of dividends
・As a result, the Company recorded a shareholders' equity ratio of 50.8%, up 1.1 points compared to 49.7% from the end of the prior consolidated fiscal year

b. Consolidated Cash Flows

(Millions of yen)

	Six-month period ended September 30, 2023	Six-month period ended September 30, 2024
Cash flows from operating activities	38,232	11,964
Cash flows from investing activities	(6,411)	(10,869)
Cash flows from financing activities	(36,689)	(11,077)

・Net cash provided by operating activities was mainly the result of ¥23.0 billion income before taxes and ¥7.6 billion in reserve of funds due to depreciation and amortization, offset in part by a ¥8.8 billion decrease in cash due to an increase in working capital, and ¥6.8 billion in income taxes paid, and ¥2.0 billion in interest paid
・Net cash used in investing activities was mainly the result of cash outlays of ¥6.5 billion for the purchase of property, plant and equipment and ¥6.2 billion for net increase of time deposits, offset in part by ¥3.2 billion in proceeds from the sales of investments in securities
・Net cash provided used in financing activities was mainly the result of cash outlays of ¥9.4 billion due to purchases of treasury stock, ¥4.5 billion in dividend payments, and ¥3.0 billion net decrease in commercial papers, offset in part by ¥7.0 billion in proceeds from long-term loans

(3) Qualitative Information Related to Consolidated Earnings Forecasts

The full-year consolidated earnings forecast for the current consolidated fiscal year (April 1, 2024 to March 31, 2025) remains unchanged from the figures announced on May 8, 2024.

The manufacturing performance of the Prinova Group in the Life & Healthcare segment for the six-month period ended September 30, 2024 fell short of initial expectations. Despite this result, sales of coating materials in Functional Materials increased due to rising market conditions and sales of raw materials for semiconductor materials remained strong. Sales of semiconductor materials exceeded expectations in the Electronics & Energy segment. Semiconductor materials for high-end server semiconductors in particular exceeded our initial forecast due to strong demand in the generative AI market. Resin sales in the Advanced Materials & Processing segment also boosted Group performance, driven by a stronger-than-expected recovery in demand from the electrical and electronics industries, including office automation equipment.

The Company forecasts a moderate recovery in automobile production in Japan in the second half of the year, along with stronger demand for semiconductors for high-end servers. While the Prinova Group works to improve productivity and acquire new customers in the manufacturing sector, these efforts will take time to impact profits. To this end, the Company forecasts challenging conditions to persist in the second half of the fiscal year.

The Company has not revised our full-year consolidated earnings forecast at this time, despite some intersegment transfers, in light of current conditions.

These forecasts have been developed based on foreign exchange rates of ¥148 to the U.S. dollar and ¥20 to the RMB.

Revised full-year earnings forecasts by segment (April 1, 2024 to March 31, 2025)

(Net sales by segment) (Millions of yen)

	Prior Forecast (A)*	Revised Forecast (B)	Change (B-A)	Change (%)
Functional Materials	6,800	8,600	1,800	26.5
Advanced Materials & Processing	5,500	5,900	400	7.3
Electronics & Energy	8,600	10,800	2,200	25.6
Mobility	3,200	3,800	600	18.8
Life & Healthcare	9,400	4,200	(5,200)	(55.3)
Others	3,000	3,200	200	6.7
Total net sales	36,500	36,500	—	—

(*) Full-year consolidated earnings forecast announced on May 8, 2024

2. Semi-Annual Consolidated Financial Statements

(1) Semi-Annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
ASSETS		
Current assets		
Cash and time deposits	59,410	54,484
Notes and accounts receivable and contract assets	321,126	317,416
Merchandise and finished goods	131,137	139,294
Work in process	2,594	2,782
Raw materials and supplies	14,259	16,773
Other	14,881	17,814
Less allowance for doubtful accounts	(940)	(2,360)
Total current assets	542,470	546,204
Non-current assets		
Property, plant and equipment	87,392	90,968
Intangible fixed assets		
Goodwill	27,884	27,977
Technology-based assets	2,761	1,973
Other	38,703	40,391
Total intangible fixed assets	69,349	70,343
Investments and other assets		
Investments in securities	76,225	70,802
Long-term loans receivable	326	1,209
Retirement benefit asset	6,217	6,304
Deferred tax assets	4,596	4,873
Other	5,935	6,150
Less allowance for doubtful accounts	(177)	(161)
Total investments and other assets	93,123	89,178
Total non-current assets	249,865	250,490
Total assets	792,336	796,695

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
LIABILITIES		
Current liabilities		
Notes and accounts payable	156,352	148,340
Short-term loans	50,731	50,412
Current portion of long-term loans	6,946	5,045
Commercial paper	37,000	34,000
Current portion of bonds	10,000	10,000
Accrued income taxes	5,195	5,753
Accrued bonuses for employees	7,569	7,284
Accrued bonuses for directors	251	203
Other	28,628	30,665
Total current liabilities	302,675	291,704
Long-term liabilities		
Bonds	20,000	20,000
Long-term loans	27,533	34,138
Lease liabilities	12,492	12,458
Deferred tax liabilities	13,567	11,480
Retirement benefit liability	12,345	12,637
Provision for directors' stock benefit	60	81
Other	2,345	2,477
Total long-term liabilities	88,345	93,274
Total liabilities	391,021	384,978
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	9,348	9,348
Retained earnings	303,328	307,792
Less treasury stock, at cost	(9,543)	(12,043)
Total shareholders' equity	312,832	314,796
Accumulated other comprehensive income		
Net unrealized holding gain on securities	33,763	29,673
Deferred gain (loss) on hedges	119	(184)
Translation adjustments	44,846	59,154
Remeasurements of defined benefit plans	2,503	1,269
Total accumulated other comprehensive income	81,232	89,913
Non-controlling interests	7,250	7,006
Total net assets	401,315	411,716
Total liabilities and net assets	792,336	796,695

(2) Semi-Annual Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Semi-Annual Consolidated Statements of Income)

Six-month periods ended September 30, 2024 and 2023

(Millions of yen)

	Six-month period ended September 30, 2023 (April 1, 2023 - September 30, 2023)	Six-month period ended September 30, 2024 (April 1, 2024 - September 30, 2024)
Net sales	450,199	480,976
Cost of sales	371,302	388,832
Gross profit	78,896	92,144
Selling, general and administrative expenses	64,413	71,090
Operating income	14,483	21,054
Non-operating income		
Interest income	130	557
Dividend income	778	842
Rent income	117	162
Equity in earnings of affiliates	217	449
Foreign exchange gains	539	—
Other	236	121
Total non-operating income	2,020	2,133
Non-operating expenses		
Interest expenses	1,924	1,935
Foreign exchange losses	—	605
Other	334	347
Total non-operating expenses	2,258	2,889
Ordinary income	14,245	20,297
Extraordinary gains		
Gain on sales of non-current assets	55	281
Gain on sales of investment securities	923	2,790
Subsidy income	500	257
Other	45	9
Total extraordinary gains	1,524	3,388
Extraordinary losses		
Loss on sales of non-current assets	3	12
Loss on disposal of non-current assets	696	342
Loss on sales of investment securities	21	18
Loss on valuation of investments securities	104	—
Loss on discontinued operations	—	229
Other	63	29
Total extraordinary losses	888	632
Income before income taxes	14,881	23,004
Income taxes	4,256	6,642
Profit for the period	10,625	16,362
Profit attributable to non-controlling interests	377	384
Profit attributable to owners of the parent	10,247	15,977

(Semi-Annual Consolidated Statements of Comprehensive Income)

Six-month periods ended September 30, 2024 and 2023

(Millions of yen)

	Six-month period ended September 30, 2023 (April 1, 2023 - September 30, 2023)	Six-month period ended September 30, 2024 (April 1, 2024 - September 30, 2024)
Profit for the period	10,625	16,362
Other comprehensive income		
Net unrealized holding gain (loss) on securities	3,797	(4,081)
Deferred gain (loss) on hedges	307	(306)
Translation adjustments	15,753	14,109
Remeasurements of defined benefit plans	331	(1,233)
Share of other comprehensive gain of affiliates accounted for by the equity method	491	38
Total other comprehensive income	20,681	8,526
Comprehensive income	31,306	24,888
Comprehensive income attributable to:		
Shareholders of the parent	30,184	24,658
Non-controlling interests	1,121	229

(3) Semi-Annual Consolidated Statements of Cash Flows

Six-month periods ended September 30, 2024 and 2023

(Millions of yen)

	Six-month period ended September 30, 2023 (April 1, 2023 - September 30, 2023)	Six-month period ended September 30, 2024 (April 1, 2024 - September 30, 2024)
Operating activities		
Income before income taxes	14,881	23,004
Depreciation and amortization other than amortization of goodwill	6,662	7,624
Amortization of goodwill	1,288	1,363
Subsidy income	(500)	(257)
Share of gain of entities accounted for using equity method	(217)	(449)
Loss on discontinued operations	—	229
Increase (decrease) in retirement benefit liability	501	(1,501)
Decrease (increase) in retirement benefit asset	246	(1,674)
Interest and dividend income	(908)	(1,399)
Interest expenses	1,924	1,935
Exchange gain (loss), net	(1,314)	634
Gain on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(902)	(2,771)
(Increase) decrease in notes and accounts receivable	(11,599)	5,459
Decrease (increase) in inventories	24,901	(6,003)
Increase (decrease) in notes and accounts payable	10,002	(8,328)
Other	(2,054)	940
Subtotal	42,910	18,805
Interest and dividends received	1,024	1,751
Interest paid	(2,040)	(2,009)
Proceeds from subsidy income	500	257
Income taxes paid	(4,161)	(6,841)
Net cash provided by operating activities	38,232	11,964
Investing activities		
Purchases of property, plant and equipment	(4,947)	(6,589)
Proceeds from sales of property, plant and equipment	93	639
Purchases of intangible fixed assets	(2,438)	(605)
Purchases of investments in securities	(394)	(451)
Proceeds from sales of investments in securities	1,604	3,279
Purchases of investments in capital	(202)	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	(244)	—
(Increase) decrease in short-term loans receivable included in other current assets	(245)	229
Decrease (increase) in time deposits, net	322	(6,242)
Other	40	(1,128)
Net cash used in investing activities	(6,411)	(10,869)
Financing activities		
(Decrease) increase in short-term loans, net	(16,269)	2,240
Decrease in commercial paper, net	(2,000)	(3,000)
Proceeds from long-term loans	—	7,000
Repayments of long-term loans	(17)	(1,920)
Purchase of treasury stock	(6,677)	(9,481)
Cash dividends paid	(4,696)	(4,562)
Cash dividends paid to non-controlling interests	(603)	(474)
Payments for purchases of shares of subsidiaries not resulting in change in scope of consolidation	(6,002)	—
Other	(422)	(880)
Net cash used in financing activities	(36,689)	(11,077)

(Millions of yen)

	Six-month period ended September 30, 2023 (April 1, 2023 - September 30, 2023)	Six-month period ended September 30, 2024 (April 1, 2024 - September 30, 2024)
Effects of exchange rate changes on cash and cash equivalents	5,082	(972)
Net increase (decrease) in cash and cash equivalents	213	(10,955)
Cash and cash equivalents at beginning of the year	40,331	59,185
Cash and cash equivalents at end of the period	40,545	48,230

(4) Notes Related to Semi-Annual Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Changes in the scope of consolidation and application of the equity method)

Major changes in the scope of consolidation

(Decrease)

・Nagase Specialty Materials NA LLC (dissolved in an absorption-type merger, in which consolidated subsidiary Nagase America LLC was the surviving company, on April 1, 2024)

(Change in Accounting Policy)

(Application of Accounting Standard for Current Income Taxes)

The Company adopted the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; "Revised Accounting Standard 2022") beginning with the first half of the current consolidated fiscal year.

We recorded revisions related to the classification of income taxes (taxes on other comprehensive income) in accordance with the transitional treatment provided in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the proviso of Paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; "Revised Guidance 2022"). This change in accounting policy has no impact on our semi-annual consolidated financial statements.

At the start of the first half of the current consolidated fiscal year, the Company adopted Revised Guidance 2022 to revise the treatment in the consolidated financial statements when tax deferrals are applied for gains or losses on the sale of subsidiary company shares, etc., between consolidated companies. We applied this change in accounting policy retrospectively, and we prepared semi-annual and year-end consolidated financial statements for the previous year on a retrospective basis. Deferred tax assets or liabilities are recorded on the financial statements of the company selling shares of the subsidiary in question for temporary differences related to gains or losses on the sale in question when recording the tax effects in cases where the gain or loss on the sale of subsidiary company shares, etc., between consolidated companies is deferred for tax purposes. In this case, we decided to reverse the deferred tax assets or deferred tax liabilities related to the temporary difference in question, rather than the past treatment in which the amount of deferred tax assets or deferred tax liabilities related to the temporary difference in question was not adjusted in the consolidated financial statements. This change in accounting policy has no impact on our interim consolidated financial statements.

(Significant Fluctuations in Shareholders' Equity)

Following a resolution by the Company's board of directors at a meeting held May 8, 2024, the Company acquired 3,049,600 shares of treasury stock in the first half of the current consolidated fiscal year, resulting in a ¥9,464 million increase in treasury stock. The Company also cancelled 3,000,000 shares of treasury stock on May 31, 2024, pursuant to a resolution by the Company's board of directors at a meeting held on the same date, resulting in a ¥6,951 million decrease in retained earnings and treasury stock.

As a result, retained earnings amounted to ¥307,792 million and treasury stock holdings amounted to ¥12,043 million as of the end of the interim consolidated period.

(Special Accounting Treatment Applied in the Preparation of Interim Consolidated Financial Statements)

(Calculation of Tax Expenses)

Tax expenses are calculated by rationally estimating an effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, including the current interim period, and multiplying profit before income taxes for the interim period by the estimated effective tax rate.

In the event that the calculated tax expenses using this estimated effective tax rate lead to significantly unreasonable results, this shall be calculated by multiplying the statutory effective tax rate after adjusting significant non-temporary differences by the profit before income taxes.

Deferred income taxes are included in income tax.

(Additional Information)

(Stock-Based Compensation Plan)

Effective as of March 2023, the Company has adopted a stock-based compensation plan (“Plan”) for directors (excluding outside directors) and executive officers (collectively, “Eligible Individuals”). The purpose of the Plan is to establish a clear link between compensation for Eligible Individuals and Company performance and share value, as well as for Eligible Individuals to share the benefits and risks associated with fluctuations in NAGASE share price with shareholders. In this way, the NAGASE Group intends to raise awareness about contributing to improved business performance and increased corporate value over the medium to long term.

(1) Overview

The Plan is a stock-based compensation plan under which a trust ("Trust") established by monetary contribution from the Company acquires Company shares. The Company grants points to each Eligible Individual, and the Trust delivers the number of Company shares equivalent to the points earned by each Eligible Individual. In principle, said delivery is made at the time of the retirement the Eligible Individual.

(2) Company shares remaining in the Trust

Company shares remaining in the Trust are recorded as treasury stock under net assets in the balance sheet based on the carrying value in the Trust (excluding incidental expenses). The carrying value and number of said treasury stock amounted to ¥612 million and 288,500 shares at the end of the previous fiscal year and ¥599 million and 282,400 shares at the end of the six-month period ended September 30, 2024.

(Segment Information, etc.)

a. Segment Information

I Six-month period ended September 30, 2023 (consolidated)

1. Information related to net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments						Others (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	Consolidated (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total					
Net sales											
Sales to customers	72,168	102,221	71,211	64,907	139,691	450,199	0	450,199	—	—	450,199
Intersegment sales/transfers	577	337	1,760	1,533	361	4,570	3,841	8,411	—	(8,411)	—
Total	72,746	102,558	72,972	66,440	140,052	454,769	3,841	458,611	—	(8,411)	450,199
Segment income (loss)	2,460	2,555	4,233	1,702	4,057	15,009	135	15,145	(921)	259	14,483

(Note) 1. "Others" is a business segment consisting of businesses not included in Reportable Segments, and includes information processing services and professional services.

2. Corporate segment income (loss) represents expenses not allocated to Reportable Segments or Others.

3. Adjustments are eliminations of intersegment transactions.

4. The sum of segment income (loss) Total, Corporate, and Adjustments is equivalent to operating income as presented in "Consolidated".

II Six-month period ended September 30, 2024 (consolidated)

1. Information related to net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments						Others (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	Consolidated (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total					
Net sales											
Sales to customers	79,416	108,202	79,938	66,015	147,350	480,923	52	480,976	—	—	480,976
Intersegment sales/transfers	572	392	1,048	1,084	247	3,344	3,421	6,766	—	(6,766)	—
Total	79,988	108,594	80,986	67,100	147,597	484,268	3,473	487,742	—	(6,766)	480,976
Segment income	5,423	3,538	5,981	2,272	1,974	19,190	177	19,368	1,178	506	21,054

(Note) 1. "Others" is a business segment consisting of businesses not included in Reportable Segments, and includes information processing services and professional services.

2. Corporate segment income represents gains and losses not allocated to Reportable Segments or Others.

3. Adjustments are eliminations of intersegment transactions.

4. The sum of segment income Total, Corporate, and Adjustments is equivalent to operating income as presented in "Consolidated".

2. Matters Related to Changes in Reportable Segment

(Change in Business Segments)

On October 1, 2023, the Company integrated its original 11 business departments into 7 to streamline business operations by expanding the scale and functions of each department. The integration of business departments resulted in the following changes to business segments.

The Color & Advanced Processing Department of the Advanced Materials & Processing segment was abolished and integrated into the Performance Chemicals Department of the Functional Materials segment, and the Polymers Global Account Department of the Advanced Materials & Processing segment.

Segment information for the first half of the previous consolidated fiscal year reflects this reclassification.

The following describes the major products and services handled by each reportable segment.

The Functional Materials segment is engaged in the sales of paints/inks, dyestuffs, pigments, additives, processed pigments, dispersing elements, functional pigments, thermal paper materials, toner and inkjet materials, materials for adhesives, urethane materials and auxiliary materials, plastic materials, plastic additives, industrial oil solutions, water processing raw materials, surfactant raw materials, fluorochemicals, encapsulant materials, 5G materials, silicone materials, environmental solutions and environment-related commercial products, sintered metal filters, conductive coatings, and more for the paints/inks, dye/additive, resins, urethane foam, organic synthesis, surfactants, electronics chemicals, digital print processing materials, communications equipment, water processing, metal processing, plastic and film processing, stationery, functional film and sheet, hygiene materials, and other industries.

The Advanced Materials & Processing Segment is engaged in the sales of thermoplastic resins, thermosetting resins, plastics products, resin molding tools/dies, and more for the plastic compounds, masterbatch, raw resin material, resin molding, appliance and office automation device, electronics, packaging material, daily commodities, household goods, construction material, and other industries.

The Electronics & Energy Segment is engaged in the sales of formulated epoxy resins, fluorine products, precision abrasives, semiconductor assembly materials and devices, adhesives and encapsulant materials, display panel components and devices, chemical management equipment for display manufacturing processes, low-temperature/vacuum equipment, liquid state analysis equipment, LEDs, 3D printing products, solar panels, and other products for the semiconductor, electronic component, AR/VR, environmental energy, 3D printing, heavy electrical and light electrical, HDD, automotive and aircraft, display, touch panel, housing, lighting, renewable energy, large-scale commercial facility, and other industries.

The Mobility Segment is engaged in the sales of plastic products in general, materials for secondary batteries, interior and exterior materials, materials for functional components, products for electrification, sensor components, in-vehicle electronics products, in-vehicle display-related components, self-driving-related products, and other products for the overall mobility industry and related industries.

The Life & Healthcare segment is engaged in the sale of pharmaceutical/agricultural chemicals and materials, research products, in vitro diagnostics, enzymes, food additives, food ingredients, sports nutrition products, nutrient premixes, additives for cosmetics, feeds, surfactants, and medical appliances for the pharmaceutical, food and beverage, cosmetics, agricultural, toiletries, and health care, and other industries. The segment offers radiation measurement and sleep measurement as one of its main services. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

(Change in Measurement Method for Segment Income (Loss))

As of the first half of the current consolidated fiscal year, we changed the method of allocating corporate expenses to more appropriately reflect the performance of reportable segments. Segment information in the table above for the first half of the previous consolidated fiscal year is based on the allocation method after the change.

(Significant Subsequent Events)

(Issuance of Corporate Bonds)

The Company's board of directors passed a comprehensive resolution on October 17, 2024, regarding the issuance of domestic unsecured straight bonds.

(1) Total amount	20,000 million yen (multiple bond offerings may be made up to this amount)
(2) Planned issuance period	November 1, 2024 to March 31, 2025
(3) Interest rate	Yield of Japanese Government Bonds corresponding to the redemption period + 1.0% or less
(4) Amount to be paid	100 yen or more per 100 yen of the amount of each bond
(5) Redemption period	Within 10 years
(6) Redemption method	Lump-sum redemption upon maturity
(7) Use of funds	For equipment, working capital, repayment of loans, bond redemption, and investment in or financing of affiliated companies

(Repurchase of Own Shares)

At a meeting held on November 6, 2024, the Company's board of directors resolved to repurchase its own shares based on the provisions of Article 156 of the Companies Act, applied mutatis mutandis to Article 165, Paragraph 3 of the same Act.

(1) Reasons for the repurchase of own shares

The Company's board of directors, at a meeting held on May 8, 2024, made a resolution to change Shareholder Returns Policy in Medium-Term Management Plan **ACE 2.0**. and to implement a total payout ratio of 100% as a limited measure for the two years until the final year of **ACE 2.0**. Pursuant to this policy, the Company will repurchase its own shares.

(2) Details of the shares to be repurchased

a. Class of shares to be repurchased	Common shares
b. Total number of shares that may be repurchased	3,000,000 shares (maximum) (Equivalent to 2.71% of outstanding shares, excluding treasury stock)
c. Total value of shares that may be repurchased	7 billion yen (maximum)
d. Repurchase period	From November 7, 2024 to December 31, 2024
e. Repurchase method	Market purchases, including Off-Auction Own Share Repurchase Trading System (ToSTNeT-3)

Reference: Treasury shares held as of October 31, 2024

Total number of shares issued (excluding treasury shares)	110,835,908 shares
Total number of treasury shares	4,072,377 shares

(*) The number of treasury shares as of October 31, 2024 does not include 282,400 Company shares held by the Stock-Granting Trust for Directors.