

November 21, 2023

To Whom It May Concern:

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**Notice Regarding Revision of Director Compensation/
Addition of ESG Evaluation Indicators for Performance-Linked Compensation**

At a meeting held November 21, 2023, NAGASE & CO., LTD. (“NAGASE” or the “Company”) Board of Directors resolved to revise performance-linked indicators related to performance-linked compensation for directors. The Board of Directors also resolved to add ESG-related indicators to the performance-linked indicators beginning fiscal 2024.

1. Purpose of adding ESG-related indicators

We believe that our value proposition and strength lies in our ability to contribute to manufacturing issues through materials. We recognize that our contribution to solving social issues is becoming even more important in a world that is changing at an unprecedented pace. The concept of *trade-off*, in which social value and economic value are incompatible, has given way to an era of *trade-on*, in which economic value presumes considerations for society and, in particular, the environment. To strengthen the link between sustainability-related initiatives and director compensation, we have added ESG-related indicators to performance-linked indicators.

2. Overview of ESG-related indicators

We will establish three evaluation indicators: employee engagement, carbon neutrality, and evaluations by third-party evaluation organizations. Employee engagement and carbon neutrality are non-financial targets in our Medium-Term Management Plan **ACE 2.0**. We intend to improve sustainability efforts further by linking management strategy and director compensation. We will select the most appropriate evaluation indicators and establish KPIs according to the status of important issues and materialities.

3. Composition of director compensation after the change

This change modifies the evaluation indicators for performance-linked compensation. There will be no change in the total amount of compensation or the composition ratio of each type of compensation. The Company's basic policy for the ratio of each type of compensation is as follows, assuming 100% of the performance-linked targets are achieved:
Fixed compensation (monetary; 50%-70%) : performance-linked compensation, etc. (monetary; 25%-40%) :
performance-linked compensation, etc. (non-monetary; 5%-10%)

Type of compensation				Performance-linked indicators (KPIs)	Composition
Basic compensation	Fixed	-	Monetary	-	50-70%
Performance-linked compensation	Variable	Short-term	Monetary	Net income (vs. plan), individual assessment	25-40%
				Net income (YoY), individual assessment	
		ESG-related indicators*			
		Medium-term	Stock	ROE	5-10%

*ESG-related indicators (Note)

- i. Employee engagement
- ii. Carbon neutrality
- iii. Third-party evaluations

(Note) Appropriate evaluation indicators will be set according to the status of important issues and materialities.

End